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Sapphire Textile Mills Limited

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Company Profile

Board Of Directors

Chairman	: Mr. Mohammad Abdullah
Chief Executive	: Mr. Nadeem Abdullah
Director	: Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Shayan Abdullah Mr. Nadeem Karamat (Independent Director)

Audit Committee

Chairman	: Mr. Yousuf Abdullah
Member	: Mr. Amer Abdullah
Member	: Mr. Nadeem Karamat

Human Resource & Remuneration Committee

Chairman	: Mr. Amer Abdullah
Member	: Mr. Yousuf Abdullah
Member	: Mr. Nabeel Abdullah

Chief Financial Officer	: Mr. Abdul Sattar
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Secretary	: Mr. Zeeshan
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Auditors	: Mushtaq & Company, Chartered Accountants
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Tax Consultants	: Mushtaq & Company, Chartered Accountants
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Legal Advisor	: A. K. Brohi & Company
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Bankers	: Allied Bank Limited, Habib Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited, Bank Alfalah Limited, Bank Al Habib Ltd.
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Share Registrar	: Hameed Majeed Associates (Pvt.) Ltd.
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Registered Office	: 212, Cotton Exchange Building, I. I. Chundrigar Road, Karachi.
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Mills	: S. I. T. E. Kotri, S. I. T. E. Nooriabad, Chunian, District Kasur Feroze Watwan, Bhopattian, Lahore.
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Vision

To be one of the premier textile company recognized for leadership in technology, flexibility, responsiveness and quality.

Our customers will share in our success through innovative manufacturing, certifiable quality, exceptional services and creative alliances. Structured to maintain in depth competence and knowledge about our business , our customers and worldwide markets.

Our workforce will be the most efficient in industry through multiple skill learning, the fostering of learning and the fostering of teamwork and the security of the safest work environment possible recognised as excellent citizen in the local and regional community through our financial and human resources support and our sensitivity to the environment.

Mission

Our mission is to be recognised as premier supplier to the markets we serve by providing quality yarns, fabrics and other textile products to satisfy the needs of our customers.

Our mission will be accomplished through excellence in customer service, sales and manufacturing supported by teamwork of all associates.

We will continue our tradition of honesty, fairness and integrity in relationship with our customers, associates, shareholders, community and stakeholders.

Notice of Annual General Meeting

Notice is hereby given that 49th Annual General Meeting of Sapphire Textile Mills Limited will be held on Tuesday, October 24, 2017 at the Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi at 03:30 p.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of last General Meeting.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended 30th June, 2017.
3. To approve and declare the final dividend.
4. To appoint auditors for the year ending 30th June 2018 and fix their remuneration. The present Auditors, M/s Mushtaq & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi
Dated: September 28, 2017

Zeeshan
Company Secretary

NOTE

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18th October, 2017 to 24th October, 2017 (both days inclusive). Transfers received in order, by the Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, up to 17th October, 2017, will be considered in time for the payment of dividend.

2. Participation in the annual general meeting:

A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.

3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 212, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

4. Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For attending the meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

Notice of Annual General Meeting

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2012 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. The Companies Act, 2017, which was promulgated on May 30, 2017 through its section 242 requires that in case of a listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Through this notice all shareholders of the company are requested to update their bank accounts details in the Central Depository System through respective participants. In case of physical shareholder, please provide bank accounts details to our Share Registrar M/s. Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
8. Section 244 of the Companies Act, 2017 requires that any shares that remained unclaimed for a period of three years (or more) as well as any dividend which remained unpaid for period of three years (or more) are to vest with the Federal Government. The law requires the company to deposit any unclaimed or unpaid amount to the credit of the Federal Government, if no claim is made before the company after giving due notices to the shareholders. Through this notice all Shareholders, who by any reason, could not claim their dividend or shares, are advised to contact our Share Registrar M/s. Hameed Majeed Associates (Private) Limited to collect / enquire about their unclaimed dividend or pending shares, if any.
9. (I) Pursuant to the provisions of the Finance Act, 2017 effective July 1, 2017 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of tax deduction for filer of income tax return 15%
 2. Rate of tax deduction for non-filers of income tax return 20%
- To enable the Company to make tax deduction on the amount of cash dividend @ 15 % instead of 20%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.
- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

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

Notice of Annual General Meeting

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

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

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

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

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

Signature of Member

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

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Sapphire Wind Power Company (SWPCL) Limited 17 th February, 2014 & subsequently amended on 26 th Oct, 2015	Collateral/security as may be required by the issuing bank to issue an SBLC up to the PKR equivalent of approximately USD 10 Million in order to secure certain obligations of SWPCL	SBLC = USD 2.73 million	This amount was amended in AGM held on 26 th Oct, 2015 in order to secure the obligation of SWPCL in relation to the required balance of the Debt Service Reserve
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	By way of subscription in ordinary shares of PKR 10 (Pakistani Rupees Ten) each of TBCCPL the PKR equivalent of up to USD 46.5 Million from time to time over a period of two years.	Investment = USD 45.243 Million	STML has fully subscribed its share in accordance with the Sponsor Support Agreement signed between the Sponsors.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	Security / collateral as may be required by the issuing banks in order for the same to issue standby letters of credit together with any replacement standby letters of credit in order to secure the equity amount up to USD 16.3 Million (United States Dollars Sixteen Million Three Hundred Thousand);	Nil	STML has fully subscribed its share of equity (57.125%) upfront before Financial Close.

Notice of Annual General Meeting

Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	Security/ collateral as may be required by the issuing banks to issue an standby letter of credit (SBLC) for an amount of USD 5.25 Million in order to secure certain obligations of TBCCPL	SBLC = USD 5.222 million	This amount was approved in the EOGM passed on 27 th March, 2017 in relation to issuance of Energy Purchase Agreement SBLC in favor of CPPA (G) Ltd.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	Security / collateral as may be required by the issuing banks in order for the same to issue debt service reserve standby letters of credit together with any replacement standby letters of credit in order to secure the amount up -to USD 24 Million (United States Dollars Twenty Four Million);	Nil	This amount was approved in the EOGM Dated 27 th March, 2017 and is in the process of implementation as and when required.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	Security / collateral as may be required by the issuing banks in order for the same to issue excess debt standby letters of credit together with any replacement standby letters of credit in order to secure the amount up -to USD 15 Million (United States Dollars Fifteen Million); and	Nil	This amount was approved in the EOGM Dated 27 th March, 2017 and is in the process of implementation as and when required
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	To invest by way of loans and advances of up -to the PKR equivalent of USD 11.3 Million (United States Dollars Eleven Million Three Hundred Thousand) for a period of up-to five (5) years from the commercial operations date of the last of the three (approximately) 150MW wind power P roject, and to arrange and deliver: (i) standby letters of credit together with any replacement standby letters of credit in order to secure the Available Contingency Commitment Amount, in favour of the agent/security trustee	SBLC = USD 11.3 Million	This amount of loan was approved in the EOGM Dated 27 th March, 2017 and is in the process of implementation as and when required

Material Changes in Financial Statements of Associated Company

Sapphire Wind Power Company Limited

The Company is 70% owned by Sapphire Textile Mills Ltd and 30% by Bank Alfalah Limited. The Company has set up wind power station of 52.80 MW at Jhimpir which have started Commercial production and is yielding satisfactory results.

TriconBoston Consulting Corporation (Private) Limited

The Company has achieved its Financial Close ('FC') as at May 10, 2017 and duly executed all the transaction documents with Supplier, lenders and Govt. Institutions. TBCCPL has executed EPC contracts with Hydrochina Corporation, China and 10 years O&M contracts with GE. The company has signed the transaction documents with its lenders i.e. International Finance Corporation (IFC), Islamic Development Bank (ISDB), Asian Development Bank (ADB) and DEG under which lenders has committed to provide 75% debt for a project. The company has started the Construction activities aggressively in order to complete the project within the timeline. TBCCPL team is actively engaged with all stakeholders and aim to achieve Commercial Operation Date within the stipulated time period.

Directors' Report to the Shareholders

The Directors of the Company have pleasure in submitting their Report together with the audited financial statements of the Company for the year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

	Rupees in Thousand	
	2017	2016
Sales & Services	25,583,975	23,110,564
Gross Profit	2,677,818	2,562,574
Profit from Operations	3,944,310	2,609,779
Other Income	2,917,232	1,378,442
Profit before taxation	2,975,364	1,736,720
Profit after taxation	2,721,747	1,448,214

Review of Operations

During the year under review the Company achieved sales of Rs.25.584 billion as compared to Rs.23.111 billion in the corresponding year. The Gross profit as a percentage of sales stood at 10.47 % as compared to 11.09 % last year. Other income during the year increased to Rs.2.917 billion as against Rs. 1.378 billion in the previous year, mainly due to increase in gain on sales of investments. The Profit before tax is Rs.2.975 billion compared to Rs. 1.737 billion in the corresponding year.

Pakistan's textile industry has been under pressure to compete internationally due to high raw cotton prices domestically, because of lower size of cotton crop in Pakistan as well as high price of inputs particularly energy. In spite of this the management is making all efforts to reduce cost and improve efficiencies.

The management also with the approval of the BOD, decided to temporarily close the open-end manufacturing facility at Nooriabad. This unit has been not financially viable.

	Rupees In Thousand
Profit Before Taxation	2,975,364
Less: Taxation	
For the year	(298,606)
Prior year	8,771
Deferred	36,218
	(253,617)
Profit after taxation	2,721,747
Gain on remeasurement of staff retirement benefits - net of tax	6,840
Add: Unappropriated profit brought forward	9,915,861
	12,644,448
Appropriations	
Final dividend for the year ended June 30, 2016 (140% i.e Rs.14 per share)	(281,164)
Interim dividend for the year ended June 30, 2017 (140% i.e Rs.14 per share)	(281,164)
Unappropriated Profit Carried Forward	12,082,120

Directors' Report to the Shareholders

Earnings Per Share

The earnings per share for the year ended June 30, 2017 is Rs. 135.52 as compared to Rs. 72.11 for last year ended June 30, 2016.

Dividend

The Board of Directors of the company have recommended to treat interim dividend already paid @ 140% i.e. Rs. 14 as final dividend for the year ended June 30, 2017 (2016: 140%).

Future Prospects

The management is optimistic about the coming cotton crop. In addition, continue of the duty draw back scheme is imperative for the industry to be able to compete internationally. The company has invested heavily in value addition and hopes these efforts will yield long term positive results. In addition, investments in subsidiary companies are expected to pay out dividends in coming years which will add to profitability of the company.

Subsidiaries of Sapphire Textile Mills Limited

There are seven (7) subsidiaries out of which five (5) are 100% equity owned by Sapphire Textile Mills Limited. The brief of each subsidiary is as follows:

1. Sapphire Home Incorporation

Sapphire Home was incorporated as 100% subsidiary of the company to enable local duty paid deliveries to customers in USA. A number of contracts were executed through this company. However, lately we are shipping directly to the customers and this company become dormant and shareholders have approved resolution to close the company, as such company has been closed down.

2. Sapphire Retail Limited

Sapphire Retail Limited is a wholly owned subsidiary of Sapphire Textile Mills Limited. The principal business of subsidiary is to operate "Sapphire brand" retail outlets for sale of textile and other products. The company has opened (15) fifteen outlets in different parts of Pakistan and is building its brand.

Business Diversification

For the purpose of Business Diversification and to meet shortage of electricity in the country the Company has decided to invest in Renewable Energy sector and as such has established the following five (5) subsidiaries:

3. Sapphire Wind Power Company Limited

The Company is 70% owned by Sapphire Textile Mills Ltd and 30% by Bank Alfalah Limited. The Company has set up a wind farm with capacity of 52.80 MW at Jhimpir which started Commercial operations in Nov 2015 – the project is operating following best industry practice and is yielding satisfactory results.

4. Tricon Boston Consulting Corporation (Private) Limited

TriconBoston Consulting Corporation (Pvt.) Limited is incorporated under the laws of Pakistan and holds 3 LOIs for setting up and operating 3 x 50 MW Wind Energy Projects in Jamphir Sindh. The project company has awarded the EPC contracts and is following an aggressive development plan for its three projects which achieved FC on May 10, 2017. The Projects are currently under construction; import of equipment is expected to commence in October 2017 and it is planned to achieve COD of these 3 projects within 15 Months.

5. Sapphire Tech (Pvt.) Limited

Sapphire Tech (Private) Limited is incorporated under Companies Ordinance, 1984. The subsidiary is established to setup electric power generation project and sell electric power. It is 100% equity owned. The shareholders of the holding company have approved to liquidate or sell the company in annual general meeting held on October 26, 2015. The management is in the process of evaluating best option in light of above resolution.

Directors' Report to the Shareholders

6. Sapphire Solar (Private) Limited

Sapphire Solar (Private) Limited is wholly owned subsidiary of Sapphire Textile Mills Limited. The LOI from Alternative Energy Development Board to set up an IPP, solar energy Project of 10 MW has been cancelled. It is 100% equity owned. The shareholders of the holding company have approved to liquidate or sell the company in annual general meeting held on October 26, 2015. The management is in the process of evaluating best option in light of above resolution.

7. Sapphire Renewables Limited

Sapphire Renewables Limited, is wholly owned subsidiary of Sapphire Textile Mills Limited, incorporated on May 30, 2016. The main business of the company is to make investment in Renewable Energy Projects. The company has obtained certificate of commencement of business on August 19, 2016.

Board of Directors

The Board of Directors comprises of eight (8) Directors.

During the Year Five (5) meetings of the Board of Directors were held. The number of meetings attended by each Director is given hereunder:

Name	No of Meetings
Mr. Mohammad Abdullah	5
Mr. Shahid Abdullah	3
Mr. Nadeem Abdullah	5
Mr. Amer Abdullah	4
Mr. Yousuf Abdullah	4
Mr. Nabeel Abdullah	3
Mr. Shayan Abdullah	5
Mr. Nadeem Karamat	5

Audit Committee

The Audit Committee held Four (4) meetings during the year. Attendance by each member was as follows:

Name	No of Meetings
Mr. Amer Abdullah	3
Mr. Yousuf Abdullah	3
Mr. Nabeel Abdullah	1 (*)
Mr. Nadeem Karamat	4

(*) Mr. Nabeel Abdullah has resigned from the Audit Committee.

Human Resource & Remuneration Committee

The Board of Directors of the Company in compliance to the Code of Corporate Governance has formed a Human Resource & Remuneration Committee and four (4) meetings were held during the year.

Statement on Corporate and Financial Reporting Frame Work

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies ordinance, 1984. These present fairly its state of affairs, the result of its operations, its cash flows and its changes in equity.

Directors' Report to the Shareholders

- b) The company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control, which was in place, is being continuously reviewed by the internal audit and has been effectively implemented. The process of review and monitoring continues with the object to improve it further.
- f) All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same are disclosed as contingent liabilities in the notes to the accounts.
- g) There are no doubts about the company's ability to continue as a going concern.
- h) There has been no material departure from the best practice of Corporate Governance, as required by the listing regulations.
- i) The key operating and financial data and key ratios of six years are annexed.
- j) The Company established Management Staff Gratuity Fund from July 1, 2005 which is initially for the Head office and will gradually be applicable to the other units/mills of the Company. The company has also introduced Employees' Provident Fund for the staff from July 1, 2006. The persons who join the Provident Fund will not be eligible for Gratuity Fund. Provision has been made in the accounts accordingly. The value of investment of Gratuity Fund and Provident Fund as on June 30, 2017 amounted to Rs.21.173million and Rs.196.051 million respectively.
- k) No trading in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief financial Officer, Company Secretary, their spouses and minor children.

Code of Conduct

The code of conduct has been developed and has been communicated and acknowledged by each Director and Employee of the company.

Related Party Transactions

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchange in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

Corporate Environment, Health & Social Responsibility

The Company maintains working conditions which are safe and without risk to the health of all employees and public at large. Our focus remains on improving all aspects of safety especially with regards to the safe, production, delivery, storage and handling of the materials. Your company always ensures environment preservation and adopts all possible means for environment protection.

We maintain our commitment to raise the educational, health and environment standards of the community & made generous donations for health, education and social welfare projects.

Auditors

The present Auditors, M/s. Mushtaq & Company (Chartered Accountants) retire and being eligible, offers themselves for re-appointment for the year 2017-2018. Audit Committee and Board of Directors have also recommended their appointment as Auditor for the year ending June 30, 2018.

Directors' Report to the Shareholders

Pattern of Shareholding

The Pattern of shareholding of the company as at June 30, 2017 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

Subsequent Events

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

Acknowledgment

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

On behalf of the Board

Karachi
Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

ڈائریکٹر پورٹ برائے حصص یافتگان

آڈیٹرز

موجودہ آڈیٹرز میسرز مشتاق اینڈ کمپنی (چارٹرڈ اکاؤنٹینٹس) سبکدوش ہو گئے ہیں اور اہلیت کی بنیاد پر 18-2017ء کیلئے دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے بھی 30 جون 2018ء کو مکمل ہونیوالے سال کیلئے انکے تقرری سفارش کی ہے۔

شیر ہولڈنگ کا طریقہ کار

30 جون 2017ء کو کمپنی کی شیر ہولڈنگ کا طریقہ کار منسلک ہذا ہے۔ یہ گوشوارہ کوڈ آف کارپوریٹ گورننس اور کمپنیز آرڈیننس مجریہ 1984ء کے مطابق تیار کیا گیا ہے۔

بعد کے واقعات

مالی سال کے اختتام کے دوران اور رپورٹ ہذا کی تاریخ تک کمپنی کی مالی حالت میں کوئی بڑی تبدیلی یا معاہدے ظہور میں نہیں آئے۔

شکرگزاری

مینجمنٹ بورڈ آف ڈائریکٹرز ریگولیٹری اتھارٹی، شیر ہولڈرز، صارفین، مالیاتی اداروں، سپلائرز کے تعاون اور عملہ اور ورکرز کی بے لوث خدمات کو سراہتے ہوئے ریکارڈ میں درج کرنا چاہتی ہے۔

منجانب بورڈ

ندیم عبداللہ
چیف ایگزیکٹو

کراچی۔

مورخہ 28 ستمبر 2017ء

ڈائریکٹر پورٹ برائے حصص یافتگان

- (۶) ٹیکس، ڈیوٹیوں، واجبات کی مد میں ادائیگی کے ضمن میں تمام واجب الادا رقم مکمل طور پر فراہم کر دی گئی ہیں اور جلد ادا کر دی جائیں گی یا جہاں طلب نہیں کی گئی ہے وہاں کٹوتی کر کے اکاؤنٹس کے نوٹس میں عارضی ادائیگیوں میں ظاہر کر دی گئی ہیں۔
- (۷) کمپنی کے برقرار رہنے اور مسلسل کام کرنے کی اہلیت میں کوئی شبہ نہیں۔
- (۸) لسٹنگ ریگولیشنز کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی مادی روانگی (Material Departure) عمل میں نہیں آئی ہے۔
- (۹) چھ سال کا فنانشل ڈیٹا، خاص آپریٹنگ اور خاص ریشوز منسلک ہذا ہیں۔
- (۱۰) کمپنی نے یکم جولائی 2005ء سے مینجمنٹ اسٹاف گریجویٹ فنڈ قائم کر دیا ہے جو ابتداء ہیڈ آفس کیلئے ہے اور بتدریج کمپنی کے دیگر یونٹوں/ملوں میں نافذ العمل ہوگا۔ کمپنی نے یکم جولائی 2006ء سے عملہ کیلئے ایمپلائز پراویڈنٹ فنڈ بھی متعارف کرا دیا ہے۔ پراویڈنٹ فنڈ میں شمولیت کرنے والے افراد گریجویٹ فنڈ کے اہل نہ ہوں گے اور اس کی پرویزن اکاؤنٹس میں ڈال دی گئی ہے۔ گریجویٹ فنڈ اور پراویڈنٹ فنڈ میں سرمایہ کاری کی مالیت 30 جون 2017ء کو بالترتیب 21.173 ملین روپے اور 196.051 ملین روپے تک ہو گئی تھی۔
- (۱۱) ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، ان کے اہل خانہ اور نابالغ بچوں نے کمپنی کے حصص کا کوئی کاروبار نہیں کیا۔
- کوڈ آف کنڈکٹ (ضابطہ اخلاق)**
- کوڈ آف کنڈکٹ عمل میں لایا گیا اور کمپنی کے ہر ڈائریکٹر اور ملازمین سے تسلیم کرایا گیا۔
- ریلیٹیڈ پارٹی ٹرانزیکشنز**
- کمپنی نے اسٹاک ایکس چینج آف پاکستان کے لسٹنگ ریگولیشن میں درج منتقلی کے اخراجات پر عمدہ عملدرآمد کے ساتھ تعمیل کی ہے۔ ریلیٹیڈ پارٹیوں کے ساتھ ٹرانزیکشنز آرم لینتھ، بلاکنٹرول قیمتوں کے طریقہ کار کے مقابلہ میں طے شدہ قابل قبول نرخوں پر کئے گئے۔
- کارپوریٹ ماحول، صحت اور سماجی ذمہ داریاں**
- کمپنی نے کام کی صورتحال ایسی رکھی ہے جو تمام ملازمین اور بڑے پیمانہ پر عوام کیلئے محفوظ اور صحت کے خدشہ سے پاک ہے ہماری پوری توجہ تمام پہلوؤں کو بہتر بنانے پر مرکوز ہے خصوصاً تحفظ، پروڈکشن، ڈیلیوری، اسٹوریج اور سامان کی نقل و حمل میں تحفظ کے ضمن میں۔ آپ کی کمپنی ہمیشہ ماحول کے تحفظ اور ماحولیاتی تحفظ کیلئے تمام ممکنہ اقدامات اختیار کرنے کو یقینی بناتی ہے۔ ہم تعلیم، صحت اور کمیونٹی کے ماحولیاتی معیار کو بلند کرنے کا عزم رکھتے ہیں اور صحت، تعلیم اور سماجی بہبود کے منصوبوں کیلئے عطیات دیتے ہیں۔

ڈائریکٹر پورٹ برائے حصص یافتگان

آڈٹ کمیٹی

سال رواں کے دوران آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ فی ممبر شرکت کی تفصیل حسب ذیل ہے:

نام	اجلاس کی تعداد
جناب عامر عبداللہ	3
جناب یوسف عبداللہ	3
جناب نبیل عبداللہ	1(*)
جناب ندیم کرامت	4

(*) جناب نبیل عبداللہ آڈٹ کمیٹی سے استعفیٰ دے چکے ہیں۔

افراد قوت اور مشاہیرہ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے ایک افرادی قوت و مشاہیرہ کمیٹی تشکیل دی ہے جس کی سال رواں کے دوران چار (4) اجلاس منعقد ہوئے ہیں۔

کارپوریٹ و فنانشل رپورٹنگ فریم ورک پر گوشوارہ

بورڈ آف ڈائریکٹرز کمپنی مقررہ مدت میں کمپنی کی حکمت عملی کا جائزہ لیتا ہے۔ بزنس پلان اور ہدف چیف ایگزیکٹو طے کرتے ہیں اور بورڈ جائزہ لیتا ہے۔ بورڈ نے اعلیٰ درجہ کی کارپوریٹ گورننس قائم رکھنے کا تہیہ کر رکھا ہے۔ بورڈ نے کوڈ آف کارپوریٹ گورننس کا جائزہ لیا اور تصدیق کی ہے کہ:

(۱) مالیاتی گوشوارے اور ان پرنٹس کمپنیز آرڈیننس مجریہ 1984ء کے مطابق بنائے گئے ہیں۔ یہ امور کارکردگی کے نتائج نقد کے لین دین اور ایکویٹی میں تبدیلی کے بارے میں شفاف صورتحال پیش کرتے ہیں۔

(۲) کمپنی نے اکاؤنٹس کی باقاعدہ کتب بنائی ہوئی ہیں۔

(۳) مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں اختیار کی گئی ہیں اور مالیاتی تخمینے موزوں اور منصفانہ بنیادوں پر ہیں۔

(۴) پاکستان میں نافذ العمل انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز مالیاتی گوشواروں کی تیاری میں بروئے عمل لائے گئے ہیں۔

(۵) انٹرنل کنٹرول کا نظام رائج ہے اور انٹرنل آڈٹ جائزہ لیا جاتا ہے جس پر موثر طور پر عملدرآمد ہوتا ہے۔ جائزہ نگرانی کا مسلسل عمل اس کو مزید بہتر بنانے کیلئے ہے۔

ڈائریکٹر پورٹ برائے حصص یافتگان

5- سیفائریٹک (پرائیویٹ) لمیٹڈ

سیفائریٹک (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس مجریہ 1984ء کے تحت تشکیل پائی۔ سبسیڈییری الیکٹرک پاور جزیشن پروجیکٹ اور بجلی کی فروخت کیلئے قائم کی گئی۔ یہ سو فیصد ایکویٹی کی ملکیت ہے۔ ہولڈنگ کمپنی کے شیئر ہولڈرز نے سالانہ اجلاس عام منعقدہ 26 اکتوبر 2015ء میں کمپنی کی تحلیل یا فروخت کی منظوری دی ہے۔ اس ضمن میں مینجمنٹ بہترین آپشن کا جائزہ لینے کے عمل میں ہے۔

6- سیفائرسولر (پرائیویٹ) لمیٹڈ

سیفائرسولر (پرائیویٹ) لمیٹڈ سیفائریٹکسٹائل ملز لمیٹڈ کی مکمل ملکیتی سبسیڈییری ہے۔ آلٹرنیٹو انرجی ڈیولپمنٹ بورڈ سے LO1 ایک آئی پی پی 10 میگا واٹ سولر انرجی پروجیکٹ کی تشکیل منسوخ ہو گئی ہے۔ یہ سو فیصد ایکویٹی ملکیت ہے۔ ہولڈنگ کمپنی کے شیئر ہولڈرز نے سالانہ اجلاس عام منعقدہ 26 اکتوبر 2015ء میں کمپنی کی تحلیل یا فروخت کی منظوری دی ہے۔ اس ضمن میں مینجمنٹ بہترین آپشن کا جائزہ لینے کے عمل میں ہے۔

7- سیفائریٹک (پرائیویٹ) لمیٹڈ

سیفائریٹک (پرائیویٹ) لمیٹڈ مکمل طور پر سیفائریٹکسٹائل ملز لمیٹڈ کی ملکیتی سبسیڈییری ہے جو 30 مئی 2016ء کو تشکیل ہوئی تھی۔ کمپنی کا اصل کاروبار ریٹیل انرجی پروجیکٹس میں سرمایہ کاری ہے۔ کمپنی کو 19 اگست 2016ء کو کاروبار کے آغاز کا سرٹیفکیٹ حاصل ہوا ہے۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز آٹھ (8) ڈائریکٹرز پر مشتمل ہے۔ سال رواں کے دوران بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے۔ فی ڈائریکٹر اجلاس میں شرکت کی تفصیل حسب ذیل ہے:

نام	اجلاس کی تعداد
جناب محمد عبداللہ	5
جناب شاہد عبداللہ	3
جناب ندیم عبداللہ	5
جناب عامر عبداللہ	4
جناب یوسف عبداللہ	4
جناب نبیل عبداللہ	3
جناب شایان عبداللہ	5
جناب ندیم کرامت	5

ڈائریکٹر رپورٹ برائے حصص یافتگان

سیفائر ٹیکسٹائل ملز لمیٹڈ کی سبسیڈیریاں

کمپنی کی سات (7) سبسیڈیریاں ہیں جن میں سے پانچ (5) سیفائر ٹیکسٹائل ملز لمیٹڈ کی سو فیصد اکیوٹی ملکیت ہیں۔ تمام سبسیڈیریوں کا مختصر جائزہ مندرجہ ذیل ہے:

1- سیفائر ہوم این کارپوریشن

سیفائر ہوم امریکہ میں صارفین کو لوکل ڈیوٹی پیڈ ڈیلیوریز کے قابل بنانے کیلئے سو فیصد سبسیڈیری کے طور پر تشکیل پائی تھی۔ کمپنی ہذا کے ذریعہ کچھ کنٹریکٹس پر عملدرآمد ہوا تھا۔ تاہم آخری ہم صارفین کو براہ راست سامان ارسال کر رہے ہیں اور یہ کمپنی غیر موثر ہو گئی اور شیئر ہولڈرز نے کمپنی کو بند کرنے کی قرارداد کی منظوری دیدی ہے۔ اس طرح کمپنی بند کر دی گئی ہے۔

2- سیفائر ٹیکسٹائل لمیٹڈ

سیفائر ٹیکسٹائل لمیٹڈ سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبسیڈیری ہے۔ اس سبسیڈیری کا اہم کاروبار ٹیکسٹائل اور دیگر مصنوعات کی فروخت کیلئے ”سیفائر برانڈ“ ریٹیل آؤٹ لیٹس چلانا ہے۔ کمپنی نے پاکستان کے مختلف علاقوں میں 15 آؤٹ لیٹس اپنے ”سیفائر برانڈ“ کو اجاگر کرنے کیلئے کھولے ہیں۔

کاروباری تبدیلی

کاروباری تبدیلی کے مقصد سے اور ملک میں بجلی کی قلت کے خاتمے کیلئے کمپنی نے انرجی کے شعبہ میں سرمایہ کاری کا فیصلہ کیا ہے اور مندرجہ ذیل پانچ (5) سبسیڈیریاں قائم کی گئی ہیں۔

3- سیفائر ونڈ پاؤر کمپنی لمیٹڈ

کمپنی 70 فیصد سیفائر ٹیکسٹائل ملز لمیٹڈ کی ملکیت اور 30 فیصد بینک الفلاح لمیٹڈ کی ملکیت ہے۔ کمپنی نے جھمپیر میں 52.80 میگا واٹ کی گنجائش کے ونڈ فارم لگائے ہیں جنہوں نے نومبر 2015ء میں تجارتی سرگرمیاں شروع کر دی ہیں۔ پروجیکٹ بہترین صنعتی عمل انجام دے رہا ہے اور اطمینان بخش نتائج حاصل ہو رہے ہیں۔

4- ٹرانیکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ

ٹرانیکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ جھمپیر سندھ میں پاکستانی قوانین کے تحت تشکیل پائی ہے اور استحکام کیلئے تین LO1 رکھتی ہے اور 3X50 میگا واٹ ونڈ انرجی پروجیکٹس چلا رہی ہے۔ پروجیکٹ کمپنی کو ای پی سی کنٹریکٹس دیئے گئے ہیں اور اپنے تین پروجیکٹس کیلئے ایک موثر ترقیاتی منصوبہ پر عمل کر رہی ہے جس سے 10 مئی 2017ء کو ایف سی حاصل ہوا ہے۔ پروجیکٹس فی الوقت زیر تعمیر ہیں۔ آلات کی درآمد اکتوبر 2017ء میں متوقع ہے اور پندرہ ماہ میں ان تینوں پروجیکٹس کی COD حاصل کرنے کی منصوبہ بندی کی گئی ہے۔

ڈائریکٹر رپورٹ برائے حصص یافتگان

روپے (ہزاروں میں)

2,975,364

(298,606)

8,771

36,218

(253,617)

2,721,747

6,840

9,915,861

12,644,448

(281,164)

(281,164)

12,082,120

منافع کی تفصیل

منافع قبل از ٹیکسیشن

ٹیکس جات:

موجودہ سال

گزشتہ سال

موخر

منافع بعد از ٹیکس

عملہ کے ریٹائرمنٹ مراعات پر نظر ثانی

میں اضافہ۔ ٹیکس کے علاوہ

مزید: غیر تخمینہ منافع آگے بڑھانا

تفصیلات

30 جون 2016ء کو مکمل ہونیوالے کیلئے

حتی ڈیویڈنڈ (140 فیصد یعنی = 14 روپے فی حصص)

30 جون 2017ء کو مکمل ہونیوالے سال

انٹرمیڈیٹ ڈیویڈنڈ (140 فیصد یعنی = 14 روپے فی حصص)

غیر تخمینہ منافع۔ آگے بڑھانا

فی حصص آمدنی

30 جون 2017ء کو مکمل ہونے والے سال کیلئے فی حصص آمدنی 135.52 روپے ہے جبکہ اس کے مقابلے میں فی حصص آمدنی

گزشتہ 30 جون 2016ء میں 72.11 روپے ہے۔

منافع منقسمہ

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2017ء کو سفارش کی ہے کہ انٹرمیڈیٹ ڈیویڈنڈ کو حتی منقسمہ قرار دیا جائے جو کہ 140 فیصد

یعنی = 14 روپے تھا (2016: 140 فیصد)۔

آئندہ کالائج عمل (پروسیکیٹس)

بینجمنٹ آئندہ کپاس کی فصل سے پُر امید ہے۔ اس کے علاوہ ڈیویڈنڈ ڈرائیگ اسکیم کا تسلسل انڈسٹری کے عالمی مقابلے کے لئے اہم ہے۔

کمپنی نے ویلیو ایڈڈ میں بھاری مالیت کی سرمایہ کاری کی ہے اور امید ہے کہ اس جدوجہد کے طویل المدتی مثبت نتائج حاصل ہوں گے۔ کمپنی

اپنی سبسیڈریوں میں انویسٹمنٹ سے بھرت منافع منقسمہ کی امید رکھتی ہے۔

ڈائریکٹر رپورٹ برائے حصص یافتگان

ڈائریکٹر 30 جون 2017ء کو ختم ہونے والے سال کیلئے سالانہ آڈٹ کردہ مالیاتی اسٹیٹمنٹ بمعہ اپنی رپورٹ نہایت مسرت کے ساتھ پیش کرتے ہیں۔
اس سال کیلئے مالیاتی نتائج درج ذیل ہیں:
مالیاتی نتائج:

2016 جون 30	2017 جون 30	
		رقم ہزاروں میں
23,110,564	25,583,975	فروخت اور خدمات
2,562,574	2,677,818	مجموعی منافع
2,609,779	3,944,310	آپریشن سے منافع
1,378,442	2,917,232	دیگر ذرائع سے آمدنی
1,736,720	2,975,364	قبل از ٹیکس منافع
1,448,214	2,721,747	بعد از ٹیکس منافع

کاروباری کارکردگی کا جائزہ:

زیر نظر سال کے دوران کمپنی نے اس سال 25.584 بلین روپے کی فروخت حاصل کی جب کہ گزشتہ سال کمپنی کی فروخت 23.111 بلین روپے تھی۔ فروخت پر مجموعی منافع 10.47 فیصد ہوا جبکہ گزشتہ سال 11.09 فیصد تھا۔ سال رواں کے دوران دیگر ذرائع سے آمدنی میں اضافہ 2.917 بلین ہوا جبکہ گزشتہ سال دیگر آمدنی میں اضافہ 1.378 بلین تھا۔ یہ اضافہ دراصل انویسٹمنٹ کی سیل پر منافع میں اضافہ کے باعث ہوا۔ قبل از ٹیکس منافع 2.975 بلین روپے ہے جبکہ گزشتہ سال 1.737 بلین روپے تھا۔
پاکستانی ٹیکسٹائل صنعت دیسی طور پر خام کپاس کے نرخ بڑھنے پاکستان میں کپاس کی فصل میں کمی اور ان پٹس خصوصاً توانائی کے نرخوں میں اضافہ کی وجہ سے عالمی سطح پر مقابلے میں دباؤ کا شکار ہے۔ اس کے باوجود مینجمنٹ لاگت کو کم کرنے اور کارکردگی بہتر بنانے کی تمام تر کوشش کر رہی ہے۔

انتظامیہ نے بورڈ آف ڈائریکٹرز کی منظوری کے ساتھ نوری آباد میں اوپن- اینڈ مینوفیکچرنگ سہولت کو بند کرنے کا عارضی طور پر فیصلہ کیا ہے۔ یہ یونٹ مالیاتی طور پر قابل عمل نہیں ہے۔

Six Years Growth at a Glance

(Rupees in Million)

YEARS		2017	2016	2015	2014	2013	2012
Sales		25,583.98	23,110.56	23,315.33	25,411.30	25,283.15	21,490.83
Gross Profit		2,677.82	2,562.57	2,607.73	2,788.03	4,204.86	2,773.40
Profit Before Tax		2,975.36	1,736.72	1,178.39	1,270.21	2,365.97	1,129.94
Profit After Tax		2,721.75	1,448.21	1,034.15	983.40	2,136.47	1,073.68
Share Capital		200.83	200.83	200.83	200.83	200.83	200.83
Shareholder's Equity		16,994.75	14,903.98	14,370.18	13,340.62	11,398.28	8,330.89
Fixed Assets - Net		10,609.98	9,559.60	8,920.46	8,247.40	5,943.04	5,357.00
Total Assets		42,532.02	31,800.66	28,087.80	22,050.55	18,842.13	14,056.51
DIVIDEND - Cash	%	140.00	140.00	100.00	100.00	210.00	50.00
RATIOS:							
Profitability							
Gross Profit	%	10.47	11.09	11.18	10.97	16.63	12.91
Profit Before Tax	%	11.63	7.51	5.05	5.00	9.36	5.26
Profit After Tax	%	10.64	6.27	4.44	3.87	8.45	5.00
Return To Shareholders							
R.O.E-Before Tax	%	17.51	11.65	8.20	9.52	20.76	13.56
R.O.E After Tax	%	16.02	9.72	7.20	7.37	18.74	12.89
Basic E.P.S-After Tax	Rs.	135.52	72.11	51.49	48.97	106.38	53.46
Activity							
Sales To Total Assets	Times	0.60	0.73	0.83	1.15	1.34	1.53
Sales To Fixed Assets	Times	2.41	2.42	2.61	3.08	4.25	4.01
Liquidity/Leverage							
Current Ratio		1.19:1	1.20:1	1.18:1	1.40:1	1.49:1	1.44:1
Debt Equity Ratio	Times	0.78	0.45	0.35	0.18	0.09	0.13
Total Liabilities to Equity.	Times	1.50	1.13	0.95	0.65	0.65	0.69
Break up value per share	Rs.	846.22	742.11	715.53	664.27	567.56	414.82

Review Report to the Members

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

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Sapphire Textile Mills Limited** “the Company” for the year ended June 30, 2017 to comply with the Code contained in regulation No. 5.19 of the Rule book of Pakistan Stock Exchange Limited.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Lahore:
Dated: September 28, 2017

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Zahid Hussain Zahid, ACA

Statement of Compliance

With the Code of Corporate Governance

Name of Company **SAPPHIRE TEXTILE MILLS LIMITED** year ended June 30, 2017.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19.24 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors(*)	Mr. Nadeem Karamat
Executive Directors	Mr. Nadeem Abdullah Mr. Nabeel Abdullah
Non-Executive Directors	Mr. Mohammad Abdullah Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year election was held. No casual vacancies occurred in the board of directors.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the power of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board / shareholder.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met for discussion and approval of quarterly, half yearly and annual accounts of the Company and as required by the CCG. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause 5.19.7 of CCG, majority of Directors of the Company are exempted from the requirement of directors' training program as prescribed by the Code of Corporate Governance and the rest of the Directors are trained. All the Directors are fully conversant with their duties and responsibilities, they were further apprised through orientation courses during the year.
10. There was no new appointment of CFO/Company Secretary and Head of Internal Audit during the year.

Statement of Compliance With the Code of Corporate Governance

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom one is independent, two is non-executive Directors.
16. The meetings of the Audit Committee were held for discussion and approval of quarterly, half yearly and annual accounts of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set up an effective Internal Audit Function
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list."
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

Auditors' Report to the Members

We have audited the annexed Balance Sheet of **Sapphire Textile Mills Limited ("the Company")** as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore:
Dated: September 28, 2017

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Zahid Hussain Zahid, ACA

Balance Sheet as at June 30, 2017

		2017	2016
	Note	Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	10,575,291,482	9,522,840,324
Investment property	7	31,750,000	31,750,000
Intangible assets	8	2,943,337	5,009,968
Long term investments	9	17,512,696,959	10,523,389,245
Long term loans and advances	10	296,798,432	52,195,065
Long term deposits	11	82,182,808	82,313,808
		28,501,663,018	20,217,498,410
CURRENT ASSETS			
Stores, spares and loose tools	12	427,452,997	328,631,930
Stock in trade	13	5,326,588,336	4,281,470,839
Trade debts	14	1,723,627,585	1,473,660,103
Loans and advances	15	485,916,215	473,080,294
Trade deposits and short term prepayments	16	17,459,152	12,857,748
Other receivables	17	266,589,119	170,505,333
Other financial assets	18	4,048,906,258	2,986,400,454
Tax refunds due from Government	19	1,661,686,845	1,756,845,708
Cash and bank balances	20	72,134,493	99,706,069
		14,030,361,000	11,583,158,478
TOTAL ASSETS		42,532,024,018	31,800,656,888
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
35,000,000 ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital	21	200,831,400	200,831,400
Reserves		16,793,923,250	14,703,149,767
		16,994,754,650	14,903,981,167
NON-CURRENT LIABILITIES			
Long term financing	22	13,325,515,200	6,728,738,161
Deferred liabilities	23	405,432,998	491,518,519
		13,730,948,198	7,220,256,680
CURRENT LIABILITIES			
Trade and other payables	25	3,224,402,305	2,525,623,858
Accrued Interest / mark-up	26	175,351,733	124,294,821
Short term borrowings	27	7,463,846,283	4,657,389,209
Current portion of long term payable	24	5,794,320	457,090,780
Current portion of long term financing	22	557,461,636	1,628,822,242
Provision for taxation	28	379,464,893	283,198,131
		11,806,321,170	9,676,419,041
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		42,532,024,018	31,800,656,888

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

Karachi:

Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

Profit and Loss Account

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
Sales and services	30	25,583,975,268	23,110,564,181
Cost of sales and services	31	(22,906,156,922)	(20,547,990,291)
Gross profit		2,677,818,346	2,562,573,890
Distribution cost	32	(925,752,838)	(860,296,564)
Administrative expenses	33	(360,275,393)	(311,822,906)
Other operating expenses	34	(364,712,412)	(159,117,377)
Other income	35	2,917,232,076	1,378,442,310
		1,266,491,433	47,205,463
Profit from operations		3,944,309,779	2,609,779,353
Finance cost	36	(968,945,979)	(873,059,367)
Profit before taxation		2,975,363,800	1,736,719,986
Taxation			
Current			
- for the year		(298,606,425)	(248,581,115)
- prior year		8,771,354	93,326
Deferred		36,217,866	(40,018,191)
	37	(253,617,205)	(288,505,980)
Profit after taxation for the year		2,721,746,595	1,448,214,006
Earnings per share - basic and diluted	38	135.52	72.11

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

Statement of Comprehensive Income

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
Profit after taxation for the year	2,721,746,595	1,448,214,006
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Available for sale investments		
Unrealized gain / (loss) on remeasurement of available for sale investments	1,980,839,584	(87,489,315)
Reclassification adjustments for gain on available for sale investments included in profit and loss account	(2,040,163,471)	(646,467,058)
	(59,323,887)	(733,956,373)
Forward foreign currency contracts		
Unrealized (loss) / gain on remeasurement of forward foreign currency contracts	(24,558,804)	13,692,852
Reclassification adjustments relating to gain / (loss) realized on settlement of forward foreign currency contracts	8,397,204	(2,647,824)
	(16,161,600)	11,045,028
Items that may not be reclassified subsequently to profit and loss		
Gain on remeasurement of staff retirement benefits	7,398,993	9,965,376
Impact of deferred tax	(558,698)	(626,623)
	6,840,295	9,338,753
Other comprehensive loss for the year	(68,645,192)	(713,572,592)
Total comprehensive income for the year	2,653,101,403	734,641,414

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

Cash Flow Statement

For the year ended June 30, 2017

		2017	2016
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	1,510,384,950	1,909,480,233
Long term loans and deposits		5,527,633	1,776,744
Finance cost paid		(915,038,386)	(887,491,258)
Staff retirement benefits - gratuity paid		(132,701,566)	(122,730,385)
Taxes paid		(233,415,510)	(743,565,926)
		(1,275,627,829)	(1,752,010,825)
Net cash generated from operating activities		234,757,121	157,469,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,111,513,298)	(1,666,025,707)
Investment in associates and subsidiaries		(5,224,984,841)	(599,428,000)
Investment others		(6,075,995,688)	(2,426,132,146)
Loans to subsidiaries		(250,000,000)	(264,789,400)
Proceeds from disposal of property, plant and equipment		39,143,772	26,587,767
Proceeds from disposal of investment property		-	150,000,000
Proceeds from sale of investments		4,824,068,214	1,308,568,925
Dividend received		757,592,070	757,324,954
Interest received		10,981,733	473,804
Rental income received		50,000	10,855,731
Net cash used in investing activities		(8,030,658,038)	(2,702,564,072)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		2,804,145,374	(59,055,590)
Proceeds from long term financing		8,229,846,474	3,155,907,410
Repayment of long term financing		(2,704,430,041)	(300,734,012)
Dividend paid		(562,000,246)	(200,684,251)
Net cash generated from financing activities		7,767,561,561	2,595,433,557
Net (decrease) / increase in cash and cash equivalents		(28,339,356)	50,338,893
Cash and cash equivalents at the beginning of the year		99,305,458	48,966,565
Cash and cash equivalents at the end of the year		70,966,102	99,305,458
Cash and cash equivalents			
Cash and bank balances		72,134,493	99,706,069
Book overdrafts - unsecured		(1,168,391)	(400,611)
Cash and cash equivalents at the end of the year		70,966,102	99,305,458

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

Statement of Changes in Equity

For the year ended June 30, 2017

	Reserves					Other Components of equity			Total Equity			
	Share Capital	Capital		Share Premium	Fixed Assets Replacement	Revenue		Unappropriated Profit		SUB TOTAL	Other Components of equity	
											On available for sale investments	On forward foreign exchange contracts
-----Rupees-----												
Balance as at July 01, 2015	200,831,400	156,202,200	65,000,000	1,330,000,000	8,659,139,529	10,210,341,729	3,961,645,848	(2,647,824)	3,958,998,024	14,370,171,153		
Total comprehensive income for the year ended June 30, 2016												
Profit after taxation for the year	-	-	-	-	1,448,214,006	1,448,214,006	-	-	-	1,448,214,006		
Other comprehensive income for the year	-	-	-	-	9,338,753	9,338,753	(733,958,373)	11,045,028	(722,911,345)	(713,572,592)		
	-	-	-	-	1,457,552,759	1,457,552,759	(733,958,373)	11,045,028	(722,911,345)	734,641,414		
Transaction with owners												
Final dividend for the year ended June 30, 2015 @ Rs. 10 per share	200,831,400	156,202,200	65,000,000	1,330,000,000	9,915,860,888	11,467,063,088	3,227,689,475	8,397,204	3,236,086,679	14,903,961,167	(200,831,400)	
Balance as at June 30, 2016	200,831,400	156,202,200	65,000,000	1,330,000,000	9,915,860,888	11,467,063,088	3,227,689,475	8,397,204	3,236,086,679	14,903,961,167		
Balance as at July 01, 2016	200,831,400	156,202,200	65,000,000	1,330,000,000	9,915,860,888	11,467,063,088	3,227,689,475	8,397,204	3,236,086,679	14,903,961,167		
Total comprehensive income for the year ended June 30, 2017												
Profit after taxation for the year	-	-	-	-	2,721,746,595	2,721,746,595	-	-	-	2,721,746,595		
Other comprehensive income for the year	-	-	-	-	6,840,295	6,840,295	(59,323,887)	(16,161,600)	(75,485,457)	(66,645,192)		
	-	-	-	-	2,728,586,890	2,728,586,890	(59,323,887)	(16,161,600)	(75,485,457)	2,653,101,403		
Transaction with owners												
Final dividend for the year ended June 30, 2016 @ Rs 14 per share	-	-	-	-	(281,163,960)	(281,163,960)	-	-	-	(281,163,960)		
Interim dividend for the year ended June 30, 2017 @ Rs 14 per share	200,831,400	156,202,200	65,000,000	1,330,000,000	12,082,119,858	13,633,322,058	3,168,365,588	(7,764,396)	3,160,601,192	16,994,754,650	(281,163,960)	

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

Karachi:

Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2017

1 LEGAL STATUS AND OPERATIONS

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited company under the Companies Act, 1913 (Now the Companies Act, 2017). The shares of the Company are listed on Pakistan Stock Exchange. The registered office of the Company is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and its mills are located at Kotri, Nooriabad, Chunian, Feroze Watwan and Bhopattian Lahore.

The Company is principally engaged in manufacturing and sale of yarn, fabrics, home textile products, finishing and printing of fabrics.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017 has been promulgated with effect from May 31, 2017, however the Securities and Exchange Commission of Pakistan (SECP) vide its circular no.17 of 2017 dated July 20, 2017, has directed the companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for measurement of certain financial assets and financial liabilities at fair value and recognition of employee benefits at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgements which are significant to the financial statements:

- a) Estimate of useful lives and residual values of property, plant & equipment, intangible assets and investment property [notes 5.1, 5.2 and 5.3]
- b) Classification and valuation of investments [note 5.4]
- c) Provision for obsolete and slow moving stores, spares and loose tools [note 5.5]
- d) Net realisable values of stock-in-trade [note 5.6]
- e) Provision for doubtful debts [note 5.7]
- f) Provision for employees' retirement benefits [note 5.10]
- g) Provision for taxation [note 5.12]

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments or interpretations which became effective during the year

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, plant and equipment (effective for periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for

Notes to the Financial Statements

For the year ended June 30, 2017

intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are highly correlated, or when the intangible asset is expressed as a measure of revenue. The Company's policy is already in line with these amendments.

IAS 19, 'Employee Benefits' This amendment as part of Annual improvements 2014 clarifies that when determining the discount rate for post-employment obligation, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The Company's policy is already in line with this change.

Amendments to IAS 1, 'Presentation of financial statements' are made in the context of the IASB's disclosure initiative, which explores how financial statements disclosure can be improved. The amendments provide clarifications on a number of issues, including:

- **Materiality** – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- **Notes** – confirmation that the notes do not need to be presented in a particular order.
- **Disaggregation and subtotals** – line items specify in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position and performance.
- **Other comprehensive income (OCI)** arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

4.2 **New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company**

IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2018). IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.

IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.

IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the balance sheet date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

Amendments to IAS 12, 'Income taxes' are applicable for annual periods beginning on or after January 1, 2017. The amendment clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have a material impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended June 30, 2017

Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a material impact on the Company's financial statements.

- 4.3 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and leasehold land, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 6.1. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the profit and loss account.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for intended use.

5.2 Investment property

Property held for capital appreciation and rental yield, which is not in the use of the Company is classified as investment property. Investment Property comprises of land and buildings. The company has adopted cost model for its investment property using the same basis as disclosed for measurement of the Company's owned assets.

5.3 Intangible assets

Intangible assets (including computer software) acquired by the company are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditures are expensed as incurred.

Amortization is charged to profit and loss account on straight line basis over a period of five years. Amortization on addition is charged from the date the asset is put to use while no amortization is charged from the date the asset is disposed off.

5.4 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Notes to the Financial Statements

For the year ended June 30, 2017

Investment in subsidiary and associated companies

Investments in subsidiaries and associates are recognized at cost less impairment loss, if any. At each balance sheet date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investment - available for sale

Investments that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of available for sale investments, cumulative impairment loss less any impairment loss previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

All purchases and sales are recognized on the trade date which is the date that the company commits to purchase or sell the investment, except for sale and purchase of securities in future market which are accounted for at settlement date. Cost of purchase includes transaction cost.

5.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost accumulated to balance sheet date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on management estimate regarding their future usability.

5.6 Stock in trade

Stock-in-trade is stated at the lower of cost and net realizable value, except waste which is valued at net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of raw materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less cost of completion and selling expenses.

5.7 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less an estimated allowance made for doubtful receivables based on review of outstanding amounts at the year end. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

5.8 Cash and cash equivalents

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

5.9 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

Notes to the Financial Statements

For the year ended June 30, 2017

5.10 Employee benefits

Compensated absences

The company accounts for all accumulated compensated absences in the period in which absences accrue.

Defined benefits plans

The company operates an unfunded gratuity scheme for its permanent employees as per terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. The amount arising as a result of remeasurement are recognized in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The liability recognized in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

Defined Contribution Plan

There is an approved contributory provident fund for staff for which contributions are charged to income for the year.

The Company and the employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary in the case of management staff, and 8.33% of basic salary and cost of living allowance in case of non-management staff. The assets of the fund are held separately under the control of trustees.

5.11 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

5.12 Taxation

Current year

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply for the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

5.13 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.

5.14 Provisions

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

5.15 Revenue recognition

Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.

Notes to the Financial Statements

For the year ended June 30, 2017

Return on bank balances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

All other incomes are recognized on accrual basis.

5.16 Government grant

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the entity.

The grants are disclosed as a deduction from the related expense.

5.17 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its' commencing.

5.18 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

5.19 Impairment

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account.

5.20 Financial instruments

Financial assets

5.20.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

c) Held to maturity financial assets

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity. There were no held to maturity investments as at balance sheet date.

d) Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off within 12 months of the end of the reporting date.

Notes to the Financial Statements

For the year ended June 30, 2017

5.20.2 Recognition

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. All financial assets are initially recognized at fair value plus transaction costs except for those financial assets which are designated as ‘financial assets at fair value through profit or loss’. ‘Financial assets carried at fair value through profit or loss’ are initially recognized at fair value and transaction costs are charged to the profit and loss account. Financial assets are derecognized when the right to receive cash flows from such assets has expired or have been transferred and the Company has transferred substantially all risks and rewards, incidental to the ownership of such financial assets.

Dividend income from ‘financial assets at fair value through profit or loss’ and ‘available-for-sale financial assets’ is recognized in the profit and loss account when the Company’s right to receive payments is established.

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

5.20.3 Measurement

‘Available-for-sale financial assets’ and ‘financial assets at fair value through profit or loss’ are subsequently measured at fair value whereas ‘held to maturity financial assets’ and ‘loans and receivables’ are subsequently measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ are recognized in the profit and loss account in the period in which they arise.

Changes in the fair value of ‘available-for-sale financial assets’ are recognized in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulative fair value adjustments recognized in other comprehensive income till the time of disposal or impairment are charged to the profit and loss account.

5.20.4 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognized in the profit and loss account for the amount by which the assets’ carrying amount exceed their recoverable amount. Impairment losses of equity instruments, once recognized, are not reversed through the profit and loss account.

5.20.5 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

5.20.6 Derivative financial instruments

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

a) Cash flow Hedges

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

b) Fair value hedge and other non-trading derivatives

Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivative that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as ‘financial asset at fair value through profit or loss’.

Notes to the Financial Statements

For the year ended June 30, 2017

Financial liabilities

These are initially recognized at cost, which is the fair value of the consideration expected to be paid. All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the obliging instrument/ contract.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

5.21 Earnings per share - basic and diluted

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.22 Related party transactions

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the financial statements.

		2017	2016
	Note	----- Rupees -----	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	10,253,726,053	9,038,224,693
Capital work-in-progress	6.5	321,565,429	484,615,631
		<u>10,575,291,482</u>	<u>9,522,840,324</u>

Notes to the Financial Statements

For the year ended June 30, 2017

6.1 Operating fixed assets

2017																	
Land		On free - hold			On lease - hold			Rupees									
Free - hold	Lease - hold	Factory building	Labour, staff colony and others	Office building	Factory building	Labour, staff colony and others	Leased building improvements	Plant and machinery	Electric installations	Fire fighting equipment	Electric equipment	Computer	Office equipment	Mills equipment	Furniture & fixture	Vehicles	Total
At July 01, 2016																	
Cost	212,587,145	92,268,477	1,828,540,203	387,645,742	258,409,100	271,812,585	89,438,813	11,417,452,051	472,040,367	11,886,431	62,775,735	62,821,539	39,873,281	85,981,826	55,640,776	305,749,549	15,693,032,035
Accumulated depreciation	-	-	(800,501,606)	(130,042,612)	(32,812,394)	(179,958,076)	(41,723,888)	(5,011,568,636)	(161,415,982)	(2,441,043)	(23,482,600)	(35,179,730)	(27,703,729)	(36,000,947)	(18,305,628)	(133,688,859)	(6,654,807,342)
Net book value	212,587,145	92,268,477	1,028,038,597	257,603,130	225,596,706	91,854,509	47,712,945	6,405,883,415	310,624,985	9,445,388	39,293,135	27,641,809	12,169,552	49,980,879	37,337,148	172,059,690	9,038,224,693
Year ended June 30, 2017																	
Additions	106,001,213	13,209,000	252,651,247	47,948,126	-	41,234,258	35,510,023	-	1,635,548,185	27,317,512	7,884,587	9,562,819	-	11,407,498	10,832,105	71,338,934	2,274,563,500
Disposals:																	
- Cost																	
- Depreciation																	
Depreciation charge for the year																	
Closing net book value - June 30, 2017	318,588,358	105,477,477	1,154,909,054	292,545,702	214,316,871	121,710,996	51,328,060	38,170,356	7,267,676,634	30,510,384	15,737,086	26,650,088	10,969,135	55,819,237	43,734,448	191,118,409	10,253,726,053
As at June 30, 2017																	
Cost	318,588,358	105,477,477	2,081,191,450	435,393,888	258,409,100	313,046,843	89,438,813	12,908,818,419	499,358,479	19,771,018	66,893,727	71,191,593	39,873,281	93,279,414	66,472,881	344,589,391	17,765,611,950
Accumulated depreciation	-	-	(926,282,396)	(143,048,166)	(44,092,229)	(191,335,847)	(22,291,778)	(5,641,139,785)	(193,548,095)	(4,033,932)	(27,317,969)	(44,541,505)	(28,904,146)	(37,460,177)	(22,736,433)	(153,470,382)	(7,531,883,897)
Net book value - 2017	318,588,358	105,477,477	1,154,909,054	292,545,702	214,316,871	121,710,996	51,328,060	38,170,356	7,267,676,634	30,510,384	15,737,086	26,650,088	10,969,135	55,819,237	43,734,448	191,118,409	10,253,726,053
Depreciation rate % per annum	-	-	10	5	5	10	5	20	10	10	10	30	10	10	10	20	
At July 01, 2015																	
Cost	210,857,145	88,338,977	1,710,639,284	383,036,158	184,200,855	267,077,308	55,599,686	10,237,026,472	456,944,712	6,489,234	52,307,628	47,297,980	39,461,281	79,424,206	42,820,128	259,079,682	14,158,511,861
Accumulated depreciation	-	-	(696,124,110)	(118,869,229)	(24,193,631)	(170,795,236)	(37,549,971)	(4,438,448,656)	(127,657,734)	(1,988,621)	(19,682,546)	(26,163,381)	(26,400,794)	(31,035,859)	(14,695,140)	(117,051,718)	(5,869,966,392)
Net book value	210,857,145	88,338,977	1,014,515,174	266,137,229	160,007,224	96,282,072	18,049,725	5,798,543,816	329,287,978	4,900,613	32,625,082	21,128,599	13,060,487	48,389,347	27,963,988	142,027,964	8,291,545,469
Year ended June 30, 2016																	
Additions	1,730,000	3,928,500	117,900,919	4,609,284	74,208,245	4,735,277	-	33,897,117	1,260,461,228	15,096,255	5,397,197	16,107,389	412,000	6,557,620	13,020,648	72,684,399	1,641,074,185
Disposals:																	
- Cost																	
- Depreciation																	
Depreciation charge for the year																	
Closing net book value - June 30, 2016	212,587,145	92,268,477	1,028,038,597	257,603,130	225,596,706	91,854,509	47,712,945	6,405,883,415	310,624,985	9,445,388	39,293,135	27,641,809	12,169,552	49,980,879	37,337,148	172,059,690	9,038,224,693
As at June 30, 2016																	
Cost	212,587,145	92,268,477	1,828,540,203	387,645,742	258,409,100	271,812,585	89,438,813	11,417,452,051	472,040,367	11,886,431	62,775,735	62,821,539	39,873,281	85,981,826	55,640,776	305,749,549	15,693,032,035
Accumulated depreciation	-	-	(800,501,606)	(130,042,612)	(32,812,394)	(179,958,076)	(41,723,888)	(5,011,568,636)	(161,415,982)	(2,441,043)	(23,482,600)	(35,179,730)	(27,703,729)	(36,000,947)	(18,305,628)	(133,688,859)	(6,654,807,342)
Net book value - 2016	212,587,145	92,268,477	1,028,038,597	257,603,130	225,596,706	91,854,509	47,712,945	6,405,883,415	310,624,985	9,445,388	39,293,135	27,641,809	12,169,552	49,980,879	37,337,148	172,059,690	9,038,224,693
Depreciation rate % per annum	-	-	10	5	5	10	5	20	10	10	10	30	10	10	10	20	

Notes to the Financial Statements

For the year ended June 30, 2017

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

		2017	2016
	Note	----- Rupees -----	
6.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales and services	31	1,002,348,362	855,732,516
Administrative expenses	33	25,792,469	21,685,736
		1,028,140,831	877,418,252

- 6.4 Particulars of disposal of operating fixed assets during the year are as follows:**

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of disposal	Particulars of Buyers
	Rupees					
Plant and Machinery						
Draw Frame	4,601,812	4,262,315	339,497	963,000	Negotiation	Jilani Textile Traders, Hyderabad.
Mach Coner	8,080,822	6,886,184	1,194,638	924,370	--- do ---	Asif Raza, Hyderabad.
Twister	3,951,554	2,987,451	964,103	1,235,294	--- do ---	Asif Raza, Hyderabad.
RV Beater	1,054,914	761,458	293,456	341,880	--- do ---	Jilani Textile Traders, Hyderabad.
Sanco Air Compressor	930,384	707,819	222,565	294,873	--- do ---	Jilani Textile Traders, Hyderabad.
Sketcher	1,633,827	1,328,013	305,814	668,068	--- do ---	Muhammad Arshad, Faisalabad.
Gas Generator	9,436,345	8,437,689	998,656	1,092,437	--- do ---	Ghulam Murtaza, Lahore.
Gas Generator	9,436,345	8,437,689	998,656	1,092,437	--- do ---	Faisal Ishfaq, Karachi.
Blow Room	2,465,264	2,342,606	122,658	423,932	--- do ---	Jilani Textile Traders, Hyderabad.
Simplex Machine	5,145,478	4,874,967	270,511	887,272	--- do ---	Green House Ltd, Faisalabad.
Simplex Machine	2,572,739	2,438,069	134,670	400,000	--- do ---	A.I Traders, Faisalabad.
Card	16,570,320	14,910,065	1,660,255	672,665	--- do ---	Habib ur Rehman, Faisalabad.
Shute feed	1,458,668	1,331,333	127,335	127,335	--- do ---	Habib ur Rehman, Faisalabad.
Cards DK-740	13,843,928	12,761,158	1,082,770	1,709,091	--- do ---	Bashir & Sons Industries, Lahore.
Strapping Machine	144,000	79,456	64,544	12,821	--- do ---	Jilani Textile Traders, Hyderabad.
Zwegle Hairness Tester	1,140,233	784,735	355,498	34,188	--- do ---	Jilani Textile Traders, Hyderabad.
Drawing machine	9,421,839	8,681,386	740,453	386,325	--- do ---	Jilani Textile Traders, Hyderabad.
Doubling Twist Tester	76,081	74,320	1,761	6,838	--- do ---	Jilani Textile Traders, Hyderabad.
Auto Cone Winder	9,863,328	7,640,866	2,222,462	2,205,882	--- do ---	Haseeb Raza Khan, Lahore.
Air Jet Shuttleless Looms	17,930,161	14,780,156	3,150,005	3,220,000	--- do ---	Valitex (Pvt) Limited, Karachi.
Air Jet Shuttleless Looms	8,126,584	6,706,137	1,420,447	1,520,000	--- do ---	Shabbir Textile Mills (Private) Ltd, Lahore.
Air Jet Shuttleless Looms	11,747,647	9,730,941	2,016,706	2,140,000	--- do ---	Khawaja Fabrics, Karachi.
Needle machines	471,500	378,377	93,123	93,123	--- do ---	Muhammad Aslam, Lahore.
Thread over machine	61,750	48,199	13,551	13,551	--- do ---	Muhammad Aslam, Lahore.
Juki machines	3,298,294	2,527,656	770,638	756,858	--- do ---	Muhammad Aslam, Lahore.
Fix needle machine	420,000	317,591	102,409	102,409	--- do ---	Muhammad Aslam, Lahore.
Stop needle	270,000	204,166	65,834	65,834	--- do ---	Muhammad Aslam, Lahore.
Over lock machine	28,000	16,750	11,250	11,250	--- do ---	Muhammad Aslam, Lahore.
	144,181,817	124,437,552	19,744,265	21,401,733		
Computers						
Laptop	128,000	61,360	66,640	42,016	As per Company Policy	Hammad Raza Bashir, Lahore.
Laptops having book value of less than Rs.50,000 each	1,064,765	739,139	325,626	223,688	As per Company Policy	Various Employees
	1,192,765	800,499	392,266	265,704		
Mills equipment						
LT/HT Penal & Air Dryers	4,109,911	3,969,263	140,648	888,888	Negotiation	Jilani Textile Traders, Hyderabad.
Vehicles						
Suzuki Cultus	868,000	642,829	225,171	400,000	Negotiation	Tariq Sharif, Lahore.
Toyota Corolla Gli	1,336,866	1,162,419	174,447	600,000	--- do ---	Malik Aleem ALI, Karachi.
Toyota Corolla Gli	1,504,000	1,052,238	451,762	800,000	--- do ---	Fahmida Tabassum, Islamabad.
Suzuki Cultus	814,000	678,382	135,618	350,000	--- do ---	Muhammad Riaz Khan, Lahore.
Honda Motor Cycle	54,000	48,021	5,979	4,274	--- do ---	Jilani Textile Traders, Hyderabad.
Toyota Corolla Camry	2,750,000	2,404,008	345,992	1,200,000	--- do ---	Ghulam Shabbir, Benazirabad.
Suzuki Alto	674,000	514,591	159,409	300,000	--- do ---	Muhammad Asghar, Multan.
Suzuki Cultus	835,000	665,177	169,823	400,000	--- do ---	Ahsan Waheed, Lahore.
Honda Civic	2,058,000	1,406,113	651,887	860,000	--- do ---	Nadeem Ahmed, Lahore.
Toyota Corolla	1,269,000	999,637	269,363	660,000	--- do ---	Mansoor Atta, Lahore.
Honda Civic	1,842,000	1,428,879	413,121	700,000	--- do ---	Ahsan Ur Rehman, Gujranwala.
Coure	870,500	608,431	262,069	300,000	--- do ---	Muhammad Saud Arshad, Lahore.
Toyota Corolla Altis	1,849,000	1,557,747	291,253	700,000	--- do ---	Aizaz Ali, Lahore.
Suzuki Alto	761,781	520,412	241,369	400,000	--- do ---	Khurram Imtiaz, Lahore.
Toyota Hybrid Prius	1,865,285	1,077,388	787,897	800,000	--- do ---	Khurram Imtiaz, Lahore.
Honda Citi	1,554,960	1,127,380	427,580	700,000	--- do ---	Muhammad Nauman Pervaiz Khan, Lahore.
Honda Civic	1,894,640	1,590,679	303,961	775,000	--- do ---	Farooq Sher, Peshawar.
Honda Citi	1,673,000	727,197	945,803	1,100,000	--- do ---	Muhammad Bilal, Lahore.
Honda Citi	1,703,500	537,549	1,165,951	1,350,000	--- do ---	Hammad Raza Bashir, Lahore.
Honda Citi	1,417,000	1,005,881	411,119	500,000	--- do ---	Muhammad Akhtar, Sheikhupura.
Honda Citi	1,699,000	1,117,335	581,665	800,000	--- do ---	Syed Adeel Anwar, Lahore.
Honda Citi	1,015,060	873,144	141,916	750,000	Insurance Claim	Adamjee Insurance Company, Karachi.
Corolla Altis	2,190,500	109,525	2,080,975	2,316,110	Negotiation	Zahid Farooq, Lahore.
	32,499,092	21,854,962	10,644,130	16,765,384		
	181,983,585	151,062,276	30,921,309	39,321,709		

Notes to the Financial Statements

For the year ended June 30, 2017

		2017		2016	
		----- Rupees -----			
6.5	Capital work-in-progress		7,263,500		-
	Advance for land		148,646,410		254,321,006
	Civil works and buildings		156,078,754		217,686,356
	Plant and machinery		9,576,765		9,388,269
	Electric installations		-		1,720,000
	Mills equipments		-		1,500,000
	Furniture & fixtures		321,565,429		484,615,631
7	INVESTMENT PROPERTY				
		Land		Building on	
		Leasehold	Freehold	Leasehold land	Total
----- Rupees -----					
Net carrying value as at July 01, 2016					
	Opening net book value (NBV)	-	31,750,000	-	31,750,000
	Accumulated depreciation	-	-	-	-
	Balance as at June 30, 2017 (NBV)	-	31,750,000	-	31,750,000
Gross carrying value as at June 30, 2017					
	Cost	-	31,750,000	-	31,750,000
	Accumulated depreciation	-	-	-	-
	Net book value - June 30, 2017	-	31,750,000	-	31,750,000
Net carrying value as at July 01, 2015					
	Opening net book value (NBV)	121,160,317	31,750,000	9,326,780	162,237,097
	Depreciation charged	-	-	(544,062)	(544,062)
	Disposed off during the year	(121,160,317)		(8,782,718)	(129,943,035)
	Balance as at June 30, 2016 (NBV)	-	31,750,000	-	31,750,000
	Depreciation rate % per annum	-	-	10	
7.1	Fair value of the investment property, based on the estimation, as at June 30, 2017 was Rs.40 million.				
7.2	The depreciation charge for the year has been allocated as follows:	Note	2017	2016	
			----- Rupees -----		
	Other operating expenses	34	-	544,062	
8	INTANGIBLE ASSETS				
	(Computer software)				
	Net carrying value as at July 01				
	Net book value as at July 01		5,009,968	7,514,871	
	Addition during the year		-	-	
	Amortization	8.1	(2,066,631)	(2,504,903)	
	Net book value as at June 30		2,943,337	5,009,968	
	Gross carrying value as at June 30				
	Cost		24,492,360	24,492,360	
	Accumulated amortization		(21,549,023)	(19,482,392)	
	Net book value as at June 30		2,943,337	5,009,968	
	Amortization rate % per annum		20	20	
8.1	Amortization charge for the year has been allocated as follows:				
	Other operating expenses	34	2,066,631	2,504,903	
9	LONG TERM INVESTMENTS				
	Related parties - at cost:				
	Subsidiaries - unlisted	9.1	8,122,913,070	3,356,496,000	
	Associates - listed	9.4	8,461,851	8,461,851	
	Associates - unlisted	9.5	467,514,425	467,514,425	
			475,976,276	475,976,276	
	Other companies - Available for sale	9.6	8,913,807,613	6,690,916,969	
			17,512,696,959	10,523,389,245	

All investments have a face value of Rs. 10 per share unless stated otherwise.

