

# Sapphire



ANNUAL REPORT  
2020  
Sapphire Textile Mills Limited



**CORPORATE**

Company Information	2
Directors' Profile	5
Vision and Mission	9
Chairman's Review Report	11
Directors' Report	13
Financial Highlights	20
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019	34
Independent Auditors' Review Report to the Members on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019	36
Notice of Annual General Meeting	38
Jama Punji Ad	44

**FINANCIAL STATEMENTS OF SAPPHIRE TEXTILE MILLS LIMITED**

Independent Auditors' Report to the Members	46
Statement of Financial Position	51
Statement of Profit or Loss	52
Statement of Comprehensive Income	53
Statement of Changes in Equity	54
Statement of Cash Flows	55
Notes to the Financial Statements	56

**CONSOLIDATED FINANCIAL STATEMENTS OF SAPPHIRE TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES**

Directors' Report	120
Independent Auditors' Report to the Members	121
Consolidated Statement of Financial Position	126
Consolidated Statement of Profit or Loss	127
Consolidated Statement of Comprehensive Income	128
Consolidated Statement of Changes in Equity	129
Consolidated Statement of Cash Flows	130
Notes to the Consolidated Financial Statements	131
Pattern of Shareholding	216
Directors' Report Consolidated in Urdu	220
Directors' Report in Urdu	227
Chairman's Review Report in Urdu	228
Forms of Proxy in Urdu & English	229





## BOARD OF DIRECTORS

Mr. Mohammad Abdullah - Chairman  
 Mr. Nadeem Abdullah - Chief Executive  
 Mr. Shahid Abdullah  
 Mr. Amer Abdullah  
 Mr. Yousuf Abdullah  
 Mr. Nabeel Abdullah  
 Mr. Umer Abdullah  
 Mr. Nadeem Karamat  
 Mr. Shahid Shafiq  
 Ms. Mashmooma Zehra Majeed

## AUDIT COMMITTEE

Mr. Nadeem Karamat - Chairman  
 Mr. Amer Abdullah - Member  
 Mr. Yousuf Abdullah - Member  
 Mr. Shahid Shafiq - Member

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Nadeem Karamat - Chairman  
 Mr. Nadeem Abdullah - Member  
 Mr. Umer Abdullah - Member  
 Ms. Mashmooma Zehra Majeed - Member  
 Mr. Shahid Shafiq - Member

## SHARES REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd

## CHIEF FINANCIAL OFFICER

Mr. Abdul Sattar

## COMPANY SECRETARY

Mr. Zeeshan

## TAX CONSULTANTS

Deloitte Yousuf Adil  
 Chartered Accountants

## AUDITORS

E. Y. Ford Rhodes  
 Chartered Accountants

## LEGAL ADVISOR

A. K. Brohi & Company

## BANKERS

Allied Bank Limited  
 Bank Alfalah Limited  
 Bank Al Habib Limited  
 Bank Islami Pakistan Limited  
 Faysal Bank Limited  
 Habib Bank Limited  
 Habib Metropolitan Bank Limited  
 Meezan Bank Limited  
 MCB Bank Limited  
 National Bank of Pakistan  
 Soneri Bank Limited  
 Standard Chartered Bank (Pakistan) Ltd.  
 The Bank of Punjab  
 United Bank Limited



#### **REGISTERED OFFICE**

212, Cotton Exchange Building  
I. I. Chundrigar Road, Karachi.  
Tel: +92 21 111 000 100  
Fax: +92 21 32416705, 32417418

[www.sapphire.com.pk](http://www.sapphire.com.pk)

#### **MILLS**

##### **Spinning Units**

A-17, SITE, Kotri.  
A-84, SITE Area, Nooriabad.  
63/64-KM, Multan Road, Jumber Khurd, Chunian, District Kasur.  
1.5-KM, Warburton Road, Feroze Wattoan, Sheikhpura.

##### **Weaving Unit, Yarn Dyeing Unit, Printing & Processing Unit and Home Textile Unit**

2-KM, Warburtan Road, Feroze Wattoan, Sheikhpura.

##### **Stitching Unit**

1.5-KM, Off. Defence Road, Bhubtian Chowk, Raiwind Road,  
Lahore.





# Directors' Profile

**MIAN MOHAMMAD ABDULLAH**  
**(Chairman)**

Mian Mohammad Abdullah, a leading and experienced industrialist of Pakistan is the chairman and founder of Sapphire Group of Companies. He has significant experience of working in different business environments and possesses wide experience of business establishment. At present group has stakes in Textile, Power, Dairy and Retail and is a prominent private sector employer.

Mian Abdullah is an active philanthropist and has served on Board of various philanthropic organizations. He has twice been bestowed with Pakistan's top civilian award, Sitara-e-Imtiaz in recognition of his contribution towards business.

**MR. NADEEM ABDULLAH**  
**(Chief Executive Officer)**

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

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

**MR. SHAHID ABDULLAH**

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

**MR. AMER ABDULLAH**

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

**MR. YOUSUF ABDULLAH**

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

**MR. NABEEL ABDULLAH**

Mr. Nabeel Abdullah has done his Bachelor of Science in Economics from the London School of Economics. He has also undertaken numerous professional courses from the Lahore University of Management Sciences. Before joining the Sapphire Group, he also interned at Citi, in their Commercial Bank, in London for 3 months. He with experience of textile manufacturer diversify business in to retailing which has paid off for the group and is enjoying impressive growth. Mr Nabeel is the Chief Executive Officer of Sapphire Retail Limited and is currently overseeing raw material procurement, sales, production, accounts and finance of Sapphire Textile Mills Limited.

**MR. UMER ABDULLAH**

Mr. Umer Abdullah has done his Bachelor of Science in Economics from the University of Toronto. Before joining Sapphire Group, he interned at RBC capital markets, UHN and Akhuwat Foundation. He joined Sapphire in January 2018 and after rotating in various functions of the businesses he is now looking after the Home Textiles business and has ambitious plans to grow it.



### MR. NADEEM KARAMAT

Mr. Nadeem Karamat Corporate and Financial Services experience spreads over 34 years across three continents. A specialist in Strategy, Corporate/Business Leadership, and Board Governance, his professional experience includes managing and leading Financial Institutions in Commercial and wholesale banking, Multilateral Development banks, Capital Markets/Advisory and Development Financial Institution.

His career spanned over 23 years with Fortune 500 companies. He started with Bank of America in Pakistan in corporate banking, and then moved to American Express Bank Ltd, where he served for over 20 years. At American Express Bank he leveraged the opportunity to work in the U.S., Middle East and Singapore. With American Express Bank, he held the position as Country Head for the Levant region [Lebanon and Jordan], Corporate Finance Head for Pakistan, Bangladesh and Srilanka, and lastly Country Head for Pakistan for 6 years. After American Express Bank's divestment in Pakistan in December 2006, he successfully sold the bank to a local group under Central Bank's scheme of amalgamation. He then worked for five years in Istanbul, Turkey and successfully established the 25th Multilateral Development Bank in the world, [ECO Trade & Development Bank] as Founding Vice President, covering 10 countries and represented Pakistan for its shareholding.

Upon his return to Pakistan he joined BMA Capital Management, a large corporate advisory and brokerage house as MD in 2012. In 2014 he joined PAK Iran Investment Company [Pair Investment Company] as CEO. He has vast experience in managing functional teams, policy formulation as well as leading large and complex financial structures and M&A activities.

Outside his career, his engagements were:

Member of the Board of Directors for First Inter-investment Bank [now IGI Investment Bank], board member of Soneri Bank, Faysal Asset Management company, NICL, Sapphire Textiles Company and Director Intellectual Property Rights of Pakistan.

He remained President of American Business Council of Pakistan, Executive Committee member for Overseas Investors Chamber of Commerce and Industry, Executive Committee member for Pakistan Banking Association, Member Board of Governors for Lahore University and Management Sciences [LUMS] Member Board of Trustees for MALC, Member Board of Trustees National University of Science and Technology [NUST]. He has been awarded the quality award for leadership and performance by Chairman American Express Company.

**MR. SHAHID SHAFIQ**

Mr. Shahid Shafiq has an MBA from the Institute of Business Administration (IBA), Karachi with a major in Accounting & Finance. He was awarded 2 Gold Medals at the IBA.

He was the Chief Executive Officer of a textile mill, and has served as the Vice Chairman of APTMA (Sindh Zone) and a Member of its Central Managing Committee for a number of terms; and as the Vice Chairman of the Karachi Cotton Association (KCA) and as a Member of the KCA Board for multiple terms. He has served as a Member of the Board of the Privatisation Commission of Pakistan.

Owing to his abiding interest in the field of education, he is a Member of the Board of Governors of the IBA, the Chairman of its Audit & Finance Committee, and a Member of its Selection Board. He is a Member of the Board of Governors of the Textile University of Pakistan (TIP). Earlier, he was appointed by the President of Pakistan as a Member of the Syndicate of the Quaid-i-Azam University, Islamabad, and as the Chairman of a Search Committee to appoint a Vice-Chancellor of a Federal University.

He also volunteers on the Boards of a welfare Hospital and a School in Karachi.

**MS. MASHMOOMA ZEHRA MAJEED**

Ms. Majeed completed her Chartered Financial Analyst (CFA) program in 2001 from the CFA Institute and the Financial Risk Manager (FRM) Program in 2010. She has a vast experience of over 20 years in Investment and Capital Markets. She has been associated with the asset management industry in Pakistan for over 18 years with her forte being in investment management and product development. She has previously worked in senior positions in Atlas Asset Management Limited, ABAMCO Ltd (now JS Investments Ltd) and Crosby Asset Management Ltd. She started her career with M/s Hameed Majeed Associates (Pvt) Ltd., as Management & Financial Consultant.

Currently, Ms. Majeed is working as Chief Executive Officer (CEO) in Mutual Funds Association of Pakistan (MUFAP) since 2012.

She is on the Board of Atlas Honda Limited from March 13, 2020. She has previously served on the Board of Honda Atlas Cars (Pakistan) Limited from July 1, 2017 to March 13, 2020.



# OUR 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 customer and worldwide markets.

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

# OUR MISSION

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

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.





REVIEW REPORT BY THE  
CHAIRMAN





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

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as satisfactory. It is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

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

A handwritten signature in blue ink, appearing to read "M. Abdullah".

Mohammad Abdullah  
Chairman

Karachi  
24 September 2020



# **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, 2020.

## FINANCIAL REVIEW

The company's financial results have remained satisfactory in the challenging economic environment. Below is a summary of key financial numbers:

	2020	2019
	Rupees in '000	
Net turnover	34,030,186	34,252,752
Gross Profit	4,834,691	5,405,733
Profit from Operations	3,866,062	5,031,346
Other Income	721,187	1,485,021
Finance cost	(2,556,977)	(2,085,427)
Profit before taxation	1,309,085	2,946,008
Profit after taxation	1,179,089	2,559,440

The company's net turnover slightly declined from Rs.34.253 billion to Rs.34.030 billion as compare to that of the past year. The Company achieved growth of 8% in turnover during nine months of current financial year, however lock down in the world as well as in the country on account of COVID-19 has effected sales growth trend in last quarter.

The company earned a gross profit of 16.52% during nine months of the current financial year. Due to the COVID-19 situation, there had been a decline in sales and significant reduction of raw material prices, which affected profitability of the company especially due to the adjustment on account of price rationalization of inventory held by the company. This resulted in fall of our gross profit to 14.21%. The steady gross profit margin has been achieved due to Company's continuous emphasis on vertical integration.

Other income which comprises dividends from investments in Subsidiary Companies and Blue Chip Companies was Rs.721 million in comparison with Rs.1.485 billion in preceding year. The financial cost during the year increased to Rs. 2.557 billion representing 7.51% of sales as compared to that of Rs. 2.085 billion representing 6.09% of sales in 2019. Increase in interest rates was a challenge, however the Government of Pakistan took quick steps to support the industry. It included interest rate cut, release of pending refunds, deferment of principal payments against long-term loans as well as concessional finance to encourage retention of workers.

## APPROPRIATION OF PROFIT

	Rupees in '000
Profit Before Taxation	1,309,085
Less: Taxation	(129,996)
Profit after taxation	1,179,089
Gain on remeasurement of staff retirement benefits	51,413
Gain on disposal of investments - net of tax	51,745
Transfer of subsidiaries reserve on merger	(108,800)
Add: Unappropriated profit brought forward	15,894,790
	17,068,237

## Appropriations

Final dividend for the year ended June 30, 2019 (260% i.e. Rs.26 per share)	(522,162)
Unappropriated Profit Carried Forward	16,546,076

## EQUITY INVESTMENT IN SUBSIDIARY

The Company has established wholly owned subsidiary Sapphire International APS a limited liability Company incorporated in Denmark to strengthen exports. Paid up capital of the subsidiary is equivalent to USD 100,000.

## ISSUANCE OF RIGHT SHARES

During the year the company issued 8% right shares at Rs. 400 (including a premium of Rs.390) per share in proportion of 8 shares for every 100 shares held by shareholders.

## EARNINGS PER SHARE

The earnings per share for the year ended June 30, 2020 is Rs.55.03 as compared to Rs.121.31 for last year ended June 30, 2019.

## DIVIDEND

The Board of Directors of the Company has not proposed dividend for the year ended June 30, 2020 (June 30, 2019: 260%) due to uncertain situation Post Covid and in accordance with condition of banks against deferment of principal loan payments as per State Bank of Pakistan Scheme.

## FUTURE PROSPECTS

The management is optimistic about business environment as the steps taken by the Government in the form of deferment of principal loan payments, reduction in interest rates and availability of funds at nominal cost for payment of workers wages and salaries helped in business sustainability during current trubulent time of COVID-19 pandemic.

The Company during the year invested in fabric dyeing plant in line with its strategy to expand in value added products. This recent investment will help to strengthen export and profitability of the Company.

The biggest challenge for the Industry is low production of cotton crop in the country due to which cotton has to be imported which puts the domestic products at comparative disadvantage against other producing countries.



### SUBSIDIARIES OF SAPPHIRE TEXTILE MILLS LIMITED

The Company owns five subsidiaries out of which three are 100% owned by Sapphire Textile Mills Limited. The brief of each subsidiary is as follows:

#### 1. 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 Sindh which started Commercial operations in November 2015 – the project is operating following best industry practices and is yielding satisfactory results.

#### 2. Sapphire Retail Limited

Sapphire Retail Limited (SRL) is a wholly owned subsidiary of Sapphire Textile Mills Limited. The principal business of SRL is to operate “Sapphire ” brand retail outlets for the sale of textile and other products. SRL is principally engaged in 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 online stores. SRL operates 25 retail outlets throughout the country.

#### 3. Triconboston Consulting Corporation (Private) Limited

Triconboston Consulting Corporation (Private) Limited is incorporated under the laws of Pakistan and operating 3 projects having capacity of 50 MW each in Jhimpir Sindh. All the

three projects have successfully commenced commercial operation in September, 2018.

#### 4. Sapphire International APS

Sapphire International APS is a limited liability Company incorporated in Denmark formed to strengthen exports.

#### 5. Designtex SMC-Private Limited

Designtex SMC-Private Limited (the company) was incorporated during the year as SMC Private Company limited by shares under Companies Act, 2017. It is wholly owned subsidiary of Sapphire Retail Limited which is wholly owned subsidiary of Sapphire Textile Mills Limited. The principal business of the company is manufacturing of textile and ancillary products.

#### Merger of non-functional wholly owned subsidiaries

On 29th October 2019, the Board of Directors of the company passed a resolution approving a Scheme of Amalgamation under Section 284 of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Sapphire Solar (Private) Limited (SSPL), Sapphire Tech (Private) Limited (STPL) and Sapphire Renewables Limited (SRL) with and into the company. As on the completion date of 31st December 2019, the entire undertakings of SSPL, STPL and SRL stand merged with and into the company. As a result the entire businesses of SSPL, STPL and SRL including properties, assets, liabilities and rights and obligations are vested into the company.