Notes to the Financial Statements

For the year ended June 30, 2017

	2017	2016	Name of Company	2017	2016
	Number of Shares			Rupees	
9.1 Investments in subsidiary companies - unlisted					
	228,228,737	228,228,737	Sapphire Wind Power Company Limited (SWPCL) Equity Interest Held 70% Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.14.20 (2016: Rs.11.72) per share.	2,282,287,370	2,282,287,370
	10,000	10,000	Sapphire Tech (Private) Limited Equity Interest Held 100% Less: Impairment charged Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.Nil (2016: Rs.Nil) per share.	100,000 (100,000)	100,000 (100,000)
	1,000	1,000	Sapphire Solar (Private) Limited Equity Interest Held 100% Less: Impairment charged Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.Nil (2016: Rs.Nil) per share.	10,000 (10,000)	10,000 (10,000)
	50,000,000	32,000,000	Sapphire Retail Limited Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.9.09 (2016: Rs.11) per share.	500,000,000	320,000,000
	475,051,500	16,930,000	Triconboston Consulting Corporation (Private) Limited (TBCL) Equity Interest Held 57.125% (2016:100%) Face value of Rs.10 (2016:Rs.100 per share) Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.9.84 (2016: Rs.76.64) per share. Share deposit money	5,224,375,700 - 5,224,375,700	643,160,700 110,061,930 753,222,630
	-	200	Sapphire Home Inc. - USA Equity Interest Held 0%(2016:100%) (200 shares of US\$ 50 per share) Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs.Nil (2016: Rs.7,338) per share.	-	986,000
	812,500	-	Sapphire Renewables Limited Equity Interest Held 100%(Face value of Rs.100 per share) Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.99.27 per share. Share deposit money	81,250,000 35,000,000 116,250,000 8,122,913,070	- - - 3,356,496,000

9.2 The shares of SWPCL held by the Company are under pledge as a security for debt finance arrangement for the wind energy project of SWPCL.

9.3 During the year the Company has pledged all the shares of TBCL as a security for debt finance arrangement for the wind energy projects of TBCL.

	2017	2016	Name of Company	2017	2016
	Number of Shares			Rupees	
9.4 Investments in associates - listed					
	313,295	313,295	Reliance Cotton Spinning Mills Limited Equity Interest Held 3.04% Fair value of the ordinary shares as at June 30, 2017 amounted to Rs.41.336 million (2016: Rs.25.753 million).	8,461,851	8,461,851

Notes to the Financial Statements

For the year ended June 30, 2017

	2017	2016	Name of Company	2017	2016
	Number of Shares			Rupees	
9.5 Investments in associates - unlisted					
	4,234,500	4,234,500	Sapphire Power Generation Limited	113,705,500	113,705,500
			Equity Interest Held 26.43%		
			Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs. 64.44 (2016: Rs.69.49) per share.		
	6,000,000	6,000,000	Sapphire Electric Company Limited	60,000,000	60,000,000
			Equity Interest Held 1.42%		
			Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.23.72 (2016: Rs.21.10) per share.		
	10,000	10,000	Sapphire Holding Limited	100,000	100,000
			Equity Interest Held 0.05%		
			Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs.36.48 (2016: Rs.35.01) per share.		
	23,500,000	23,500,000	Sapphire Dairies (Private) Limited	235,000,000	235,000,000
			Equity Interest Held 22.38%		
			Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs.9.71 (2016: Rs.9.81) per share.		
	3,675	3,675	Creadore A/S Denmark	58,708,925	58,708,925
			3,675 shares of Danish Krone (DKK) 1000 per share		
			Equity Interest Held 49%		
			Break up value on the basis of audited accounts for the year ended April 30, 2017 DKK 2,246 (April 30, 2016: DKK 1,375) equivalent to Rs.36,205 (April 30, 2016: Rs.21,458) per share.		
				467,514,425	467,514,425
9.6 Other companies - Available for sale					
			Quoted -		
	4,061,840	10,950,940	MCB Bank Limited	217,880,150	587,416,661
			Add: Adjustment arising from measurement at fair value	636,852,841	1,822,009,158
				854,732,991	2,409,425,819
	29,623,714	21,160,814	Habib Bank Limited	5,926,153,798	3,821,553,737
			Add: Adjustment arising from measurement at fair value	2,046,772,588	358,976,677
				7,972,926,386	4,180,530,414
	-	150	Habib Bank Limited - TFCs	-	15,000,000
			Less: Adjustment arising from measurement at fair value	-	(187,500)
				-	14,812,500
			Unquoted		
	7,055,985	7,055,985	Novelty Enterprises (Pvt) Limited	86,148,236	86,148,236
				8,913,807,613	6,690,916,969
9.7	The Company has pledged 1.650 million shares of HBL with Bank Alfalah (related party) as a security for issuance of debt service reserve standby letter of credit amounting US \$ 2.73 million in favour of a financial institution in order to secure the obligation of SWPCL in relation to the required balance of debt service reserve account pursuant to Agreement.				
9.8	The Company has pledged 2.895 million shares of HBL and 350,000 shares of MCB with Bank Alfalah (related party) as security for issuance of EPA standby letter of credit amounting US \$ 5.222 million in order to secure the obligation of TBCL in pursuant to Agreement.				
9.9	The Company has pledged 5.406 million shares of Engro Corporation with Standard Chartered Bank as security for issuance of standby letter of credit amounting US \$ 11.300 million in favour of a financial institutions for contingency support in TBCL in accordance with Sponsors Support Agreement.				
9.10	The Company has pledged 3,305,000 (2016: 10,650,940) shares of MCB, Nil (2016:13,064,444) shares of HUBCO, Nil (2016:1,700,000) shares of Engro Corporation, 25,605,846 shares of Bank Al-Habib and 25,078,714 (2016:19,210,814) shares of Habib Bank Limited with financial institutions for arrangement of finance facilities.				

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
10 LONG TERM LOANS AND ADVANCES			
Loan to employees	10.1	46,798,432	52,195,065
Loan to Sapphire Retail Limited	10.5	250,000,000	-
		<u>296,798,432</u>	<u>52,195,065</u>
10.1 Loan to employees - unsecured (considered good)			
Executives	10.4	57,786,286	67,195,263
Other employees		<u>21,845,828</u>	<u>19,557,498</u>
		79,632,114	86,752,761
Current portion of loans shown under current assets	15	<u>32,833,682</u>	<u>34,557,696</u>
		<u>46,798,432</u>	<u>52,195,065</u>
10.2	These represent interest free loans provided to executives and other employees as per terms of employment. These loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case.		
10.3	Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs.67,774,617 (2016: Rs.74,092,058).		
10.4 Movement in loans to executives			
Balance at the beginning of the year		67,195,263	76,076,358
Amount disbursed during the year		<u>16,461,216</u>	<u>17,516,167</u>
		83,656,479	93,592,525
Amount recovered during the year		<u>25,870,194</u>	<u>26,397,262</u>
Balance at the end of the year		<u>57,786,285</u>	<u>67,195,263</u>
10.5	This represents loan given to Sapphire Retail Limited (wholly owned subsidiary) for period of twenty four months from date of payment of loan. The Company has charged mark-up against this loan at the rate of its borrowing cost.		
11 LONG TERM DEPOSITS			
Security deposits			
- WAPDA		79,781,676	79,781,676
- SNGPL		1,097,000	1,097,000
- PTCL		179,843	179,843
- Others	11.1	<u>1,124,289</u>	<u>1,255,289</u>
		<u>82,182,808</u>	<u>82,313,808</u>
11.1	It includes an amount of Rs.36,000 (2016: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party.		
12 STORES, SPARES AND LOOSE TOOLS			
Stores		255,223,863	171,263,455
Spares - in hand		<u>179,433,015</u>	<u>146,455,779</u>
Spares - in transit		<u>44,349,675</u>	<u>44,082,361</u>
		223,782,690	190,538,140
Loose tools		<u>745,267</u>	<u>310,128</u>
		479,751,820	362,111,723
Provision for slow moving stores, spares and loose tools	12.1	<u>(52,298,823)</u>	<u>(33,479,793)</u>
		<u>427,452,997</u>	<u>328,631,930</u>
12.1 Provision for slow moving stores, spares and loose tools			
Balance at the beginning of the year		33,479,793	23,435,755
Provision made during the year - net	34	<u>18,819,030</u>	<u>10,044,038</u>
Balance at the end of the year		<u>52,298,823</u>	<u>33,479,793</u>
13 STOCK IN TRADE			
Raw material - in hand	31.1	3,690,989,817	3,166,889,880
Raw material - in transit		<u>282,427,925</u>	<u>94,607,189</u>
		3,973,417,742	3,261,497,069
Work in process	31	397,339,030	316,706,076
Finished goods		<u>915,925,843</u>	<u>685,767,554</u>
Waste		<u>39,905,721</u>	<u>17,500,140</u>
	31	<u>955,831,564</u>	<u>703,267,694</u>
		<u>5,326,588,336</u>	<u>4,281,470,839</u>
13.1	Stock in trade include items (Finished goods) valued at Net Realizable value (NRV). The write down to NRV amounting Rs.Nil (June 30, 2016: Rs. 52.097 million) has been recognized in cost of goods sold.		

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
14 TRADE DEBTS			
Secured - considered good			
Foreign debts		507,065,432	491,907,796
Unsecured - considered good			
Domestic debts	14.1 & 14.2	1,194,557,170	965,042,169
Waste		19,724,335	14,811,508
Others		2,280,648	1,898,630
		1,216,562,153	981,752,307
Unsecured - considered doubtful			
Provision for doubtful debts	14.4	44,925,809	36,505,865
		(44,925,809)	(36,505,865)
		1,216,562,153	981,752,307
		1,723,627,585	1,473,660,103
14.1	Domestic debts include amount of Rs.92,513,689 (2016: Rs.172,972,339) receivable against indirect export sales.		
14.2	Trade debts include the following amounts due from related parties:		
Domestic debts			
Diamond Fabrics Limited		17,568,183	25,752,403
Sapphire Fibres Limited		-	535,342
Sapphire Finishing Mills Limited		92,596,854	134,652,841
Sapphire Retail Limited		305,193,121	170,513,906
		415,358,158	331,454,492
14.3	The aging of trade debts receivable from related parties as at balance sheet date are as under:		
0 - 90 days		415,358,158	331,454,492
14.4	Provision for doubtful debts		
Balance at the beginning of the year		36,505,865	107,388,408
Provision made during the year		8,419,944	-
Bad debts written-off during the year		-	(70,882,543)
Balance at the end of the year		44,925,809	36,505,865
15 LOANS AND ADVANCES			
Considered good			
Advances - unsecured			
- to suppliers	15.1	54,615,757	66,964,816
- to contractors		10,955,300	1,000,000
- to excise and taxation		116,481,490	90,696,987
- to others		1,000,000	10,178,501
		183,052,547	168,840,304
Unsecured - considered doubtful			
Provision for doubtful advance		7,405,940	-
		(7,405,940)	-
		183,052,547	168,840,304
Current portion of long term loans			
- due from executives	10	14,445,320	20,250,048
- due from other employees		18,388,362	14,307,648
		32,833,682	34,557,696
Short term loans to employees			
Short term loans to subsidiaries		5,240,586	4,892,894
- Sapphire Wind Power Company Limited	15.2	262,150,000	262,150,000
- Sapphire Solar (Private) Limited (Wholly owned subsidiary)		2,500,662	2,500,662
- Sapphire Tech (Private) Limited (Wholly owned subsidiary)		138,738	138,738
		264,789,400	264,789,400
		485,916,215	473,080,294
15.1	It includes Rs.116,065,540 (2016: Rs.90,696,987) represents 50% payment made to Excise and Taxation Department of Government of Sindh against levy of Infrastructure Fee.		
15.2	This represents the amount of share deposit money paid to Sapphire Wind Power Company Limited against the offer for issue of right shares under section 86 of the Ordinance. Since the shares were not issued within ninety days of the receipt of money, such share deposit money has been treated as a loan in accordance with Regulation 6(4) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012. Markup is charged at the rate of borrowing cost of the Company from the date of payment of money in accordance with the requirements of section 208 of the Ordinance.		

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017	2016
		----- Rupees -----	----- Rupees -----
16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		3,753,501	1,453,000
Prepayments		13,705,651	11,404,748
		<u>17,459,152</u>	<u>12,857,748</u>
17 OTHER RECEIVABLES			
Claims receivable		3,107,888	50,000
Export rebate receivable		172,211,879	76,517,453
Dividend receivable		27,542,500	44,884,519
Interest on HBL TFC's		-	374,950
Unrealized gain on measurement of forward foreign currency contracts		-	8,397,204
Mark-up receivable from Sapphire Retail Limited (Subsidiary)		4,221,710	-
Mark-up receivable from Sapphire Wind Power Company Limited (Subsidiary)		26,019,247	10,281,207
Receivable from Triconboston Consulting Corporation (Private) Limited (subsidiary)		30,000,000	30,000,000
Receivable from subsidiaries against shared expenses	17.1	3,185,895	-
Rent receivable		300,000	-
		<u>266,589,119</u>	<u>170,505,333</u>
17.1 Receivable from subsidiaries against shared expenses			
Sapphire Wind Power Company Limited		817,200	-
Triconboston consulting Corporation (Pvt) Limited		2,368,695	-
		<u>3,185,895</u>	<u>-</u>
18 OTHER FINANCIAL ASSETS - AVAILABLE FOR SALE			

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017	2016
		----- Rupees -----	
20 CASH AND BANK BALANCES			
With banks on:			
- current accounts		31,493,681	69,374,774
- current accounts - USD	20.1	3,111,363	2,457,688
- current accounts - Euro	20.2	463,663	448,853
- saving account	20.3	31,310,638	23,884,708
		66,379,345	96,166,023
Cash in hand		5,755,148	3,540,046
		72,134,493	99,706,069

20.1 Cash at bank on USD account of US \$ 29,689 (2016: US\$ 23,519).

20.2 Cash at bank on EURO account of EURO 3,867 (2016: EURO 3,867).

20.3 Balance with bank carry profit at the rate ranging from 3.75% to 4.50% (2016:3.5%) per annum.

21 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016		2017	2016
Number of shares			----- Rupees -----	
6,206,740	6,206,740	Ordinary shares of Rs. 10 each allotted for consideration paid in cash	62,067,400	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	138,764,000	138,764,000
20,083,140	20,083,140		200,831,400	200,831,400

21.1 The Company has only one class of shares which carry no right to fixed income.

21.2 6,215,349 (2016: 6,215,349) shares of the Company are held by associated companies as at the balance sheet date.

	Note	2017	2016
		----- Rupees -----	
22 LONG TERM FINANCING			
Loans from banking companies - secured			
Allied Bank Limited	22.1	3,368,739,659	3,127,954,403
Bank Alfalah Limited - Related Party	22.2	53,750,000	183,748,000
Bank Al Habib Limited	22.3	2,253,725,177	2,165,197,000
Faysal Bank Limited	22.4	154,262,000	174,158,000
Habib Bank Limited	22.5	7,590,100,000	2,212,503,000
Meezan Bank Limited	22.6	-	87,000,000
Standard Chartered Bank Pakistan Limited	22.7	-	75,000,000
United Bank Limited	22.8	462,400,000	332,000,000
		13,882,976,836	8,357,560,403
Less: Current portion shown under current liabilities		(557,461,636)	(1,628,822,242)
		13,325,515,200	6,728,738,161

22.1 These loans carry mark-up ranging from 2.50% to 6.86% (2016: 2.50% to 8.90%) obtained in different tranches and are repayable in quarterly installments ranging from 16 to 32. These loans are secured against exclusive hypothecation charge of Rs.3,117 million over specific plant & machinery and pledge of shares of blue chip companies held by the Company having market value Rs.3,028.835 million as on balance sheet date.

22.2 These loans carry mark-up ranging from 2.50% to 6.85% (2016: 2.50% to 7.51%) obtained in different tranches and are repayable in quarterly installments ranging from 16 to 32. These loans are secured against exclusive hypothecation charge of Rs.353 million over specific plant & machinery.

22.3 These loans carry mark-up ranging from 2.50% to 6.60% (2016: 2.50% to 8.45%) obtained in different tranches and are repayable in 32 quarterly installments. These loans are secured against exclusive hypothecation charge of Rs.328 million over specific plant & machinery and pledge of shares of blue chip companies held by the Company having market value Rs.2,981.318 million as on balance sheet date.

Notes to the Financial Statements

For the year ended June 30, 2017

- 22.4** These loans carry mark-up ranging from 2.50% to 6.50% (2016: 2.50% to 6.50%) obtained in different tranches and are repayable in 24 quarterly installments. These loans are secured against exclusive hypothecation charge of Rs.202.700 million over specific plant & machinery.
- 22.5** These loans carry mark-up ranging from 2.50% to 6.69% (2016: 2.50% to 8.90%) obtained in different tranches and are repayable in quarterly installments ranging from 4 to 32. These loans are secured against exclusive hypothecation charge of Rs. 9,748 million over specific plant & machinery and pledge of shares of blue chip companies held by the Company having market value Rs.1,533.492 million as on balance sheet date.
- 22.6** These loans carry mark-up ranging from 6.28% to 6.35% (2016: 6.60% to 7.25%) obtained in different tranches and are repayable in 16 quarterly installments. These loan are secured against exclusive hypothecation charge of Rs.174 million over specific plant & machinery. The Company has repaid the loan before maturity.
- 22.7** These loans carrying mark-up ranging from 6.28% to 6.35% (2016: 6.60% to 7.25%) obtained in different tranches and are repayable in 18 quarterly installments. These loans are secured against exclusive hypothecation charge of Rs.200 million over specific plant & machinery. The Company has repaid the loan before maturity.
- 22.8** These loans carry mark-up at the rate of 2.50% (2016: 2.50%) obtained in different tranches and are repayable in 32 quarterly installments. These loan are secured against exclusive hypothecation charge of Rs.462.400 million over specific plant & machinery.

23	DEFERRED LIABILITIES	Note	2017	2016
			----- Rupees -----	
	Deferred taxation	23.1	205,093,324	240,752,492
	Staff retirement benefits - gratuity	23.2	200,339,674	250,766,027
			<u>405,432,998</u>	<u>491,518,519</u>

23.1 Deferred taxation

Deferred tax credits / (debits) arising in respect of:

Taxable temporary differences (deferred tax liabilities)

Accelerated tax depreciation allowances

224,170,057 258,625,869

Deductible temporary differences (deferred tax assets)

Staff retirement benefits - gratuity

(15,127,649) (15,768,168)

Provision for stores, spares and loose tools

(3,949,084) (2,105,209)

(19,076,733) (17,873,377)

205,093,324 240,752,492

- 23.1.1** In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.

23.2 Staff retirement benefits

Movement in the net liability recognized in the Balance sheet

Opening net liability

250,766,027 272,019,736

Expense for the year in profit and loss account

23.2.1 89,674,205 111,541,252

Remeasurement recognized in other comprehensive income

(7,398,992) (9,965,376)

333,041,240 373,595,612

Benefits paid during the year

(132,701,566) (122,730,385)

Benefits due but not paid

- (99,200)

Closing net liability

200,339,674 250,766,027

23.2.1 Expense recognized in the profit and loss account

Current service cost

76,304,100 91,007,270

Interest cost

13,370,105 20,533,982

89,674,205 111,541,252

Movement in the present value of defined benefit obligation

Present value of defined benefit obligation

250,766,027 272,019,736

Current service cost

76,304,100 91,007,270

Interest cost

13,370,105 20,533,982

Actuarial gain

(7,398,992) (9,965,376)

Benefits paid

(132,701,566) (122,730,385)

Benefits due but not paid

- (99,200)

200,339,674 250,766,027

Notes to the Financial Statements

For the year ended June 30, 2017

Historical information	2017	2016	2015	2014	2013
	----- R U P E E S -----				
Present value of defined benefit obligation	<u>200,339,674</u>	<u>250,766,027</u>	<u>272,019,736</u>	<u>229,504,703</u>	<u>191,731,749</u>
Experience adjustments on plan liabilities	<u>7,398,992</u>	<u>9,965,376</u>	<u>(16,363,523)</u>	<u>(9,833,283)</u>	<u>(18,461,246)</u>

Expected gratuity expenses charged to profit and loss for the year ending June 30, 2018 works out Rs.89,273,868.

The weighted average duration of defined benefit obligation is 5 years.

General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

Principal actuarial assumption

Following are a few important actuarial assumption used in the valuation:

	2017	2016
	%	%
Discount rate	7.75	7.25
Expected rate of increase in salary	6.75	6.25
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / decreased as a result of change in respective assumptions by 100 basis point.

	Increase in assumptions ----- Rupees in 000 -----	Decrease in assumptions ----- Rupees in 000 -----
Discount rate	<u>190,547</u>	<u>211,515</u>
Increase in future salaries	<u>212,261</u>	<u>189,669</u>

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
24 LONG TERM PAYABLE			
Gross payable		<u>442,198,200</u>	<u>442,198,200</u>
Deferred notional income	24.2	<u>-</u>	<u>(1,306,761)</u>
Exchange loss on revaluation of foreign currency		<u>22,090,840</u>	<u>16,199,341</u>
Payments made during the year		<u>(458,494,720)</u>	<u>-</u>
		<u>5,794,320</u>	<u>457,090,780</u>
Less: Current portion of long term payable		<u>(5,794,320)</u>	<u>(457,090,780)</u>
		<u>-</u>	<u>-</u>

24.1 Long term payable represent amortized value of balance consideration payable amounting to US \$ 4,378,200 payable to Ex-shareholders of Triconboston Consulting Corporation (Private) Limited. The Company has also issued a corporate guarantee of amounting US \$ 4,378,200. The Company has paid US \$ 4,323,016 during the current year.

24.2 This represent the difference between amortized cost and face value of interest free long term payable to Ex-Shareholders of Triconboston Consulting Corporation (Private) Limited. Amortized cost has been determined using effective interest rate of 2.86% per annum being the weighted average rate applicable to the company for borrowings in US\$. Movement of the deferred notional income is as follows:

	2017 ----- Rupees -----	2016 ----- Rupees -----
Deferred notional income		
Opening balance	<u>1,306,761</u>	<u>13,504,488</u>
Unwinding cost of long term liability	<u>(1,306,761)</u>	<u>(12,197,727)</u>
	<u>-</u>	<u>1,306,761</u>

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016
25 TRADE AND OTHER PAYABLES			
Creditors	25.1	557,907,706	417,613,795
Accrued liabilities	25.2	1,470,451,336	1,161,717,431
Advances from customers	25.3	631,069,019	485,610,772
Workers' profit participation fund	25.4	48,729,015	62,861,249
Workers' welfare fund		248,168,121	187,446,411
Infrastructure fee	25.5	258,551,069	209,340,231
Unclaimed dividend		1,361,643	1,033,969
Unrealized loss on derivative financial instruments		7,764,396	-
Others		400,000	-
		3,224,402,305	2,525,623,858
25.1 These balances include the following amounts due to related parties:			
Amer Cotton Mills (Private) Limited		386,523	602,732
Diamond Fabrics Limited		1,374,775	86,016
Reliance Cotton Spinning Mills Limited		-	2,620,936
Sapphire Fibres Limited		35,919,163	15,181,235
		37,680,461	18,490,919
25.2 These balances include the following amounts due to related parties:			
Sapphire Power Generation Limited		19,501,468	23,240,835
Triconboston Consulting Corporation (Private) Limited		-	410,400
		19,501,468	23,651,235
25.3 These balances include the following amounts received from related parties:			
Creadore A/S Denmark		83,894,788	106,921,269
25.4 Workers' profit participation fund			
Balance at the beginning of the year		62,861,249	59,705,075
Allocation for the year	34	48,729,015	62,861,249
Interest on funds utilized in the Company's business	36	1,378,211	1,340,502
		50,107,226	64,201,751
		112,968,475	123,906,826
Less: Payments during the year		(64,239,460)	(61,045,577)
Balance at the end of the year		48,729,015	62,861,249

- 25.5** It includes Rs.257,596,707 (2016:209,340,231) represents provision recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has contested this issue in the Sindh High Court (the High Court). The Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

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

As at June 30, 2017, the Company has provided bank guarantees aggregating Rs.124.823 million (2016: Rs.94.823 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favour.

Notes to the Financial Statements

For the year ended June 30, 2017

		2017	2016
	Note	----- Rupees -----	
26 ACCRUED INTEREST / MARK-UP			
Accrued interest / mark-up on secured:			
- long term financing		106,499,509	80,320,179
- short term borrowings		68,852,224	43,974,642
		175,351,733	124,294,821
26.1	Accrued mark-up includes amounting Rs.7,117,910 (2016: Rs. 7,827,442) due to Bank Alfalah Limited - related party.		
27 SHORT TERM BORROWINGS			
Short term loans		5,230,323,382	3,572,954,653
Running finance under mark-up arrangements		2,232,354,510	1,084,033,945
		7,462,677,892	4,656,988,598
Book overdrafts	27.2	1,168,391	400,611
		7,463,846,283	4,657,389,209
27.1	Aggregate facilities amounting to Rs.14,634 million (2016: Rs.13,490 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts and export bills under collection. These carry mark up at the rate of 1% (2016: 1.10% to 1.60%) on foreign currency loans and 2.15% to 7.02% (2016: 2.75% to 6.99%) on local currency loans per annum payable monthly / quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs.840.033 million (2016: Rs.809.030 million) due to Bank Alfalah Limited (related party).		
27.2	This represents cheques issued by the Company in excess of balance at banks which remained unrepresented till June 30, 2017.		
28 PROVISION FOR TAXATION			
Balance at the beginning of the year		283,198,131	126,741,696
Provision made for current year - net		289,835,071	248,487,789
		573,033,202	375,229,485
Less: Adjusted advance tax during the year against completed assessments		(193,568,309)	(92,031,354)
		379,464,893	283,198,131
29 CONTINGENCIES AND COMMITMENTS			
Contingencies			
29.1	Guarantees issued by banks on behalf of the Company	410,002,988	366,736,988
29.2	Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2017 the value of these cheques amounted to Rs.202.870 million (2016: Rs.281.325 million).		
29.3	The Company had filed a suit No.204 of 2011 against Enshaa NLC Development (Pvt) Limited before the Honourable Sindh High Court, Sindh seeking declarations, possession, permanent injunction and/or recession and damage in respect of the reservation contract followed by an agreement executed between parties whereby the defendants are liable to construct the project. The matter is pending for hearing and opinion of the legal advisor of the company is favorable and there is no likelihood of unfavorable outcome or any potential loss.		
29.4	The Company had filed a petition against Mohammad Farooq Textile Mills Limited for recovery of Rs. 9.135 million under section 305 of Companies Ordinance, 1984 in the Honourable Sindh High Court, Sindh, praying that the honourable court may be pleased to pass the orders regarding winding up the liquidation of the company, to appoint provisional manager or official liquidator, to restrain the officers of the company from disposing of the assets of the company till final adjudication, to grant any other relief deemed to be appropriate and to grant cost.		
29.5	The Company has filed a case against Indus Steel Pipe Factory (Pvt) Limited for title and occupation of land at Kotri before the Honourable Hyderabad High Court, Sindh. Prayer of the Company to the Honourable Court is to set aside judgement & decree of District & Session Judge, Kotri and allow appeal in Honourable Hyderabad High Court or in the alternative, remand the case for decision on merits.		
29.6	The financial institution has issued a guarantee amounting Rs.45 million in favour of Excise and taxation department of Government of Sindh on behalf of Sapphire Wind Power Company Limited (subsidiary company) against charge of Rs.60 million on fixed assets of the Company.		

Notes to the Financial Statements

For the year ended June 30, 2017

29.7 The financial institution has issued guarantees amounting US \$ 450,000 (2016: US \$ 75,000) in favour of Alternative Energy Development on request of Company on behalf of Triconboston Consulting Corporation (Private) Limited (subsidiary company) against charge of equivalent amount with 25% margin on fixed assets of the Company.

29.8 Also refer to content of note 9.7 to 9.10.

	2017	2016
	----- Rupees -----	
Commitments		
29.9 Confirmed letter of credit in respect of:		
- plant and machinery	1,057,781,017	934,549,091
- raw material	81,358,424	115,600,422
- stores and spares	48,879,305	48,084,907
	1,188,018,746	1,098,234,420

30 SALES AND SERVICES - NET

EXPORTS AND SERVICES RECEIVED							
Note	Export Sales		Local Sales		Total		
	2017	2016	2017	2016	2017	2016	
	Rupees						
Yarn	30.1	7,916,131,059	8,429,149,498	3,886,477,139	3,364,351,976	11,802,608,198	11,793,501,474
Fabric	30.2	6,320,348,284	5,354,118,714	2,399,141,701	1,772,754,415	8,719,489,985	7,126,873,129
Home textile products		3,610,420,539	3,207,767,231	31,182,166	8,767,831	3,641,602,705	3,216,535,062
Raw material		-	-	113,392,640	18,638,540	113,392,640	18,638,540
Waste	30.3	44,644,224	48,502,013	164,541,047	136,146,618	209,185,271	184,648,631
Processing income		-	-	960,573,559	1,002,471,982	960,573,559	1,002,471,982
		17,891,544,106	17,039,537,456	7,555,308,252	6,303,131,362	25,446,852,358	23,342,668,818
Export rebate						165,206,647	45,444,089
Duty drawback						-	246,282
Less: Sales tax						(28,083,737)	(277,795,008)
						25,583,975,268	23,110,564,181

	2017	2016
	----- Rupees -----	
30.1 Export sales - Yarn		
Direct export	4,255,394,858	5,968,204,606
In-direct export	3,660,736,201	2,460,944,892
	7,916,131,059	8,429,149,498
30.2 Export sales - Fabric		
Direct export	5,523,531,883	4,677,082,778
In-direct export	796,816,401	677,035,936
	6,320,348,284	5,354,118,714

30.3 Waste sales includes comber noil sales Rs.44,644,224 (2016:Rs.48,502,013).

30.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.100.577 million (2016: Rs.14.721 million) has been included in export sales.