### BOARD OF DIRECTORS

The Board comprises three independent directors, four non-executive directors and three executive directors. The directors of the company were elected in the Extraordinary General Meeting of the company held on June 15, 2020.

During the year Six (6) meetings of the Board of Directors were held. The number of meetings attended by each Director is given hereunder:

Name	Category	No of Meetings
Mr. Nadeem Abdullah	Executive Director	5
Mr. Nabeel Abdullah	Executive Director	5
Mr. Umer Abdullah	Executive Director	1
Mr. Mohammad Abdullah	Non- Executive Director	6
Mr. Shahid Abdullah	Non- Executive Director	4
Mr. Amer Abdullah	Non- Executive Director	5
Mr. Yousuf Abdullah	Non- Executive Director	4
Mr. Nadeem Karamat	Independent Director	6
Mr. Shahid Shafiq	Independent Director	1
Ms. Mashmooma Zehra Majeed	Independent Director	1
Mr. Shayan Abdullah*	Non- Executive Director	4

\* Mr. Shayan Abdullah has retired from the Board of Directors.

\* Mr. Umer Abdullah, Mr. Shahid Shafiq and Ms. Mashmooma Zehra Majeed were elected as new members of the Board on June 15, 2020

### Audit Committee

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

Name	No of Meetings
Mr. Nadeem Karamat	4
Mr. Amer Abdullah	3
Mr. Yousuf Abdullah	3
Mr. Shayan Abdullah	3
Mr. Shahid Shafiq*	0

\* Mr. Shahid Shafiq has been appointed as member of the Audit Committee in Board Meeting held on June 25, 2020 and Mr. Shayan Abdullah has retired from Audit Committee.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Human Resource & Remuneration Committee

The Board of Directors of the company in compliance with the Code of Corporate Governance recreated a Human Resource & Remuneration Committee on June 25, 2020. Mr. Nadeem Karamat is the Chairman of this committee whereas other members include Mr. Nadeem Abdullah, Mr. Umer Abdullah, Mr. Shahid Shafiq and Ms. Mashmooma Zehra Majeed. The committee had one meeting during this year.

### Directors Remuneration

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. The company does not pay remuneration to non-executive directors and independent directors are paid a fee to attend meetings. Remuneration package of Chief Executive and other executive directors is disclosed in Note No.44 to the financial statements.

### 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 maintaining a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 2017. These present fairly its state of affairs, the result of its operations, its cash flows and its changes in equity.
- The company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in

preparation of financial statements and any departure there from has been adequately disclosed and explained.

- 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.
- 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.
- There are no doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practice of Corporate Governance.
- A summary of key operating and financial data of the Company are annexed.
- The Company is operating Employees' Provident Fund for its eligible employees. The value of investment of the fund as on June 30, 2020 is Rs.350.116 million.
- Following trade in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children.

200 Shares	Shares purchased by Mrs. Shamshad Begum
107,500 Shares	Mrs. Usma Yousuf Shares Gift to her Husband Mr. Yousuf Abdullah
800,000 Shares	Mr. Yousuf Abdullah Shares Gift to his Son Mr. Salman Abdullah
350,000 Shares	Mr. Amer Abdullah Shares Gift to his Son Mr. Ali Abdullah
784,170 Shares	Mr. Amer Abdullah Shares Gift to his Son Mr. Tayyab Abdullah
100,000 Shares	Mr. Nadeem Abdullah Shares Gift to his Son Mr. Nabeel Abdullah
100,000 Shares	Mrs. Noshaba Nadeem Shares Gift to her Son Mr. Umer Abdullah

**Code of Conduct**

The Code of Conduct has been communicated and acknowledged by each director and employee of the company.

**Related Party Transactions**

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

During the year, the company carried out transactions with its related parties. Details of these transactions are disclosed in note 41 to unconsolidated financial statements attached therein.

**Corporate Social Responsibility**

The company strongly believes in its responsibility towards community at large and has taken various steps in the area of education, health and the natural environment. Through our group welfare trust, Abdullah Foundation, we are a proud partner of The Citizens Foundation (TCF), which is a professionally managed, non-profit organization set up in 1995 by a group of citizens, who wanted to bring about positive social change through education.

Over the years we have helped to establish various schools for the underprivileged and all of them are

operating successfully. In the current year, Abdullah Foundation has established a scholarship fund for TCF students pursuing higher education in top universities of Pakistan.

Through Abdullah Foundation, we began to work with the Jinnah Hospital in Lahore in 2015 taking up the challenge of upgrading the Pediatrics Ward. Not only was the ward completely renovated but equipment was also provided to ensure that the department functioned smoothly and catered to the medical needs of the children. It gives us deep satisfaction to know that the hospital is making a positive difference in the lives of children. During the current year, we have started the reconstruction and renovation of the Gynecology Ward.

The company is providing clean energy to the national grid through its wind projects at Jhimpir, Sindh. The company has installed solar power panels for local residents of Jhimpir area and is also providing clean water to local residents.

The company through its subsidiary, Sapphire Retail Limited, has introduced environment friendly, canvas bags. The canvas bags, which are made from 100% leftover fabric, have replaced plastic bags. This initiative has created a new benchmark in retail sales.

The company is an active participant of United Nations Global Compact Program. We are working in line with 2030 vision of United Nations by following global SDGs.

The Company made generous donations for health, education and social welfare projects as reported in Note no.34 to the financial statements.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Auditors

The present Auditors, M/s. EY Ford Rhodes, Chartered Accountants will retire in Annual General Meeting and being eligible, have offered themselves for reappointment. The Board of Directors on recommendation of Audit Committee, proposes the appointment of M/s. EY Ford Rhodes, Chartered Accountants, as external auditor of the Company for the year ending June 30, 2021.

### Pattern of Shareholding

The Pattern of shareholding of the company as at June 30, 2020 is annexed. This statement is prepared in accordance with section 227 (2) (f) of the Companies Act, 2017.

### Board Evaluation

During the year, the Board and its sub-committees have undertaken a formal process of evaluation of their performance. The overall performance of the Board and its sub-committees measured on the defined parameters for the year was satisfactory.

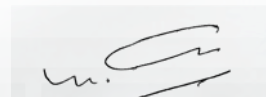
### Acknowledgment

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



NADEEM ABDULLAH  
CHIEF EXECUTIVE



MOHAMMAD ABDULLAH  
DIRECTOR

Karachi  
24 September 2020

## Financial Highlights

For the year ended June 30, 2020

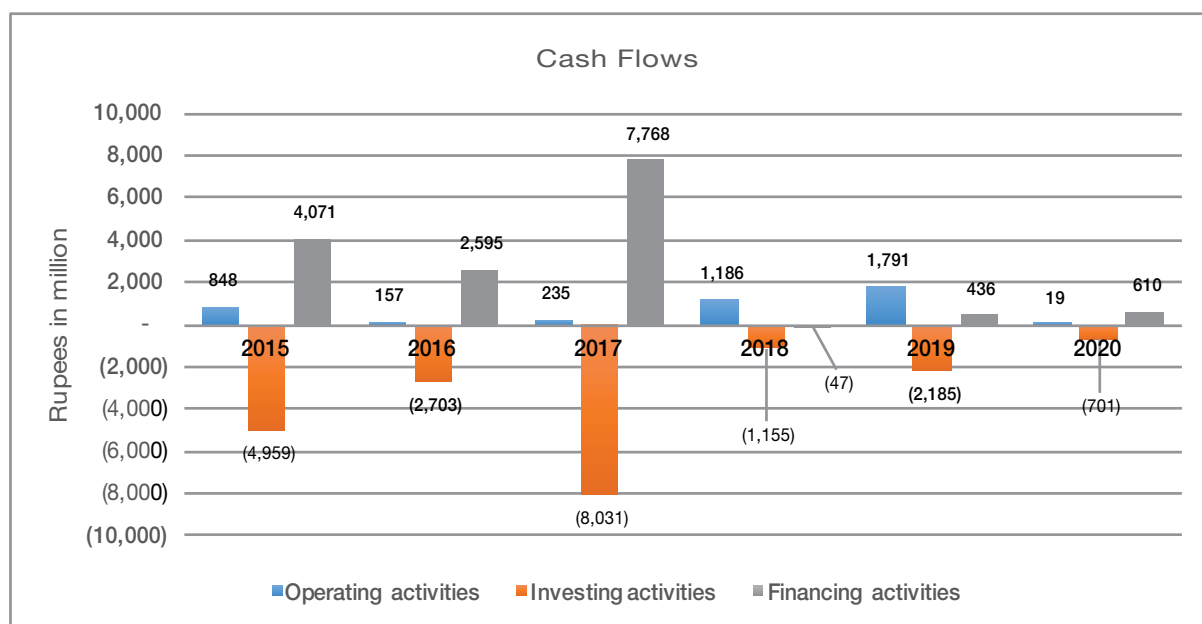
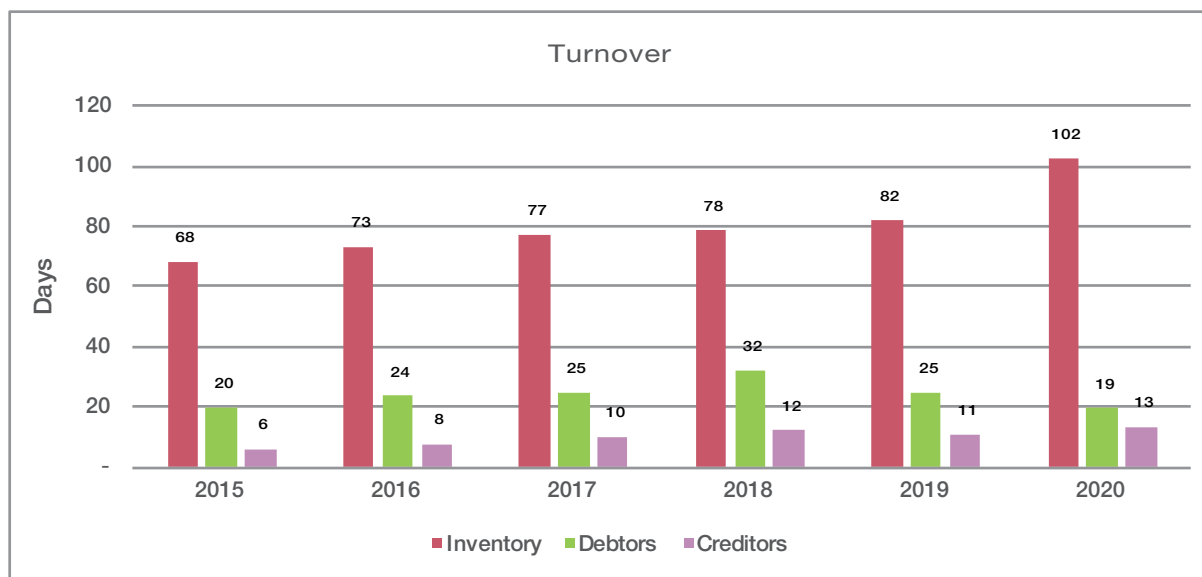
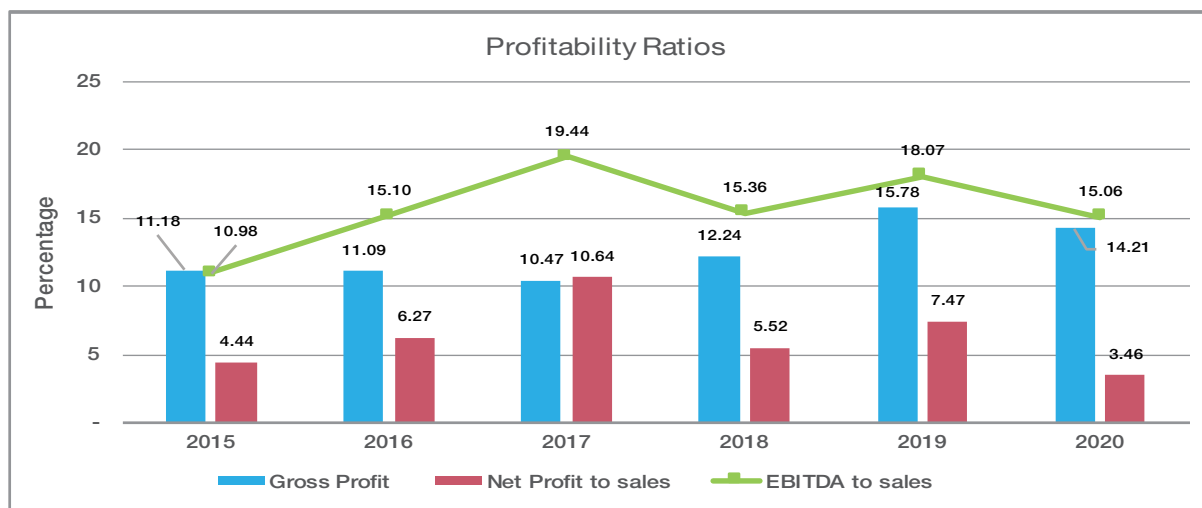
Particulars	UOM	2020	2019	2018	2017	2016	2015
<b>Summarized Statement of Profit or Loss</b>							
Sales	Rs. in Million	34,030	34,253	28,896	25,584	23,111	23,315
Gross profit	Rs. in Million	4,835	5,406	3,536	2,678	2,563	2,608
Operating profit / EBIT	Rs. in Million	3,866	5,031	3,340	3,944	2,610	1,848
Profit before taxation	Rs. in Million	1,309	2,946	1,949	2,975	1,737	1,178
Profit after taxation	Rs. in Million	1,179	2,559	1,595	2,722	1,448	1,034
Cash dividend	Rs. in Million	-	522	321	281	281	201
<b>Summarized Statement of Financial Position</b>							
Property, plant and equipment	Rs. in Million	13,119	12,595	11,415	10,575	9,523	8,751
Investment & Other assets	Rs. in Million	13,844	14,513	15,568	17,926	10,695	10,129
Net current assets	Rs. in Million	3,583	2,041	2,376	2,224	1,907	1,406
Total assets employed	Rs. in Million	30,546	29,149	29,359	30,726	22,124	20,287
<b>Represented By:</b>							
Share capital	Rs. in Million	217	201	201	201	201	201
Reserves	Rs. in Million	16,260	16,181	15,821	16,794	14,703	14,169
Shareholders' equity	Rs. in Million	16,477	16,382	16,022	16,995	14,904	14,370
Long term loans	Rs. in Million	13,772	12,257	12,858	13,326	6,728	5,445
Deferred liabilities	Rs. in Million	298	510	478	405	492	472
Total	Rs. in Million	30,546	29,149	29,358	30,726	22,124	20,287
<b>Summarized Statement of Cash Flows</b>							
Operating activities	Rs. in Million	19	1,791	1,186	235	157	848
Investing activities	Rs. in Million	(701)	(2,185)	(1,155)	(8,031)	(2,703)	(4,959)
Financing activities	Rs. in Million	610	436	(47)	7,768	2,595	4,071
Cash and cash equivalents at the end of the year	Rs. in Million	34	97	55	71	99	49