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016
31 COST OF SALES AND SERVICES			
Raw material consumed	31.1	14,901,488,457	13,419,892,290
Cost of raw material sold	31.2	107,533,074	24,270,398
Packing material consumed		338,316,021	356,645,706
Stores and spares consumed		1,277,649,177	1,065,639,321
Salaries, wages and benefits	31.3	2,660,595,692	2,413,825,201
Fuel, power and water		2,060,690,106	1,913,139,151
Other manufacturing expenses	31.4	644,656,275	452,638,074
Repair and maintenance		104,308,987	19,073,671
Vehicle running expenses		26,488,787	27,198,912
Travelling and conveyance		35,170,741	29,614,171
Insurance expenses		39,246,298	43,668,795
Rent, rates and taxes		13,701,035	9,013,008
Fees and subscription		7,523,918	5,502,736
Communication expenses		13,165,133	18,190,661
Printing and stationery		1,115,402	1,115,119
Legal and professional charges		2,207,368	2,830,545
Depreciation	6.3	1,002,348,362	855,732,516
Miscellaneous expenses		3,148,913	4,938,756
		<u>23,239,353,746</u>	<u>20,662,929,031</u>
Work in process			
Opening stock		316,706,076	302,862,009
Closing stock	13	(397,339,030)	(316,706,076)
		<u>(80,632,954)</u>	<u>(13,844,067)</u>
Cost of goods manufactured		<u>23,158,720,792</u>	<u>20,649,084,964</u>
Finished goods			
Opening stock		703,267,694	602,173,021
Closing stock	13	(955,831,564)	(703,267,694)
		<u>22,906,156,922</u>	<u>20,547,990,291</u>
31.1 Raw material consumed			
Opening balance		3,166,889,880	2,866,870,863
Purchases		15,425,588,394	13,719,911,307
		<u>18,592,478,274</u>	<u>16,586,782,170</u>
Closing stock	13	(3,690,989,817)	(3,166,889,880)
		<u>14,901,488,457</u>	<u>13,419,892,290</u>
31.2	It includes Salaries, wages & benefits, Insurance and Finance cost amounting Rs.977,574 (2016: Rs.220,640), Rs.1,955,147 (2016: Rs.441,280) and Rs. 6,843,013 (2016: Rs.1,544,479) respectively.		
31.3	Salaries, wages and benefits include Rs.89,674,205 (2016:Rs.111,541,252) in respect of post employment benefits - gratuity and Rs.22,535,731 (2016:Rs.12,312,922) in respect of provident fund contribution.		
31.4 Other manufacturing expenses			
Cotton dyeing, bleaching and bale pressing charges		161,723,327	162,468,977
Yarn dyeing and bleaching charges		56,707,195	52,570,378
Fabric dyeing, bleaching, knitting and processing charges		146,237,165	86,562,779
Yarn doubling charges		108,552,148	67,756,432
Stitching, spinning and other charges		11,387,700	9,382,911
Designer and embroidery charges		160,048,740	73,896,597
		<u>644,656,275</u>	<u>452,638,074</u>

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016
32 DISTRIBUTION COST			
On export sales			
Export development surcharge		33,360,460	33,739,587
Insurance		10,660,464	11,109,754
Commission		202,145,213	205,648,292
Ocean freight and forwarding		323,943,593	301,105,421
		570,109,730	551,603,054
On local sales			
Inland freight and handling		42,385,727	38,537,904
Commission		44,495,919	31,330,018
		86,881,646	69,867,922
Other distribution cost			
Salaries and benefits	32.1	133,746,743	115,520,012
Rent and utilities		484,055	1,037,974
Communication		14,245,654	13,142,729
Travelling, conveyance and entertainment		56,800,203	62,754,930
Repair and maintenance		401,394	862,988
Fees and subscription		2,407,993	1,395,089
Samples and advertising		42,054,279	32,160,909
Exhibition expenses		13,362,688	9,554,601
Printing and stationery		2,038,857	1,276,928
Others		3,219,596	1,119,428
		268,761,462	238,825,588
		925,752,838	860,296,564
32.1	Salaries and benefits include Rs.5,718,652 (2016:Rs.4,726,603) in respect of provident fund contribution.		
33 ADMINISTRATIVE EXPENSES			
Directors' remuneration		38,700,000	35,850,000
Directors' meeting fee		450,000	300,000
Salaries and benefits	33.1	176,570,950	148,716,916
Rent, rates and utilities		11,671,237	13,275,842
Communication		7,005,781	8,642,202
Printing and stationery		3,995,869	3,103,886
Travelling, conveyance and entertainment		32,234,130	29,315,210
Motor vehicle expenses		10,466,097	9,729,790
Repair and maintenance		10,356,124	8,922,150
Insurance expense		1,877,400	1,641,430
Legal and professional charges		24,546,483	13,102,993
Fees and subscription		8,900,528	6,736,153
Computer expenses		6,560,357	7,044,483
Advertisement		684,975	75,389
Depreciation	6.3	25,792,469	21,685,736
Others		462,993	3,680,726
		360,275,393	311,822,906

33.1 Salaries and benefits include Rs.6,759,739 (2016:Rs.5,695,485) in respect of provident fund contribution.

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016
34 OTHER OPERATING EXPENSES			
Workers' profit participation fund	25.4	48,729,015	62,861,249
Workers' welfare fund		60,721,710	35,443,265
Auditors' remuneration	34.1	2,353,600	3,266,228
Donations	34.2	56,769,102	29,917,410
Depreciation on investment property	7.2	-	544,062
Amortization of intangible asset	8.1	2,066,631	2,504,903
Provision for stores, spares and loose tools	12.1	18,819,030	10,044,038
Provision for doubtful debt and advance		15,825,884	-
Debit balances written-off - net		-	1,174,648
Provision for doubtful tax refund	19	135,006,064	-
Loss on winding up of subsidiary company - Sapphire Home Inc.		73,051	-
Impairment loss on investment		17,441,370	100,000
Exchange loss on foreign currency accounts		115,908	-
Realized loss on measurement of derivative financial instruments - net		899,548	-
Exchange loss on remeasurement of long term liability		5,891,499	13,261,574
		364,712,412	159,117,377
34.1 Auditors' remuneration			
Audit fee		1,541,000	1,541,000
Half yearly review fee		423,000	423,000
Code of corporate governance review fee		85,850	85,850
Other certification / services		290,000	1,202,628
Out of pocket expenses		13,750	13,750
		2,353,600	3,266,228
34.2 Donations include the following in which a director is interested:			
Name of director	Interest in donee	Name and address of donee	
Mr. Mohammad Abdullah	Director	Abdullah Foundation	50,400,000
Mr. Shahid Abdullah	Director	312, Cotton Exchange Building,	26,625,000
Mr. Nadeem Abdullah	Director	I.I. Chundrigar Road, Karachi.	
Mr. Amer Abdullah	Director		
Mr. Yousuf Abdullah	Director		
Mr. Shayan Abdullah	Director		
35 OTHER INCOME			
Income from financial assets			
Dividend income			
- from other companies		720,622,079	729,308,323
- from associated companies		19,627,972	19,617,390
		740,250,051	748,925,713
Gain on sale of investments		2,110,234,230	557,742,563
Interest income on saving account, term deposit receipts and HBL TFC's		3,204,877	848,754
Mark-up income on loans to subsidiaries		27,361,656	9,870,807
Income from non-financial assets			
Gain on sale of property, plant and equipment - net		8,222,463	9,611,058
Gain on sale of investment property		-	20,056,965
Rental income		350,000	10,855,731
Realized gain on measurement of derivative financial instruments - net		-	8,144
Exchange gain on Foreign currency accounts		-	68,877
Scrap sales [Net of sales tax aggregating Rs.5.335 million (2016: Rs.4.193 million)]		27,608,799	20,453,698
		2,917,232,076	1,378,442,310

Notes to the Financial Statements

For the year ended June 30, 2017

		2017	2016
		----- Rupees -----	
36	FINANCE COST		
	Note		
Interest / mark-up on :			
- short term finances		320,389,807	340,012,559
- long term loans		556,768,761	442,449,566
- workers' profit participation fund	25.4	1,378,211	1,340,502
Bank charges, commission and others charges		87,558,519	78,115,887
Unwinding cost of long term liability		1,306,761	12,197,727
Exchange loss / (gain) on foreign currency loans		1,543,920	(1,056,874)
		<u>968,945,979</u>	<u>873,059,367</u>
37	TAXATION		
Current			
- for the year		298,606,425	248,581,115
- prior year		(8,771,354)	(93,326)
Deferred		<u>(36,217,866)</u>	<u>40,018,191</u>
		<u>253,617,205</u>	<u>288,505,980</u>
37.1	Relationship between taxation expense and accounting profit		
Profit before taxation		<u>2,975,363,800</u>	<u>1,736,719,986</u>
Tax at the applicable rate of 31% (2016: 32%)		922,362,778	555,750,396
Tax effect of income taxed at a lower rate		(492,135,100)	(140,543,663)
Prior year tax effect		(8,771,354)	(93,326)
Tax credit effect		<u>(167,839,119)</u>	<u>(126,607,427)</u>
		<u>253,617,205</u>	<u>288,505,980</u>
37.2	The Finance Act, 2017 has amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 7.5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 40% of the accounting profit either through cash dividend or issuance of bonus shares within six months of the end of the said year.		
The Company filed a Constitutional Petition (CP) before the Honourable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A. In case the SHC's decision is not in favour of the Company; the Company will either be required to declare amount of dividend or it 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 balance sheet date no charge has been recorded in this respect.			
38	EARNINGS PER SHARE - BASIC AND DILUTED	2017	2016
Profit after taxation for the year	Rupees	<u>2,721,746,595</u>	<u>1,448,214,006</u>
Weighted average number of ordinary shares	Number	<u>20,083,140</u>	<u>20,083,140</u>
Earnings per share - basic and diluted	Rupees	<u>135.52</u>	<u>72.11</u>

Notes to the Financial Statements

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
39 CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,975,363,800	1,736,719,986
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	1,028,140,831	877,418,252
Depreciation on investment property	-	544,062
Gain on sale of investments	(2,110,234,230)	(557,742,563)
Amortization of intangible assets	2,066,631	2,504,903
Interest income	(30,566,533)	(10,719,561)
Gain on sale of property, plant and equipment	(8,222,463)	(9,611,058)
Gain on sale of investment property	-	(20,056,965)
Dividend income - others	(720,622,079)	(729,308,323)
Dividend income - associates	(19,627,972)	(19,617,390)
Provision for doubtful debts and advances	15,825,884	-
Provision for tax refunds doubtful	135,006,064	-
Provision for gratuity	89,674,205	111,541,252
Provision / (reversal of provision) for stock in trade, stores, spares and loose tools	18,819,030	(80,067,886)
Loss on winding up of subsidiary company	73,051	-
Impairment loss on investment	17,441,370	100,000
Amortization of unwinding up of liability	1,306,761	12,197,727
Exchange differences	7,435,419	12,204,700
Finance cost	966,095,298	861,918,514
Rental income	(350,000)	(10,855,731)
	(607,738,733)	440,449,933
Operating cash flow before changes in working capital	2,367,625,067	2,177,169,919
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spare and loose tools	(117,640,097)	(28,717,958)
Stock-in-trade	(1,045,117,497)	(222,023,952)
Trade debts	(258,387,426)	(175,979,270)
Loans and advances	(20,241,861)	(40,325,633)
Trade deposits and short term prepayments	(4,601,404)	2,281,570
Other receivables	(101,938,209)	(14,285,945)
	(1,547,926,494)	(479,051,188)
Increase in current liabilities		
Trade and other payables	690,686,377	211,361,502
	1,510,384,950	1,909,480,233

Notes to the Financial Statements

For the year ended June 30, 2017

40 RELATED PARTY DISCLOSURES

The related parties comprise associated companies (due to common directorship), subsidiaries, directors and key management personnel. Amounts due to / from related parties are shown in the relevant notes to the financial statements and remuneration of key management personnel is disclosed in note 43. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2017	2016
		----- Rupees -----	
(i) Subsidiaries	Sales of fabric / processing / stores	1,044,197,654	929,260,481
	Purchase of fabric	5,562,020	164,686
	Shares deposit money	4,767,403,070	599,428,000
	Shares received	4,842,465,000	539,366,070
	Expenses charged to	3,185,495	26,538,389
	Markup charged to	27,361,656	9,870,807
	Loans	250,000,000	264,789,400
(ii) Associates	Sales of yarn / fabric / processing / stores	1,627,083,914	1,479,579,791
	Purchase of yarn / fabric / processing / stores / rent / fixed assets	338,611,867	235,919,306
	Purchase of electricity / steam	234,206,975	571,638,232
	Expenses charged to	39,556,636	35,471,562
	Expenses charged by	6,901,583	8,806,655
	Markup charged by	28,692,453	41,964,953
	Dividend paid	78,719,578	56,228,270
	Dividend received	19,627,972	19,617,390
	Loans (repaid) / obtained- net	(67,145,418)	644,059,703
(iii) Others	Contribution to provident fund	35,014,122	22,735,010
	Donations	50,400,000	26,625,000
		2017	2016

41 NUMBER OF EMPLOYEES

Number of employees worked at June 30

- Permanent	6,387	6,242
- Contractual	499	455

Average number of employees worked during the year

- Permanent	6,234	6,210
- Contractual	472	438

42 PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Total number of spindles installed	130,407	129,652
Average number of spindles worked	129,416	127,994
Total number of rotors installed	3,120	3,120
Average number of rotors worked	3,078	3,048
Number of shifts worked per day	3	3
Total days worked	365	365
Installed capacity after conversion into 20/s lbs.	109,867,178	108,152,115
Actual production after conversion into 20/s lbs	99,947,948	97,834,523

Notes to the Financial Statements

For the year ended June 30, 2017

	2017	2016
Weaving		
Total number of looms installed	345	361
Average number of looms worked	345	361
Number of shifts worked per day	3	3
Total days worked	365	365
Installed capacity at 50 picks per inch of fabric square meters	122,946,331	128,003,250
Actual production converted at 50 picks per inch of fabric square meters	127,473,002	108,581,079
Finishing and Printing		
Production capacity meters	36,000,000	28,800,000
Actual production meters	33,231,522	22,582,817
Home Textile Product		
The capacity of this unit is undeterminable due to multi product involving varying processes of manufacturing and run length of order lots.		
43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES	2017	2016
	----- Rupees -----	
Chief Executive		
Remuneration	16,000,000	14,000,000
Rent and utilities	8,000,000	7,000,000
	24,000,000	21,000,000
Number of person	1	1
Directors		
Remuneration	9,800,000	9,850,000
Rent and utilities	4,900,000	5,000,000
	14,700,000	14,850,000
Number of persons	2	2
Meeting fee	450,000	300,000
Number of persons	1	1
Executives		
Managerial remuneration	213,765,021	174,218,938
House rent	97,160,114	82,657,385
Cost of living allowance	76,200	136,750
Bonus	31,167,759	28,671,336
Medical	4,390,171	4,011,847
Utilities	10,957,501	10,014,994
Contribution to provident fund	17,449,497	11,712,012
Leave encashment and other benefits	15,956,348	12,988,669
	390,922,611	324,411,931
Number of persons as executives	164	145
Number of executives provided with the Company maintained cars	117	112
The Chief Executive and two Directors were also provided with cars maintained by the Company and telephones at residence. The Company has not paid any remuneration to non executive directors.		
44 PROVIDENT FUND RELATED DISCLOSURES	2017	2016
	----- Rupees '000 -----	
44.1 The following information is based on audited financial statements of the Fund as at June 30, 2017		
Size of the fund - Total assets	199,467	168,993
Cost of investments made	186,786	135,190
Fair value of investments	196,051	163,707
Percentage of Investments made	98.29%	97%
44.2 The break-up of fair value of investments is as follows:		
	2017	2016
	----- Percentage -----	----- Rupees '000 -----
National Saving Schemes	99.87%	99.74%
Loan to members	0.13%	0.26%
	100%	100%
	195,805	163,283
	246	424
	196,051	163,707

Notes to the Financial Statements

For the year ended June 30, 2017

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

45 FINANCIAL INSTRUMENTS

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

- 45.1** - Credit risk
- 45.2** - Liquidity risk
- 45.3** - Market risk

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

45.1 Credit risk

45.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.15,203.579 million (2016:Rs.11,693.228 million), financial assets which are subject to credit risk aggregate to Rs.15,131.444 million (2016:Rs.11,593.522 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2017	2016
	----- Rupees -----	
Long term investments	8,913,807,613	6,690,916,969
Long term deposits	82,182,808	82,313,808
Trade debts	1,723,627,585	1,473,660,103
Loans and advances	264,789,400	264,789,400
Trade deposits	3,753,501	1,453,000
Other receivables	94,377,240	93,987,880
Short term investments	4,048,906,258	2,986,400,454
Cash and bank balances	72,134,493	99,706,069
	15,203,578,898	11,693,227,683

45.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows.

Domestic	1,216,562,153	981,752,307
Export	507,065,432	491,907,796
	1,723,627,585	1,473,660,103

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

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

Yarn	752,904,788	663,567,732
Fabric	516,751,032	509,807,322
Home textile product	154,345,392	117,588,972
Waste	39,550,996	14,811,507
Processing services	255,967,740	165,197,255
Others	4,107,637	2,687,315
	1,723,627,585	1,473,660,103

45.1.4 The aging of trade debts at the reporting date is as follows:

Not past due	882,641,800	1,128,371,711
Past due 0 - 30 days	710,303,326	294,134,777
Past due 31 - 60 days	122,051,209	40,997,033
Past due 61 - 90 days	8,631,250	8,506,842
Past due 91 - 1 year	-	1,649,740
	1,723,627,585	1,473,660,103

Credit quality of counter parties is assessed based on historical default rates. All receivables past due are considered good. The management believes that allowance for impairment of receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

Notes to the Financial Statements

For the year ended June 30, 2017

45.1.5 Cash is held only with reputable banks with high quality external credit enhancements. Following are the credit ratings of banks within which balances are held or credit lines available:

Name of bank	Rating Agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Citibank N.A.	Moody's	P-1	A1
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	AA-
Deutsche Bank AG	Fitch	F1	A-
Allied Bank Limited	PACRA	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Industrial and Commercial Bank of China	Moody's	P-1	A1
Bank Alfalah Limited	PACRA	A1+	AA+
The Bank of Punjab	PACRA	A1+	AA
Soneri Bank Limited	PACRA	A1+	AA-

45.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

Financial liabilities in accordance with their contractual maturities are presented below:

2017					
Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above	
Rupees					
Long term financing	13,882,976,836	17,715,744,542	1,265,123,833	11,075,920,062	5,374,700,647
Trade and other payables	2,078,849,700	2,078,849,700	2,078,849,700	-	-
Accrued interest / mark-up	175,351,733	175,351,733	175,351,733	-	-
Short term borrowings	7,462,677,892	7,525,674,991	7,525,674,991	-	-
	23,599,856,161	27,495,620,966	11,045,000,257	11,075,920,062	5,374,700,647

2016					
Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above	
Rupees					
Long term financing	8,357,560,403	9,816,616,199	2,058,903,064	5,820,295,712	1,937,417,423
Trade and other payables	1,643,226,444	1,643,226,444	1,643,226,444	-	-
Accrued interest / mark-up	124,294,821	124,294,821	124,294,821	-	-
Short term borrowings	4,656,988,598	4,723,804,225	4,723,804,225	-	-
	14,782,070,266	16,307,941,689	8,550,228,554	5,820,295,712	1,937,417,423

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

45.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments.

Notes to the Financial Statements

For the year ended June 30, 2017

45.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores & spares parts and export of goods mainly denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Company's exposure to foreign currency risk for US Dollar, Euro, Japanese Yen and Swiss Frank is as follows:

2 0 1 7					
	Rupees	US \$	EURO	JPY	CHF
Trade debts	(507,065,432)	(4,295,457)	(474,535)	-	-
Bank balances	(3,575,026)	(29,689)	(3,867)	-	-
Gross Balance sheet exposure	(510,640,458)	(4,325,146)	(478,402)	-	-
Outstanding letters of credit	1,188,018,746	4,948,635	5,434,643	426,976	137,522
Forward exchange contracts	822,832,974	5,837,178	1,812,000		
Net Exposures	1,500,211,262	6,460,667	6,768,241	426,976	137,522
2 0 1 6					
	Rupees	US \$	EURO	JPY	CHF
Trade debts	(491,907,796)	(3,900,774)	(726,025)	-	-
Bank balances	(2,906,541)	(23,519)	(3,867)	-	-
Gross Balance sheet exposure	(494,814,337)	(3,924,293)	(729,892)	-	-
Outstanding letters of credit	1,098,234,420	1,945,195	4,367,574	179,300,000	1,908,704
Forward exchange contracts	1,084,165,137	7,880,033	2,300,085		
Net Exposures	1,687,585,220	5,900,935	5,937,767	179,300,000	1,908,704

The following significant exchange rates have been applied:

	Reporting date rate	
	2017	2016
US \$ to Rupees	104.8 / 105	104.5 / 104.7
Euro to Rupees	119.91 / 120.14	116.08 / 116.31

Sensitivity analysis

A 10 percent strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Equity	Profit & loss
	Rupees	
As at June 30, 2017		
Effect in US Dollar	(45,327,530)	(45,327,530)
Effect in Euro	(5,736,518)	(5,736,518)
As at June 30, 2016		
Effect in US Dollar	(41,008,862)	(41,008,862)
Effect in Euro	(8,472,586)	(8,472,586)

10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variable remain constant.

Notes to the Financial Statements

For the year ended June 30, 2017

45.3.2 Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2017	2016	2017	2016
	Effective rate		Carrying Amount	
			----- Rupees -----	
Fixed rate instruments				
Financial liabilities				
Long term financing	2.5% to 6.5%	2.5% to 6.5%	2,624,558,884	1,410,408,410
Short term borrowings - foreign currency loan	1%	1.10% to 1.60%	218,323,000	366,844,653
- local currency loan	2.15% to 2.25%	2.75%	1,500,000,000	1,300,000,000
Variable rate instruments				
Financial liabilities				
Long term financing	6.10% - 6.45%	5.98% - 7.10%	11,258,417,952	6,947,151,993
Short term borrowings - foreign currency loan	-	1.52%	-	69,110,000
- local currency loan	6.13% TO 7.02%	6.20% TO 6.99%	5,744,354,892	2,921,033,945

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit and loss 100 bps	
	Increase	Decrease
	----- Rupees -----	
As at June 30, 2017		
Cash flow sensitivity - variable rate instruments	170,027,728	(170,027,728)
As at June 30, 2016		
Cash flow sensitivity - variable rate instruments	99,372,959	(99,372,959)

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

45.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the company diversify its portfolio and continuously monitor developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in share prices of listed companies at the balance sheet date would have increased / decreased the Company's unrealized gain on 'available for sale' investments as follows:

	2017	2016
	----- Rupees -----	
Effect on equity	1,287,656,564	959,116,919
Effect on investments	1,287,656,564	959,116,919

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

45.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the Financial Statements

For the year ended June 30, 2017

45.5 Financial instruments by Category

	2017	2016
	----- Rupees -----	
FINANCIAL ASSETS		
Loans and receivables		
Long term deposits	82,182,808	82,313,808
Trade debts	1,723,627,585	1,473,660,103
Loans and advances	264,789,400	264,789,400
Trade deposits	3,753,501	1,453,000
Other receivables	94,377,240	93,987,880
Cash and bank balances	72,134,493	99,706,069
	2,240,865,027	2,015,910,260
At fair value through Other Comprehensive Income		
Long term investments	8,827,659,377	6,604,768,733
Short term investments	4,048,906,258	2,986,400,454
	12,876,565,635	9,591,169,187
Long term investment at cost		
Long term investments	86,148,236	86,148,236
FINANCIAL LIABILITIES		
At amortized Cost		
Long term loans	13,882,976,836	8,357,560,403
Trade and other payables	2,078,849,700	1,643,226,444
Accrued Interest / mark-up	175,351,733	124,294,821
Short term borrowings	7,462,677,892	4,656,988,598
	23,599,856,161	14,782,070,266

45.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

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

- Level 1. Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2. Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	----- Rupees -----		
As at June 30, 2017			
Assets carried at fair value			
Available for sale investments	12,876,565,635	-	86,148,236
Forward exchange contracts used for hedging	-	-	-
	12,876,565,635	-	86,148,236
As at June 30, 2016			
Assets carried at fair value			
Available for sale investments	9,591,169,187	-	86,148,236
Forward exchange contracts used for hedging	-	8,397,204	-
	9,591,169,187	8,397,204	86,148,236
As at June 30, 2017			
Liabilities carried at fair value			
Long term payables	-	-	5,794,320
Forward exchange contracts used for hedging	-	7,764,396	-
	-	7,764,396	5,794,320
As at June 30, 2016			
Liabilities carried at fair value			
Forward exchange contracts used for hedging	-	-	457,090,780
	-	-	457,090,780

Notes to the Financial Statements

For the year ended June 30, 2017

45.7 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ('long term loans' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2017	2016
	----- Rupees -----	
Total borrowings	21,346,823,119	13,014,949,612
Less: Cash and bank balances	72,134,493	99,706,069
Net debt	21,274,688,626	12,915,243,543
Total equity	16,994,754,650	14,903,981,167
Total capital	38,269,443,276	27,819,224,710
	Percentage	
Gearing ratio	55.59	46.43

46 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and comparison. However, no significant reclassification has been made in these financial statements.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors and authorized for issue on September 28, 2017.

Karachi:
Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

Pattern of Shareholding

As At June 30, 2017

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
289	1	100	4,494
40	101	500	11,111
18	501	1,000	13,388
25	1,001	5,000	49,776
6	5,001	10,000	47,827
2	10,001	15,000	27,633
2	15,001	20,000	34,370
2	20,001	25,000	41,623
2	25,001	30,000	55,500
2	30,001	35,000	67,727
1	35,001	40,000	38,056
1	45,001	50,000	46,617
1	50,001	55,000	52,600
1	60,001	65,000	62,167
1	65,001	70,000	67,400
1	70,001	75,000	72,542
1	75,001	80,000	75,400
1	90,001	95,000	93,241
1	105,001	110,000	107,500
1	125,001	130,000	128,401
1	130,001	135,000	131,000
1	145,001	150,000	146,500
1	175,001	180,000	175,500
1	200,001	205,000	201,800
1	210,001	215,000	211,100
1	220,001	225,000	222,573
1	260,001	265,000	264,638
1	270,001	275,000	272,594
1	375,001	380,000	378,057
1	395,001	400,000	400,000
1	460,001	465,000	461,532
1	495,001	500,000	496,183
1	500,001	505,000	504,611
1	560,001	565,000	564,522
1	585,001	590,000	586,242
1	605,001	610,000	609,063
2	635,001	640,000	1,272,191
1	740,001	745,000	743,123
1	895,001	900,000	900,000
1	920,001	925,000	924,088
1	945,001	950,000	950,000
1	1,070,001	1,075,000	1,073,289
1	1,475,001	1,480,000	1,475,106
1	1,675,001	1,680,000	1,677,128
1	2,105,001	2,110,000	2,106,659
1	2,235,001	2,240,000	2,238,268
425			20,083,140

* Note: There is no shareholding in the slab not mentioned

Categories of Shareholders

As At June 30, 2017

Particulars	No. of Shares Held	Percentage %
Directors, CEO, and their Spouses and Minor Children	11,792,546	58.72
Associated Companies, Undertakings and Related Parties	6,215,349	30.95
NIT & ICP	929,028	4.63
Banks, Development Finance Institutions, Non-Banking Financial Institutions	129	0.00
Insurance Company	14,250	0.07
Other Companies	248,066	1.24
General Public (Local)	883,772	4.40
	20,083,140	100.00

Pattern of Shareholding

As At June 30, 2017

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES NO OF SHARES

Amer Tex (Pvt.) Limited	1,132,868
Galaxy Agencies (Pvt.) Limited	504,611
Nadeem Enterprise (Pvt.) Limited	586,242
Neelum Textile Mills (Private) Limited	419,094
Reliance Cotton Spinning Mills Limited	100,223
Salman Ismail (SMC-Private) Limited	592,522
Sapphire Agencies (Pvt.) Limited	2,331,509
Sapphire Holding Limited	264,638
Sapphire Power Generation Limited	283,642

B) NIT & ICP

CDC - Trustee National Investement (Unit) Trust	924,088
National Investment Trust Limited	4,940

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

DIRECTORS & THEIR SPOUSES

Mr. Mohammad Abdullah	461,532
Mr. Yousuf Abdullah	2,120,042
Mr. Amer Abdullah	1,709,628
Mr. Shahid Abdullah	396,057
Mr. Nabeel Abdullah	900,000
Mr. Shayan Abdullah	950,000
Mr. Nadeem Karamat	500
Mrs. Shamshad Begum	636,563
Mrs. Ambareen Amer	811,006
Mrs. Usma Yousuf	107,500
Mrs. Shireen Shahid	1,606,106

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Nadeem Abdullah	1,148,689
Mrs. Noshaba Nadeem	944,923

D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES

BANKS

National Bank of Pakistan	129
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INSURANCE COMPANY

EFU Life Assurance Ltd	14,250
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Pattern of Shareholding

As At June 30, 2017

E) SHAREHOLDERS HOLDING 05% OR MORE

Amer Tex (Pvt.) Limited	1,132,868
Mr. Nadeem Abdullah	1,148,689
Mrs. Shireen Shahid	1,606,106
Mr. Amer Abdullah	1,709,628
Mr. Yousuf Abdullah	2,120,042
Sapphire Agencies (Pvt.) Limited	2,331,509

F) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS CHIEF EXCEUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDERN

NIL

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Directors' Report to the Shareholders

On behalf of Board of Directors of Holding Company of Sapphire Wind Power Company Limited, Sapphire Tech (Private) Limited, Sapphire Solar (Private) Limited, Sapphire Home Incorporation, Sapphire Retail Limited, Tricon Boston Consulting Corporation (Private) Limited, Sapphire Renewables Limited, it is my pleasure to present Directors' Report with Audited Consolidated Financial Statement of the Group and Auditor's report thereon for the year ended June 30, 2017.

Sapphire Wind Power Company Limited

The Company is 70% owned by Sapphire Textile Mills Ltd and 30% by Bank Alfalah Limited. The Company has set up a wind farm with capacity of 52.80 MW at Jhimpir which started Commercial operations in Nov 2015 – the project is operating following best industry practice and is yielding satisfactory results.

Sapphire Retail Limited

Sapphire Retail Limited is a wholly owned subsidiary of Sapphire Textile Mills Limited. The principal business of subsidiary is to operate "Sapphire brand" retail outlets for sale of textile and other products. The company has opened (15) fifteen outlets in different parts of Pakistan and is building its brand.

Tricon Boston Consulting Corporation (Private) Limited

Tricon Boston Consulting Corporation (Pvt.) Limited is incorporated under the laws of Pakistan and holds 3 LOIs for setting up and operating 3 x 50 MW Wind Energy Projects in Jamphir Sindh. The project company has awarded the EPC contracts and is following an aggressive development plan for its three projects which achieved FC on May 10, 2017. The Projects are currently under construction, import of equipment is expected to commence in October 2017 and it is planned to achieve COD of these 3 projects within 15 Months.

Sapphire Renewables Limited

Sapphire Renewables Limited, is wholly owned subsidiary of Sapphire Textile Mills Limited, incorporated on May 30, 2016. The main business of the company is to make investment in Renewable Energy Projects. The company has obtained certificate of commencement of business on August 19, 2016.

Sapphire Tech (Pvt.) Limited

Sapphire Tech (Private) Limited is incorporated under Companies Ordinance, 1984. The subsidiary is established to setup electric power generation project and sell electric power. It is 100% equity owned. The shareholders of the holding company have approved to liquidate or sell the company in annual general meeting held on October 26, 2015. The management is in the process of evaluating best option in light of above resolution.

Sapphire Solar (Private) Limited

Sapphire Solar (Private) Limited is wholly owned subsidiary of Sapphire Textile Mills Limited. The LOI from Alternative Energy Development Board to set up an IPP, solar energy Project of 10 MW has been cancelled. It is 100% equity owned. The shareholders of the holding company have approved to liquidate or sell the company in annual general meeting held on October 26, 2015. The management is in the process of evaluating best option in light of above resolution.

Sapphire Home Incorporation

Sapphire Home was incorporated as 100% subsidiary of the company to enable local duty paid deliveries to customers in USA. Several contracts were executed through this company. However, lately we are shipping

Directors' Report to the Shareholders

directly to the customers and this company become dormant and shareholders have approved resolution to close the company, as such company has been closed down.

CLARIFICATION TO QUALIFICATION IN AUDIT REPORT

In their Report to the Members, Auditors have stated that Consolidated Financial Statements include un-audited figures pertaining to a Subsidiary Company, Sapphire Home Incorporation. The Subsidiary Company is incorporated under the laws of the State of New York in United States of America (USA). The governing laws does not require audit of financial statements of the Subsidiary Company. Hence, we have used un-audited financial statements of the Subsidiary Company to prepare Consolidated Financial Statements.

On behalf of the Board

Karachi
Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

ڈائریکٹر رپورٹ برائے حصص یافتگان

سیفائر ٹیک (پرائیویٹ) لمیٹڈ

سیفائر ٹیک (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس مجریہ 1984ء کے تحت تشکیل پائی۔ سبسیڈییری الیکٹرک پاور جنریشن پروجیکٹ اور بجلی کی فروخت کیلئے قائم کی گئی۔ یہ سو فیصد ایکویٹی کی ملکیت ہے۔ ہولڈنگ کمپنی کے شیئر ہولڈرز نے سالانہ اجلاس عام منعقدہ 26 اکتوبر 2015ء میں کمپنی کی تحلیل یا فروخت کی منظوری دی ہے۔ اس ضمن میں مینجمنٹ بہترین آپشن کا جائزہ لینے کے عمل میں ہے۔

سیفائر سولر (پرائیویٹ) لمیٹڈ

سیفائر سولر (پرائیویٹ) لمیٹڈ سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیتی سبسیڈییری ہے۔ آسٹریٹو انرجی ڈیولپمنٹ بورڈ سے LO1 ایک آئی پی پی 10 ایم ڈبلیو سولر انرجی پروجیکٹ کی تشکیل منسوخ ہو گئی ہے۔ یہ سو فیصد ایکویٹی ملکیت ہے۔ ہولڈنگ کمپنی کے شیئر ہولڈرز نے سالانہ اجلاس عام منعقدہ 26 اکتوبر 2015ء میں کمپنی کی تحلیل یا فروخت کی منظوری دی ہے۔ اس ضمن میں مینجمنٹ بہترین آپشن کا جائزہ لینے کے عمل میں ہے۔

سیفائر ہوم ان کارپوریشن

سیفائر ہوم امریکہ میں صارفین کو لوکل ڈیوٹی پیڈ ڈیلیوریٹز کے قابل بنانے کیلئے سو فیصد سبسیڈییری کے طور پر تشکیل پائی تھی۔ کمپنی ہذا کے ذریعہ لاتعداد کنٹریکٹس پر عملدرآمد ہوا تھا۔ تاہم آخرش ہم صارفین کو براہ راست سامان ارسال کر رہے ہیں اور یہ کمپنی غیر موثر ہو گئی اور شیئر ہولڈرز نے کمپنی کو بند کرنے کی قرارداد کی منظوری دیدی ہے۔ اس طرح کمپنی بند کر دی گئی ہے۔

آڈٹ رپورٹ میں اہلیت کی وضاحت

ممبران کیلئے رپورٹ میں آڈیٹر بیان کیا ہے کہ کمپنی کی سبسیڈییری کمپنی سیفائر ہوم ان کارپوریشن سے متعلق غیر آڈٹ شدہ اعداد و شمار کنسالیڈیٹڈ فنانشل اسٹیٹمنٹس کا حصہ ہیں۔ مذکورہ سبسیڈییری کمپنی ریاستہائے متحدہ امریکہ (یو ایس اے) میں ریاست نیویارک کے قانون کے تحت قائم ہوئی ہے۔ اس سبسیڈییری کمپنی کے مالی گوشواروں کا آڈٹ مروجہ قانون کے تحت ضروری نہیں۔ پس ہم نے مذکورہ سبسیڈییری کمپنی کے کنسالیڈیٹڈ فنانشل اسٹیٹمنٹس کی تیاری کیلئے غیر آڈٹ شدہ مالی گوشوارے استعمال کئے ہیں۔

منجانب بورڈ

ندیم عبداللہ

چیف ایگزیکٹو

کراچی۔

مورخہ 28 ستمبر 2017ء

ڈائریکٹر پورٹ برائے حصص یافتگان

ڈائریکٹر پورٹ برائے شیئر ہولڈرز

سیفائر ونڈ پاور کمپنی لمیٹڈ سیفائر ٹیک (پرائیویٹ) لمیٹڈ سیفائر سولر (پرائیویٹ) لمیٹڈ سیفائر ہوم ان کارپوریشن سیفائر ریٹیل لمیٹڈ ٹرائیکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ سیفائر رینوویبلز لمیٹڈ کی ہولڈنگ کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2017ء کو مکمل ہونے والے سال کیلئے میں ڈائریکٹرز کی رپورٹ مع گروپ کے آڈٹ شدہ کنسالیڈیٹڈ اسٹیٹمنٹس اور آڈیٹرز کی رپورٹ پیش کرنے کا اعزاز حاصل کر رہا ہوں:

سیفائر ونڈ پاور کمپنی لمیٹڈ

کمپنی 70 فیصد سیفائر ٹیکسٹائل ملز لمیٹڈ کی ملکیت اور 30 فیصد بنک الفلاح لمیٹڈ کی ملکیت ہے۔ کمپنی نے جھمپیر میں 52.80 ایم ڈبلیو گنجائش کے ونڈ فارم لگائے ہیں جنہوں نے نومبر 2015ء میں تجارتی سرگرمیاں شروع کر دی ہیں۔ پروجیکٹ بہترین صنعتی عمل انجام دے رہا ہے اور اطمینان بخش نتائج حاصل ہو رہے ہیں۔

سیفائر ریٹیل لمیٹڈ

سیفائر ریٹیل لمیٹڈ سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبسیڈیری ہے۔ اس سبسیڈیری کا اہم کاروبار ٹیکسٹائل اور دیگر مصنوعات کی فروخت کیلئے ”سیفائر برانڈ“ ریٹیل آؤٹ لیٹس چلانا ہے۔ کمپنی نے پاکستان کے مختلف علاقوں میں 15 آؤٹ لیٹس اپنے ”سیفائر برانڈ“ کو اجاگر کرنے کیلئے کھولے ہیں۔

ٹرائیکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ

ٹرائیکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ جھمپیر سندھ میں پاکستانی قوانین کے تحت تشکیل پائی ہے اور استحکام کیلئے تین LO1 رکھتی ہے اور 3X50 ایم ڈبلیو ونڈ انرجی پروجیکٹس چلا رہی ہے۔ پروجیکٹ کمپنی کو ای پی سی کنٹریکٹس دیئے گئے ہیں اور اپنے تین پروجیکٹس کیلئے ایک موثر ترقیاتی منصوبہ پر عمل کر رہی ہے جس سے 10 مئی 2017ء کو ایف سی حاصل ہوا ہے۔ پروجیکٹس فی الوقت زیر تعمیر ہیں۔ آلات کی درآمد اکتوبر 2017ء میں متوقع ہے اور پندرہ ماہ میں ان تینوں پروجیکٹس کی سی او ڈی حاصل کرنے کی منصوبہ بندی کی گئی ہے۔

سیفائر رینوویبلز لمیٹڈ

سیفائر رینوویبلز لمیٹڈ مکمل طور پر سیفائر ٹیکسٹائل ملز لمیٹڈ کی ملکیتی سبسیڈیری ہے جو 30 مئی 2016ء کو تشکیل ہوئی تھی۔ کمپنی کا اصل کاروبار رینوویبل انرجی پروجیکٹس میں سرمایہ کاری ہے۔ کمپنی کو 19 اگست 2016ء کو کاروبار کے آغاز کا ٹھٹھکیٹ حاصل ہوا ہے۔

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Sapphire Textile Mills Limited** (the holding company) and its subsidiary companies (together referred to as group) as at June 30, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of **Sapphire Textile Mills Limited**. The financial statements of Sapphire Wind Power Company Limited, Sapphire Retail Limited, Sapphire Solar (Pvt.) Limited, Sapphire Tech (Pvt.) Limited, Sapphire Renewables Limited and Tricon Boston Consulting Corporation (Pvt.) Limited were audited by other firms of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of Sapphire Home, Inc. (subsidiary company) for the period ended April 07, 2017 were un-audited. Hence, total assets and total liabilities of Rs. 912,949 and Rs. Nil respectively as at April 07, 2017 and net loss of Rs. 554,551 for the period ended April 07, 2017 relating to such subsidiary company have been incorporated in these consolidated financial statements by the management using the un-audited financial statements.

In our opinion, except for the effect of any adjustments that may have been required due to the un-audited figures in respect of Sapphire Home, Inc. (subsidiary company) as referred in previous paragraph of the report, the consolidated financial statements present fairly the financial position of **Sapphire Textile Mills Limited** and its subsidiary companies as at June 30, 2017 and the results of their operations for the year then ended.

LAHORE:
Date: September 28, 2017

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Zahid Hussain Zahid, ACA

Consolidated Balance Sheet as at June 30, 2017

		2017	2016
	Note	Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	23,636,607,836	21,381,080,542
Investment property	7	31,750,000	31,750,000
Intangible assets	8	458,996,284	460,550,278
Long term investments	9	9,917,836,164	7,616,629,412
Long term loans and advances	10	46,798,432	52,195,065
Long term deposits and prepayments	11	604,239,546	175,250,569
		34,696,228,262	29,717,455,866
CURRENT ASSETS			
Stores, spares and loose tools	12	538,503,782	439,682,715
Stock in trade	13	6,455,022,052	4,914,217,471
Trade debts	14	2,725,627,903	2,218,481,567
Loans and advances	15	268,684,461	229,189,822
Trade deposits and short term prepayments	16	60,167,286	53,457,008
Other receivables	17	395,709,030	211,249,395
Other financial assets	18	4,048,906,258	2,986,400,454
Tax refunds due from Government	19	1,638,370,468	1,830,485,525
Cash and bank balances	20	8,727,736,333	2,212,777,666
		24,858,727,573	15,095,941,623
TOTAL ASSETS		59,554,955,835	44,813,397,489
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
35,000,000 ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital	21	200,831,400	200,831,400
Reserves		18,106,949,894	15,488,526,055
Equity attributable to holders of parent company		18,307,781,294	15,689,357,455
Non-controlling interest		4,893,365,292	1,143,157,875
Total Equity		23,201,146,586	16,832,515,330
NON-CURRENT LIABILITIES			
Long term financing	22	21,073,237,674	15,014,986,309
Deferred liabilities	23	335,834,432	497,931,080
Liabilities against assets subject to finance lease	24	11,961,692	-
		21,421,033,798	15,512,917,389
CURRENT LIABILITIES			
Trade and other payables	26	4,537,938,151	3,829,181,404
Accrued Interest / mark-up	27	306,682,461	222,150,914
Short term borrowings	28	8,214,590,310	5,155,487,188
Current portion of long term financing	22	1,482,471,736	2,520,245,895
Current portion of liabilities against assets subject to finance lease	24	3,260,817	-
Current portion of long term payable	25	5,794,320	457,090,780
Provision for taxation	29	382,037,656	283,808,589
		14,932,775,451	12,467,964,770
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		59,554,955,835	44,813,397,489

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:

NADEEM ABDULLAH

MOHAMMAD ABDULLAH

Dated: September 28, 2017

CHIEF EXECUTIVE

DIRECTOR

Consolidated Profit and Loss Account

For the year ended June 30, 2017

		2017	2016
	Note	----- Rupees -----	
Sales and services	31	30,240,880,104	26,048,565,222
Cost of sales and services	32	(25,219,775,419)	(21,722,096,699)
Gross profit		5,021,104,685	4,326,468,523
Distribution cost	33	(1,840,668,372)	(1,444,825,415)
Administrative expenses	34	(619,232,572)	(449,152,649)
Other operating expenses	35	(370,760,395)	(170,805,308)
Other income	36	2,885,654,637	1,356,520,354
		54,993,298	(708,263,018)
Profit from operations		5,076,097,983	3,618,205,505
Finance cost	37	(1,528,576,743)	(1,184,476,777)
		3,547,521,240	2,433,728,728
Share of profit of Associated Companies		82,728,732	70,682,006
Profit before taxation		3,630,249,972	2,504,410,734
Taxation			
Current			
- for the year		(335,161,842)	(271,952,152)
- prior year		8,771,354	93,326
Deferred		116,000,793	(41,439,249)
	38	(210,389,695)	(313,298,075)
Profit after taxation for the year		3,419,860,277	2,191,112,659
Attributable to:			
Shareholders of Parent Company		3,195,066,797	1,987,641,880
Non- controlling interest		224,793,480	203,470,779
		3,419,860,277	2,191,112,659
Earnings per share - basic and diluted	39	159.09	98.97

The annexed notes from 1 to 49 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
Profit after taxation for the year	3,419,860,277	2,191,112,659
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Available for sale investments		
Unrealized gain / (loss) on remeasurement of available for sale investments	1,980,839,584	(87,489,315)
Reclassification adjustments for gain on available for sale investments included in profit and loss account	(2,040,163,471)	(646,467,058)
Unrealized gain / (loss) on remeasurement of available for sale investments - associates	20,870,957	(5,379,161)
	(38,452,930)	(739,335,534)
Forward foreign currency contracts		
Unrealized (loss) / gain on remeasurement of forward foreign currency contracts	(24,558,804)	13,692,852
Reclassification adjustments relating to gain / (loss) realized on settlement of forward foreign currency contracts	8,397,204	(2,647,824)
Unrealized (loss) / gain on remeasurement of forward foreign currency contracts - associates	(61,660)	61,203
	(16,223,260)	11,106,231
Exchange difference on translation of foreign operations	3,392,942	1,900,434
Reclassification adjustments for gain on winding-up of foreign subsidiary included in profit and loss account	(929,760)	-
	2,463,182	1,900,434
Items that may not be reclassified subsequently to profit and loss		
Gain on remeasurement of staff retirement benefits	7,398,993	9,965,376
Impact of deferred tax	(558,698)	(626,623)
Loss on remeasurement of staff retirement benefits - associates	(258,765)	(326,331)
	6,581,530	9,012,422
Share of decrease in reserves of associated companies under equity method	(8,754,623)	(8,377,391)
Other comprehensive loss for the year	(54,386,101)	(725,693,838)
Total comprehensive income for the year	3,365,474,176	1,465,418,821
Attributable to:		
Shareholders of Parent Company	3,140,680,696	1,261,948,042
Non- controlling interest	224,793,480	203,470,779
	3,365,474,176	1,465,418,821

The annexed notes from 1 to 49 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended June 30, 2017

		2017	2016
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	2,471,221,173	2,953,925,776
Long term loans, deposits and prepayments		(423,592,344)	(39,296,062)
Finance cost paid		(1,441,194,515)	(1,166,123,554)
Staff retirement benefits - gratuity paid		(132,701,566)	(122,730,385)
Taxes paid		(171,052,428)	(818,947,160)
		(2,168,540,853)	(2,147,097,161)
Net cash generated from operating activities		302,680,320	806,828,615
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,968,316,828)	(6,134,583,812)
Purchase of intangibles		(532,700)	-
Investment in associates		19,601,475	19,598,952
Investment others		(6,075,995,688)	(2,426,132,146)
Proceeds from disposal of property, plant and equipment		41,502,804	26,587,767
Proceeds from disposal of investment property		-	150,000,000
Proceeds from sale of investments		4,824,068,214	1,308,568,925
Dividend received		737,990,595	737,726,002
Interest received		10,934,033	3,394,864
Rental income received		-	10,855,731
Net cash used in investing activities		(4,410,748,095)	(6,303,983,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		3,056,791,422	436,742,389
Proceeds from long term financing		8,571,846,474	5,765,561,202
Repayment of long term financing		(3,551,369,268)	(715,108,447)
Repayment of long term payable		(458,494,720)	-
Exchange difference on translation of foreign operation		-	64,967
Issuance of shares - net		3,565,485,000	126,034,983
Dividend paid		(562,000,246)	(200,684,251)
Net cash generated from financing activities		10,622,258,662	5,412,610,843
Net increase / (decrease) in cash and cash equivalents		6,514,190,887	(84,544,259)
Cash and cash equivalents at the beginning of the year		2,212,377,055	2,296,921,314
Cash and cash equivalents at the end of the year		8,726,567,942	2,212,377,055
Cash and cash equivalents			
Cash and bank balances		8,727,736,333	2,212,777,666
Bank overdrafts - unsecured		(1,168,391)	(400,611)
Cash and cash equivalents at the end of the year		8,726,567,942	2,212,377,055

The annexed notes from 1 to 49 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended June 30, 2017

	Share Capital		Reserves				Other Components of equity				Total	Non-Controlling Interest	Total Equity
	Capital	Share Premium	Fixed Assets Replacement	General Reserves	Unappropriated Profit	SUB TOTAL	Unrealized gain / (loss)			SUB TOTAL			
								Revenue					
-----Rupees-----													
Balance as at July 01, 2015	200,831,400	156,202,200	65,000,000	1,330,000,000	8,916,354,080	10,467,556,280	3,972,020,026	(2,699,243)	(7,972,319)	3,961,348,464	14,629,736,144	812,156,782	15,441,892,926
Total comprehensive income for the year ended June 30, 2016													
Profit after taxation for the year	-	-	-	-	1,987,641,880	1,987,641,880	-	-	-	-	1,987,641,880	203,470,779	2,191,112,659
Other comprehensive income / (loss) for the year	-	-	-	-	9,012,422	9,012,422	(739,335,534)	11,106,231	1,900,434	(726,328,869)	(717,316,447)	-	(717,316,447)
Share of decrease in reserves of associated companies under equity method	-	-	-	-	1,996,654,302	1,996,654,302	(739,335,534)	11,106,231	1,900,434	(726,328,869)	1,270,325,433	203,470,779	1,473,796,212
Transaction with owners	-	-	-	-	(8,377,391)	(8,377,391)	-	-	-	-	(8,377,391)	-	(8,377,391)
Issuance of shares of subsidiary - SWPCL	-	-	-	-	-	-	-	-	-	-	-	128,171,170	128,171,170
Share issuance cost of subsidiary - SWPCL	-	-	-	-	(1,495,331)	(1,495,331)	-	-	-	-	(1,495,331)	(640,856)	(2,136,187)
Final dividend for the year ended June 30, 2015 @ Rs. 10 per share	-	-	-	-	(200,831,400)	(200,831,400)	-	-	-	-	(200,831,400)	-	(200,831,400)
Balance as at June 30, 2016	200,831,400	156,202,200	65,000,000	1,330,000,000	10,702,304,260	12,253,506,460	3,232,684,492	8,406,988	(6,071,885)	3,235,019,595	15,689,357,455	1,143,157,875	16,832,515,330
Balance as at July 01, 2016													
Total comprehensive income for the year ended June 30, 2017													
Profit after taxation for the year	-	-	-	-	3,195,066,797	3,195,066,797	-	-	-	-	3,195,066,797	224,793,480	3,419,860,277
Other comprehensive income / (loss) for the year	-	-	-	-	6,581,530	6,581,530	(38,452,930)	(16,223,260)	2,463,182	(52,213,008)	(45,631,478)	-	(45,631,478)
Share of decrease in reserves of associated companies under equity method	-	-	-	-	3,201,646,327	3,201,646,327	(38,452,930)	(16,223,260)	2,463,182	(52,213,008)	3,149,435,319	224,793,480	3,374,228,799
Transaction with owners	-	-	-	-	(8,754,623)	(8,754,623)	-	-	-	-	(8,754,623)	-	(8,754,623)
Issuance of shares of subsidiary - TBCL	-	-	-	-	40,071,063	40,071,063	-	-	-	-	40,071,063	3,525,413,937	3,565,485,000
Final dividend for the year ended June 30, 2016 @ Rs.14 per share	-	-	-	-	(281,163,960)	(281,163,960)	-	-	-	-	(281,163,960)	-	(281,163,960)
Interim dividend for the year ended June 30, 2017 @ Rs.14 per share	-	-	-	-	(281,163,960)	(281,163,960)	-	-	-	-	(281,163,960)	-	(281,163,960)
Balance as at June 30, 2017	200,831,400	156,202,200	65,000,000	1,330,000,000	13,372,941,107	14,924,143,307	3,194,231,562	(7,816,272)	(3,608,703)	3,182,806,587	18,307,781,294	4,893,365,292	23,201,146,586

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:

Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

1 THE GROUP AND ITS OPERATIONS

The Group comprises of:

Sapphire Textile Mills Limited (STML)- the Holding Company

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited company under the Companies Act, 1913 (Now the Companies Act, 2017). The shares of the Company are listed on Pakistan Stock Exchange. The registered office of the Company is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and its mills are located at Kotri, Nooriabad, Chunian, Feroze Watwan and Bhopattian Lahore.

The Company is principally engaged in manufacturing and sale of yarn, fabrics, home textile products, finishing and printing of fabrics.

Sapphire Wind Power Company Limited (SWPCL) - the subsidiary company (Holding - 70%)

Sapphire Wind Power Company Limited (the 'company') was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017 and hereinafter referred to as the 'Act') on December 27, 2006. The company is a subsidiary of a listed company, Sapphire Textile Mills Limited (the holding company, hereinafter referred to as 'STML'). The address of the registered office of the company is 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and the company's wind power plant has been set up at Jhimpir, District Thatta, Sindh on land that is leased to the company by Alternative Energy Development Board ('AEDB'), Government of Pakistan.

The company's principal objective is to carry on the business of supplying general electric power and to setup and operate wind power generation projects to generate, accumulate, distribute and supply electricity.

The company has set up a wind power station of 52.80 MW gross capacity at the above mentioned location and achieved Commercial Operations Date ('COD') on November 22, 2015. The company has an Energy Purchase Agreement ('EPA') with its sole customer, Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G'), for twenty years which commenced from the COD.

During the year, on May 5, 2017, the company executed a Novation Agreement with National Transmission and Despatch Company Limited ('NTDC') and CPPA-G whereby all the rights and obligations of NTDC under the EPA were transferred to CPPA-G as per section 19.9 of the EPA. Consequently, NTDC ceased to be a party to EPA and CPPA-G became a party in place of NTDC assuming all of NTDC's rights and obligations thereunder.

Tricon Boston Consulting Corporation (Private) Limited (TBC)- the subsidiary company [Holding 57.125% (2016:100%)]

Triconboston Consulting Corporation (Private) Limited (the Company) was incorporated in Pakistan as a private limited company by shares under the Companies Ordinance, 1984 on August 13, 2012. The Company is a subsidiary of Sapphire Textile Mills Limited (the Parent Company), a listed company. The Company's principal objective is to carry on the business of supplying general electric power and to setup and operate wind power generation projects to generate, accumulate, distribute and supply electricity. The address of the registered office of the Company is 7/A- K, Main Boulevard, Gulberg II, Lahore, Punjab.

The Company is currently in the process of setting up three wind power plant projects of approximately 50 MW (the Projects) each at Deh Kohistan 7/1 Tapo Jhampir, Talukra & District Thatta in the province of Sindh. The Company's tariff has been determined by National Electric Power Regulatory Authority (NEPRA) through order dated May 13, 2016. Further, NEPRA has issued a Generation License to the Company on October 21, 2016 as may be amended or modified by NEPRA.

During the current year, the Company signed the project agreements including Implementation Agreement (IA) with Government of Pakistan, the Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (Guarantee) Limited (CPPA), the Common Terms Agreement with the consortium of financial institutions namely International Finance Corporation, Asian Development Bank, DEG-Deutsche Investitions - UND Entwicklungsgesellschaft MBH and Islamic Development Bank, the Engineering, Procurement & Construction (EPC) and Maintenance Contracts for the execution of the EPC works necessary for the Projects. The Company has achieved the financial closing on May 10, 2017 as per the terms of IA. Resultantly, the IA and EPA are fully effective from the financial closing date of May 10, 2017.

Sapphire Retail Limited (SRL) - the subsidiary company (Holding 100%)

Sapphire Retail Limited (the 'Company') was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 on June 11, 2014. The Company is a wholly owned subsidiary of a listed company, Sapphire Textile Mills Limited (the 'holding company'). The address of the registered office of the Company is 7 A/K Main Boulevard, Gulberg-II, Lahore. The Company is principally engaged in carrying out manufacturing of textile products by processing the textile goods in outside manufacturing facilities and to operate retail outlets to sell the same in Pakistan and abroad through E-store.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

Sapphire Renewables Limited (SRNL) - the subsidiary company (Holding 100%)

Sapphire Renewables Limited (the 'company') was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017 and hereinafter referred to as the 'Act') on May 30, 2016. The company is a wholly owned subsidiary of a listed company, Sapphire Textile Mills Limited (the holding company). The principal objective of the company is to invest, manage, operate, run, own and build power projects. The address of the registered office of the company is 7/A- K, Main Boulevard, Gulberg II, Lahore, Punjab, Pakistan. The company was incorporated on May 30, 2016. Consequently, these financial statements have been prepared for the extended period from May 30, 2016 to June 30, 2017 in accordance with section 223 of the Act. The company has obtained certificate of commencement of business on August 19, 2016.

Sapphire Solar (Private) Limited (SSPL) - the subsidiary company (Holding 100%)

Sapphire Solar Power (Private) Limited (the Company) is incorporated in Pakistan on March 06, 2013 under the Companies Ordinance, 1984 as a private company limited by shares. The principle activity of the Company is power generation by means of solar energy and other alternative energy sources. The registered office of the Company is situated at 307, Cotton Exchange Building, I.I. Chundrigar Road Karachi in the province of Sindh. The Company is wholly owned subsidiary of Sapphire Textile Mills Limited.

The company was issued letter of intent (LOI) by the Alternate Energy Development Board (AEDB), Government of Pakistan vide letter No. B/3/2/SPV/LOI-018 dated March 25, 2013 for setting up 10 MW Solar PV Power Project in Punjab. The LOI of the Company expired on September 24, 2014 as per terms stated therein as the Company could not achieve the milestones stipulated under the LOI within given time frame. The Guarantee provided by the Company to AEDB was encashed. The accumulated loss of the Company at the balance sheet are Rs.2,468,059 (2016: Rs.2,420,684), moreover, the current liabilities of the Company exceed its assets by Rs. 2,258,059 (2016: Rs.2,410,684). In view of the aforementioned circumstances the Company is not considered a going concern.

Sapphire Tech (Private) Limited (STPL) - the subsidiary company (Holding 100%)

Sapphire Tech (Private) Limited (the Company) is a private limited company incorporated in Pakistan on November 5, 2013, under the Companies Ordinance, 1984. The Company is a wholly owned subsidiary of Sapphire Textile Mills Limited. The registered office of the Company is located at 307 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi.

The Company was originally incorporated for power generation project but it was not involved in any operational activity since its inception. Further, the company, as at June 30, 2017, has negative equity of Rs. 87,888 and its accumulated losses aggregate to Rs. 187,888. The current liabilities also exceed current assets by Rs.87,888 as of that date. Due to these conditions the Company is not considered as going concern.

Sapphire Home Inc - USA (SHI) - the subsidiary (Holding 100%)

The company was incorporated in USA. The company is principally engaged in marketing services in United States of America. The registered office of the company is located at 1430, Broadway, Suite 1805, New York, NY 10018. The company was windup during the year.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017 has been promulgated with effect from May 31, 2017, however the Securities and Exchange Commission of Pakistan (SECP) vide its circular no.17 of 2017 dated July 20, 2017, has directed the companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for measurement of certain financial assets and financial liabilities at fair value, recognition of employee benefits at present **value and the** financial statements of Sapphire Solar (Private) Limited and Sapphire Tech (Private) Limited have been prepared on an alternative basis i.e. realizable value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies, the management has made the following estimates and judgements which are significant to the financial statements:

- a) Estimate of useful lives and residual values of property, plant & equipment, intangible assets and investment property [notes 5.2, 5.3 and 5.4]
- b) Classification and valuation of investments [note 5.5]
- c) Provision for obsolete and slow moving stores, spares and loose tools [note 5.6]
- d) Net realisable values of stock-in-trade [note 5.7]
- e) Provision for doubtful debts [note 5.8]
- f) Provision for employees' retirement benefits [note 5.11]
- g) Provision for taxation [note 5.13]

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments or interpretations which became effective during the year

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, plant and equipment (effective for periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are highly correlated, or when the intangible asset is expressed as a measure of revenue. The Group's policy is already in line with these amendments.

IAS 19, 'Employee Benefits' This amendment as part of Annual improvements 2014 clarifies that when determining the discount rate for post-employment obligation, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The Group's policy is already in line with this change.

Amendments to IAS 1, 'Presentation of financial statements' are made in the context of the IASB's disclosure initiative, which explores how financial statements disclosure can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Disaggregation and subtotals – line items specify in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position and performance.
- Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

4.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Group

IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2018). IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Group has yet to assess the impact of these changes on its financial statements.

IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group has yet to assess the impact of this standard on its financial statements.

IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the balance sheet date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has yet to assess the impact of this standard on its financial statements.

Amendments to IAS 12, 'Income taxes' are applicable for annual periods beginning on or after January 1, 2017. The amendment clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have a material impact on the Group's financial statements.

Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a material impact on the Group's financial statements.

4.3 Exemption from applicability of certain interpretations to standards

SECP through SRO 24(I)/2012 dated January 16, 2012 has granted exemption from the application of International Financial Reporting Interpretation Committee ('IFRIC') 4 'Determining whether an Arrangement contains a Lease' and IFRIC 12 'Service Concession Arrangements' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 or IFRIC 12 on the results of the companies.

Under IFRIC 4, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease under International Accounting Standard ('IAS') 17 'Leases'. SWPCL's wind power plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4. Consequently, if the Group were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows. However the subsidiary company (TBCL) has not yet commenced operations so impact of IFRIC-4 and IAS-17 has not been assessed.

	2017	2016
	----- Rupees -----	
De-recognition of property, plant and equipment	(10,700,449,587)	(11,256,944,456)
Recognition of lease debtor	10,976,958,211	11,278,338,574
Increase in un-appropriated profit at the beginning of the year	21,394,118	-
Increase in profit for the year	255,114,506	21,394,118
Increase in un-appropriated profit at the end of the year	276,508,624	21,394,118

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

- 4.4** There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Group and therefore have not been presented here.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

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

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

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

All material intra-group balances, transactions and resulting unrealized profits / losses are eliminated.

Investments in associates

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognised at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognised in the profit and loss account. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted Investee, the carrying amount of that investment is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investments. A reversal of impairment loss is recognised in the profit and loss account.

Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated in functional currency of the Group. Balance sheet items are translated at the exchange rate at the balance sheet date and profit and loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange difference on translating foreign operation in consolidated reserves.

5.2 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and leasehold land, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 6.1. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the profit and loss account.

The Group reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

Assets subject to finance lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased assets or if lower, at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognized in the profit and loss.

Leased assets are depreciated over the useful life of the asset at the rates stated in note 6.1. However, if there is no reasonable certainty that the Company will obtain ownership by the end of lease term, the asset is depreciated over the shorter of estimated useful life of the asset and lease term.

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for intended use.

Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

5.3 Investment property

Property held for capital appreciation and rental yield, which is not in the use of the Group is classified as investment property. Investment Property comprises of land and buildings. The company has adopted cost model for its investment property using the same basis as disclosed for measurement of the Group's owned assets.

5.4 Intangible assets

Intangible assets (including computer software) acquired by the Group are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditures are expensed as incurred.

Amortization is charged to profit and loss account on straight line basis over a period of five years. Amortization on addition is charged from the date the asset is put to use while no amortization is charged from the date the asset is disposed off.

5.5 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investment - available for sale

Investments that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of available for sale investments, cumulative impairment loss less any impairment loss previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

All purchases and sales are recognized on the trade date which is the date that the Group commits to purchase or sell the investment, except for sale and purchase of securities in future market which are accounted for at settlement date. Cost of purchase includes transaction cost.

5.6 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost accumulated to balance sheet date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on management estimate regarding their future usability.

5.7 Stock in trade

Stock-in-trade is stated at the lower of cost and net realizable value, except waste which is valued at net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of raw materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less cost of completion and selling expenses.

5.8 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less an estimated allowance made for doubtful receivables based on review of outstanding amounts at the year end. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

5.9 Cash and cash equivalents

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

5.10 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

5.11 Employee benefits

Compensated absences

The Group accounts for all accumulated compensated absences in the period in which absences accrue.

Defined benefits plans

The Group operates an unfunded gratuity scheme for its permanent employees as per terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. The amount arising as a result of remeasurement are recognized in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The liability recognized in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

Defined Contribution Plan

There is an approved contributory provident fund for staff for which contributions are charged to income for the year.

The Group and the employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary in the case of management staff, and 8.33% of basic salary and cost of living allowance in case of non-management staff. The assets of the fund are held separately under the control of trustees.

5.12 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

5.13 Taxation

Current year

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

The profits and gains of the Subsidiary companies - Sapphire Wind Power Company Limited (SWPCL) and Tricon Boston Consulting Corporation (Private) Limited derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the subsidiary company (SWPCL) is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of comprehensive income on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply for the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

5.14 Leases

The Group is the lessee:

Finance leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. At commencement, finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term, depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit or loss over the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

5.15 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.

5.16 Provisions

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

5.17 Revenue recognition

Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.

Return on bank balances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

All other incomes are recognized on accrual basis.