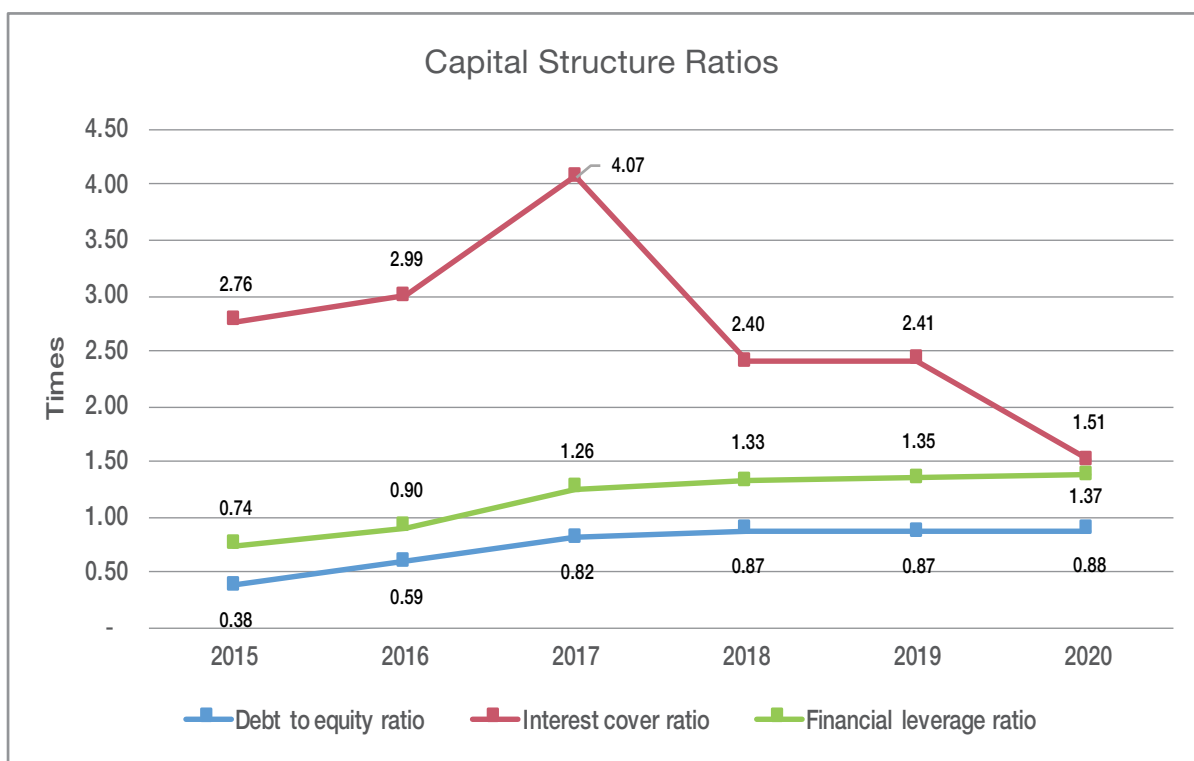
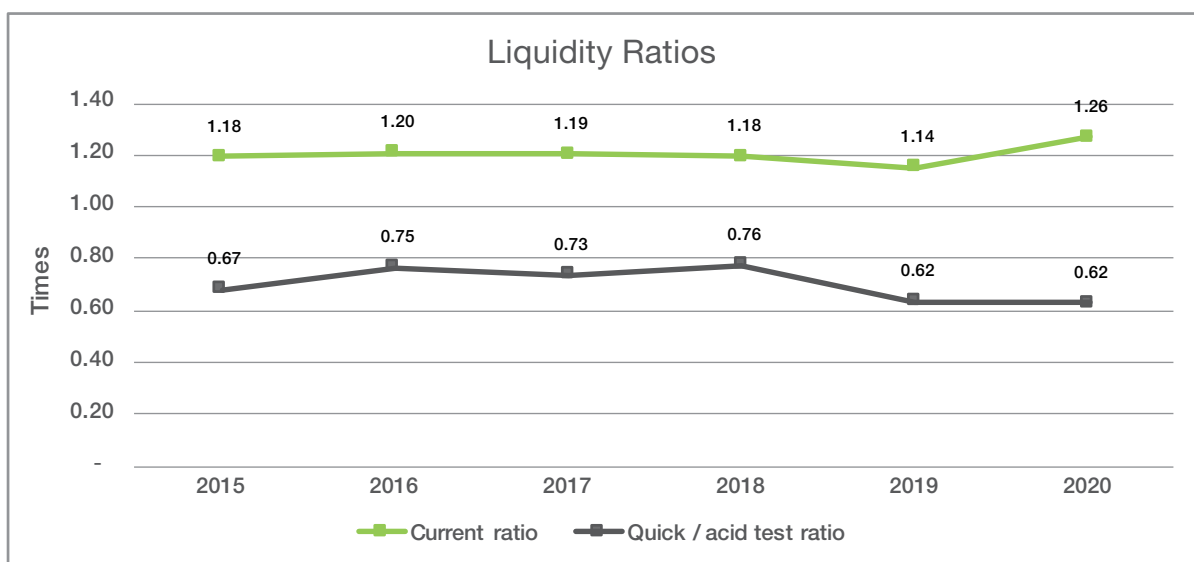
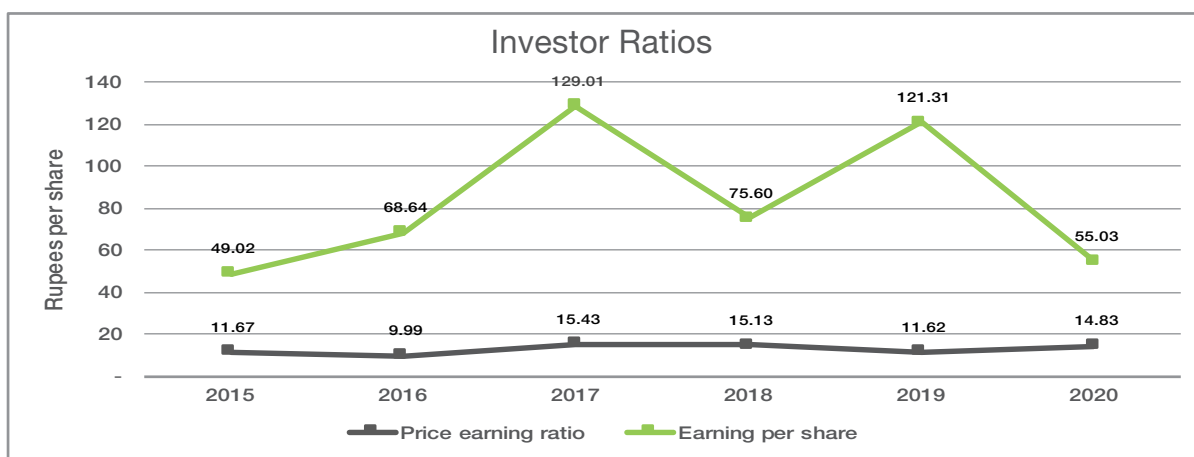
# Financial Highlights

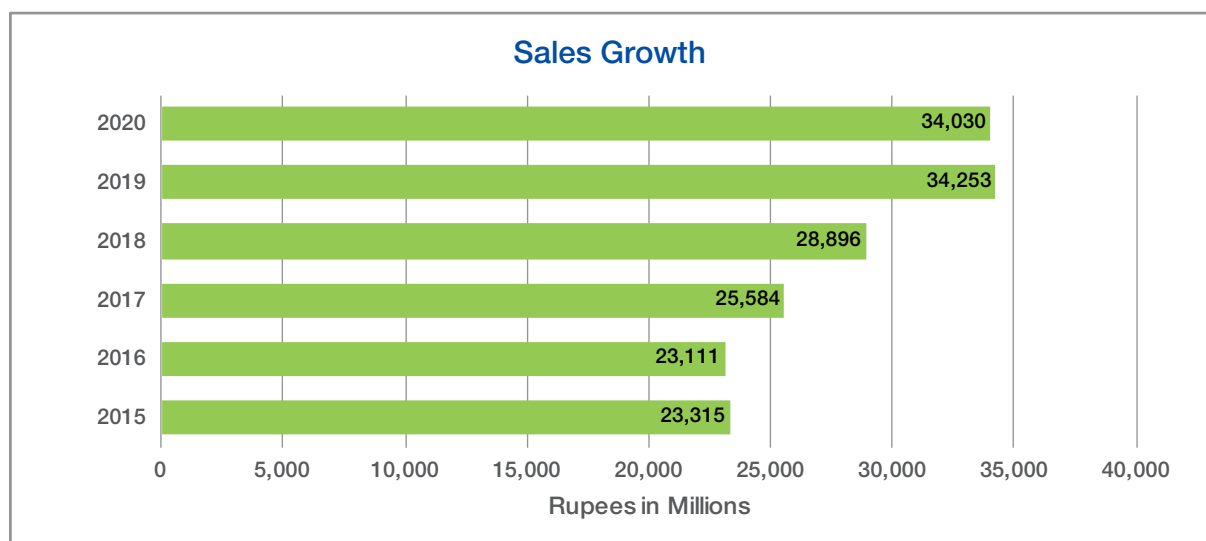
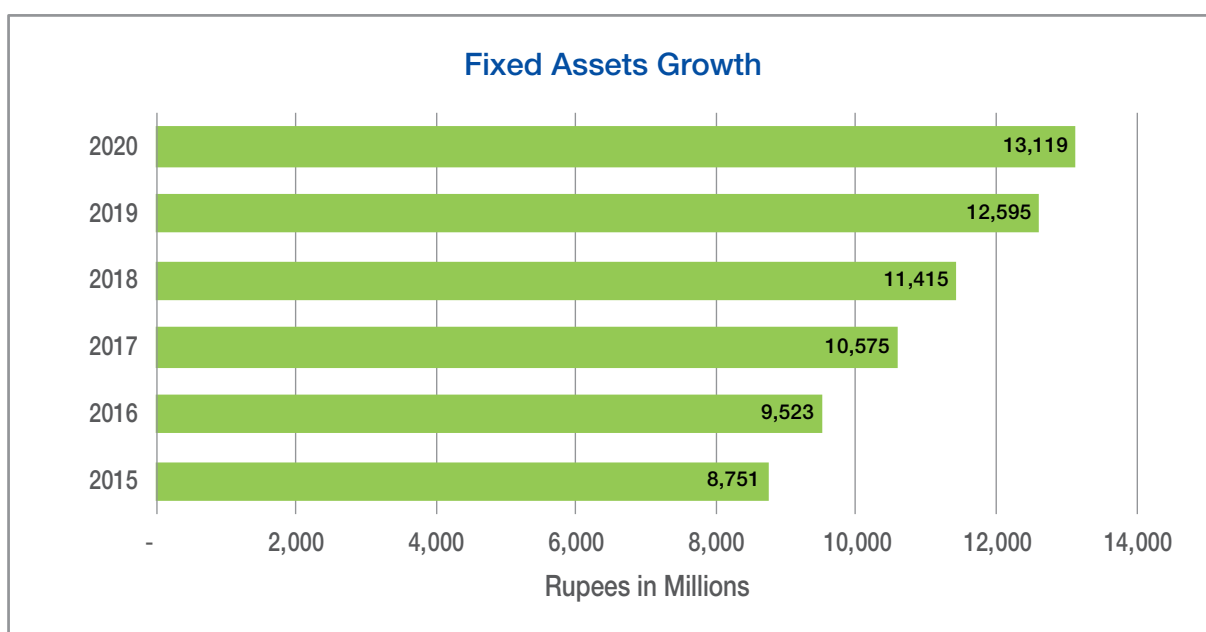
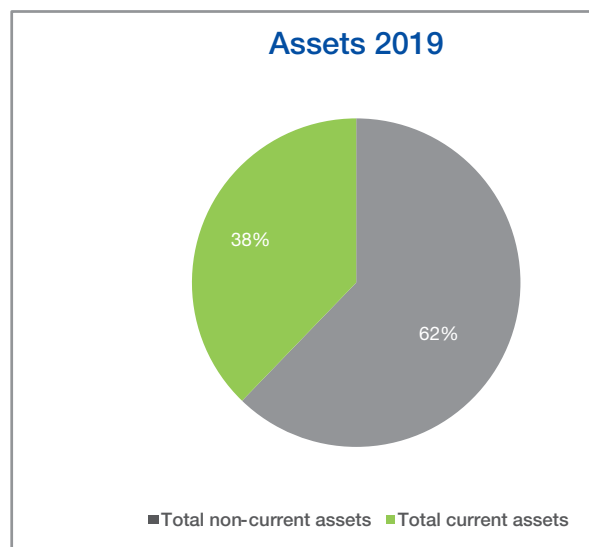
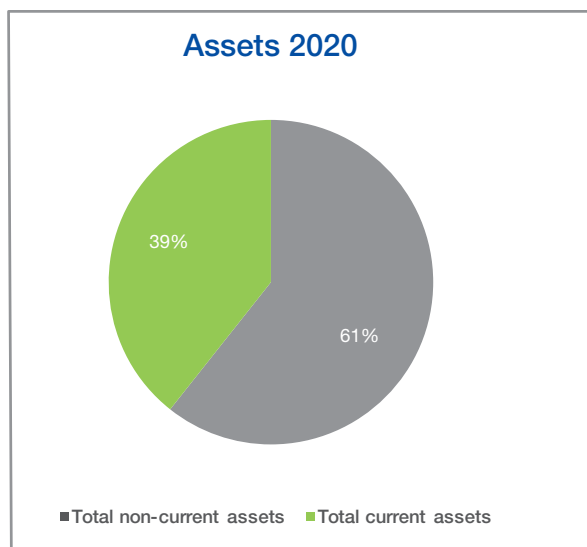
For the year ended June 30, 2020

Particulars	UOM	2020	2019	2018	2017	2016	2015
<b>RATIOS:</b>							
<b>Profitability Ratios:</b>							
Gross Profit to sales	Percentage	14.21	15.78	12.24	10.47	11.09	11.18
EBITDA to sales	Percentage	15.06	18.07	15.36	19.44	15.10	10.98
Net Profit to sales	Percentage	3.46	7.47	5.52	10.64	6.27	4.44
Return on equity	Percentage	7.16	15.62	9.96	16.02	9.72	7.20
Return on capital employed	Percentage	3.86	8.78	5.43	8.86	6.55	5.10
<b>Liquidity Ratios:</b>							
Current ratio	Times	1.26	1.14	1.18	1.19	1.20	1.18
Quick / acid test ratio	Times	0.62	0.62	0.76	0.73	0.75	0.67
<b>Capital Structure ratios</b>							
Financial leverage ratio	Times	1.37	1.35	1.33	1.26	0.90	0.74
Weighted average cost of debt	Percentage	9.34	8.56	5.84	4.11	5.81	5.21
Debt to equity ratio	Times	0.88	0.87	0.87	0.82	0.59	0.38
Interest cover ratio	Times	1.51	2.41	2.40	4.07	2.99	2.76
<b>Turnover Ratios:</b>							
Inventory turnover	Days	102.47	81.95	78.41	77.33	73.28	68.26
Inventory turnover ratio	Times	3.38	4.20	4.37	4.42	4.62	4.97
Debtor turnover	Days	19.42	24.87	31.90	24.84	23.57	19.74
Debtors turnover ratio	Times	18.79	14.68	11.44	14.70	15.48	18.49
Creditors turnover	Days	13.35	10.93	12.07	9.97	7.81	6.12
Creditors turnover ratio	Times	27.35	33.38	30.24	36.59	46.74	59.64
Fixed assets turnover ratio	Times	2.65	2.85	2.63	2.55	2.53	2.77
Total assets turnover ratio	Times	0.77	0.80	0.68	0.69	0.77	0.73
Operating cycle	Days	108.55	95.89	98.24	92.19	89.05	81.89
<b>Investment / Market Ratios:</b>							
Earning per share	Rs. Per share	55.03	121.31	75.60	129.01	68.64	49.02
Price earning ratio	Times	14.83	11.62	15.13	15.43	9.99	11.67
Price to book ratio	Times	1.07	1.82	1.51	2.47	0.97	0.84
Dividend yield	Percentage	-	1.84	1.40	0.70	2.04	1.75
Cash dividend per share	Rs. Per share	-	26.00	16.00	14.00	14.00	10.00
Dividend payout ratio	Percentage	-	21.43	21.16	10.85	20.40	20.40
Dividend cover ratio	Times	-	4.67	4.73	9.21	4.90	4.90
Breakup value per share	Rs. Per share	759.64	776.49	759.44	805.53	706.43	681.13
Market value per share at the end of the year	Rs. Per share	816.18	1,409.95	1,143.80	1,990.45	685.61	572.00
Share Price - High during the year	Rs. Per share	1,440.00	1,410.98	2,144.80	2,273.95	708.75	572.00
Share Price - Low during the year	Rs. Per share	612.00	932.31	1,035.94	600.00	689.90	525.00
EBITDA	Rs. In Million	5,125	6,191	4,439	4,974	3,490	2,561