5.18 Government grant

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the entity.

The grants are disclosed as a deduction from the related expense.

5.19 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commencing.

5.20 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account except for exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets of Sapphire Wind Power Company Limited which are capitalised over the period of the Implementation Agreement in accordance with SRO 24(I)/2012 dated January 16, 2012 of the SECP.

5.21 Impairment

The carrying amount of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account.

5.22 Financial instruments

Financial assets

5.22.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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For the year ended June 30, 2017

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

c) Held to maturity financial assets

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity. There were no held to maturity investments as at balance sheet date.

d) Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off within 12 months of the end of the reporting date.

5.22.2 Recognition

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. All financial assets are initially recognized at fair value plus transaction costs except for those financial assets which are designated as 'financial assets at fair value through profit or loss'. 'Financial assets carried at fair value through profit or loss' are initially recognized at fair value and transaction costs are charged to the profit and loss account. Financial assets are derecognized when the right to receive cash flows from such assets has expired or have been transferred and the Group has transferred substantially all risks and rewards, incidental to the ownership of such financial assets.

Dividend income from 'financial assets at fair value through profit or loss' and 'available-for-sale financial assets' is recognized in the profit and loss account when the Group's right to receive payments is established.

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

5.22.3 Measurement

'Available-for-sale financial assets' and 'financial assets at fair value through profit or loss' are subsequently measured at fair value whereas 'held to maturity financial assets' and 'loans and receivables' are subsequently measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognized in the profit and loss account in the period in which they arise.

Changes in the fair value of 'available-for-sale financial assets' are recognized in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulative fair value adjustments recognized in other comprehensive income till the time of disposal or impairment are charged to the profit and loss account.

5.22.4 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognized in the profit and loss account for the amount by which the assets' carrying amount exceed their recoverable amount. Impairment losses of equity instruments, once recognized, are not reversed through the profit and loss account.

5.22.5 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

5.22.6 Derivative financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

a) Cash flow Hedges

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

b) Fair value hedge and other non-trading derivatives

Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivative that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as 'financial asset at fair value through profit or loss'.

5.22.7 Financial liabilities

These are initially recognized at cost, which is the fair value of the consideration expected to be paid. All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the obliging instrument/ contract.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

5.23 Earnings per share - basic and diluted

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.24 Segment reporting

Segment reporting is based on the operating (business) segment of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Group's other component. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment assets consist primarily of Property, plant and equipment, inventories, trade debts, loans and advances and cash & bank balances. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment, segments reported are Spinning, Weaving, Processing, Printing, Home textile products and Power generation which also reflects the management structure of Group.

5.25 Related party transactions

All transactions with related parties are carried out by the Group at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the financial statements.

	Note	2017 ----- Rupees -----	2016
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	21,691,976,667	20,491,246,707
Capital work-in-progress	6.7	1,875,414,913	820,617,579
Major spare parts and stand-by equipment	6.8	69,216,256	69,216,256
		23,636,607,836	21,381,080,542

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

6.1 Operating fixed assets

	2017																	
	Rupees								Rupees									
	Land	Free - hold	Factory building	Office building	On free - hold	On lease - hold	Leased building improvements	Plant and machinery	Electric installation	Fire fighting equipment	Electric equipment	Computer	Office equipment	Mills equipment	Furniture & fixture	Vehicles	Vehicles - leased	Total
At July 01, 2016																		
Cost	212,597,145	92,268,477	1,828,540,203	387,645,742	258,409,100	551,549,946	38,109,815	187,234,738	472,040,967	11,886,431	100,911,931	87,655,594	43,446,400	85,981,826	82,909,537	339,882,181	-	27,557,847,787
Accumulated depreciation	-	-	(809,501,606)	(130,042,612)	(32,812,394)	(189,143,819)	(19,982,632)	(54,195,457)	(16,415,982)	(2,441,043)	(25,408,486)	(38,931,772)	(28,275,387)	(56,000,947)	(19,881,222)	(143,058,239)	-	(7,066,601,080)
Net book value	212,597,145	92,268,477	1,028,038,597	257,603,130	225,596,706	362,406,127	18,127,183	133,039,281	17,392,276,252	9,445,388	75,503,465	48,723,822	15,171,013	49,980,879	63,028,315	196,823,942	-	20,491,246,707
Year ended June 30, 2017																		
Additions	106,001,213	13,209,000	258,639,222	47,844,126	-	43,969,610	35,510,023	249,318,972	1,660,493,202	7,884,587	152,335,088	50,258,694	5,201,027	11,407,499	145,348,172	93,952,369	17,151,500	2,828,742,003
Disposals:																		
- Cost	-	-	-	-	-	-	-	2,944,987	144,181,817	-	332,669	1,400,765	-	4,103,911	-	35,237,707	-	188,207,856
- Depreciation	-	-	-	-	-	-	-	(566,910)	(724,437,531)	-	(27,440)	(862,899)	-	(3,963,263)	-	(22,664,261)	-	(152,526,324)
	-	-	-	-	-	-	-	2,378,077	19,744,266	-	305,229	537,866	-	140,648	-	12,573,446	-	35,679,532
Depreciation charge for the year	-	-	(126,079,739)	(13,005,554)	(11,279,839)	(25,376,196)	(2,308,146)	(51,113,870)	(1,322,079,448)	(1,592,889)	(14,076,030)	(21,435,462)	(2,890,867)	(5,428,493)	(11,202,164)	(49,207,156)	(2,423,817)	(1,892,332,511)
Closing net book value - 2017	318,598,358	105,477,477	1,160,589,080	292,545,702	214,316,871	380,999,541	51,328,060	328,866,306	17,710,951,740	15,737,086	213,459,274	77,009,188	17,481,173	55,819,237	197,174,323	228,995,709	14,727,683	21,691,976,667
As at June 30, 2017																		
Cost	318,598,358	105,477,477	2,087,170,425	453,593,888	258,409,100	595,519,556	73,619,838	433,608,723	24,293,105,139	502,157,686	19,771,018	252,914,330	136,513,323	48,647,427	228,257,709	398,986,843	17,151,500	30,288,381,934
Accumulated depreciation	-	-	(926,581,345)	(143,046,166)	(44,982,229)	(214,520,015)	(22,291,778)	(104,142,417)	(6,592,153,399)	(194,247,827)	(4,033,932)	(39,455,036)	(59,504,353)	(31,168,254)	(37,460,177)	(31,083,386)	(169,801,134)	(8,606,405,287)
Net book value - 2017	318,598,358	105,477,477	1,160,589,080	292,545,702	214,316,871	380,999,541	51,328,060	328,866,306	17,710,951,740	307,909,859	15,737,086	213,459,274	77,009,188	17,481,173	55,819,237	228,995,709	14,727,683	21,691,976,667
Depreciation rate % per annum	-	-	10	5	5	5.8	10	5	10	10	10	30	10 & 33.33	10	10 & 15	20	20	

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

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

6.3 Operating fixed assets includes the exchange difference of amounting Rs.226.725 million on the foreign currency loan, as referred to in note 22.2 to these financial statements, capitalised in accordance with SRO 24(I)/2012 dated January 16, 2012 of the SECP (as fully explained in note 5.20 to these financial statements). Had the company followed IAS 21 "The Effects of Changes in Foreign Exchange Rates", the effect on the financial statements would be as follows:

	Note	2017 ----- Rupees -----	2016
Decrease in the carrying amount of property, plant and equipment and un-appropriated profit as at June 30		(215,375,854)	(200,294,883)
Decrease in cost of sales		10,484,495	864,831
Increase in other expenses		(25,565,466)	(201,159,714)
Decrease in profit for the year		(15,080,971)	(200,294,883)

6.4 Operating fixed assets includes assets of Group of amounting Rs.13.366 million (2016:Rs.8.866 million) in possession of third party for use under the Designing and Related Services Agreement.

6.5 The depreciation charge for the year has been allocated as follows:

Cost of sales and services	32	1,590,168,711	1,239,405,845
Distribution cost	33	60,794,326	15,106,204
Administrative expenses	34	41,369,474	28,350,386
		1,692,332,511	1,282,862,435

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

6.6 Particulars of disposal of operating fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of disposal	Particulars of Buyers
	Rupees					
Leased Building Improvements						
Civil works	2,944,987	566,910	2,378,077	-	Written off	-
Plant and Machinery						
Draw Frame	4,601,812	4,262,315	339,497	963,000	Negotiation	Jilani Textile Traders, Hyderabad.
Mach Coner	8,080,822	6,886,184	1,194,638	924,370	--- do ---	Asif Raza, Hyderabad.
Twister	3,951,554	2,987,451	964,103	1,235,294	--- do ---	Asif Raza, Hyderabad.
RV Beater	1,054,914	761,458	293,456	341,880	--- do ---	Jilani Textile Traders, Hyderabad.
Sanco Air Compressor	930,384	707,819	222,565	294,873	--- do ---	Jilani Textile Traders, Hyderabad.
Sketcher	1,633,827	1,328,013	305,814	668,068	--- do ---	Muhammad Arshad, Faisalabad.
Gas Generator	9,436,345	8,437,689	998,656	1,092,437	--- do ---	Ghulam Murtaza, Lahore.
Gas Generator	9,436,345	8,437,689	998,656	1,092,437	--- do ---	Faisal Ishfaq, Karachi.
Blow Room	2,465,264	2,342,606	122,658	423,932	--- do ---	Jilani Textile Traders, Hyderabad.
Simplex Machine	5,145,478	4,874,967	270,511	887,272	--- do ---	Green House Ltd, Faisalabad.
Simplex Machine	2,572,739	2,438,069	134,670	400,000	--- do ---	A.I Traders, Faisalabad.
Card	16,570,320	14,910,065	1,660,255	672,665	--- do ---	Habib ur Rehman, Faisalabad.
Shute feed	1,458,668	1,331,333	127,335	127,335	--- do ---	Habib ur Rehman, Faisalabad.
Cards DK-740	13,843,928	12,761,158	1,082,770	1,709,091	--- do ---	Bashir & Sons Industries, Lahore.
Strapping Machine	144,000	79,456	64,544	12,821	--- do ---	Jilani Textile Traders, Hyderabad.
Zwagle Hairness Tester	1,140,233	784,735	355,498	34,188	--- do ---	Jilani Textile Traders, Hyderabad.
Drawing machine	9,421,839	8,681,386	740,453	386,325	--- do ---	Jilani Textile Traders, Hyderabad.
Doubling Twist Tester	76,081	74,320	1,761	6,838	--- do ---	Jilani Textile Traders, Hyderabad.
Auto Cone Winder	9,863,328	7,640,866	2,222,462	2,205,882	--- do ---	Haseeb Raza Khan, Lahore.
Air Jet Shuttleless Looms	17,930,161	14,780,156	3,150,005	3,220,000	--- do ---	Valitex (Pvt) Limited, Karachi.
Air Jet Shuttleless Looms	8,126,584	6,706,137	1,420,447	1,520,000	--- do ---	Shabbir Textile Mills (Private) Ltd, Lahore.
Air Jet Shuttleless Looms	11,747,647	9,730,941	2,016,706	2,140,000	--- do ---	Khawaja Fabrics, Karachi.
Needle machines	471,500	378,377	93,123	93,123	--- do ---	Muhammad Aslam, Lahore.
Thread over machine	61,750	48,199	13,551	13,551	--- do ---	Muhammad Aslam, Lahore.
Juki machines	3,298,294	2,527,656	770,638	756,858	--- do ---	Muhammad Aslam, Lahore.
Fix needle machine	420,000	317,591	102,409	102,409	--- do ---	Muhammad Aslam, Lahore.
Stop needle	270,000	204,166	65,834	65,834	--- do ---	Muhammad Aslam, Lahore.
Over lock machine	28,000	16,750	11,250	11,250	--- do ---	Muhammad Aslam, Lahore.
	144,181,817	124,437,552	19,744,265	21,401,733		
Electric Equipment						
Electric equipments	279,645	27,440	252,205	-	Written off	-
Steamers	53,024	-	53,024	60,080	Negotiation	Mr. Sibtain Haji
	332,669	27,440	305,229	60,080		
Computers						
Laptop	128,000	61,360	66,640	42,016	As per Company Policy	Hammad Raza Bashir, Lahore.
Laptop	208,000	62,400	145,600	151,667	As per Company Policy	Nadeem Rehmani, Lahore.
Laptops having book value of less than Rs.50,000 each	1,064,765	739,139	325,626	223,688	As per Company Policy	Various Employees
	1,400,765	862,899	537,866	417,371		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of disposal	Particulars of Buyers
	Rupees					
Mills equipment						
LT/HT Penal & Air Dryers	4,109,911	3,969,263	140,648	888,888	Negotiation	Jilani Textile Traders, Hyderabad.
Vehicles						
Suzuki Cultus	868,000	642,829	225,171	400,000	Negotiation	Tariq Sharif, Lahore.
Toyota Corolla Gii	1,336,866	1,162,419	174,447	600,000	--- - do --- -	Malik Aleem ALI, Karachi.
Toyota Corolla Gii	1,504,000	1,052,238	451,762	800,000	--- - do --- -	Fahmida Tabassum, Islamabad.
Suzuki Cultus	814,000	678,382	135,618	350,000	--- - do --- -	Muhammad Riaz Khan, Lahore.
Honda Motor Cycle	54,000	48,021	5,979	4,274	--- - do --- -	Jilani Textile Traders, Hyderabad.
Toyota Corolla Camry	2,750,000	2,404,008	345,992	1,200,000	--- - do --- -	Ghulam Shabbir, Benazirabad.
Suzuki Alto	674,000	514,591	159,409	300,000	--- - do --- -	Muhammad Asghar, Multan.
Suzuki Cultus	835,000	665,177	169,823	400,000	--- - do --- -	Ahsan Waheed, Lahore.
Honda Civic	2,058,000	1,406,113	651,887	860,000	--- - do --- -	Nadeem Ahmed, Lahore.
Toyota Corolla	1,269,000	999,637	269,363	660,000	--- - do --- -	Mansoor Atta, Lahore.
Honda Civic	1,842,000	1,428,879	413,121	700,000	--- - do --- -	Ahsan Ur Rehman, Gujranwala.
Coure	870,500	608,431	262,069	300,000	--- - do --- -	Muhammad Saud Arshed, Lahore.
Toyota Corolla Altis	1,849,000	1,557,747	291,253	700,000	--- - do --- -	Aizaz Ali, Lahore.
Suzuki Alto	761,781	520,412	241,369	400,000	--- - do --- -	Khurram Imtiaz, Lahore.
Toyota Hybrid Prius	1,865,285	1,077,388	787,897	800,000	--- - do --- -	Khurram Imtiaz, Lahore.
Honda Citi	1,554,960	1,127,380	427,580	700,000	--- - do --- -	Muhammad Nauman Pervaiz Khan, Lahore.
Honda Civic	1,894,640	1,590,679	303,961	775,000	--- - do --- -	Farooq Sher, Peshawar.
Honda Citi	1,673,000	727,197	945,803	1,100,000	--- - do --- -	Muhammad Bilal, Lahore.
Honda Citi	1,703,500	537,549	1,165,951	1,350,000	--- - do --- -	Hammad Raza Bashir, Lahore.
Honda Citi	1,417,000	1,005,881	411,119	500,000	--- - do --- -	Muhammad Akhtar, Sheikhpura.
Honda Citi	1,699,000	1,117,335	581,665	800,000	--- - do --- -	Syed Adeel Anwar, Lahore.
Honda Citi	1,015,060	873,144	141,916	750,000	Insurance Claim	Adamjee Insurance Company, Karachi.
Corolla Altis	2,190,500	109,525	2,080,975	2,316,110	Negotiation	Zahid Farooq, Lahore.
Suzuki Cultus	1,085,615	470,433	615,182	735,000	--- - do --- -	Meezan Tea (Private) Limited
Honda Citi	1,653,000	338,865	1,314,135	1,317,785	--- - do --- -	Nadeem Rehmani, Lahore.
	35,237,707	22,664,260	12,573,447	18,818,169		
	188,207,856	152,528,324	35,679,532	41,586,241		

6.7 Capital work-in-progress

Advance for freehold land
Land improvements
Civil works and buildings
Plant and machinery
Electric installations
Mills equipments
Furniture & fixtures
Vehicles
Computer software
Advances to contractors
Un-allocated expenditure

Note

	2017	2016
	Rupees	
	443,013,070	95,000,000
	35,425,189	-
	179,968,240	328,542,622
	156,078,754	375,098,722
	9,576,765	9,388,269
	-	1,720,000
	-	4,500,034
	3,402,000	1,000,000
	5,069,412	5,367,932
	79,465,170	-
6.7.1	963,416,313	-
	1,875,414,913	820,617,579

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
6.7.1 Unallocated expenditure		
Salaries, wages and other benefits	108,400,919	44,004,405
Travelling and conveyance	41,480,868	26,445,610
Telephone and communication	955,615	340,119
Consultancy charges	-	205,930,824
Legal and professional charges	180,600,403	148,670,402
Fee and subscription	81,175,135	42,373,025
Vehicle running expenses	-	3,098,422
Bank guarantee commission	2,464,409	951,741
Rent	6,322,185	4,049,651
Insurance	86,462,747	60,242,834
Security expenses and utilities	10,254,111	-
Net markup on long term finance (net of interest income Rs.168,927)	-	330,803,667
Exchange loss	-	31,080,000
Lender's fees and charges	438,410,426	22,188,388
Bank charges	-	11,298,133
Site office and others expenses	6,889,495	1,845,784
	963,416,313	933,323,005
Sale of trial production	-	(67,440,719)
	963,416,313	865,882,286
Transferred to operating fixed assets during the year as part of the overall transfer from CWIP	-	(865,882,286)
	963,416,313	-

- 6.8 These major spare parts and stand-by equipment are in the possession and control of the SWPCL's O & M contractor, Hydro China, for smooth and uninterrupted operation and maintenance of the company's plant as per the terms of the O & M Agreement dated December 12, 2013 for a period of two years from the TOD. Furthermore, the company has also signed an O & M Agreement dated October 13, 2011 for a term of eight years starting from the end of the above mentioned Hydro China's O & M Agreement, with the Consortium and these items will be handed over to the Consortium on expiry of Hydro China's O & M Agreement. As per the terms of the above mentioned O & M Agreements, Hydro China and, subsequently, the Consortium will replenish and hand over these items to the company on the expiry of their respective O & M Agreements.

7 INVESTMENT PROPERTY

	Land		Building on	
	Leasehold	Freehold	Leasehold land	Total
	----- Rupees -----			
Net carrying value as at July 01, 2016				
Opening net book value (NBV)	-	31,750,000	-	31,750,000
Accumulated depreciation	-	-	-	-
Balance as at June 30, 2017 (NBV)	-	31,750,000	-	31,750,000
Gross carrying value as at June 30, 2017				
Cost	-	31,750,000	-	31,750,000
Accumulated depreciation	-	-	-	-
Net book value - June 30, 2017	-	31,750,000	-	31,750,000
Net carrying value as at July 01, 2015				
Opening net book value (NBV)	121,160,317	31,750,000	9,326,780	162,237,097
Depreciation charged	-	-	(544,062)	(544,062)
Disposed off during the year	(121,160,317)	-	(8,782,718)	(129,943,035)
Balance as at June 30, 2016 (NBV)	-	31,750,000	-	31,750,000
Depreciation rate % per annum	-	-	10	

- 7.1 Fair value of the investment property, based on the estimation, as at June 30, 2017 was Rs.40 million.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

		2017	2016
	Note	----- Rupees -----	
7.2	The depreciation charge for the year has been allocated as follows:		
Other operating expenses	35	-	544,062
8	INTANGIBLE ASSETS		
Computer software	8.1	3,455,974	5,009,968
Goodwill	8.3	455,540,310	455,540,310
		458,996,284	460,550,278
8.1	Computer software		
Net carrying value as at July 01			
Net book value as at July 01,		5,009,968	7,514,871
Addition during the year		532,700	-
Amortization	8.2	(2,086,694)	(2,504,903)
Net book value as at June 30		3,455,974	5,009,968
Gross carrying value as at June 30			
Cost		25,025,060	24,492,360
Accumulated amortization		(21,569,086)	(19,482,392)
Net book value as at June 30		3,455,974	5,009,968
Amortization rate % per annum		20	20
8.2	Amortization charge for the year has been allocated as follows:		
Other operating expenses	35	2,086,694	2,504,903
8.3	Goodwill		
Balance as at June 30		455,540,310	455,540,310
8.3.1	Goodwill represents excess of the amount paid / payable by the holding company over fair value of net assets of Tricon Boston Consulting Corporation (Private) Limited.		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

9	LONG TERM INVESTMENTS	Note	2017	2016
			----- Rupees -----	----- Rupees -----
	Related parties			
	Associates - listed	9.1	65,607,233	59,762,337
	- unlisted	9.2	938,421,318	865,950,106
			1,004,028,551	925,712,443
	Other companies - Available for sale	9.4	8,913,807,613	6,690,916,969
			9,917,836,164	7,616,629,412
All investments have a face value of Rs. 10 per share unless stated otherwise.				
	2017	2016	2017	2016
	Number of Shares	Name of Company	----- Rupees -----	----- Rupees -----
9.1	Investments in associates - listed			
9.1.1	313,295	313,295	Reliance Cotton Spinning Mills Limited (RCSML)	
			Equity Interest Held 3.04%	8,461,851
			Share of post acquisition profit	52,866,961
			Less: Dividend received during the year	(1,566,475)
			Fair value of the ordinary shares as at June 30, 2017 amounted to Rs.41.336 million (2016: Rs.25.753 million).	
			65,607,233	59,762,337
9.2	Investments in associates - unlisted			
9.2.1	4,234,500	4,234,500	Sapphire Power Generation Limited (SPGL)	
			Equity Interest Held 26.43%	113,705,500
			Share of post acquisition profit	313,083,156
			Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs.101.91 (2016: Rs.100.79) per share.	
			431,537,592	426,788,656
9.2.2	6,000,000	6,000,000	Sapphire Electric Company Limited (SECL)	
			Equity Interest Held 1.42%	60,000,000
			Share of post acquisition profit	84,588,394
			Less: Dividend received during the year	(18,000,000)
			Break up value on the basis of audited accounts for the year ended June 30, 2017 Rs.23.72 (2016: Rs.21.10) per share.	
			142,314,221	126,588,394
9.2.3	10,000	10,000	Sapphire Holding Limited (SHL)	
			Equity Interest Held 0.05%	100,000
			Share of post acquisition profit	3,049,106
			Less: Dividend received during the year	(32,477)
			Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs. 333.71 (2016: Rs.311.68) per share.	
			3,337,100	3,116,629
9.2.4	23,500,000	23,500,000	Sapphire Dairies (Private) Limited (SDL)	
			Equity Interest Held 21.36% (2016:22.38%)	235,000,000
			Share of post acquisition loss	(4,401,590)
			Break up value on the basis of un-audited accounts for the year ended June 30, 2017 Rs.9.71 (2016: Rs.9.81) per share.	
			(6,820,353)	(4,401,590)
			228,179,647	230,598,410
9.2.5	3,675	3,675	Creadore A/S Denmark (CD)	
			3,675 shares of Danish Krone (DKK) 1000 per share	58,708,925
			Equity Interest Held 49%	
			Share of Post acquisition profit	20,149,092
			Break up value on the basis of audited accounts for the year ended April 30, 2017 DKK 2,246 (2016: DKK 1,375) equivalent to Rs.36,205 (2016: Rs.21,458) per share.	
			74,343,833	78,858,017
			133,052,758	865,950,106
			938,421,318	865,950,106

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

- 9.1.1** Investment in RSCM represents 313,295 fully paid ordinary shares of Rs.10 each representing 3.04% (2016: 3.04%) of RSCM's issued, subscribed and paid-up capital as at June 30, 2017. RSCM was incorporated on June 13, 1990 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of RSCM is manufacturing and sale of yarn. RSCM is an associate of the Group due to common directorship.
- 9.2.1** Investment in SPGL represents 4,234,500 fully paid ordinary shares of Rs.10 each representing 26.43% (2016: 26.43%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2017. SPGL was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution.
- 9.2.2** Investment in SECL represents 6,000,000 fully paid ordinary shares of Rs.10 each representing 1.42% (2016: 1.42%) of SECL's issued, subscribed and paid-up capital as at June 30, 2017. SECL was incorporated in Pakistan as a public limited company and the principal activity of the company is to build, own, operate and maintain a combined cycle power station having a net capacity of 212 MW at Muridke, Sheikhpura. SECL is an associate of the Group due to common directorship.
- 9.2.3** Investment in SHL represents 10,000 fully paid ordinary shares of Rs.10 each representing 0.05% (2016: 0.05%) of SHL's issued, subscribed and paid-up capital as at June 30, 2017. SHL was incorporated in Pakistan as a public limited company and the main business of the Company is to invest in the shares of associated companies and other business. SHL is an associate of the Group due to common directorship.
- 9.2.4** Investment in SDL represents 23,500,000 fully paid ordinary shares of Rs.10 each representing 22.38% (2016: 22.38%) of SDL's issued, subscribed and paid-up capital as at June 30, 2017. SDL was incorporated as a private limited company and is principally engaged in production and sale of milk and milk products.
- 9.2.5** Investment in CD represents 3,675 fully paid ordinary shares of DKK1000 each representing 49% (2016: 49%) of CD's share capital as at April 30, 2017. CD is principally engaged in product development and marketing of textiles for the global hotel industry.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

9.3 The summary of financial statements / reconciliation as at June 30, 2017 and 2016 is as follows:

	June 30, 2017					April 30, 2017
	RCSML	SPGL	SECL	SHL	SDL	CD
	----- Rupees -----					
Summarised Balance Sheet						
Non current assets	2,154,720,053	1,307,038,904	13,783,122,767	7,051,717,954	1,092,296,098	-
Current assets	1,529,155,658	495,459,500	7,090,349,224	148,600,126	305,710,651	355,955,392
	3,683,875,711	1,802,498,404	20,873,471,991	7,200,318,080	1,398,006,749	355,955,392
Non-current and current liabilities	1,528,623,812	169,468,356	10,816,093,787	495,037,111	329,931,804	84,419,150
Net assets	2,155,251,899	1,633,030,048	10,057,378,204	6,705,280,969	1,068,074,945	271,536,242
Reconciliation to carrying amount						
Opening net assets	1,963,242,216	1,615,058,078	8,946,030,456	6,262,689,903	1,030,333,322	160,934,729
Profit / (loss) for the year	228,994,025	(24,257,767)	2,383,411,819	313,921,954	(11,775,107)	103,677,140
Other comprehensive (loss) / income	57,808,725	69,525,338	-	474,846,440	(483,270)	-
Other adjustments	(43,333,067)	(27,295,601)	-	(257,767,512)	-	6,924,373
Shares issued	-	-	-	-	50,000,000	-
Dividend paid during the year	(51,460,000)	-	(1,272,064,071)	(88,409,816)	-	-
Closing net assets	2,155,251,899	1,633,030,048	10,057,378,204	6,705,280,969	1,068,074,945	271,536,242
Group's share (percentage)	3.04%	26.43%	1.42%	0.05%	21.36%	49.00%
Carrying amount of investment	65,607,233	431,537,592	142,314,221	3,337,100	228,179,647	133,052,758
Summarised Profit and Loss Account						
Revenue	3,570,713,354	867,853,465	13,876,004,384	20,629,075	746,765,529	985,524,598
Profit / (loss) before tax	253,791,704	(10,025,803)	2,378,875,493	379,641,913	(11,567,991)	132,555,248
Profit / (loss) after tax	228,994,025	(24,257,767)	2,383,411,819	313,921,954	(11,775,107)	103,677,140
	June 30, 2016					April 30, 2016
	RCSML	SPGL	SECL	SHL	SDL	CD
	----- Rupees -----					
Summarised Balance Sheet						
Non current assets	2,140,362,510	1,350,949,496	14,357,483,245	6,612,919,602	1,052,582,218	-
Current assets	1,406,053,794	456,743,672	5,004,349,258	82,212,699	233,154,280	341,200,258
	3,546,416,304	1,807,693,168	19,361,832,503	6,695,132,301	1,285,736,498	341,200,258
Non-current and current liabilities	1,583,174,088	192,635,092	10,415,802,047	432,442,398	255,403,176	180,265,529
Net assets	1,963,242,216	1,615,058,076	8,946,030,456	6,262,689,903	1,030,333,322	160,934,729
Reconciliation to carrying amount						
Opening net assets	1,917,076,858	1,566,496,482	8,004,304,828	6,168,426,790	1,035,164,990	135,454,652
Profit / (loss) for the year	121,897,349	97,924,874	2,213,789,699	274,071,911	(4,546,103)	21,734,225
Other comprehensive (loss) / income	(21,651,756)	(48,937,382)	-	(109,057,786)	(285,565)	-
Other adjustments	(2,620,235)	(425,896)	-	(5,448,307)	-	3,745,852
Dividend paid during the year	(51,460,000)	-	(1,272,064,071)	(65,302,705)	-	-
Closing net assets	1,963,242,216	1,615,058,078	8,946,030,456	6,262,689,903	1,030,333,322	160,934,729
Group's share (percentage)	3.04%	26.43%	1.42%	0.05%	22.38%	49.00%
Carrying amount of investment	59,762,337	426,788,656	126,588,394	3,116,629	230,598,410	78,858,017
Summarised Profit and Loss Account						
Revenue	3,221,146,642	1,594,592,483	12,741,967,937	90,776,344	620,643,003	886,733,385
Profit / (loss) before tax	170,399,159	97,924,874	2,214,443,227	494,345,878	(4,423,718)	28,403,987
Profit / (loss) after tax	121,897,349	97,924,874	2,213,789,699	274,071,911	(4,546,103)	21,734,225

9.3.1 The share of profit / loss after acquisition is recognised based on financial statements as at June 30, 2017 except Creadore A/S, Denmark whose financial year ended on April 30, 2017.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

9.4 Other companies - Available for sale

2017 Number of Shares	2016	Name of Company	2017 Rupees	2016 Rupees
Quoted				
4,061,840	10,950,940	MCB Bank Limited	217,880,150	587,416,661
		Add: Adjustment arising from measurement at fair value	636,852,841	1,822,009,158
			854,732,991	2,409,425,819
29,623,714	21,160,814	Habib Bank Limited	5,926,153,798	3,821,553,737
		Add: Adjustment arising from measurement at fair value	2,046,772,588	358,976,677
			7,972,926,386	4,180,530,414
-	150	Habib Bank Limited - TFCs	-	15,000,000
		Less: Adjustment arising from measurement at fair value	-	(187,500)
			-	14,812,500
Unquoted				
7,055,985	7,055,985	Novelty Enterprises (Pvt) Limited	86,148,236	86,148,236
			8,913,807,613	6,690,916,969

9.5 The Holding Company has pledged 1.650 million shares of HBL with Bank Alfalah (related party) as a security for issuance of debt service reserve standby letter of credit amounting US \$ 2.73 million in favour of a financial institution in order to secure the obligation of SWPCL in relation to the required balance of debt service reserve account pursuant to Agreement.

9.6 The Holding Company has pledged 2.895 million shares of HBL and 350,000 shares of MCB with Bank Alfalah (related party) as security for issuance of EPA standby letter of credit amounting US \$ 5.222 million in order to secure the obligation of TBCL in pursuant to Agreement.

9.7 The Holding Company has pledged 5.406 million shares of Engro Corporation with Standard Chartered Bank as security for issuance of standby letter of credit amounting US \$ 11.300 million in favour of a financial institutions for contingency support in TBCL in accordance with Sponsors Support Agreement.

9.8 The Holding Company has pledged 3,305,000 (2016: 10,650,940) shares of MCB, Nil (2016:13,064,444) shares of HUBCO, Nil (2016:1,700,000) shares of Engro Corporation, 25,605,846 shares of Bank Al-Habib and 25,078,714 (2016:19,210,814) shares of Habib Bank Limited with financial institutions for arrangement of finance facilities.

10	LONG TERM LOANS AND ADVANCES	Note	2017 Rupees	2016 Rupees
	Loan to employees - unsecured (considered good)			
	Executives	10.3	57,786,286	67,195,263
	Other employees		21,845,828	19,557,498
			79,632,114	86,752,761
	Current portion of loans shown under current assets	15	32,833,682	34,557,696
			46,798,432	52,195,065
10.1	These represent interest free loans provided to executives and other employees as per terms of employment. These loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case.			
10.2	Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs.67,774,617 (2016: Rs.74,092,058).			
10.3	Movement in loans to executives			
	Balance at the beginning of the year		67,195,263	76,076,358
	Amount disbursed during the year		16,461,216	17,516,167
			83,656,479	93,592,525
	Amount recovered during the year		25,870,194	26,397,262
	Balance at the end of the year		57,786,285	67,195,263

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

11	LONG TERM DEPOSITS AND PREPAYMENTS	Note	2017	2016
			----- Rupees -----	----- Rupees -----
	Security deposits			
	- WAPDA		79,781,676	79,781,676
	- SNGPL		1,097,000	1,097,000
	- PTCL		179,843	179,843
	- Leased vehicles		393,751	1,368,525
	- Others (including Retail outlets)	11.1	108,717,739	46,631,379
			190,170,009	129,058,423
	Lease deposit money	11.2	32,969,109	25,324,675
	Prepayments			
	- loan transaction cost	11.3	381,100,428	19,831,000
	- Prepaid rent	11.4	-	1,036,471
			381,100,428	20,867,471
			604,239,546	175,250,569
11.1	It includes an amount of Rs.36,000 (2016: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party.			
11.2	This represents payment made by Tricon Boston Consulting Corporation (Private) Limited to Government of Sindh for lease of land measuring 3,852 acres situated at Deh Kohistan 7/1 Tapo Jhampir, Taluka & District Thatta in the province of Sindh.			
11.3	This represents transaction cost incurred by Triconboston Consulting Corporation (Private) Limited for the purpose of arranging long term finance amounting to USD 237.6 million in pursuance of the Common Terms Agreement with the consortium of financial institutions namely International Finance Corporation, Asian Development Bank, DEG-Deutsche Investitions - UND Entwicklungsgesellschaft MBH and Islamic Development Bank.			
11.4	This represents prepaid portion of rentals paid by Sapphire Wind Power Company Limited to AEDB for a period up to January 31, 2018 for a 20 year lease of 1,372 acres of land, situated in Jhimpir, District Thatta. The aforementioned land has been allocated to the company by AEDB out of the total land leased for a period of thirty years from Government of Pakistan ('GoP') for Wind Power Generation Projects under the Master Lease Deed dated February 13, 2008. The company, in order to gain access to the land for conducting feasibility/other associated studies had signed an Agreement to Lease with AEDB dated September 21, 2008. However, the formal site sub-lease agreement was signed on March 11, 2014. The term of site sub-lease has commenced from this date and will end with the term of the EPA.			
12	STORES, SPARES AND LOOSE TOOLS	Note	2017	2016
			----- Rupees -----	----- Rupees -----
	Stores	12.1	366,274,648	282,314,240
	Spares - in hand		179,433,015	146,455,779
	Spares - in transit		44,349,675	44,082,361
			223,782,690	190,538,140
	Loose tools		745,267	310,128
			590,802,605	473,162,508
	Provision for slow moving stores, spares and loose tools	12.2	(52,298,823)	(33,479,793)
			538,503,782	439,682,715
12.1	This includes stores and spares amounting Rs. 111.051 million of SPWCL which are in the possession and control of the company's O & M contractor, Hydro China, for smooth and uninterrupted operation and maintenance of the company's plant as per the terms of the O & M Agreement dated December 12, 2013 for a period of two years from the TOD. Furthermore, the company has also signed an O & M Agreement dated October 13, 2011 for a term of eight years starting from the end of the above mentioned Hydro China's O & M Agreement, with the Consortium and these items will be handed over to the Consortium on expiry of Hydro China's O & M Agreement. As per the terms of the above mentioned O & M Agreements, Hydro China and, subsequently, the Consortium will replenish and hand over these items to the company on the expiry of their respective O & M Agreements.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016
12.2 Provision for slow moving stores, spares and loose tools			
Balance at the beginning of the year		33,479,793	23,435,755
Provision made during the year - net	35	18,819,030	10,044,038
Balance at the end of the year		52,298,823	33,479,793
13 STOCK IN TRADE			
Raw material - in hand	32.1	4,005,565,442	3,292,155,226
Raw material - in transit		282,427,925	94,607,189
		4,287,993,367	3,386,762,415
Work in process	32	921,557,555	566,547,230
Finished goods		1,205,565,409	943,407,686
Waste		39,905,721	17,500,140
	32	1,245,471,130	960,907,826
		6,455,022,052	4,914,217,471
13.1			
Stock in trade include items of finished goods costing Rs 454.19 million (2016: Rs 567.228 million) valued at their net realizable value 'NRV' of Rs 305.35 million (2016: Rs 403.035 million). The write down to NRV amounting Rs.148.840 million (2016: Rs. 164.197 million) has been recognized in cost of goods sold.			
14 TRADE DEBTS			
Secured - considered good			
Foreign debts		507,065,432	491,907,796
Domestic debts	14.1	1,290,293,622	897,008,946
Unsecured - considered good			
Domestic debts	14.2 & 14.3	906,263,866	812,854,687
Waste		19,724,335	14,811,508
Others		2,280,648	1,898,630
		928,268,849	829,564,825
Unsecured - considered doubtful			
Provision for doubtful debts	14.5	44,925,809	36,505,865
		(44,925,809)	(36,505,865)
		928,268,849	829,564,825
		2,725,627,903	2,218,481,567
14.1			
These represent trade receivables from CPPA-G and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment markup at the rate of three months Karachi Inter-Bank Offered Rate ('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 10.48% to 10.99% (2016: Nil) per annum.			
14.2			
Domestic debts include amount of Rs.92,513,689 (2016: Rs.172,972,339) receivable against indirect export sales.			
14.3 Trade debts include the following amounts due from related parties:			
Domestic debts			
Diamond Fabrics Limited		17,568,183	25,752,403
Sapphire Fibres Limited		-	535,342
Sapphire Finishing Mills Limited		92,596,854	134,652,841
		110,165,037	160,940,586
14.4			
The aging of trade debts receivable from related parties as at balance sheet date are as under:			
0 - 90 days		110,165,037	160,940,586

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

		2017	2016
		----- Rupees -----	
14.5 Provision for doubtful debts	Note		
Balance at the beginning of the year		36,505,865	107,388,408
Provision made during the year		8,419,944	-
Bad debts written-off during the year		-	(70,882,543)
Balance at the end of the year		<u>44,925,809</u>	<u>36,505,865</u>
15 LOANS AND ADVANCES			
Considered good			
Advances - unsecured			
- to suppliers		84,900,660	87,863,744
- to contractors		10,955,300	1,000,000
- to excise and taxation	15.1	116,481,490	90,696,987
- to others		1,000,000	10,178,501
		213,337,450	189,739,232
Unsecured - considered doubtful		7,405,940	-
Provision for doubtful advance		(7,405,940)	-
		213,337,450	189,739,232
Current portion of long term loans			
- due from executives		14,445,320	20,250,048
- due from other employees		18,388,362	14,307,648
	10	32,833,682	34,557,696
Short term loans to employees		22,513,329	4,892,894
		<u>268,684,461</u>	<u>229,189,822</u>
15.1	It includes Rs.116,065,540 (2016: Rs.90,696,987) represents 50% payment made to Excise and Taxation Department of Government of Sindh against levy of Infrastructure Fee.		
16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		4,752,501	1,649,000
Prepayments		55,414,785	51,808,008
		<u>60,167,286</u>	<u>53,457,008</u>
17 OTHER RECEIVABLES			
Claims receivable		3,107,888	50,000
Export rebate receivable		172,211,879	76,517,453
Dividend receivable		27,542,500	44,884,519
Interest on HBL TFC's		-	374,950
Unrealized gain on measurement of forward foreign currency contracts		-	8,397,204
Claims recoverable from NTDC for pass through items:			
- Workers' profit participation fund	17.1	74,399,599	33,930,704
- Sindh infrastructure development cess	17.2	-	32,438,156
Receivable against credit card sales		20,922,941	11,859,558
Receivables from contractor	17.3	32,034,158	-
Others		65,490,065	2,796,851
		<u>395,709,030</u>	<u>211,249,395</u>
17.1	Under section 9.2(a) of the EPA with NTDC, payments to Workers' Profit Participation Fund by Sapphire Wind Power Company Limited (SWPCL) are recoverable from NTDC as a pass through item.		
17.2	This amount represents Sindh Infrastructure Development Cess levied on the import of SWPCL's plant and machinery. As per approved upfront tariff by National Electric Power Regulatory Authority, it is allowed to be recovered from NTDC as a pass through item in twelve equal monthly instalments following the COD.		
17.3	This represents amount receivable for carrying out various technical studies on behalf of Hydro China International Engineering Company Limited (EPC Construction Contractor).		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

18 OTHER FINANCIAL ASSETS - AVAILABLE FOR SALE

2017	2016		2017	2016
		Name of Company	Cost	Fair value / cost
Number of shares				Fair value
				Rupees
-	74,800	Aisha Steel Limited	-	578,204
28,105,846	4,395,346	Bank Al-Habib Limited	1,151,228,062	1,595,006,761
8,641,000	-	Bank Al-Falah Limited	365,648,102	347,368,200
100,000	100,000	D.G.Khan Cement Company Limited	12,407,321	21,316,000
-	1,704,500	Dawood Hercules	-	253,748,915
5,406,700	2,292,700	Engro Corporation (Pakistan) Limited	1,681,677,147	1,762,097,597
-	13,863,944	Hub Power Company Limited	-	1,664,505,117
50,000	50,000	Lucky Cement Limited	25,085,305	41,813,000
20,000	20,000	Pak Suzuki Motor Company Limited	8,356,835	15,607,200
50,000	50,000	Pakistan State Oil Limited	11,286,649	19,367,500
-	2,500,000	Hum Television Network Ltd	-	25,700,000
-	800,000	TPL Properties Limited	-	10,000,000
35,700,000	-	K Electric Limited	308,476,679	246,330,000
			3,564,166,100	4,048,906,258
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	17,441,370
		Less: impairment loss	-	(17,441,370)
			3,581,607,470	4,048,906,258
				2,986,400,454

19 TAX REFUNDS DUE FROM GOVERNMENT

Note	2017	2016
	Rupees	
Income tax	1,154,873,925	997,635,784
Federal Excise Duty	10,931,607	-
Sales tax	607,571,000	832,849,741
Less: provision against doubtful sales tax refunds	(135,006,064)	-
	1,638,370,468	1,830,485,525

20 CASH AND BANK BALANCES

With banks on:		
- current accounts	7,674,078,967	737,582,092
- current accounts - USD	20.1 3,111,363	3,925,188
- current accounts - Euro	20.2 463,663	448,853
- saving accounts	20.3 & 20.4 1,033,297,997	1,458,465,381
	8,710,951,990	2,200,421,514
Cash in hand	16,784,343	12,356,152
	8,727,736,333	2,212,777,666

20.1 Cash at bank on USD account of US \$ 29,689 (2016: US\$ 37,562).

20.2 Cash at bank on EURO account of EURO 3,867 (2016: EURO 3,867).

20.3 This includes the following balances as at June 30, 2017 held in various accounts, mentioned below, established and maintained by the company in pursuance to the Finance Agreement dated March 31, 2014 entered into by the company with OPIC and the Accounts Agreement dated May 7, 2014 entered into by the company with OPIC and various branches of Citibank, N.A.:

- USD 6.197 million equivalent to Rs 649.488 million (2016: USD 6.171 million equivalent to Rs 644.854 million) in Debt Service Reserve account for repayment of long term finance and payment of interest accrued and other related costs thereon to OPIC;

- USD 0.991 million equivalent to Rs 103.826 million (2016: USD 0.623 million equivalent to Rs 65.065 million) in Maintenance Reserve account for payments against O & M Agreements as fully explained in note 29.13 to these financial statements.

20.4 Balances with banks carry markup ranges from 0.01% to 4.5% (2016: 0.01% to 5%) per annum.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

21 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016		2017	2016
Number of shares			Rupees	
6,206,740	6,206,740	Ordinary shares of Rs. 10 each allotted for consideration paid in cash	62,067,400	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	138,764,000	138,764,000
20,083,140	20,083,140		200,831,400	200,831,400

21.1 The Holding Company has only one class of shares which carry no right to fixed income.

21.2 6,215,349 (2016: 6,215,349) shares of the Holding Company are held by associated companies as at the balance sheet date.

22 LONG TERM FINANCING

	Note	2017	2016
		Rupees	
Loans from banking companies	22.1	14,224,976,836	8,357,560,403
Loans from Overseas Private Investment Corporation	22.2	8,330,732,574	9,177,671,801
		22,555,709,410	17,535,232,204
Less: Current portion shown under current liabilities			
Loans from banking companies	22.1	(557,461,636)	(1,628,822,242)
Loans from Overseas Private Investment Corporation	22.2	(925,010,100)	(891,423,653)
		(1,482,471,736)	(2,520,245,895)
		21,073,237,674	15,014,986,309

22.1 Loans from banking companies - secured

Allied Bank Limited	22.1.1	3,368,739,659	3,127,954,403
Bank Alfalah Limited - Related Party	22.1.2	53,750,000	183,748,000
Bank Al Habib Limited	22.1.3	2,253,725,177	2,165,197,000
Faysal Bank Limited	22.1.4	154,262,000	174,158,000
Habib Bank Limited	22.1.5	7,590,100,000	2,212,503,000
Meezan Bank Limited	22.1.6	-	87,000,000
Diminishing musharakah from Meezan Bank	22.1.7	342,000,000	-
Standard Chartered Bank Pakistan Limited	22.1.8	-	75,000,000
United Bank Limited	22.1.9	462,400,000	332,000,000
		14,224,976,836	8,357,560,403
Less: Current portion shown under current liabilities		(557,461,636)	(1,628,822,242)
		13,667,515,200	6,728,738,161

22.1.1 These loans carry mark-up ranging from 2.50% to 6.86% (2016: 2.50% to 8.90%) obtained in different tranches and are repayable in quarterly installments ranging from 16 to 32. These loans are secured against exclusive hypothecation charge of Rs.3,117 million over specific plant & machinery and pledge of shares of blue chip companies held by the Company having market value Rs.3,028.835 million as on balance sheet date.

22.1.2 These loans carry mark-up ranging from 2.50% to 6.85% (2016: 2.50% to 7.51%) obtained in different tranches and are repayable in quarterly installments ranging from 16 to 32. These loans are secured against exclusive hypothecation charge of Rs.353 million over specific plant & machinery.

22.1.3 These loans carry mark-up ranging from 2.50% to 6.60% (2016: 2.50% to 8.45%) obtained in different tranches and are repayable in 32 quarterly installments. These loans are secured against exclusive hypothecation charge of Rs.328 million over specific plant & machinery and pledge of shares of blue chip companies held by the Company having market value Rs.2,981.318 million as on balance sheet date.

22.1.4 These loans carry mark-up ranging from 2.50% to 6.50% (2016: 2.50% to 6.50%) obtained in different tranches and are repayable in 24 quarterly installments. These loans are secured against exclusive hypothecation charge of Rs.202.700 million over specific plant & machinery.

22.1.5 These loans carry mark-up ranging from 2.50% to 6.69% (2016: 2.50% to 8.90%) obtained in different tranches and are repayable in quarterly installments ranging from 4 to 32. These loans are secured against exclusive hypothecation charge of Rs. 9,748 million over specific plant & machinery and pledge of shares of blue chip companies held by the Company having market value Rs.1,533.492 million as on balance sheet date.

22.1.6 These loans carry mark-up ranging from 6.28% to 6.35% (2016: 6.60% to 7.25%) obtained in different tranches and are repayable in 16 quarterly installments. These loan are secured against exclusive hypothecation charge of Rs.174 million over specific plant & machinery. The Company has repaid the loan before maturity.

Notes to the Consolidated Financial Statements

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22.1.7 The Company has obtained long term facility from Meezan Bank Limited for the purchase of Land, Building and its Commercialization fee. The facility is for 10 years tenure including 2 years grace period. The markup rate is 3 months Kibor + 0.45% per annum. The facility is secured against first charge over the purchased Land and Building of the Company.

22.1.8 These loans carrying mark-up ranging from 6.28% to 6.35% (2016: 6.60% to 7.25%) obtained in different tranches and are repayable in 18 quarterly installments. These loans are secured against exclusive hypothecation charge of Rs.200 million over specific plant & machinery. The Company has repaid the loan before maturity.

22.1.9 These loans carry mark-up at the rate of 2.50% (2016: 2.50%) obtained in different tranches and are repayable in 32 quarterly installments. These loan are secured against exclusive hypothecation charge of Rs.462.400 million over specific plant & machinery.

	2017	2016
	----- Rupees -----	
22.2 Loans from Overseas Private Investment Corporation		
Receipt	9,347,400,000	9,347,400,000
Transaction cost	(224,846,476)	(224,846,476)
Amortisation of transaction cost	57,457,074	37,252,998
Exchange loss	257,805,181	232,239,714
	9,437,815,779	9,392,046,236
Repaid during the year	(1,107,083,205)	(214,374,435)
	8,330,732,574	9,177,671,801
Less: Current portion shown under current liabilities	(925,010,100)	(891,423,653)
	7,405,722,474	8,286,248,148

22.2.1 This represents long term finance facility of USD 95 million obtained from OPIC for the construction of the wind power project at Jhimpir in accordance with the Finance Agreement dated March 31, 2014. Of the facility of USD 95 million (equivalent to Rs 9.975 billion), USD 91.5 million (equivalent to Rs 9.347 billion) [2016: USD 91.5 million (equivalent to Rs 9.347 billion)] has been availed by the SWPCL as at June 30, 2017. The security for the loan includes all the current and future assets of the SWPCL. It carries markup, payable quarterly, at the rate of three months London Inter-Bank Offered Rate ('LIBOR') plus 3.7% OPIC guarantee fee per annum. The effective rate charged during the year on the outstanding balance is 4.62% per annum (2016: 4.21% per annum). As of June 30, 2017, the principal amount is repayable in seventeen unequal semi annual installments ending on October 10, 2025 in accordance with the amortization schedule provided by OPIC.

	Note	2017	2016
		----- Rupees -----	
23 DEFERRED LIABILITIES			
Deferred taxation	23.1	131,722,958	247,165,053
Staff retirement benefits - gratuity	23.2	204,111,474	250,766,027
		335,834,432	497,931,080

23.1 Deferred taxation

Deferred tax credits / (debits) arising in respect of:

Taxable temporary differences (deferred tax liabilities)

Accelerated tax depreciation allowances
Investment in associates

264,673,459	258,625,869
7,143,173	6,412,561
271,816,632	265,038,430

Deductible temporary differences (deferred tax assets)

Staff retirement benefits - gratuity
Provision for stores, spares and loose tools
Provision for leave encashment and bonus
Minimum tax available for carry forward
Business loss carry forward

(15,127,649)	(15,768,168)
(3,949,084)	(2,105,209)
(4,264,497)	-
(43,503,411)	-
(73,249,033)	-
(140,093,674)	(17,873,377)
131,722,958	247,165,053

23.1.1 In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

		2017	2016
		----- Rupees -----	
23.2 Staff retirement benefits	Note		
Movement in the net liability recognized in the Balance sheet			
Opening net liability		250,766,027	272,019,736
Expense for the year in profit and loss account	23.2.1	93,446,005	111,541,252
Remeasurement recognized in other comprehensive income		(7,398,992)	(9,965,376)
		<u>336,813,040</u>	<u>373,595,612</u>
Benefits paid during the year		(132,701,566)	(122,730,385)
Benefits due but not paid		-	(99,200)
Closing net liability		<u>204,111,474</u>	<u>250,766,027</u>
23.2.1 Expense recognized in the profit and loss account			
Current service cost		80,075,900	91,007,270
Interest cost		13,370,105	20,533,982
		<u>93,446,005</u>	<u>111,541,252</u>
23.2.2 Movement in the present value of defined benefit obligation			
Present value of defined benefit obligation		250,766,027	272,019,736
Current service cost		80,075,900	91,007,270
Interest cost		13,370,105	20,533,982
Actuarial gain		(7,398,992)	(9,965,376)
Benefits paid		(132,701,566)	(122,730,385)
Benefits due but not paid		-	(99,200)
		<u>204,111,474</u>	<u>250,766,027</u>

Historical information	2017	2016	2015	2014	2013
	----- RUPEES -----				
Present value of defined benefit obligation	<u>204,111,474</u>	<u>250,766,027</u>	<u>272,019,736</u>	<u>229,504,703</u>	<u>191,731,749</u>
Experience adjustments on plan liabilities	<u>7,398,992</u>	<u>9,965,376</u>	<u>(16,363,523)</u>	<u>(9,833,283)</u>	<u>(18,461,246)</u>

Expected gratuity expenses charged to profit and loss for the year ending June 30, 2018 works out Rs.89,273,868.

The weighted average duration of defined benefit obligation is 5 years.

General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

Principal actuarial assumption

Following are a few important actuarial assumption used in the valuation:

	2017	2016
	%	%
Discount rate	7.75	7.25
Expected rate of increase in salary	6.75	6.25
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / decreased as a result of change in respective assumptions by 100 basis point.

	Increase in assumptions ----- Rupees in '000' -----	Decrease in assumptions ----- Rupees in '000' -----
Discount rate	<u>190,547</u>	<u>211,515</u>
Increase in future salaries	<u>212,261</u>	<u>189,669</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
24 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	15,222,509	-
Less: Current portion shown under current liabilities	(3,260,817)	-
	<u>11,961,692</u>	<u>-</u>
	Minimum lease payments	Finance cost for future periods
	Principal outstanding	
	2017	
	----- Rupees -----	
Not later than one year	4,120,272	859,455
Later than one year but not later than five years	13,545,243	1,583,551
Above five years	-	-
	<u>17,665,515</u>	<u>2,443,006</u>
	2017	2016

Salient features of the leases are as follows:

Discounting factor	5.07%-5.12%	-
Period of lease	60 months	-
Security deposits	15%	-

The Group has entered into finance lease arrangements with Bank Al Habib Limited for lease vehicles. The liabilities under these arrangements are payable in monthly installments and above mentioned mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

		2017	2016
	Note	Rupees	
25	LONG TERM PAYABLE		
Gross payable		442,198,200	442,198,200
Deferred notional income	25.2	-	(1,306,761)
Exchange loss on revaluation of foreign currency		22,090,840	16,199,341
Payments made during the year		(458,494,720)	-
		5,794,320	457,090,780
Less: Current portion of long term payable		(5,794,320)	(457,090,780)
		-	-

25.1 Long term payable represent amortized value of balance consideration payable amounting to US \$ 4,378,200 payable to Ex-shareholders of Triconboston Consulting Corporation (Private) Limited. The Holding Company has also issued a corporate guarantee of amounting US\$ 4,378,200. The Holding Company has paid US \$ 4,323,016 during the current year.

25.2 This represent the difference between amortized cost and face value of interest free long term payable to Ex-Shareholders of Tricon Boston Consulting Corporation (Private) Limited. Amortized cost has been determined using effective interest rate of 2.86% per annum being the weighted average rate applicable to the Holding company for borrowings in US\$. Movement of the deferred notional income is as follows:

Deferred notional income

Opening balance	1,306,761	13,504,488
Unwinding cost of long term liability	<u>(1,306,761)</u>	<u>(12,197,727)</u>
	-	1,306,761

Notes to the Consolidated Financial Statements

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		2017	2016
	Note	Rupees	
26 TRADE AND OTHER PAYABLES			
Creditors	26.1	1,506,629,452	1,489,703,982
Accrued liabilities	26.2	1,661,235,043	1,317,969,845
Advances from customers	26.3	631,069,019	485,610,772
Workers' profit participation fund	26.4	89,197,910	96,791,953
Workers' welfare fund		248,168,121	187,446,411
Infrastructure fee	26.5	258,551,069	209,340,231
Unclaimed dividend		1,361,643	1,033,969
Lender fees and charges payable		114,072,093	29,236,589
Tax deducted at source		638,222	326,615
Unrealized loss on measurement of forward foreign currency contracts		7,764,396	-
Others		19,251,183	11,721,037
		4,537,938,151	3,829,181,404
26.1 These balances include the following amounts due to related parties:			
Amer Cotton Mills (Private) Limited		386,523	602,732
Diamond Fabrics Limited		1,374,775	86,016
Reliance Cotton Spinning Mills Limited		-	2,620,936
Sapphire Fibres Limited		35,919,163	15,181,235
Sapphire Finishing Mills Limited		1,118,327	9,360
Bank Alfalah Limited		2,092,000	2,092,000
		40,890,788	20,592,279
26.2 These balances include the following amounts due to related parties:			
Sapphire Power Generation Limited		19,501,468	23,240,835
26.3 These balances include the following amounts received from related parties:			
Creadore A/S Denmark		83,894,788	106,921,269
26.4 Workers' profit participation fund			
Balance at the beginning of the year		96,791,953	59,705,075
Allocation for the year		89,197,910	96,791,953
Interest on funds utilized in the Group's business	37	1,378,211	1,340,502
		90,576,121	98,132,455
		187,368,074	157,837,530
Less: Payments during the year		(98,170,164)	(61,045,577)
Balance at the end of the year		89,197,910	96,791,953

26.5 It includes Rs.257,596,707 (2016:209,340,231) represents provision recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Group has contested this issue in the Sindh High Court (the High Court). The Group filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

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

As at June 30, 2017, the Group has provided bank guarantees aggregating Rs.169.823 million (2016: Rs.139.823 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Group's favour.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

			2017	2016
			----- Rupees -----	
27	ACCRUED INTEREST / MARK-UP	Note		
	Accrued interest / mark-up on secured:			
	- long term financing		221,940,680	172,658,495
	- short term borrowings		84,741,781	49,492,419
			306,682,461	222,150,914
27.1	Accrued mark-up includes amounting Rs.18,288,538 (2016: Rs.12,077,648) due to Bank Alfalah Limited - related party.			
28	SHORT TERM BORROWINGS			
	Short term loans		5,230,323,382	3,572,954,653
	Running finance under mark-up arrangements		2,779,992,749	1,373,295,324
	Murabaha and musharka facilities	28.2	90,755,788	96,486,600
			8,101,071,919	5,042,736,577
	Book overdrafts	28.3	1,168,391	400,611
			8,102,240,310	5,043,137,188
	Short term loans from related parties	28.4	112,350,000	112,350,000
			8,214,590,310	5,155,487,188
28.1	Aggregate facilities amounting to Rs.15,534 million (2016: Rs.13,890 million) were available to the Group from banking companies. These are secured against hypothecation charge on stock in trade, book debts and export bills under collection. These carry mark up 1% (2016: 1.10% to 1.60%) on foreign currency loans and 2.15% to 7.02% (2016: 2.75% to 7%) on local currency loans per annum payable monthly / quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs.840.033 million (2016: Rs.809.030 million) due to Bank Alfalah Limited (related party).			
28.2	Murabaha and Musharka facilities available from commercial banks aggregate to Rs 200 million (2016: Rs 100 million) at mark-up rate of 3 month KIBOR plus 0.05% per annum. The amount utilised as at 30 June 2017, for Murabaha facilities was Nil (2016: Nil) and for Musharka was Rs 90.76 million (2016: Rs 96.49 million). Mark-up on Murabaha is payable at the maturity of the respective Murabaha transaction. Whereas, the mark-up on Musharka is payable quarterly on the balance outstanding. The facilities are secured against pari passu charge on the current assets of the company with 25% risk margin. The mark-up rate charged during the year on the outstanding balance ranges from 6.13% to 6.17% (2016: 6.45% to 6.63%) per annum.			
28.3	This represents cheques issued by the Group in excess of balance at banks which remained unrepresented till June 30, 2017.			
28.4	This represents the amount of share deposit money received by SWPCL during the previous year against which shares have not been issued. Such money was received from the existing member (Bank Alfalah Limited) of the company (SWPCL) against the offer for issue of right shares under section 86 of the repealed Companies Ordinance, 1984 (now section 83 of the Companies Act, 2017). The funds were required to meet the company's capital expenditure requirements for commissioning of the wind power plant as the lender, OPIC, had deferred the disbursement of last tranche of USD 3.5 million of the loan referred to in note 22.2 to these financial statements, on the completion of the Novation Agreement between the company, NTDC and CPPA-G in respect of the EPA. As explained in note 1 to these financial statements, the aforementioned Novation Agreement was signed, during the year, on May 5, 2017. Consequently, the company has applied to OPIC for the disbursement of the aforementioned last tranche of loan and the company's management expects that the aforesaid last tranche of loan will be disbursed by OPIC shortly. Resultantly, the company has not issued shares as it would refund the share deposit money from the proceeds from such loan disbursement. Since the shares were not issued within ninety days of the receipt of money, such share deposit money has been treated as a loan in accordance with Regulation 6(4) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012. Markup is payable at the rate of borrowing cost of the related parties from the date of receipt of money in accordance with the requirements of section 208 of the repealed Ordinance (now section 199 of the Act). The effective markup rate charged during the year on the outstanding balance is 6.16% (2016: 6.47%) per annum.			
			2017	2016
			----- Rupees -----	
29	PROVISION FOR TAXATION			
	Balance at the beginning of the year		283,808,589	130,367,360
	Provision made for current year - net		326,390,488	271,858,826
			610,199,077	402,226,186
	Less: Adjusted advance tax during the year against completed assessments		(228,161,421)	(118,417,597)
			382,037,656	283,808,589
30	CONTINGENCIES AND COMMITMENTS			
	Contingencies			
30.1	Guarantees issued by banks on behalf of the Group		410,002,988	366,736,988

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

- 30.2** Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2017 the value of these cheques amounted to Rs.202.870 million (2016: Rs.281.325 million).
- 30.3** The financial institution has issued a guarantee amounting Rs.45 million in favour of Excise and taxation department of Government of Sindh on behalf of Sapphire Wind Power Company Limited (subsidiary company) against charge of Rs.60 million on fixed assets of the Company.
- 30.4** The financial institution has issued guarantees amounting US \$ 450,000 (2016: US \$ 75,000) in favour of Alternative Energy Development on request of Holding Company on behalf of Triconboston Consulting Corporation (Private) Limited (subsidiary company) against charge of equivalent amount with 25% margin on fixed assets of the Holding Company.
- 30.5** The Holding Company had filed a petition against Mohammad Farooq Textile Mills Limited for recovery of Rs. 9.135 million under section 305 of Companies Ordinance, 1984 in the Honourable Sindh High Court, Sindh, praying that the honourable court may be pleased to pass the orders regarding winding up the liquidation of the company, to appoint provisional manager or official liquidator, to restrain the officers of the company from disposing of the assets of the company till final adjudication, to grant any other relief deemed to be appropriate and to grant cost.
- 30.6** The Holding Company has filed a case against Indus Steel Pipe Factory (Pvt) Limited for title and occupation of land at Kotri before the Honourable Hyderabad High Court, Sindh. Prayer of the Company to the Honourable Court is to set aside judgement & decree of District & Session Judge, Kotri and allow appeal in Honourable Hyderabad High Court or in the alternative, remand the case for decision on merits.
- 30.7** The Holding Company had filed a suit No.204 of 2011 against Enshaa NLC Development (Pvt) Limited before the Honourable Sindh High Court, Sindh seeking declarations, possession, permanent injunction and/or recession and damage in respect of the reservation contract followed by an agreement executed between parties whereby the defendants are liable to construct the project. The matter is pending for hearing and opinion of the legal advisor of the company is favourable and there is no likelihood of unfavourable outcome or any potential loss.
- 30.8** Irrevocable letter of credit of USD 3.9 million equivalent to Rs 409.500 million (2016:USD 2.9 million equivalent to Rs.303.630) in favour of CitiBank, N.A. as per the terms of the Finance Agreement dated March 31, 2014.
- 30.9** Irrevocable letter of credit of Nil (2016: USD 1.733 million equivalent to Rs 181.445 million) in the favour of NTDC under section 2.7(e) of the EPA.
- 30.10** Also refer to content of note 9.5 to 9.8.