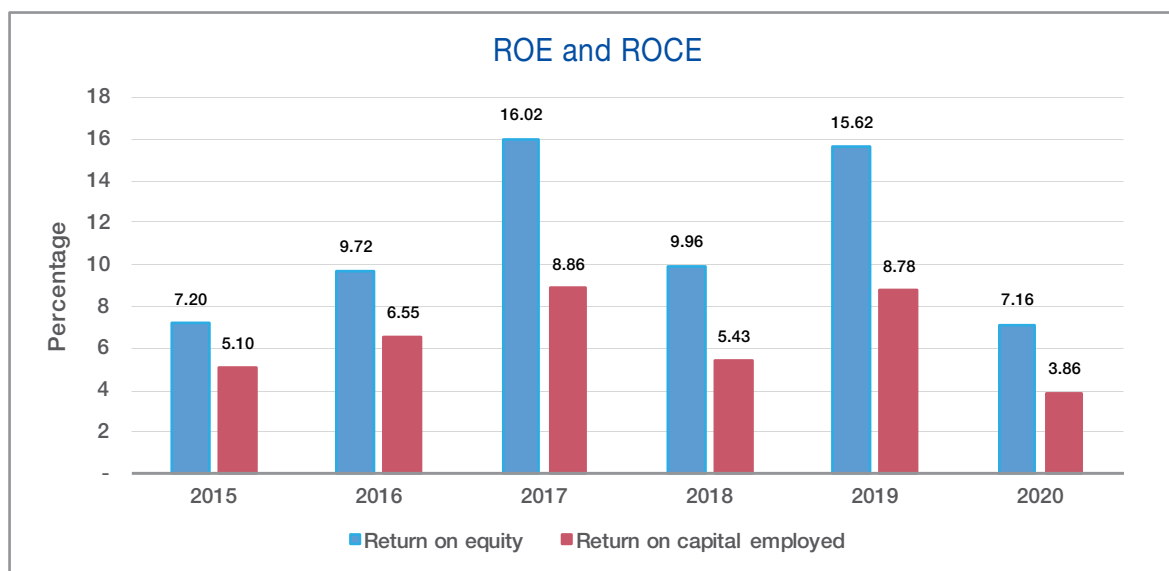
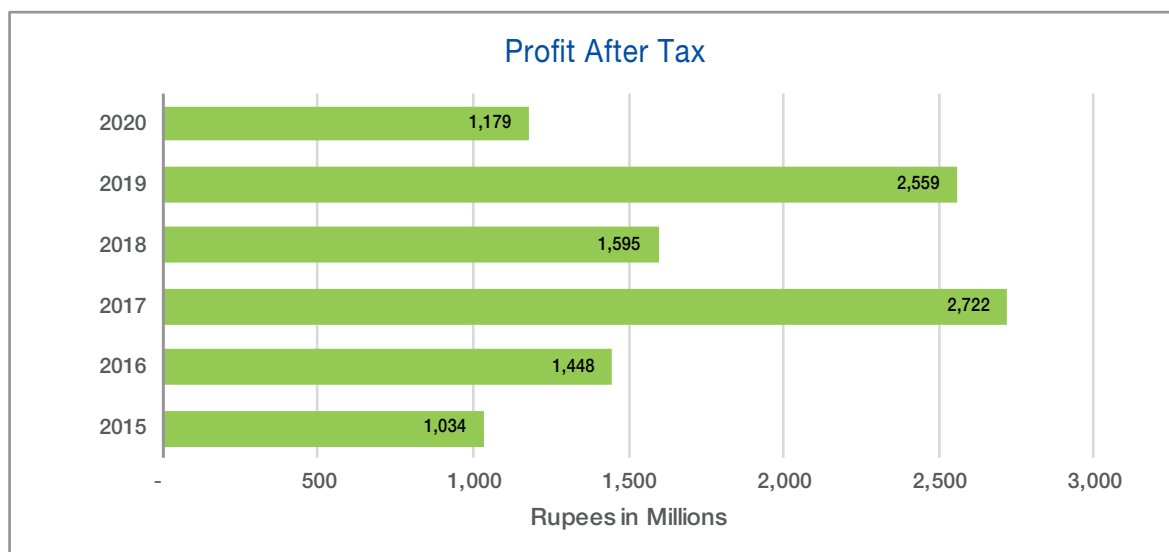
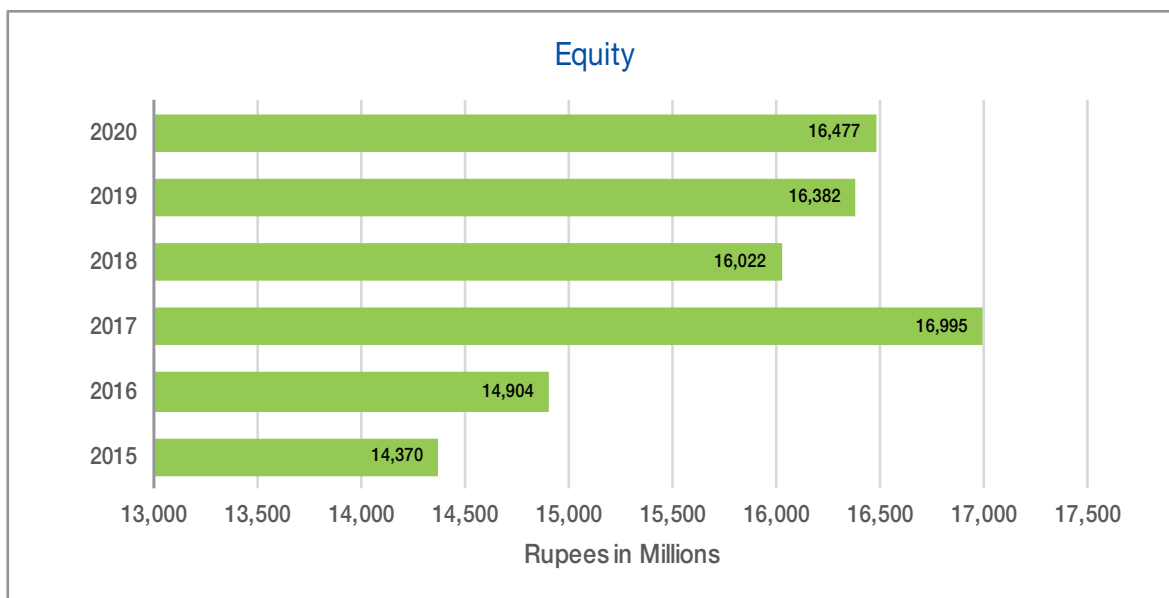


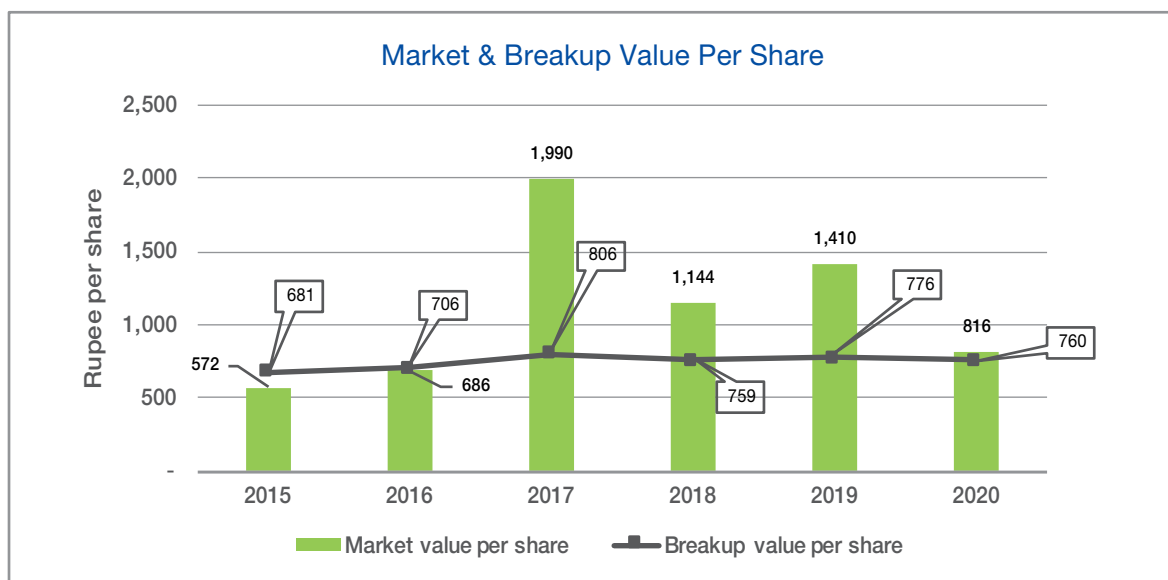
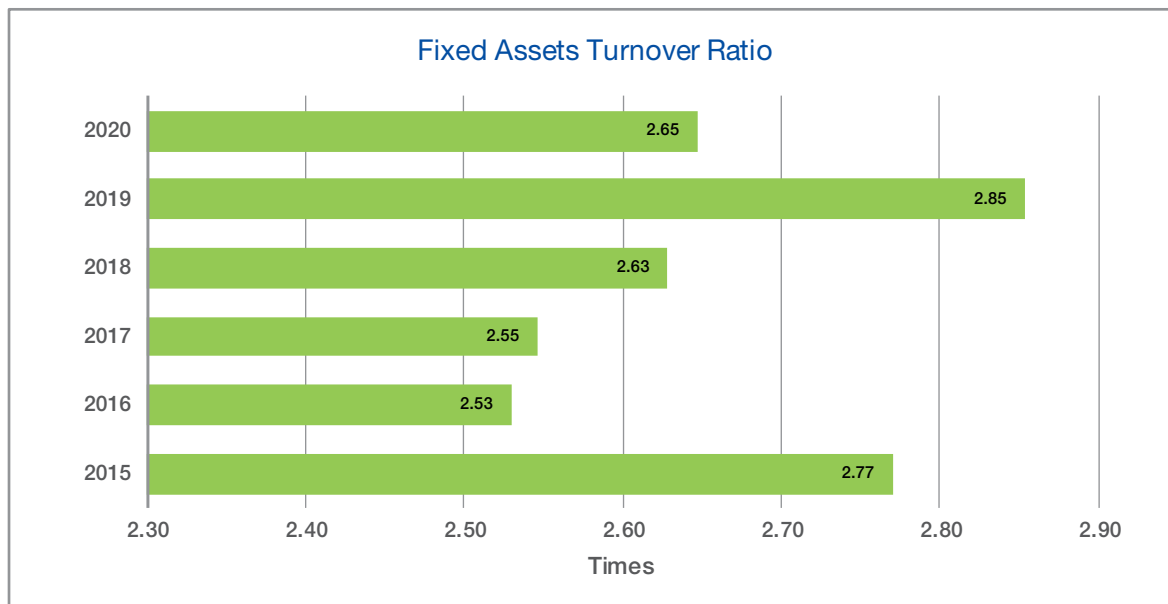








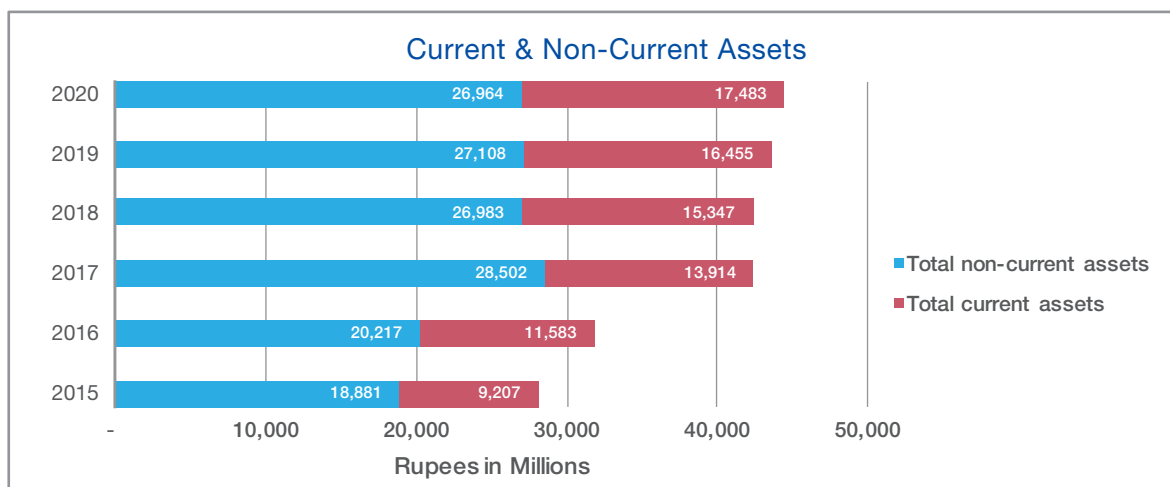
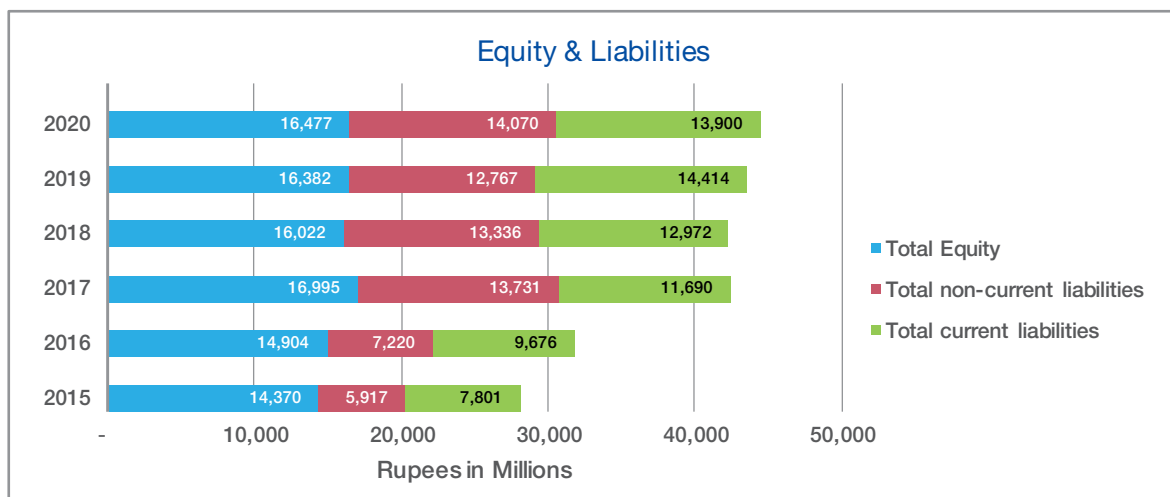




# Horizontal Analysis of Statement of Financial Position

As at 30 June 2020

	2020	2019	2018	2017	2016	2015
<b>Statement of Financial Position</b>	<b>Rupees in '000</b>					
Total Equity	16,476,548	16,382,080	16,022,255	16,994,755	14,903,981	14,370,171
Total non-current liabilities	14,069,919	12,766,693	13,336,334	13,730,948	7,220,257	5,916,786
Total current liabilities	13,899,814	14,414,170	12,971,562	11,689,840	9,676,419	7,800,847
<b>Total equity and liabilities</b>	<b>44,446,280</b>	<b>43,562,943</b>	<b>42,330,151</b>	<b>42,415,543</b>	<b>31,800,657</b>	<b>28,087,804</b>
Total non-current assets	26,963,596	27,107,861	26,982,905	28,501,663	20,217,498	18,880,695
Total current assets	17,482,684	16,455,082	15,347,246	13,913,880	11,583,159	9,207,109
<b>Total assets</b>	<b>44,446,280</b>	<b>43,562,943</b>	<b>42,330,151</b>	<b>42,415,543</b>	<b>31,800,657</b>	<b>28,087,804</b>
	<b>Variance in %</b>					
Total Equity	0.58	2.25	(5.72)	14.03	3.71	7.72
Total non-current liabilities	10.21	(4.27)	(2.87)	90.17	22.03	113.95
Total current liabilities	(3.57)	11.12	10.96	20.81	24.04	31.23
<b>Total equity and liabilities</b>	<b>2.03</b>	<b>2.91</b>	<b>(0.20)</b>	<b>33.38</b>	<b>13.22</b>	<b>27.38</b>
Total non-current assets	(0.53)	0.46	(5.33)	40.98	7.08	37.55
Total current assets	6.24	7.22	10.30	20.12	25.81	10.61
<b>Total assets</b>	<b>2.03</b>	<b>2.91</b>	<b>(0.20)</b>	<b>33.38</b>	<b>13.22</b>	<b>27.38</b>

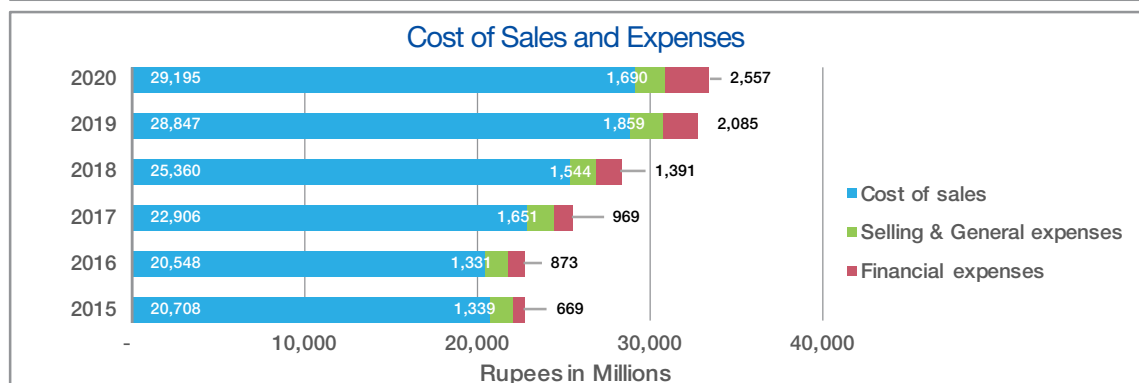
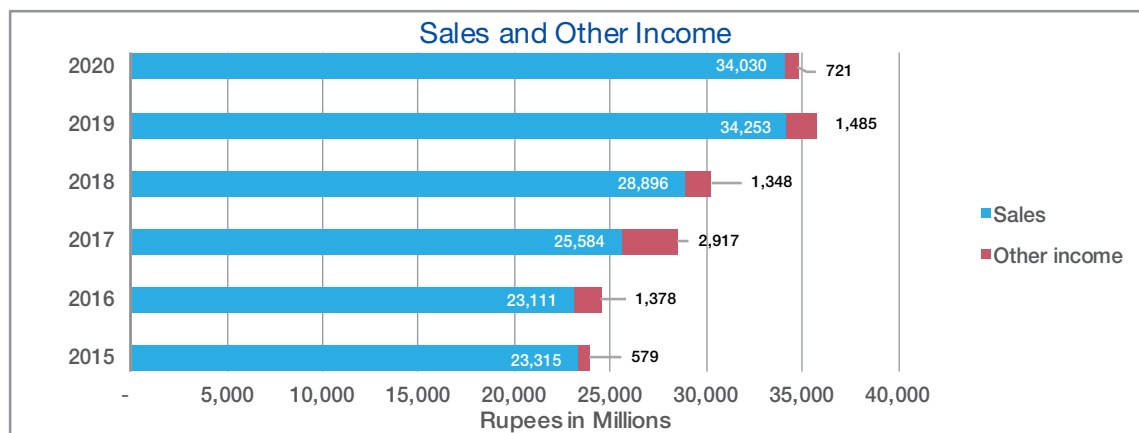




## Horizontal Analysis of Statement of Profit or Loss

For the year ended 30 June 2020

	2020	2019	2018	2017	2016	2015
	Rupees in '000					
Statement of Profit or Loss						
Net turnover	34,030,186	34,252,752	28,896,327	25,583,975	23,110,564	23,315,337
Cost of sales	29,195,495	28,847,019	25,360,087	22,906,157	20,547,990	20,707,602
Gross profit	4,834,691	5,405,733	3,536,240	2,677,818	2,562,574	2,607,735
Distribution cost	1,049,687	1,084,078	1,011,944	925,753	860,297	921,945
Administrative expenses	447,255	428,052	413,538	360,275	311,823	295,285
Other operating expenses	192,873	347,189	118,970	364,712	159,117	121,811
Other income	721,187	1,485,021	1,348,444	2,917,232	1,378,442	579,112
Profit from operations	3,866,062	5,031,435	3,340,232	3,944,310	2,609,779	1,847,806
Finance cost	2,556,977	2,085,427	1,391,491	968,946	873,059	669,411
Profit before taxation	1,309,085	2,946,008	1,948,741	2,975,364	1,736,720	1,178,395
Taxation	129,996	386,568	353,682	253,617	288,506	144,259
Profit after taxation	1,179,089	2,559,440	1,595,059	2,721,747	1,448,214	1,034,136
	</					



## Vertical Analysis of Financial Statements

	2020		2019		2018		2017		2016		2015	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>Statement of financial position</b>												
<b>As at 30 June 2020</b>												
Total Equity	16,476,548	37.07	16,382,080	37.61	16,022,255	37.85	16,994,755	40.07	14,903,981	46.87	14,370,171	51.16
Total non-current liabilities	14,069,919	31.66	12,766,693	29.31	13,336,334	31.51	13,730,948	32.37	7,220,257	22.70	5,916,786	21.07
Total current liabilities	13,899,814	31.27	14,414,170	33.09	12,971,562	30.64	11,689,840	27.56	9,676,419	30.43	7,800,847	27.77
<b>Total equity and liabilities</b>	<b>44,446,280</b>	<b>100.00</b>	<b>43,562,943</b>	<b>100.00</b>	<b>42,330,151</b>	<b>100.00</b>	<b>42,415,543</b>	<b>100.00</b>	<b>31,800,657</b>	<b>100.00</b>	<b>28,087,804</b>	<b>100.00</b>
Total non-current assets	26,963,596	60.67	27,107,861	62.23	26,982,905	63.74	28,501,663	67.20	20,217,498	63.58	18,880,695	67.22
Total current assets	17,482,684	39.33	16,455,082	37.77	15,347,246	36.26	13,913,880	32.80	11,583,159	36.42	9,207,109	32.78
<b>Total assets</b>	<b>44,446,280</b>	<b>100.00</b>	<b>43,562,943</b>	<b>100.00</b>	<b>42,330,151</b>	<b>100.00</b>	<b>42,415,543</b>	<b>100.00</b>	<b>31,800,657</b>	<b>100.00</b>	<b>28,087,804</b>	<b>100.00</b>
<b>Statement of profit or loss</b>												
<b>For the year ended 30 June 2020</b>												
Net turnover	34,030,186	100.00	34,252,752	100.00	28,896,327	100.00	25,583,975	100.00	23,110,564	100.00	23,315,337	100.00
Cost of sales	29,195,495	85.79	28,847,019	84.22	25,360,087	87.76	22,906,157	89.53	20,547,990	88.91	20,707,602	88.82
<b>Gross profit</b>	<b>4,834,691</b>	<b>14.21</b>	<b>5,405,733</b>	<b>15.78</b>	<b>3,536,240</b>	<b>12.24</b>	<b>2,677,818</b>	<b>10.47</b>	<b>2,562,574</b>	<b>11.09</b>	<b>2,607,735</b>	<b>11.18</b>
Distribution cost	1,049,687	3.08	1,084,078	3.16	1,011,944	3.50	925,753	3.62	860,297	3.72	921,945	3.95
Administrative expenses	447,255	1.31	428,052	1.25	413,538	1.43	360,275	1.41	311,823	1.35	295,285	1.27
Other operating expenses	192,873	0.57	347,189	1.01	118,970	0.41	364,712	1.43	159,117	0.69	121,811	0.52
Other income	721,187	2.12	1,485,021	4.34	1,348,444	4.67	2,917,232	11.40	1,378,442	5.96	579,112	2.48
<b>Profit from operations</b>	<b>3,866,062</b>	<b>11.36</b>	<b>5,031,435</b>	<b>14.69</b>	<b>3,340,232</b>	<b>11.56</b>	<b>3,944,310</b>	<b>15.42</b>	<b>2,609,779</b>	<b>11.29</b>	<b>1,847,806</b>	<b>7.93</b>
Finance cost	2,556,977	7.51	2,085,427	6.09	1,391,491	4.82	968,946	3.79	873,059	3.78	669,411	2.87
<b>Profit before taxation</b>	<b>1,309,085</b>	<b>3.85</b>	<b>2,946,008</b>	<b>8.60</b>	<b>1,948,741</b>	<b>6.74</b>	<b>2,975,364</b>	<b>11.63</b>	<b>1,736,720</b>	<b>7.51</b>	<b>1,178,395</b>	<b>5.05</b>
Provision for taxation	129,996	0.38	386,568	1.13	353,682	1.22	253,617	0.99	288,506	1.25	144,259	0.62
<b>Profit after taxation</b>	<b>1,179,089</b>	<b>3.46</b>	<b>2,559,440</b>	<b>7.47</b>	<b>1,595,059</b>	<b>5.52</b>	<b>2,721,747</b>	<b>10.64</b>	<b>1,448,214</b>	<b>6.27</b>	<b>1,034,136</b>	<b>4.44</b>

## COMMENTS ON FINANCIAL STATEMENTS

### Statement of Financial Position

#### Non-Current Assets

Non-current assets of the Company mainly constitute property, plant and equipment and long term investments in subsidiary companies and investment in blue chip shares. Value of long term investments in blue chip shares has declined due to decrease in share prices whereas value of property, plant and equipment increased as company invested in fabric dyeing range machinery to strengthen its value added products share.

Over six years, Property plant and equipment of Sapphire Textile Mills Limited have increased to Rs.13,119 million which is 50% higher than Property plant and equipment held in year 2015. The Company has made emphasis on vertical integration and established garment stitching, printing and dyeing facilities in these years for growth in value added products.

## Vertical Analysis of Financial Statements

For the year ended June 30, 2020

### Current Assets

Current assets of the Company mainly constitute stock in trade, trade debts and short term investments in blue chip shares. Current assets of the company are in line with existing business activities. Stocks and trade debts slightly increased due to prevailing COVID-19 pandemic. Value of short term investments in blue chip shares has decreased due to decline in stock market rates. The Company has also disposed off certain portion of short term investments to improve liquidity.

### Equity

The Company has sound equity aggregating Rs.16,477 million as on 30 June 2020.

### Long Term Financing

Long term financing of the Company is at same level in comparison with last year. During the year the company obtained long term loans of Rs. 1,281 million as per the State Bank of Pakistan (SBP) scheme LTFF for investment in plant and machinery. Further Rs. 398 million has been obtained under SBP scheme for payment of salaries and wages. During the year, the company has also paid long term loans aggregating Rs.1,428 million. Further, the company has opted for SBP scheme for deferment of principle payment for next twelve months. Under this scheme principal payments aggregating Rs. 2,175 million due in next twelve months has been deferred.

### Short Term Borrowings

Short term loans of the company are at same level in comparison with previous year despite increase in stock and trade debts due to ongoing pandemic.

### Statement of Profit or Loss

Sales of the company has grown up by 45.96% over the last six years . However, during the current year sales have marginally declined by 0.65% in comparison with last year due to breakout of COVID-19 pandemic. Gross profit as a percentage of sales has increased from 11.18% to 14.21% over the period of six years. Gross profit has improved due to more emphasis on value added products and efficient cost levels.

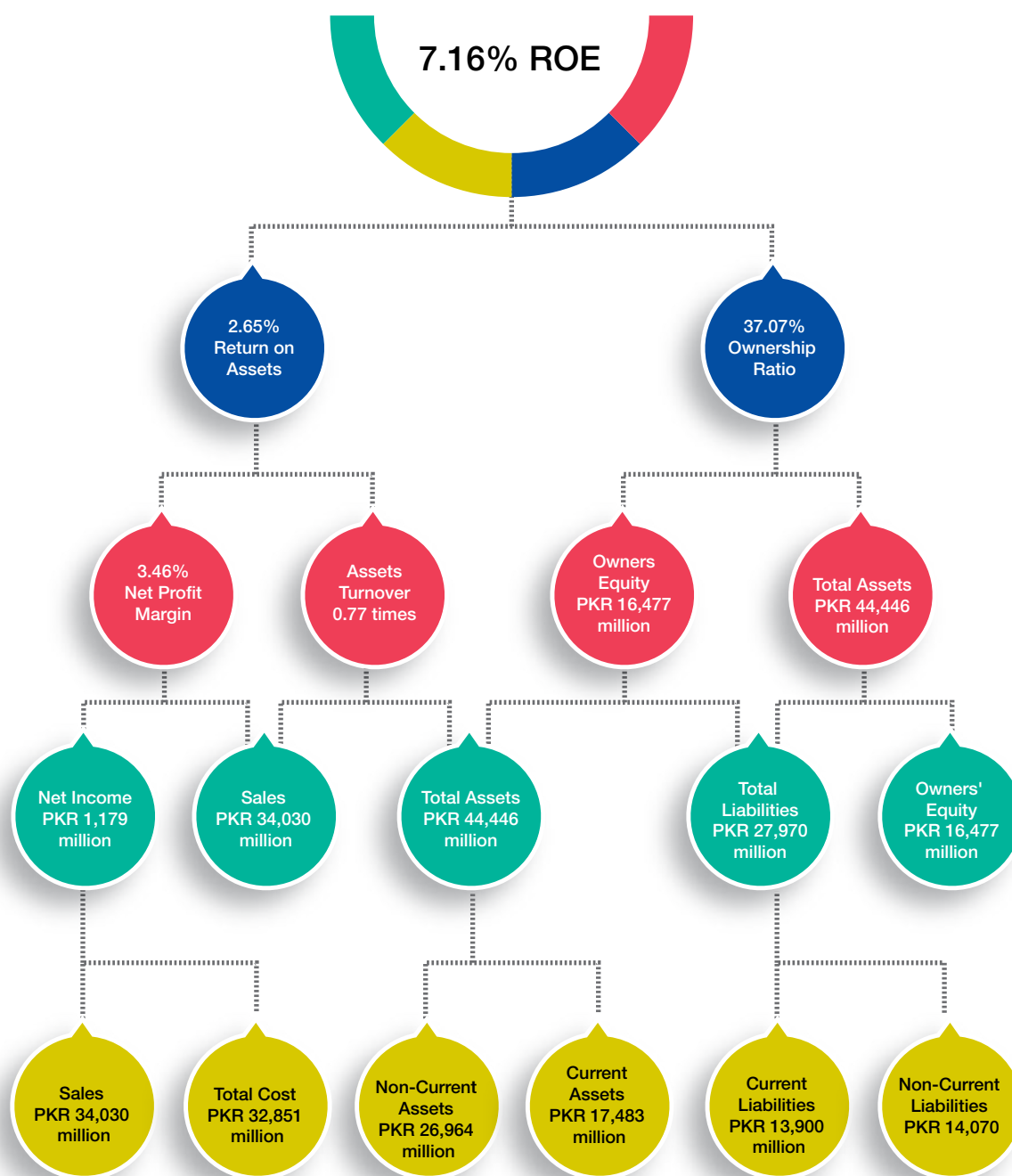
Other income of the company mainly constitute dividend received from subsidiary companies, associated companies and blue chip companies.