	2017	2016
	Rupees	
Commitments		
30.11 Confirmed letter of credit in respect of:		
- plant and machinery	1,057,781,017	934,549,091
- raw material	84,980,924	115,600,422
- stores and spares	52,134,305	48,084,907
	1,194,896,246	1,098,234,420
30.12 Sapphire Wind Power Company Limited has an agreement with Hydro China International Engineering Company Limited ('Hydro China') for the Operations and Maintenance ('O & M') of the wind power plant for a period of two years from the Taking-Over Date ('TOD') as per terms of the O & M Agreement. Furthermore, the company has also signed an O & M Agreement for a term of eight years starting from the end of the above mentioned Hydro China's O & M Agreement, with a consortium between GE Wind Energy GMBH and General Electric International Inc (hereinafter referred to as the 'Consortium'). Under the terms of both above mentioned O & M Agreements, the company is required to pay a monthly fixed O & M fee which shall be adjusted annually to account for the effect of inflation on the basis of indexation mechanism mentioned in the O & M Agreements.		
30.13 The amount of future payments under operating leases and the period in which these payments will become due are as follows:		
	2017	2016
	Rupees	
Not Later than one year	2,744,000	-
Later than one year but not later than five years	52,240,000	10,976,000
Later than five years	141,542,795	185,550,795
	196,526,795	196,526,795

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

31 SALES AND SERVICES - NET

	Note	Export Sales		Local Sales		Total	
		2017	2016	2017	2016	2017	2016
		Rupees					
Yarn	31.1	7,916,131,059	8,429,149,498	3,886,477,139	3,364,351,976	11,802,608,198	11,793,501,474
Fabric	31.2	6,320,348,284	5,354,118,714	5,373,135,926	3,765,381,249	11,693,484,210	9,119,499,963
Home textile products		3,610,420,539	3,207,767,231	31,182,166	8,767,831	3,641,602,705	3,216,535,062
Raw material		-	-	113,392,640	18,638,540	113,392,640	18,638,540
Waste	31.3	44,644,224	48,502,013	164,541,047	136,146,618	209,185,271	184,648,631
Processing income		-	-	960,573,559	576,554,207	960,573,559	576,554,207
Power Generation		-	-	2,636,926,210	1,851,024,987	2,636,926,210	1,851,024,987
		17,891,544,106	17,039,537,456	13,166,228,687	9,720,865,408	31,057,772,793	26,760,402,864
Export rebate						34,755,325	45,444,089
Duty drawback						130,451,322	246,282
Less: Sales tax						(577,592,298)	(630,309,571)
Less: Discounts to customers						(404,507,038)	(127,218,442)
						30,240,880,104	26,048,565,222
						2017	2016
						----- Rupees -----	

31.1 Export sales - Yarn

Direct export	4,255,394,858	5,968,204,606
In-direct export	3,660,736,201	2,460,944,892
	<u>7,916,131,059</u>	<u>8,429,149,498</u>

31.2 Export sales - Fabric

Direct export	5,523,531,883	4,677,082,778
In-direct export	796,816,401	677,035,936
	<u>6,320,348,284</u>	<u>5,354,118,714</u>

31.3 Waste sales includes comber noil sales Rs.44,644,224 (2016:Rs.48,502,013).

31.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.100.577 million (2016: Rs.14.721 million) has been included in export sales.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

		2017	2016
	Note	----- Rupees -----	
32 COST OF SALES AND SERVICES			
Raw material consumed	32.1	14,901,895,301	13,238,077,122
Cost of raw material sold	32.2	107,533,074	24,270,398
Packing material consumed		390,810,281	377,685,498
Stores and spares consumed		1,277,649,177	1,065,639,321
Salaries, wages and benefits	32.3	2,763,153,637	2,444,504,856
Fuel, power and water		2,068,806,965	1,918,137,191
Other manufacturing expenses	32.4	2,109,420,943	1,485,164,044
Repair and maintenance		328,558,693	152,931,294
Vehicle running expenses		32,245,231	28,681,852
Travelling and conveyance		43,298,819	35,804,654
Insurance expenses		69,565,055	64,798,445
Rent, rates and taxes		16,602,081	10,180,531
Fees and subscription		7,523,918	5,502,736
Communication expenses		16,763,849	20,754,051
Printing and stationery		8,345,927	6,630,483
Legal and professional charges		26,404,356	7,855,322
Security		7,443,142	2,234,192.00
Depreciation	6.5	1,590,168,711	1,239,405,845
Miscellaneous expenses		17,950,090	6,722,478
		<u>25,784,139,250</u>	<u>22,134,980,313</u>
Work in process			
Opening stock		566,547,230	395,499,800
Closing stock	13	(921,557,555)	(566,547,230)
		<u>(355,010,325)</u>	<u>(171,047,430)</u>
Cost of goods manufactured		<u>25,429,128,925</u>	<u>21,963,932,883</u>
Finished goods			
Opening stock		960,907,826	699,698,614
Closing stock	13	(1,245,471,130)	(960,907,826)
		<u>25,144,565,621</u>	<u>21,702,723,671</u>
Cost of sales and services - own manufactured		75,209,798	19,373,028
Cost of sales and services- purchased for resale		<u>25,219,775,419</u>	<u>21,722,096,699</u>
32.1 Raw material consumed			
Opening balance		3,292,155,226	2,912,643,914
Purchases		15,615,305,517	13,617,588,434
		<u>18,907,460,743</u>	<u>16,530,232,348</u>
Closing stock	13	(4,005,565,442)	(3,292,155,226)
		<u>14,901,895,301</u>	<u>13,238,077,122</u>
32.2	It includes Salaries, wages & benefits, Insurance and Finance cost amounting Rs.977,574 (2016: Rs.220,640), Rs.1,955,147 (2016: Rs.441,280) and Rs. 6,843,013 (2016: Rs.1,544,479) respectively.		
32.3	Salaries, wages and benefits include Rs.93,446,005 (2016:Rs.111,541,252) in respect of post employment benefits - gratuity and Rs.24,569,752 (2016:Rs.13,010,049) in respect of provident fund contribution.		
32.4 Other manufacturing expenses			
Cotton dyeing, bleaching and bale pressing charges		161,723,327	162,468,977
Yarn dyeing and bleaching charges		56,707,195	52,570,378
Fabric dyeing, bleaching, knitting and processing charges		1,459,581,996	1,038,040,166
Yarn doubling charges		108,552,148	67,756,432
Stitching, spinning and other charges		11,369,970	9,382,911
Designer and embroidery charges		311,486,307	154,945,180
		<u>2,109,420,943</u>	<u>1,485,164,044</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

33	DISTRIBUTION COST	Note	2017	2016
			----- Rupees -----	----- Rupees -----
	On export sales			
	Export development surcharge		33,360,460	33,739,587
	Insurance		10,660,464	11,109,754
	Commission		202,145,213	205,648,292
	Ocean freight and forwarding		323,943,593	301,105,421
			570,109,730	551,603,054
	On local sales			
	Inland freight and handling		71,023,338	46,356,935
	Commission		44,495,919	31,330,018
			115,519,257	77,686,953
	Other distribution cost			
	Salaries and benefits	33.1	251,941,576	173,677,089
	Rent and utilities		256,622,584	116,852,923
	Communication		26,165,677	17,990,077
	Travelling, conveyance and entertainment		75,922,811	74,007,249
	Repair and maintenance		84,487,554	28,482,477
	Fees and subscription		2,462,125	1,395,089
	Samples and advertising		191,060,106	233,502,357
	Packing material		5,938,802	27,348,491
	Exhibition expenses		13,362,688	9,554,601
	Designer charges		123,540,396	80,434,623
	Retail outlet expenses		40,385,267	24,214,359
	Legal and professional charges		1,403,275	541,125
	Depreciation	6.5	60,794,326	15,106,204
	Computer, printing and stationery		16,446,007	11,249,523
	Others		4,506,191	1,179,221
			1,155,039,385	815,535,408
			1,840,668,372	1,444,825,415
33.1	Salaries and benefits include Rs.8,648,669 (2016:Rs.5,778,456) in respect of provident fund contribution.			
34	ADMINISTRATIVE EXPENSES			
	Directors' remuneration		112,520,687	61,185,074
	Directors' meeting fee		450,000	300,000
	Salaries and benefits	34.1	226,752,149	158,578,641
	Rent, rates and utilities		20,645,078	21,990,338
	Communication		15,628,401	9,265,718
	Printing and stationery		6,074,793	3,625,436
	Travelling, conveyance and entertainment		50,705,852	36,266,940
	Motor vehicle expenses		12,066,888	10,301,372
	Repair and maintenance		18,887,408	11,314,126
	Insurance expense		3,990,473	2,386,768
	Legal and professional charges		51,106,633	63,775,947
	Fees and subscription		39,437,186	8,404,514
	Computer expenses		9,624,493	7,767,848
	Advertisement		3,332,515	10,673,463
	Amortization of lease deposit money		-	4,675,325
	Security expenses		-	1,149,312
	Depreciation	6.5	41,369,474	28,350,386
	Others		6,640,542	9,141,441
			619,232,572	449,152,649

34.1 Salaries and benefits include Rs.9,296,315 (2016:Rs.6,193,565) in respect of provident fund contribution.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	Note	2017 ----- Rupees -----	2016 -----
35 OTHER OPERATING EXPENSES			
Workers' profit participation fund		48,729,015	62,861,249
Workers' welfare fund		60,721,710	35,443,265
Auditors' remuneration	35.1	8,155,165	6,004,578
Donations	35.2	56,769,102	30,417,410
Depreciation on investment property	7.2	-	544,062
Amortization of intangible asset	8.2	2,086,694	2,504,903
Provision for stores, spares and loose tools	12.2	18,819,030	10,044,038
Provision for doubtful debt and advance		15,825,884	-
Debit balances written-off - net		-	1,174,648
Provision for doubtful tax refund		135,006,064	-
Impairment loss on investment		17,441,370	-
Exchange loss		299,406	8,549,581
Realized loss on measurement of derivative financial instruments - net		899,548	-
Exchange loss on foreign currency accounts		115,908	-
Exchange loss on remeasurement of long term liability		5,891,499	13,261,574
		370,760,395	170,805,308
35.1 Auditors' remuneration			
Mushtaq & Co.			
Audit fee		1,541,000	1,541,000
Half yearly review fee		423,000	423,000
Code of corporate governance review fee		85,850	85,850
Other certification / services		290,000	1,202,628
Out of pocket expenses		13,750	13,750
		2,353,600	3,266,228
A.F.Ferguson & Co.			
Audit fee		850,000	1,350,000
Other assurance services		734,500	853,200
Taxation services		344,736	63,600
Out of pocket expenses		145,761	219,350
		2,074,997	2,486,150
E Y Ford Rhodes			
Statutory audit fee		700,000	-
Tax services		945,000	-
Out of pocket expenses		114,368	-
		1,759,368	-
Shinewing Hameed Chaudhri & Co.			
Audit fee		32,400	32,400
Deloitte Yousuf Adil			
Audit fee		432,400	184,800
Other assurance services		1,450,000	-
Out of pocket expenses		52,400	35,000
		1,934,800	219,800
		8,155,165	6,004,578
35.2 Donations include the following in which a director is interested:			
Name of director	Interest in donee	Name and address of donee	
Mr. Mohammad Abdullah	Director	Abdullah Foundation	50,400,000
Mr. Shahid Abdullah	Director	312, Cotton Exchange Building,	26,625,000
Mr. Yousuf Abdullah	Director	I.I. Chundrigar Road, Karachi.	
Mr. Nadeem Abdullah	Director		
Mr. Amer Abdullah	Director		
Mr. Shayan Abdullah	Director		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

		2017	2016
	Note	----- Rupees -----	
36 OTHER INCOME			
Income from financial assets			
Dividend income		720,648,576	729,326,761
Gain on sale of investments		2,110,234,230	557,742,563
Interest income on saving account, term deposit receipts and HBL TFC's		10,559,083	3,769,814
Exchange gain		2,616,364	-
Exchange gain on Foreign currency accounts		-	68,877
Income from non-financial assets			
Gain on sale of property, plant and equipment - net		5,823,272	9,611,058
Gain on sale of investment property		-	20,056,965
Rental income		-	10,855,731
Freight income		1,710,464	4,585,344
Realized gain on measurement of derivative financial instruments - net		-	8,144
Reversal of provision for obsolete stock		5,497,847	-
Scrap sales [Net of sales tax aggregating Rs.5.335 million (2016: Rs.4.193 million)]		27,635,041	20,495,097
Exchange gain on winding-up of foreign subsidiary - Sapphire Home		929,760	-
		2,885,654,637	1,356,520,354
37 FINANCE COST			
Interest / mark-up on :			
- short term finances		354,495,270	347,988,888
- long term loans		990,456,554	684,093,890
- workers' profit participation fund	26.4	1,378,211	1,340,502
- finance lease		741,156	-
Bank charges, commission and others charges		125,844,280	96,576,043
Lender's fees and charges		32,606,515	31,081,669
Amortization of loan transaction cost		20,204,076	12,254,932
Unwinding cost of long term liability		1,306,761	12,197,727
Exchange loss / (gain) on foreign currency loans		1,543,920	(1,056,874)
		1,528,576,743	1,184,476,777
38 TAXATION			
Current			
- for the year		335,161,842	271,952,152
- prior year		(8,771,354)	(93,326)
Deferred		(116,000,793)	41,439,249
		210,389,695	313,298,075
38.1 Relationship between taxation expense and accounting profit:			
Profit before taxation		3,630,249,972	2,504,333,734
Tax at the applicable rate of 31% (2016: 32%)		1,125,377,491	801,411,435
Tax effect of income taxed at a lower rate		(506,273,041)	(144,820,902)
Exempt		(249,646,990)	(216,778,357)
Prior year tax effect		8,771,354	93,326
Tax credit effect		(167,839,119)	(126,607,427)
		210,389,695	313,298,075

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

The Holding Company filed a Constitutional Petition (CP) before the Honourable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A. In case the SHC's decision is not in favour of the Holding Company; the Holding Company will either be required to declare amount of dividend or it 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 balance sheet date no charge has been recorded in this respect.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

		2017	2016
39 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation for the year	Rupees	3,195,066,797	1,987,641,880
Weighted average number of ordinary shares	Number	20,083,140	20,083,140
Earnings per share - basic and diluted	Rupees	159.09	98.97
39.1	There is no dilutive effect on basic earnings per share.		
40 CASH GENERATED FROM OPERATIONS		2017	2016
		----- Rupees -----	
Profit before taxation		3,547,521,240	2,433,728,728
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		1,692,332,511	1,282,862,435
Depreciation on investment property		-	544,062
Gain on sale of investments		(2,110,234,230)	(557,742,563)
Amortization of intangible assets		2,086,694	2,504,903
Interest income		(10,559,083)	(3,769,814)
Gain on sale of property, plant and equipment		(5,823,272)	(9,611,058)
Gain on sale of investment property		-	(20,056,965)
Dividend income		(720,648,576)	(729,326,761)
Provision for doubtful debts and advances		15,825,884	-
Provision for gratuity		93,446,005	111,541,252
Provision for sales tax refunds doubtful		135,006,064	-
Provision for stock in trade, stores, spares and loose tools		18,819,030	23,108,605
Impairment loss on investment		17,441,370	-
Amortization of unwinding up of liability		1,306,761	12,197,727
Exchange differences		6,505,659	12,204,700
Finance cost		1,525,726,062	1,173,335,924
Rental income		-	(10,855,731)
		661,230,879	1,286,936,716
Operating cash flow before changes in working capital		4,208,752,119	3,720,665,444
Changes in working capital			
Increase in current assets		(117,640,097)	(139,768,743)
Stores, spare and loose tools		(1,540,804,581)	(722,010,640)
Stock-in-trade		(515,566,280)	(1,006,872,197)
Trade debts		(46,900,579)	(56,910,224)
Loans and advances		(6,710,278)	(251,710)
Trade deposits and short term prepayments		(210,573,808)	(94,900,814)
Other receivables		(2,438,195,623)	(2,020,714,328)
Increase in current liabilities			
Trade and other payables		700,664,677	1,253,974,660
		2,471,221,173	2,953,925,776

41 RELATED PARTY DISCLOSURES

The related parties comprise associated companies (due to common directorship), directors and key management personnel. Amounts due to / from related parties are shown in the relevant notes to the financial statements and remuneration of key management personnel is disclosed in note 45. The Group in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2017	2016
		----- Rupees -----	
(i) Associates	Sales of yarn / fabric / processing / stores	1,627,083,914	1,479,579,791
	Purchase of yarn / fabric / processing / stores / rent / fixed assets	366,748,819	239,018,446
	Purchase of electricity / steam	234,206,975	571,638,232
	Expenses charged to	39,556,636	35,471,562
	Expenses charged by	6,901,583	8,806,655
	Markup charged by	28,692,453	41,964,953
	Dividend paid	78,719,578	56,228,270
	Dividend received	19,627,972	19,617,390
	Loans - net	(67,145,418)	641,759,703
	Shares deposit money received	3,565,485,000	-
	Shares issued against share deposit money	3,565,485,000	-
(ii) Others	Contribution to provident fund	42,514,736	24,982,070
	Donations	50,400,000	26,625,000

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

42 SEGMENT ANALYSIS

42.1 SEGMENT RESULTS

	Spinning	Weaving	Processing, printing, Home Textile and Textile Retail	Power Generation	Elimination of inter segment transaction	Total
Rupees						
For the year ended June 30, 2017						
Sales and services - net	15,235,661,532	9,187,469,121	8,596,646,491	2,272,976,155	(5,051,873,195)	30,240,880,104
Cost of sales and services	(14,423,152,825)	(7,731,425,764)	(7,197,025,143)	(920,044,882)	5,051,873,195	(25,219,775,419)
Gross Profit	812,508,707	1,456,043,357	1,399,621,348	1,352,931,273	-	5,021,104,685
Distribution cost	(315,139,694)	(349,785,027)	(1,176,093,651)	350,000	-	(1,840,668,372)
Administrative expenses	(163,682,863)	(123,166,991)	(200,774,990)	(131,607,728)	-	(619,232,572)
	(478,822,557)	(472,952,018)	(1,376,868,641)	(131,257,728)	-	(2,459,900,944)
Profit before taxation and unallocated income and expenses	333,686,150	983,091,339	22,752,707	1,221,673,545	-	2,561,203,741
Depreciation	505,411,615	201,619,610	393,131,852	592,169,434	-	1,692,332,511
For the year ended June 30, 2016						
Sales and services - net	14,266,081,264	7,513,807,629	6,523,983,389	1,584,896,926	(3,840,203,986)	26,048,565,222
Cost of sales and services	(13,272,770,012)	(6,444,450,223)	(5,280,516,144)	(564,564,306)	3,840,203,986	(21,722,096,699)
Gross Profit	993,311,252	1,069,357,406	1,243,467,245	1,020,332,620	-	4,326,468,523
Distribution cost	(368,407,522)	(273,229,421)	(803,188,472)	-	-	(1,444,825,415)
Administrative expenses	(193,366,417)	(75,994,608)	(114,606,381)	(65,185,243)	-	(449,152,649)
	(561,773,939)	(349,224,029)	(917,794,853)	(65,185,243)	-	(1,893,978,064)
Profit before taxation and unallocated income and expenses	431,537,313	720,133,377	325,672,392	955,147,377	-	2,432,490,459
Depreciation	430,554,261	169,982,737	294,771,678	387,553,759	-	1,282,862,435

Reconciliation of operating results with profit after tax is as follows:

	2017	2016
	-----Rupees-----	
Total results for reportable segments	2,561,203,741	2,432,490,459
Other operating expenses	(370,760,395)	(170,805,308)
Other income	2,885,654,637	1,356,520,354
Finance cost	(1,528,576,743)	(1,184,476,777)
Share of profit of associated companies	82,728,732	70,682,006
Profit before taxation	3,630,249,972	2,504,410,734
Taxation	(210,389,695)	(313,298,075)
Profit for the year	3,419,860,277	2,191,112,659

42.2 SEGMENT ASSETS AND LIABILITIES

	Spinning	Weaving	Processing, printing, Home Textile and Textile Retail	Power Generation	Total
Rupees					
As at June 30, 2017					
Segment assets	9,943,211,281	3,519,104,865	7,264,391,569	22,561,992,510	43,288,700,225
Segment Liabilities	20,978,101,252	1,047,413,833	4,161,324,087	9,343,964,733	35,530,803,905
As at June 30, 2016					
Segment assets	9,006,640,603	3,299,479,512	4,744,629,762	14,796,935,382	31,847,685,259
Segment Liabilities	12,244,282,081	1,209,749,422	2,823,511,170	10,464,543,895	26,742,086,568

Reconciliation of segment assets and liabilities with total assets and liabilities in the balance sheet is as follows:

	2017	2016
	----- Rupees -----	
Total for reportable segments assets	43,288,700,225	31,847,685,259
Unallocated assets	16,266,255,610	12,965,712,230
Total assets as per balance sheet	59,554,955,835	44,813,397,489
Total for reportable segments liabilities	35,530,803,905	26,742,086,568
Unallocated liabilities	823,005,344	1,238,795,591
Total liabilities as per balance sheet	36,353,809,249	27,980,882,159

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

42.3 Revenue from major products

The analysis of the Group's revenue from external customers for its products is given in note 31 to these financial statements.

42.4 Information about major customers

Revenue from major customers of Weaving and Processing, Printing and Home Textile segments for the year ended June 30, 2017 is Rs.1,928.893 million (2016: Rs.1,864.664 million) and Rs.1,617.124 million (2016: Rs.2,376.066 million), where as in Spinning segment there is no major customer whose revenue accounts for more than 10% of total Spinning segment's revenue.

	2017	2016
	----- Rupees -----	
Domestic sales	12,184,129,351	8,963,337,395
Export sales	18,056,750,753	17,085,227,827
	30,240,880,104	26,048,565,222

The Group mainly exports its products to Asia, Europe and North America.

	2017	2016
43 NUMBER OF EMPLOYEES		
Number of employees worked at June 30		
- Permanent	6,901	6,502
- Contractual	499	455
Average number of employees worked during the year		
- Permanent	6,626	6,403
- Contractual	472	438

44 PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Total number of spindles installed	130,407	129,652
Average number of spindles worked	129,416	127,994
Total number of rotors installed	3,120	3,120
Average number of rotors worked	3,078	3,048
Number of shifts worked per day	3	3
Total days worked	365	365
Installed capacity after conversion into 20/s lbs.	109,867,178	108,152,115
Actual production after conversion into 20/s lbs	99,947,948	97,834,523

Weaving

Total number of looms installed	345	361
Average number of looms worked	345	361
Number of shifts worked per day	3	3
Total days worked	365	365
Installed capacity at 50 picks per inch of fabric square meters	122,946,331	128,003,250
Actual production converted at 50 picks per inch of fabric square meters	127,473,002	108,581,079

Finishing and Printing

Production capacity meters	36,000,000	28,800,000
Actual production meters	33,231,522	22,582,817

Power Generation

Installed capacity (MWh)	143,384	87,209
Actual energy delivered (MWh)	157,322	96,999

Home Textile Product

The capacity of this unit is undeterminable due to multi product involving varying processes of manufacturing and run length of order lots.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
45 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES		
Chief Executive		
Remuneration	32,080,000	14,000,000
Rent and utilities	15,920,000	7,000,000
	<u>48,000,000</u>	<u>21,000,000</u>
Number of person	<u>1</u>	<u>1</u>
Directors		
Remuneration	40,432,400	24,322,000
Rent and utilities	24,088,287	15,863,074
	<u>64,520,687</u>	<u>40,185,074</u>
Number of persons	<u>3</u>	<u>3</u>
Meeting fee	<u>450,000</u>	<u>300,000</u>
Number of persons	<u>1</u>	<u>1</u>
Executives		
Managerial remuneration	316,073,770	217,169,162
House rent	101,606,781	83,470,831
Cost of living allowance	76,200	136,750
Bonus	45,668,899	35,722,832
Medical	5,590,136	4,530,757
Utilities	11,377,833	11,117,473
Contribution to provident fund	20,858,425	13,446,450
Leave encashment and other benefits	29,752,422	18,577,815
	<u>531,004,466</u>	<u>384,172,070</u>
Number of persons	<u>221</u>	<u>175</u>
Number of executives provided with the Group maintained cars	<u>166</u>	<u>142</u>

The Chief Executive and three Directors were also provided with cars maintained by the Group and telephones at residence. The Group has not paid any remuneration to non executive directors.

	2017	2016
	----- Rupees '000' -----	
46 PROVIDENT FUND RELATED DISCLOSURES		
46.1 The following information is based on audited financial statements of the Fund as at June 30, 2017		
Size of the fund - Total assets	216,394	173,537
Cost of investments made	201,303	139,672
Fair value of investments	211,385	168,251
Percentage of Investments made	98%	97%
46.2 The break-up of fair value of investments is as follows:		
	2017	2016
	----- Percentage -----	----- Rupees '000' -----
National Saving Schemes	99.50%	99.69%
Loan to members	0.12%	0.25%
Balances with banks - savings	0.38%	0.06%
	<u>100%</u>	<u>100%</u>
	2017	2016
	----- Rupees '000' -----	----- Rupees '000' -----
National Saving Schemes	210,336	167,724
Loan to members	246	424
Balances with banks - savings	803	103
	<u>211,385</u>	<u>168,251</u>

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

47 FINANCIAL INSTRUMENTS

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

- 47.1 - Credit risk
- 47.2 - Liquidity risk
- 47.3 - Market risk

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

47.1 Credit risk

47.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.24,793.067 million (2016:Rs.14,362.613 million), financial assets which are subject to credit risk aggregate to Rs.16,065.331 million (2016:Rs.12,149.835 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2017	2016
	----- Rupees -----	
Long term investments	8,913,807,613	6,690,916,969
Long term deposits	223,139,118	154,383,098
Trade debts	2,725,627,903	2,218,481,567
Trade deposits	4,752,501	1,649,000
Other receivables	149,097,552	98,004,387
Short term investments	4,048,906,258	2,986,400,454
Cash and bank balances	8,727,736,333	2,212,777,666
	24,793,067,278	14,362,613,141

47.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows.

Domestic	2,218,562,471	1,726,573,771
Export	507,065,432	491,907,796
	2,725,627,903	2,218,481,567

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

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

Yarn	752,904,788	663,567,732
Power generation	1,290,293,622	897,008,946
Fabric	466,631,346	473,090,964
Home textile product	138,801,776	117,588,972
Waste	39,550,996	14,811,507
Processing services	33,337,738	49,726,131
Others	4,107,637	2,687,315
	2,725,627,903	2,218,481,567

47.1.4 The aging of trade debts at the reporting date is as follows:

Not past due	1,834,738,298	1,818,013,898
Past due 0 - 30 days	707,912,838	331,579,098
Past due 31 - 60 days	169,789,092	54,419,699
Past due 61 - 90 days	8,710,485	8,506,842
Past due 91 - 1 year	421,194	5,962,030
Above 365 days	4,055,996	-
	2,725,627,903	2,218,481,567

Credit quality of counter parties is assessed based on historical default rates. All receivables past due are considered good. The management believes that allowance for impairment of receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

- 47.1.5** Cash is held only with reputable banks with high quality external credit enhancements. Following are the credit ratings of banks within which balances are held or credit lines available:

Name of bank	Rating Agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Citibank N.A.	Moody's	P-1	A1
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	AA-
Deutsche Bank AG	Fitch	F1	A-
Allied Bank Limited	PACRA	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Industrial and Commercial Bank of China	Moody's	P-1	A1
Bank Alfalah Limited	PACRA	A1+	AA+
The Bank of Punjab	PACRA	A1+	AA
Soneri Bank Limited	PACRA	A1+	AA-
Mobilink Microfinance Bank Limited	PACRA	A1	A

47.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The Group's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

Financial liabilities in accordance with their contractual maturities are presented below:

2017					
Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above	
Rupees					
Long term financing	22,555,709,410	27,320,949,723	2,190,133,933	15,055,730,862	10,075,084,928
Trade and other payables	3,550,717,535	3,550,717,535	3,550,717,535	-	-
Accrued interest / mark-up	306,682,461	306,682,461	306,682,461	-	-
Short term borrowings	8,213,421,919	8,276,419,018	8,276,419,018	-	-
	34,626,531,325	39,454,768,737	14,323,952,947	15,055,730,862	10,075,084,928

2016					
Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above	
Rupees					
Long term financing	17,535,232,204	19,396,255,913	2,950,326,717	9,705,676,591	6,740,252,605
Trade and other payables	2,937,051,786	2,937,051,786	2,937,051,786	-	-
Accrued interest / mark-up	222,150,914	222,150,914	222,150,914	-	-
Short term borrowings	5,155,086,577	5,221,902,204	5,221,902,204	-	-
	25,849,521,481	27,777,360,817	11,331,431,621	9,705,676,591	6,740,252,605

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

47.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments.

47.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores & spares parts and export of goods mainly denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Group's exposure to foreign currency risk for US Dollar, Euro, Japanese Yen and Swiss Frank is as follows:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

2 0 1 7						
	Rupees	US \$	EURO	JPY	CHF	GBP
Trade debts	(507,065,432)	(4,295,457)	(474,535)	-	-	-
Bank balances	(1,373,767,160)	(13,104,041)	(3,867)	-	-	-
Creditors and accrued liabilities	109,395,820	991,788	-	-	-	38,470
Gross Balance sheet exposure	(1,771,436,772)	(16,407,710)	(478,402)	-	-	38,470
Outstanding letters of credit	1,194,896,246	5,230,791	5,434,643	426,976	137,522	-
Forward exchange contracts	1,100,378,613	7,880,033	2,300,085	-	-	-
Net Exposures	523,838,087	(3,296,887)	7,256,326	426,976	137,522	38,470
2 0 1 6						
	Rupees	US \$	EURO	JPY	CHF	GBP
Trade debts	(491,907,796)	(3,900,774)	(726,025)	-	-	-
Bank balances	(1,374,566,175)	(13,149,448)	(3,867)	-	-	-
Creditors and accrued liabilities	21,072,276	190,000	-	-	-	8,400
Gross Balance sheet exposure	(1,845,401,695)	(16,860,222)	(729,892)	-	-	8,400
Outstanding letters of credit	1,098,234,420	1,945,195	4,367,574	179,300,000	1,908,704	-
Forward exchange contracts	1,084,155,353	7,880,033	2,300,085	-	-	-
Net Exposures	336,988,078	(7,034,994)	5,937,767	179,300,000	1,908,704	8,400

The following significant exchange rates have been applied:

	Reporting date rate	
	2017	2016
US \$ to Rupees	104.8 / 105	104.5 / 104.7
Euro to Rupees	119.91 / 120.14	116.08 / 116.31

Sensitivity analysis

A 10 percent strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Equity	Profit & loss
	Rupees	
As at June 30, 2017		
Effect in US Dollar	(171,952,803)	(171,952,803)
Effect in Euro	(5,736,518)	(5,736,518)
As at June 30, 2016		
Effect in US Dollar	(178,174,820)	(178,174,820)
Effect in Euro	(8,472,586)	(8,472,586)

10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variable remain constant.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

47.3.2 Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Group's significant financial assets and liabilities is as follows:

	2017	2016	2017	2016
	Effective rate		Carrying Amount	
			----- Rupees -----	
Fixed rate instruments				
Financial liabilities				
Long term financing	2.5% to 6.5%	2.5% to 6.5%	2,624,558,884	1,410,408,410
Short term borrowings - foreign currency loan	1%	1.10% to 1.60%	218,323,000	366,844,653
- local currency loan	2.15% to 2.25%	2.75%	1,500,000,000	1,300,000,000
Variable rate instruments				
Financial liabilities				
Long term financing - foreign currency loan	4.62%	4.21%	8,330,732,574	9,177,671,801
- local currency loan	6.10% - 6.45%	5.98% - 7.10%	11,600,417,952	6,947,151,993
Short term borrowings - foreign currency loan	-	1.52%	-	69,110,000
- local currency loan	6.13% - 7.02%	6.20% - 7%	6,495,098,919	3,419,131,924

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit and loss 100 bps	
	Increase	(Decrease)
	----- Rupees -----	
As at June 30, 2017		
Cash flow sensitivity - variable rate instruments	199,311,505	(199,311,505)
As at June 30, 2016		
Cash flow sensitivity - variable rate instruments	104,353,939	(104,353,939)

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

47.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the group diversify its portfolio and continuously monitor developments in equity markets. In addition the Group actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in share prices of listed companies at the balance sheet date would have increased / decreased the Group's unrealized gain on 'available for sale' investments as follows:

	2017	2016
	----- Rupees -----	
Effect on equity	1,287,656,564	959,116,919
Effect on investments	1,287,656,564	959,116,919

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

47.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

	2017	2016
	----- Rupees -----	
47.5 Financial instruments by Category		
FINANCIAL ASSETS		
Loans and receivables		
Long term deposits	604,239,546	154,383,098
Trade debts	2,725,627,903	2,218,481,567
Trade deposits	4,752,501	1,649,000
Other receivables	149,097,552	98,004,387
Cash and bank balances	8,727,736,333	2,212,777,666
	12,211,453,835	4,685,295,718
At fair value through Other Comprehensive Income		
Long term investments	8,827,659,377	6,604,768,733
Short term investments	4,048,906,258	2,986,400,454
	12,876,565,635	9,591,169,187
Long term investment at cost		
Long term investments	86,148,236	86,148,236
FINANCIAL LIABILITIES		
At amortized Cost		
Long term loans	22,555,709,410	17,535,232,204
Trade and other payables	3,550,717,535	2,937,051,786
Accrued Interest / mark-up	306,682,461	222,150,914
Short term borrowings	8,213,421,919	5,155,086,577
	34,626,531,325	25,849,521,481

47.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

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

- Level 1. Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2. Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	----- Rupees -----		
As at June 30, 2017			
Assets carried at fair value			
Available for sale investments	12,876,565,635	-	86,148,236
Forward exchange contracts used for hedging	-	-	-
	12,876,565,635	-	86,148,236
As at June 30, 2016			
Assets carried at fair value			
Available for sale investments	9,576,356,687	-	86,148,236
Forward exchange contracts used for hedging	-	8,406,988	-
	9,576,356,687	8,406,988	86,148,236
As at June 30, 2017			
Liabilities carried at fair value			
Long term payables	-	-	5,794,320
Forward exchange contracts used for hedging	-	7,764,396	-
	-	7,764,396	5,794,320
As at June 30, 2016			
Liabilities carried at fair value			
Forward exchange contracts used for hedging	-	-	457,090,780
	-	-	457,090,780

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

47.7 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ('long term loans' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2017	2016
	----- Rupees -----	
Total borrowings	30,770,299,720	22,690,719,392
Less: Cash and bank balances	8,727,736,333	2,212,777,666
Net debt	22,042,563,387	20,477,941,726
Equity	18,307,781,294	15,689,357,455
Capital	40,350,344,681	36,167,299,181
	Percentage	
Gearing ratio	54.63	56.62

48 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and comparison. However, no significant reclassification has been made in these financial statements.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors of Holding Company and authorized for issue on September 28, 2017.

Karachi:
Dated: September 28, 2017

NADEEM ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

Form of Proxy

Sapphire Textile Mills Limited

I / we _____
Folio No. _____ of _____
a member(s) of **Sapphire Textile Mills Limited** and a holder of _____ Ordinary Shares,
do hereby appoint _____
of _____
or failing him/her _____
of _____

a member of **Sapphire Textile Mills Limited**, vide Registered Folio No. _____ as my/our Proxy
to act on my/our behalf at 49th Annual General Meeting of the Company to be held on Tuesday the
24th October, 2017 at 03:30 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi
and / or any adjournment thereof.

Signed this _____ day of _____ 2017

Signature _____

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

REVENUE
STAMP OF
RS.5/-

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.
5. In case of CDC account holder :
 - i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
 - iv) In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Witness :

Name

Address

NIC No.

Name

Address

NIC No.