Finance cost has increased significantly in comparison with last year due to higher mark up rates during the current year.



## DuPont Analysis

For the year ended June 30, 2020

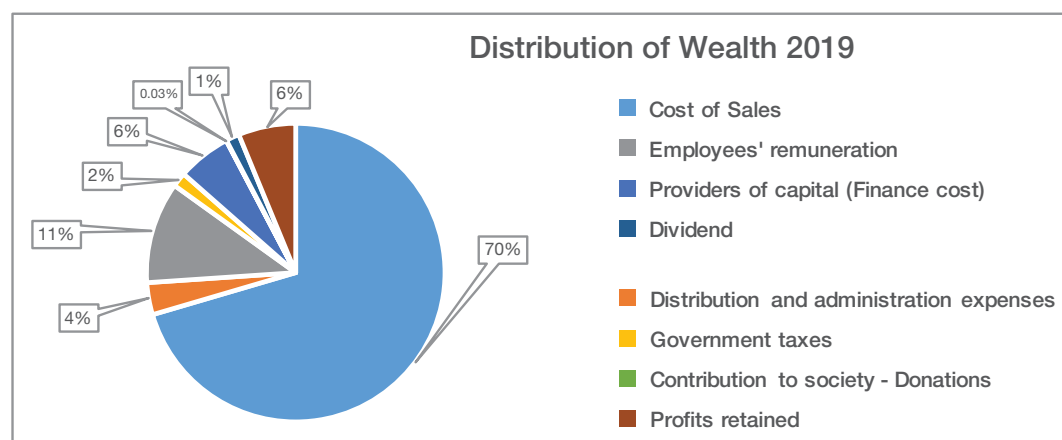
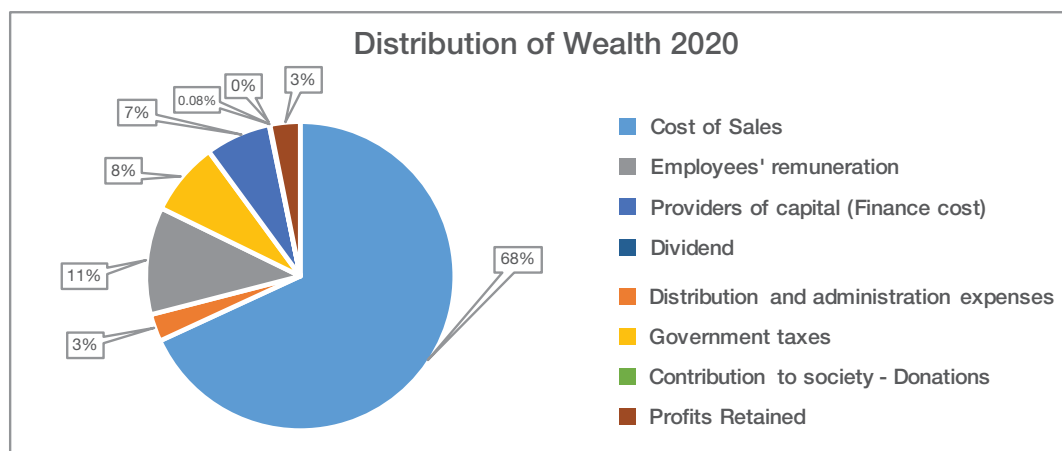


		2020	2019
Tax Burden	Percentage	9.93%	13.12%
Interest Burden	Percentage	66.14%	41.45%
EBIT to Sales	Percentage	11.36%	14.69%
Return on Equity	Percentage	7.16%	15.62%
Total Assets Turnover	Times	0.77	0.80
Debt to Equity Ratio	Times	0.88	0.87

## Our Value Addition and Its Distribution

For the year ended 30 June 2020

	2020		2019	
	Rs. in '000	% age	Rs. in '000	% age
<b>Value Addition</b>				
Net Sales including sales tax	36,686,968	98.07%	34,270,435	95.85%
Other operating income	721,187	1.93%	1,485,021	4.15%
	<b>37,408,155</b>	<b>100.00%</b>	<b>35,755,456</b>	<b>100.00%</b>
<b>Value Distribution</b>				
Cost of Sales (excluding employees' remuneration, duties and taxes)	25,481,132	68.12%	25,332,875	70.45%
Distribution, administration (Excluding employees' remuneration and taxes)	1,073,158	2.87%	1,248,120	3.47%
Employees Remuneration	4,210,658	11.26%	3,954,147	11.00%
Government taxes (includes income tax, WPPF, WWF, duties, federal & provincial taxes, sales tax etc)	2,875,552	7.69%	563,379	1.57%
Providers of capital (Finance cost)	2,556,977	6.84%	2,085,427	5.80%
Dividend	-	0.00%	522,162	1.45%
Contribution to society - Donations	31,590	0.08%	12,067	0.03%
Profit retained	1,179,089	3.15%	2,238,110	6.22%
	<b>37,408,155</b>	<b>100.00%</b>	<b>35,956,288</b>	<b>100.00%</b>



# RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS

For the year ended 30 June 2020

Particulars	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Total		
	2019	2018	Change	2019	2018	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change
	Rupees in Millions		in %	Rupees in Millions		in %	Rupees in Millions		in %	Rupees in Millions		in %	Rupees in Millions		in %
Sales	9,092	8,095	12%	9,497	8,165	16%	9,041	9,268	-2%	6,400	8,725	-27%	34,030	34,253	-1%
GP	1,556	1,272	22%	1,752	1,228	43%	1,255	1,472	-15%	272	1,434	-81%	4,835	5,406	-11%
EBITDA	1,577	1,252	26%	2,024	1,761	15%	1,929	2,009	-4%	(404)	1,170	-135%	5,125	6,191	-17%
PAT	564	507	11%	789	606	30%	60	500	-88%	(234)	946	-125%	1,179	2,559	-54%
	Rupee per share			Rupee per share			Rupee per share			Rupee per share			Rupee per share		
EPS	26.74	24.04	11%	37.18	28.72	29%	2.76	23.72	-88%	(11.08)	44.83	-125%	55.03	121.31	-55%



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

Name of Company: **SAPPHIRE TEXTILE MILLS LIMITED** year ending June 30, 2020.

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are (10) Ten as per the following:

<b>a.</b>	<b>Male</b>	<b>(9) Nine</b>
<b>b.</b>	<b>Female</b>	<b>(1) One</b>

2. The composition of the Board is as follows:

<b>Category</b>	<b>Names</b>
Independent Directors	Mr. Nadeem Karamat Mr. Shahid Shafiq
Independent Director / Female	Ms. Mashmooma Zehra Majeed
Non-Executive Directors	Mr. Mohammad Abdullah Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah
Executive Directors	Mr. Nadeem Abdullah Mr. Nabeel Abdullah Mr. Umer Abdullah

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The board has ensured that complete record of particulars of the significant policies along with the dates of approval or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Total ten (10) directors of the company were elected on 15th June, 2020, out of which eight (8) Directors meet the requirements, four (4) Directors have already attained certification under directors training program while four (4) directors meets the requirements of the exemption under regulation. The remaining two (2) are newly elected directors, who may acquire the directors training program certification within a period of one year from the date of election.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

12. The Board has formed committees comprising members given below:

**a) Audit Committee**

- Mr. Nadeem Karamat (Chairman)
- Mr. Shahid Shafiq (Member)
- Mr. Yousuf Abdullah (Member)
- Mr. Amer Abdullah (Member)

**b) HR and Remuneration Committee**

- Mr. Nadeem Karamat (Chairman)
- Mr. Nadeem Abdullah (Member)
- Mr. Umer Abdullah (Member)
- Mr. Shahid Shafiq (Member)
- Ms. Mashmooma Zehra Majeed (Member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following:

- a) Audit Committee [Quarterly]
- b) HR and Remuneration Committee [ yearly]

15. The Board has set up an effective Internal Audit Function.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of

the firm involved in the audit are not a close relative (Spouse, parents, dependents and non-dependents children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or directors of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations 3,6,7,8,27,32,33 and 36 have been complied with.

Regulation 6 (1) the Listed Companies (Code of Corporate Governance) Regulations, 2019, requires that “each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors”. At time of the recent election of Directors, the Company assessed its compliance with this Regulation. One third of the Company’s total number of Directors results in a fractional number (3.33). The fraction has not been rounded up to one and therefore, the Board of Directors currently has 3 independent Directors. The Company considers that the existing composition of the Board of Directors brings in the relevant experience and valuable contributions to the Board.

For and on behalf of the Board



MOHAMMAD ABDULLAH  
CHAIRMAN



NADEEM ABDULLAH  
CHIEF EXECUTIVE

Karachi  
24 September 2020

**TO THE MEMBERS OF SAPPHIRE TEXTILE MILLS LIMITED****Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Sapphire Textile Mills Limited ('the Company') for the year ended 30 June 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Regulations and report if it does not and to highlight any non-compliance with requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form

an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulation requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.




**EY Ford Rhodes**  
**Chartered Accountants**

Engagement Partner: Farooq Hameed

Lahore  
24 September 2020





# Notice of the Annual General Meeting

### NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 52<sup>nd</sup> Annual General Meeting of Sapphire Textile Mills Limited (The "Company") will be held on Thursday, 22<sup>nd</sup> October, 2020 at 312, 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 Chairman's, Directors' and Auditors' Reports for the year ended 30<sup>th</sup> June, 2020.
3. To appoint auditors for the year ending 30<sup>th</sup> June, 2021 and fix their remuneration. The present Auditors, M/s EY Ford Rhodes, Chartered Accountants retire and being eligible offer themselves for reappointment.

#### Special Business

4. To approve by way of special resolution with or without modification the following resolutions in respect of related party transaction in terms of Section 208 of the Companies Act, 2017:

- A. **"RESOLVED THAT** the pursuant to section 208 of the Companies Act 2017, the shareholders' consent be and is hereby accorded to give on lease company's stitching facility situated at Unit-8, 1.5 kms Bhobatian Chowk, Raiwind Road, Lahore to M/s. Designtex (SMC-Private) Limited 100% subsidiary of Sapphire Retail Limited (SRL) (SRL is also 100% subsidiary of Sapphire Textile Mills Limited) as per term and condition mutually agreed on arm length basis.

**"FURTHER RESOLVED** that the Chief Executive be and is hereby authorized to plan, negotiate, execute and do all necessary step or things necessary for execution of the lease agreement (s).

- B (i) **"RESOLVED THAT** the related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 41 of the unconsolidated financial statements for the year ended 30<sup>th</sup> June , 2020, be and are hereby ratified, approved and confirmed."

- (ii) **"RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending 30<sup>th</sup> June, 2021."

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

#### Any other Business

5. To transact any other business with the permission of the chair.

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

By Order of the Board



**Zeeshan**  
Company Secretary

Karachi  
24 September 2020

## NOTICE OF THE ANNUAL GENERAL MEETING

### For attending the meeting through video link due to COVID 19 Pandemic:

In pursuance of SECP Circular Nos. 5, 10A and 20 of 2020 dated 17th March, 2020, 01st April, 2020 and 31st August, 2020 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID 19) for Corporate Sector, the entitled shareholders interested in attending the Annual General Meeting (AGM) through video link facility ("Zoom" which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary office at least two working days before the holding of the time of AGM at [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk) by providing the following details:-

Name of Shareholder	CNIC Number	Folio Number	Cell Number.	Email Address

- Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses.
- On the AGM day, the shareholders will be able to login and participate in the AGM proceedings through their smart phone or computer devices from their any convenient location.
- The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification process and verification process.
- Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

### NOTE

- 1) Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 16th October, 2020 to 22nd October, 2020 (both days inclusive). Transfers received in order, by the M/s. Hameed Majeed Associates (Private) Limited Company Registrar, 4th Floor, Karachi Chambers, Hasrat Mohani

Road, Karachi, up to 15th October, 2020, will be considered in time to entitle the transferees to attend and vote at the meeting.

- 2) A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. An instrument of proxy applicable for the Meeting is being provided with the notice sent to the members. Further copies of the instrument may be obtained from the registered office of the Company during normal office hours. The proxy form can also be downloaded from the Company's website: [www.sapphire.com.pk/stml](http://www.sapphire.com.pk/stml)
- 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 registrar, 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:
  - 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.

**a) 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 numbers shall be mentioned on the form.
  - iii) Attested copies of CNIC or the passport shall be attached.
  - 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 compliance with regulatory directives issued from time to time, members who have not yet submitted copy of their valid CNIC/NTN are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
- 7) Members can exercise their right to demand a poll subject to meeting requirements of section 143-145 of the companies Act 2017 and applicable clause of the Companies (Post Ballot) Regulations, 2018.
- 8) The Company shall provide video conference facility to its members for attending the 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 at least 07 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 07 days before holding of the 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, 2017

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Sapphire Wind Power Company Limited (SWPCL) 17th February, 2014 & subsequently amended on 26th Oct, 2015	Collateral/security as may be required by the issuing bank to issue a Stand by Letter of Credit(SBLC) in PKR equivalent upto approximately USD 10 Million in order to secure certain obligations of SWPCL	Nil	This amount was amended in AGM held on 26th 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), 27th 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);	SBLC = USD 8.79 Million	This amount was approved in the EOGM Dated 27th March, 2017and is in the process of implementation as and when required.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	Security / collateral as may be required by the issuing banks in order for the same to issue 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 27th March, 2017and is in the process of implementation as and when required
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	To invest by way of loans and advances in the PKR equivalent upto 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 project, 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	Nil	This amount of loan was approved in the EOGM Dated 27th March, 2017and 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 a wind farm with capacity of 52.80 MW at Jhimpir, Sindh which started Commercial operations in Nov 2015 – the project is operating following best industry practices and is yielding satisfactory results.

	Financial Year Ended June 30, 2020	Financial Year Ended June 30, 2016
Net Sales	3,704,254,098	1,584,896,926
Gross Profit	2,421,950,586	1,020,332,620
Profit Before Tax	1,746,809,140	678,614,077
Profit After Tax	1,759,688,303	678,235,929

### Triconboston Consulting Corporation (Private) Limited

Triconboston Consulting Corporation (Private) Limited was incorporated under the laws of Pakistan and operating 3 projects having capacity of 50 MW each in Jhimpir Sindh. All the three projects have successfully commenced commercial operation in September, 2018. The project is operating following best industry practice and is yielding satisfactory results.

	Financial Year Ended June 30, 2020	Financial Year Ended June 30, 2017
Net Sales	10,495,000,097	-
Gross Profit /(Loss)	7,254,882,207	(93,798,217)
Profit /(Loss) Before Tax	4,851,092,424	(94,039,713)
Profit /(Loss) After Tax	4,848,524,478	(95,055,582)

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

### Introduction:

The management of Sapphire Textile Mills Limited (Company) Intends to lease out its stitching facility situated at Unit-08, 1.5 kms Bhotatian Chowk, Raiwind Road, Lahore, Punjab to improve the

utilization of company's assets / facilities and enhance its export activities.

### Value of Assets to be leased out.

- The WDV value of proposed assets to be leased is up to Rs. 560.346 million as at 30 June, 2020. These assets will be leased out at the current market rates.

### Reason / Benefit of Leasing

- It will improve in Overall Profitability of the Company by availing other ancillary and related operational and fiscal benefits attached to export oriented units.

### Interest of Directors:

- Sapphire Textile Mills Limited is planning to lease out its units to its 100% subsidiary of Subsidiary. Directors have no direct or indirect interest except to the extent of their shareholding.

### Time frame or duration of the transactions or contracts or arrangements

- CEO of the company Mr. Nadeem Abdullah is to be authorized to complete all, term and condition of the agreements and other regulatory requirements for completion of transaction in the best interest of Company.

### 1. Relating to Item Number 4 (B)(i) of the notice – Ratification and approval of the related party transactions

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

transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 41 to the unconsolidated financial statements for the year ended 30th June, 2020.

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

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

The nature of relationship with these related parties has also been indicated in the note 41 to the unconsolidated financial statements for the year ended 30th June, 2020.

**2. Relating to Item Number 4 (B)(ii) of the notice Authorization for the Board of Directors to approve the related party transactions during the year ending 30th June, 2021.**








The Company shall be conducting transactions with its related parties during the year ending 30th June, 2021 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending 30th June, 2021 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.



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# UNCONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended 30 June 2020



# Independent Auditors' Report

## To the Members of Sapphire Textile Mills Limited

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the annexed unconsolidated financial statements of **Sapphire Textile Mills Limited** (the Company), which comprise the statement of financial position as at 30 June 2020, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'separate financial statements') and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of

the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
<b>1. Stock in trade</b>	
<p>The Company has a composite textile set-up comprising spinning, weaving, processing and home textile units. Therefore its stock in trade includes various inventory items including cotton, yarn and fabric categorized into raw materials, work in process and finished goods based on the processes of respective units where these are being utilized / produced. These are stored at various geographically dispersed locations.</p> <p>Stock in trade as at 30 June 2020 amounted to Rs. 8,911 million comprising a significant percentage (20%) of the Company's total assets.</p> <p>The amount of stock in trade is net of provisions for net realizable value amounting to Rs. 482 million due to items to be sold at less than cost as disclosed in note 13.1 to the separate financial statements.</p>	<p>We performed following key audit procedures, among other procedures, in respect of stock in trade:</p> <ul style="list-style-type: none"> <li>- We gained an understanding of the management's process of recording and valuing inventories.</li> <li>- We tested controls over the Company's processes of inventory purchases and issuance.</li> <li>- We attended virtual inventory counts and reconciled the count results to inventory listings at the year end.</li> <li>- We performed substantive procedures over purchases recorded during the year.</li> <li>- We tested the valuation of inventory items in accordance with Company's policy and international accounting standards (IAS 2 – Inventories).</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p>There is an element of judgement relating to this provision which is based on expected future transactions and the current economic conditions particularly after the outbreak of COVID-19.</p> <p>Due to the above factors, significant auditor attention is required in auditing of inventory balances and transactions during the year and hence considered a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>- We evaluated appropriateness of the measurement basis for net realizable value for finished goods and raw material.</li> <li>- We recalculated the NRV adjustment for finished goods and raw material, on sample basis.</li> </ul>
<b>2. COVID -19</b>	
<p>The COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities particularly during the period from March 2020 to May 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</p> <p>The Company's operations were disrupted due to the circumstances arising from COVID-19 including the suspension of production, sales and operations; although for a short period of time.</p> <p>In view of the unique nature of these events and its possible impacts on the business operations and financial reporting we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.</p> <p>Please also refer to note 48 to the financial statements.</p>	<p>We discussed with the senior management about the impacts of COVID-19 related events on the business operations, financial condition, liquidity and operating performance of the Company.</p> <p>We identified key financial statement items which may require additional audit considerations due to the COVID-19 related conditions that prevailed during the latter part of the year. In this regard, we considered the realizable value of inventories and recoverability of trade receivables, which were impacted by the lockdowns imposed by the Government and distressed demand in global economy.</p> <p>We checked the sale of the inventories subsequent to the year end to evaluate the realizable-value of inventory held as at 30 June 2020.</p> <p>We assessed the adequacy of allowance for net realizable value made in respect of the inventory held as at 30 June 2020.</p> <p>In respect of trade receivables, we checked the computations for expected credit losses as determined by the management in accordance with the requirements of IFRS-9 'Financial Instruments'. We evaluated the assumptions used by the management for such estimates including their reasonableness and the supporting economic and historical data used in this regard.</p> <p>We reviewed the terms of loans obtained, renewed and / or restructured by the Company to assess compliance with key terms and conditions, including any applicable debt covenants and reviewed the correct classification, treatment and disclosure of the same.</p>

Key audit matters	How our audit addressed the key audit matter
<b>3. Related party transactions</b>	
<p>The Company is the parent entity in a Group of companies.</p> <p>Nature of transactions with related parties includes investments, purchases and sales, expenses charged on behalf of each other, dividend income and intercompany loans along-with interest thereon (as disclosed in note 41 to the accompanying separate financial statements) leading to a significant amount of investments, receivable and payable balances of Rs. 9,998 million, Rs. 1,694 million and Rs. 2,230 million as at the year end, respectively.</p> <p>The inter-company transactions and balances require significant auditor attention as the amounts are material to the separate financial statements as a whole and are hence considered as Key Audit Matter.</p>	<p>We obtained a list of related parties and transactions entered into with them during the year from management.</p> <p>We performed substantive procedures on related party transactions and balances including review of contract terms, underlying invoices, analytical procedures, balance confirmations and assessment of recoverability of receivable balances vis-à-vis financial position of respective Group entities.</p> <p>We reviewed the approval process for related party transactions including approval by those charged with governance.</p> <p>We assessed whether appropriate disclosures have been made in separate financial statements regarding related party transactions and balances in accordance with IAS 24 and requirements under the fourth schedule to the Companies Act, 2017.</p>

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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



## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Farooq Hameed.



**EY Ford Rhodes**  
**Chartered Accountants**  
**Lahore**  
**24 September 2020**

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	13,119,291,362	12,595,223,703
Investment property	7	31,750,000	31,750,000
Intangible assets	8	208,333	627,039
Long term investments	9	13,612,999,166	14,256,507,418
Long term loans and advances	10	111,663,175	135,843,927
Long term deposits	11	87,684,092	87,909,092
		26,963,596,128	27,107,861,179
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	12	471,374,075	393,812,720
Stock in trade	13	8,910,912,161	7,481,967,254
Trade debts	14	2,782,771,494	2,197,892,804
Loans and advances	15	56,882,329	72,388,577
Trade deposits and short term prepayments	16	24,925,374	6,688,684
Other receivables	17	845,667,618	921,899,641
Short term investments	18	2,956,225,380	4,030,717,707
Tax refunds due from Government	19	1,366,384,838	1,252,955,655
Cash and bank balances	20	67,540,738	96,759,191
		17,482,684,007	16,455,082,233
<b>TOTAL ASSETS</b>		<b>44,446,280,135</b>	<b>43,562,943,412</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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	216,897,910	200,831,400
Reserves	22	16,259,650,037	16,181,248,942
		16,476,547,947	16,382,080,342
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	23	13,772,308,842	12,257,108,436
Deferred liabilities	24	297,609,788	509,584,337
		14,069,918,630	12,766,692,773
<b>CURRENT LIABILITIES</b>			
Trade and other payables	25	3,898,936,441	3,442,588,442
Contract liabilities	26	830,395,887	850,602,812
Accrued Interest / mark-up	27	361,222,288	320,423,966
Unclaimed dividend		1,696,118	1,795,457
Short term borrowings	28	8,070,572,958	7,797,508,535
Current portion of long term financing	23	736,989,866	2,001,251,085
		13,899,813,558	14,414,170,297
<b>CONTINGENCIES AND COMMITMENTS</b>			
	29		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>44,446,280,135</b>	<b>43,562,943,412</b>

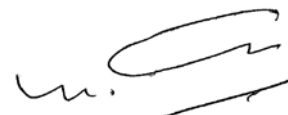
The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

# STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Net turnover	30	34,030,186,288	34,252,752,057
Cost of sales	31	(29,195,495,154)	(28,847,019,067)
<b>Gross profit</b>		<b>4,834,691,134</b>	<b>5,405,732,990</b>
Distribution cost	32	(1,049,687,288)	(1,084,077,934)
Administrative expenses	33	(447,254,813)	(428,051,718)
Other operating expenses	34	(192,873,482)	(347,188,591)
Other income	35	721,186,673	1,485,021,046
		(968,628,910)	(374,297,197)
<b>Profit from operations</b>		<b>3,866,062,224</b>	<b>5,031,435,793</b>
Finance cost	36	(2,556,976,879)	(2,085,427,251)
<b>Profit before taxation</b>		<b>1,309,085,345</b>	<b>2,946,008,542</b>
Taxation	37	(129,996,345)	(386,568,597)
<b>Profit after taxation for the year</b>		<b>1,179,089,000</b>	<b>2,559,439,945</b>
Earnings per share - basic and diluted	38	55.03	Restated 121.31

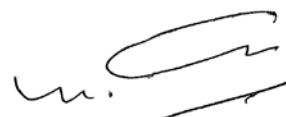
The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
Profit after taxation for the year	1,179,089,000	2,559,439,945
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent years:		
Forward foreign currency contracts		
Unrealized loss on remeasurement of forward foreign currency contracts	(12,941,707)	-
Reclassification adjustments relating to gain realized on settlement of forward foreign currency contracts	-	(17,651,047)
	(12,941,707)	(17,651,047)
Net loss on debt instruments at fair value through other comprehensive income	(1,000,000)	(6,756,705)
Items not be reclassified to profit or loss in subsequent years:		
Net loss on equity instruments at fair value through other comprehensive income	(1,133,791,389)	(1,845,905,550)
Gain / (loss) on remeasurement of staff retirement benefits	51,412,524	(8,535,640)
Impact of deferred tax	-	564,377
	51,412,524	(7,971,263)
Other comprehensive loss for the year	(1,096,320,572)	(1,878,284,565)
Total comprehensive income for the year	82,768,428	681,155,380

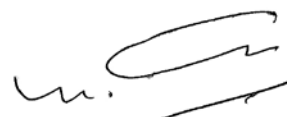
The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Capital Reserves				Revenue Reserves		
	Share Capital	Share Premium	Fixed Assets Replacement	Unrealized Gain/(loss) on investments available for sale	Unrealized Gain/(loss) on investments at fair value through OCI	Unrealized (Loss)/ gain on forward foreign exchange contracts	Total Equity
Balance as at 01 July 2018	200,831,400	156,202,200	65,000,000	587,918,606	-	17,651,047	16,022,255,202
Effect of adoption of IFRS 9	-	-	-	(587,918,606)	587,918,606	-	-
Balance as at 01 July 2018 (restated)	200,831,400	156,202,200	65,000,000	-	587,918,606	17,651,047	16,022,255,202
Total comprehensive income for the year ended 30 June 2019							
Profit after taxation for the year							
Other comprehensive loss for the year					(1,852,662,255)	(17,651,047)	(1,878,284,565)
Transaction with owners							
Final dividend for the year ended 30 June 2018 @ Rs.16 per share							
Balance as at 30 June 2019	200,831,400	156,202,200	65,000,000	-	(1,264,743,649)	-	16,382,080,342
Balance as at 01 July 2019	200,831,400	156,202,200	65,000,000	-	(1,264,743,649)	-	16,382,080,342
Total comprehensive income for the year ended 30 June 2020							
Profit after taxation for the year							
Other comprehensive (loss) / income for the year					(1,134,791,389)	(12,941,707)	(1,147,732,096)
Transfer of gain on sale of investment at fair value through OCI to un-appropriated profit					(51,745,097)	-	(51,745,097)
Transfer of subsidiaries reserve on merger (note 9.1.2)					-	-	(108,799,583)
Transaction with owners							
Right shares 1,606,651 issued at the rate of Rs.400 per share (Rs.10 par value and Rs.390 premium per share)	16,066,510	626,593,890	-	-	-	-	642,660,400
Final dividend for the year ended 30 June 2019 @ Rs.26 per share							
Balance as at 30 June 2020	216,897,910	782,796,090	65,000,000	-	(2,451,280,135)	(12,941,707)	16,476,547,947

The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	2,906,545,167	4,570,592,925
Long term loans, advances and deposits		24,405,753	(98,576,863)
Finance cost paid		(2,382,774,603)	(1,949,777,484)
Staff retirement benefits - gratuity paid		(72,379,948)	(71,451,763)
Taxes paid		(456,416,650)	(659,547,043)
		(2,887,165,448)	(2,779,353,153)
Net cash generated from operating activities		19,379,719	1,791,239,772
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,900,066,091)	(2,575,356,110)
Investment in subsidiaries		(15,760,000)	(1,000,000,000)
Investments made		-	(50,000,000)
Short term investment in equity instruments		(81,940,358)	-
Loans to subsidiaries recovered - net		-	482,000,000
Proceeds from disposal of property, plant and equipment		172,910,817	217,237,477
Proceeds from sale of investments		497,776,517	-
Dividend received		615,476,874	715,830,198
Interest received		10,398,801	24,079,347
Rental income received		510,000	787,500
Net cash used in investing activities		(700,693,440)	(2,185,421,587)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings - net		239,125,963	496,232,329
Proceeds from long term financing		1,679,397,307	1,312,068,000
Repayment of long term financing		(1,428,458,120)	(1,051,123,632)
Share issuance		642,660,400	-
Dividend paid		(522,260,979)	(320,844,302)
Net cash generated from financing activities		610,464,571	436,332,396
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(70,849,150)</b>	<b>42,150,580</b>
Cash and cash equivalents at the beginning of the year		96,759,191	54,608,611
Transfer upon merger		7,692,237	-
<b>Cash and cash equivalents at the end of the year</b>	40	<b>33,602,278</b>	<b>96,759,191</b>

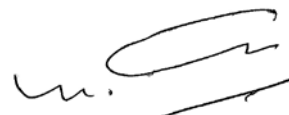
The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1. LEGAL STATUS AND OPERATIONS

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on 11 March 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 Company is principally engaged in manufacturing and sale of yarn, fabrics, home textile products, finishing, stitching and printing of fabrics. Following are the business units of the Company along with their respective locations:

BUSINESS UNIT	LOCATION
<b>Registered Office</b>	
Karachi	212, Cotton Exchange Building, I. I. Chundrigar Road, Karachi
<b>Lahore office</b>	7-A/K, Main Boulevard, Gulberg II, Lahore
<b>Production Plants</b>	
Spinning	A-17, SITE, Kotri
Spinning	A-84, SITE Area, Nooriabad
Spinning	63/64-KM, Multan Road, Jumber Khurd, Chunian, District Kasur
Spinning	1.5-KM, Warburton Road, Feroze Wattoan, Sheikhpura
Weaving and Yarn Dyeing, Printing, Processing and Home Textile	2-KM, Warburtan Road, Feroze Wattoan, Sheikhpura
Stitching	1.5-KM Off, Defence Road, Bhubtian Chowk, Raiwind Road, Lahore

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These are separate financial statements, where the investment in subsidiaries and associates is shown at cost; consolidated financial statements are separately presented.

**2.3** 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 using valuation techniques.



2.4 These financial statements are presented in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest rupee unless otherwise stated.

2.5 Disclosure of operating segments has been made in consolidated financial statements of the Company

### 3. ACCOUNTING ESTIMATES, JUDGEMENTS 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, 5.3, 6.1, 7 and 8]
- b) Provision for obsolete and slow moving stores, spares and loose tools [note 5.5 and 12]
- c) Net realisable values of stock-in-trade [note 5.6 and 13]
- d) Provision for expected credit loss [note 5.7 and 14]
- e) Provision for employees' retirement benefits [note 5.10 and 24.2]
- f) Provision for taxation [note 5.12 and 37]

### 4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 4.1 New / Revised Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following accounting standards which became effective for the current period:

- |          |   |   |
|----------|---|---|
| IAS 19   | - | Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement  |
| IAS 28   | - | Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)   |
| IFRS 9   | - | Financial Instruments - Prepayment Features with Negative Compensation  |
| IFRS 14  | - | Regulatory Deferral Accounts  |
| IFRS 16  | - | Leases  |
| IFRS 16  | - | Leases; to clarify the amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification. |
| IFRIC 23 | - | Uncertainty over Income Tax Treatments  |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2015 - 2017 cycle) has also been adopted:

- IFRS 3 & IFRS 11 - Business Combinations & Joint Arrangements - When an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.
- IAS 12 - Income Taxes - Income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.
- IAS 23 - Borrowing Costs - If any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The adoption of the above amendments and improvements to accounting standards did not have any material effect on the financial statements. The analysis of changes introduced by IFRS 16 is explained below:

## Impact on adoption of IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on the Company for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The adoption of IFRS 16 did not have material impact on the amounts recognized in the statement of financial position, statement of profit or loss, statement of cash flows or earnings per share as the Company does not have any operating lease contract which is not short term or of immaterial value.

## 4.2 Standards, Interpretations and amendments to approved accounting standards that are not yet effective:

The following amendments to the approved accounting and reporting standards, applicable in Pakistan, would be effective from the dates mentioned below against the respective standards and interpretation have not been adopted early by the Company:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022
IFRS 3	Business combinations to clarify the definition of business. The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2020
IFRS 4	Insurance contracts to clarify extension of the Temporary Exemption from Applying IFRS 9 defers the fixed expiry date of the following temporary exemptions from applying IFRS 9 to annual periods beginning on or after January 01, 2023.	01 January 2023
IFRS 9	Financial Instruments to clarify the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.	01 January 2020
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized
IAS 16	Property, plant and equipment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, contingent liabilities and contingent assets to specify which costs should be included in an entity's assessment whether a contract will be loss-making.	01 January 2022

The above new amendments to standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above new standards and amendments to standard and interpretations, The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

In addition to the above new standards and amendments to standard and interpretations, improvements to various accounting standards have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 - First time adoption of International Financial Reporting Standards	01 July 2009
IFRS 17 - Insurance Contracts	01 January 2023

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

## 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, except as explained in note 4.1.

### 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 statement of profit or loss 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 statement of profit or 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 statement of profit or loss.

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 statement of financial position 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. 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 statement of profit or loss 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 Investment in subsidiary and associated companies

Investments in subsidiaries and associates are recognized at cost less impairment loss, if any. Whenever indicators of impairment occurs, 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 statement of profit or loss.

### 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 reporting 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 recognized and carried at original invoice amount less expected credit losses (ECL) as explained in note 5.19.1 (d).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents 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 interest rate (EIR) method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

## 5.10 Employee benefits

### Defined benefit plan

The Company operates an unfunded gratuity scheme for its eligible 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 reporting date. The amount arising as a result of remeasurement are recognized in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

### Defined Contribution Plan

The Company operates an approved contributory provident fund for its eligible permanent employees as per terms of employment 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. 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, whether or not billed to the Company.

## 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 credits, 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.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to 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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

The Company assesses at each reporting date whether its income is subject to tax under the Final Tax Regime or normal provision of the Income Tax Ordinance, 2001. It considers turnover trend of last three years as well as expected pattern of taxation of future years in order to recognize deferred tax.

### **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 reporting date and adjusted to reflect the current best estimate.

### **5.15 Revenue recognition**

#### **Sale of goods**

The Company's contracts with customers for the sale of goods generally include one performance obligation for both local and export sales i.e. provision of goods to the customers.

#### **(a) Local Sales**

The revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on dispatch of products from the mill.

#### **(b) Export Sales**

The revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, dependent on the related inco-terms generally on date of bill of lading or delivery of the product to the port of destination. Therefore, export sales are recognized upon clearance of shipment at port of discharge.

#### **Rendering of services**

The Company provides garments stitching and fabric processing services to local customers. These services are sold separately and the Company's contract with the customer for services constitute a single performance obligation.

Revenue from services is recognized at the point in time, generally on dispatch of the stitched/processed fabric from the factory. There are no terms giving rise to variable consideration under the Company's contracts with its customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Other sources of revenue

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.

Revenue against scrap sales is recognized when control is transferred to customer. Consideration is always received at the time of delivery.

All other income items are recognized on accrual basis.

## 5.16 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.

## 5.17 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 reporting date. Foreign exchange gains and losses on translation are recognized in the statement of profit or loss. 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.

## 5.18 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 statement of profit or loss.

## 5.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

### 5.19.1 Financial assets

#### a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15, Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### **b) Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### **Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

- i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes long term deposits, trade debts, loan to employees, trade deposits and other receivables.

##### **Financial assets at fair value through OCI (debt instruments)**

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

## Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. The Company transfers the gain / loss on investments disposed off to unappropriated profit within equity. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Based on business model of the Company, it elected to classify irrevocably its equity investments under this category.

## Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### c) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- i) The rights to receive cash flows from the asset have expired, or
- ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### d) **Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

## 5.19.2 Off-setting of financial assets and liabilities

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

## 5.19.3 Derivative financial instruments

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

### a) Cash flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of capital reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

### b) Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

#### **5.19.4 Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, unclaimed dividend, loans and borrowings including bank overdrafts.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

##### **a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

##### **b) Financial liabilities at amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective interest rate (EIR) method.

Gains and losses are recognized in statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to the liabilities as disclosed in Note 46.5.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.20 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Company as lessee*

Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### *Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, dismantling cost, initial direct costs incurred, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

### *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses implicit rates available in the lease agreements, however, in case the interest rate implicit in the lease is not readily determinable, the Company uses incremental borrowing rate at the lease commencement date.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### *Company as lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.



### 5.20.1 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. During the year, the Company has recognized an amount of rent expense, in the statement of profit or loss, representing charge for short-term leases.

### 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. 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	2020 Rupees	2019 Rupees
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	12,286,441,128	12,209,645,502
Capital work-in-progress	6.6	832,850,234	385,578,201
		<u>13,119,291,362</u>	<u>12,595,223,703</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6.1 Operating fixed assets

	2020																		
	Land		Buildings on free - hold land					Buildings on lease - hold land					Ruppes						
	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 installation	Fire fighting equipment	Electric equipment						Computer	Office equipment
Balance as at 1 July 2019																			
Cost	324,259,058	115,038,377	2,971,927,465	521,522,713	420,773,248	322,715,156	97,496,346	89,436,813	15,080,441,541	544,577,843	26,470,720	114,017,748	91,049,673	42,183,079	107,109,148	78,744,634	223,390,474	21,171,154,036	
Accumulated depreciation	-	-	(1,177,802,201)	(188,324,243)	(74,432,381)	(216,486,512)	(32,313,662)	(65,007,785)	(6,654,093,842)	(252,855,884)	(7,091,962)	(36,926,212)	(61,125,191)	(31,326,063)	(49,655,676)	(31,745,600)	(102,341,321)	(8,961,508,534)	
Net book value	324,259,058	115,038,377	1,794,125,264	353,198,470	346,340,867	106,248,644	65,182,684	24,429,028	8,426,347,699	291,721,959	19,378,758	77,091,536	29,924,482	10,857,016	57,453,472	46,999,034	121,049,153	12,209,645,502	
For the year ended 30 June 2020																			
Additions	31,036,499		184,697,710	73,769,902	-	913,750	-	-	984,214,021	33,354,989	2,629,700	47,705,629	9,730,324	-	8,909,010	40,055,353	35,778,171	1,452,794,058	
Disposals:																			
- Cost	-	-	-	-	-	-	-	-	289,504,573	-	-	-	922,874	-	-	-	37,165,560	327,593,007	
- Depreciation	-	-	-	-	-	-	-	-	(194,383,740)	-	-	-	(728,437)	-	-	-	(15,460,865)	(210,573,042)	
	-	-	-	-	-	-	-	-	95,120,833	-	-	-	194,437	-	-	-	21,704,695	117,019,965	
Depreciation for the year	-	-	(188,929,314)	(20,070,107)	(17,317,043)	(10,670,552)	(3,259,134)	(4,885,805)	(920,145,843)	(31,358,777)	(2,104,775)	(11,722,374)	(10,636,873)	(1,085,702)	(6,469,514)	(5,997,196)	(24,325,457)	(1,258,978,469)	
Balance as at 30 June 2020	355,295,557	115,038,377	1,789,893,660	406,897,265	329,023,824	96,491,842	61,923,550	19,543,223	8,395,295,044	293,718,171	19,903,683	113,074,791	28,823,496	9,771,314	59,892,968	81,057,191	110,797,172	12,286,441,128	
Cost	355,295,557	115,038,377	3,156,625,175	595,291,615	420,773,248	323,628,906	97,496,346	89,436,813	15,775,150,989	577,932,832	29,100,420	161,723,377	99,857,123	42,183,079	116,018,158	118,799,987	222,003,085	22,296,355,087	
Accumulated depreciation	-	-	(1,366,731,515)	(188,394,350)	(91,749,424)	(227,137,064)	(35,572,796)	(69,893,590)	(7,379,855,945)	(284,214,661)	(8,196,737)	(48,646,586)	(71,033,627)	(32,411,765)	(56,125,190)	(37,742,796)	(111,205,913)	(10,009,913,959)	
Net book value 2020	355,295,557	115,038,377	1,789,893,660	406,897,265	329,023,824	96,491,842	61,923,550	19,543,223	8,395,295,044	293,718,171	19,903,683	113,074,791	28,823,496	9,771,314	59,892,968	81,057,191	110,797,172	12,286,441,128	
Depreciation rate % per annum	-	-	-	10	5	5	10	5	20	10	10	10	30	10	10	10	20		

2019

	Land		Buildings on free - hold land			Buildings on lease - hold land			2019									
	Free - hold	Lease - hold	Factory building	Labour, staff contract and others	Office building	Factory building	Labour, staff contract and others	Leased building improvements	Plant and machinery	Electric installation	Fire fighting equipment	Electric equipment	Computer	Office equipment	Mills equipment	Furniture and fixtures	Vehicles	Total
Balance as at 1 July 2018																		
Cost	324,259,068	115,038,377	2,190,884,787	430,900,360	403,323,748	315,446,843	88,607,683	89,436,813	14,165,368,516	509,302,988	19,902,818	68,272,927	79,970,954	40,906,781	98,169,445	68,587,385	358,761,271	19,387,140,754
Accumulated depreciation	-	-	(1,047,834,592)	(153,634,220)	(56,265,071)	(204,787,591)	(29,194,877)	(58,900,528)	(6,216,564,021)	(224,546,127)	(6,375,850)	(31,762,203)	(52,044,663)	(30,194,167)	(43,554,406)	(27,202,052)	(161,445,994)	(8,343,306,362)
Net book value	324,259,068	115,038,377	1,143,050,195	277,266,140	347,058,677	110,659,252	59,412,806	30,536,285	7,948,804,495	284,756,861	14,526,968	36,510,724	27,926,291	10,712,614	54,615,039	41,385,333	197,315,277	11,023,834,392
For the year ended 30 June 2019																		
Additions	-	-	781,042,678	90,622,353	17,449,500	7,268,313	8,888,663	-	1,514,057,567	35,849,684	6,567,902	46,244,821	12,862,294	1,276,298	8,939,703	10,157,249	40,041,670	2,581,286,695
Disposals:																		
- Cost	-	-	-	-	-	-	-	-	-	574,829	-	500,000	1,769,575	-	-	-	175,412,467	777,255,413
- Depreciation	-	-	-	-	-	-	-	-	(448,912,208)	(560,277)	-	(494,808)	(1,299,706)	-	-	-	(88,769,618)	(540,036,618)
	-	-	-	-	-	-	-	-	150,072,334	14,532	-	5,192	483,869	-	-	-	86,642,849	237,218,795
Depreciation for the year	-	-	(129,967,609)	(14,690,023)	(18,167,310)	(11,678,921)	(3,118,785)	(6,107,257)	(886,442,029)	(28,870,034)	(1,716,112)	(5,658,817)	(10,380,234)	(1,131,886)	(6,101,270)	(4,543,548)	(29,664,945)	(1,158,238,790)
Balance as at 30 June 2019	324,259,068	115,038,377	1,794,125,264	353,198,470	346,340,867	106,248,644	65,182,684	24,429,028	8,426,347,699	291,721,959	19,378,758	77,091,536	29,924,482	10,857,016	57,453,472	46,999,034	121,049,153	12,209,645,502
Cost	324,259,068	115,038,377	2,971,927,465	521,522,713	420,773,248	322,715,156	97,496,346	89,436,813	15,080,441,541	544,577,843	26,770,720	114,017,748	91,049,673	42,183,079	107,109,148	78,744,634	223,380,474	21,171,154,036
Accumulated depreciation	-	-	(1,177,802,201)	(168,324,243)	(74,432,381)	(216,466,512)	(32,313,662)	(65,007,785)	(6,654,093,842)	(252,855,894)	(7,091,962)	(86,926,212)	(61,125,191)	(31,326,063)	(49,655,676)	(31,745,600)	(102,341,321)	(8,961,508,534)
Net book value 2019	324,259,068	115,038,377	1,794,125,264	353,198,470	346,340,867	106,248,644	65,182,684	24,429,028	8,426,347,699	291,721,959	19,378,758	77,091,536	29,924,482	10,857,016	57,453,472	46,999,034	121,049,153	12,209,645,502
Depreciation rate % per annum	-	-	10	5	5	5	10	5	20	10	10	10	10	30	10	10	10	20

**6.2** Freehold lands of the Company are located at Sheikhpura, Kasur and Lahore with an area of 1,099,016 (2019: 1,077,327) square yards and leasehold lands of the Company are located at Kotri, Nooriabad and Karachi with an area of 435,964 (2019: 435,964) square yards.

**6.3** Freehold land includes Rs.80.685 million (2019: 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

	Note	2020 Rupees	2019 Rupees
Cost of sales	31	1,218,364,009	1,114,315,358
Distribution cost	32	1,388,726	2,425,329
Administrative expenses	33	39,225,730	41,498,103
		<b>1,258,978,465</b>	<b>1,158,238,790</b>

6.5 Particulars of disposed operating fixed assets during the year, having book value of five hundred thousand rupees or more are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal	Particulars of Buyers / Relationship (if any)
Rupees							
<b>Plant and Machinery</b>							
Gas generator	104,490,065	59,031,569	45,458,495	16,812,000	(28,646,495)	Negotiation	R.A Engineering Services (Private) Limited
Auto coro open end machine	26,699,603	21,840,764	4,858,839	7,000,000	2,141,161	--- do ---	A.R.Textile
Auto coro open end machine	16,770,074	14,529,210	2,240,864	4,393,046	2,152,182	--- do ---	Lyallpur Textiles
Slub device	3,741,579	3,134,625	606,954	606,954	-	--- do ---	Lyallpur Textiles
Auto coro open end machine	11,984,352	10,050,009	1,934,343	3,500,000	1,565,657	--- do ---	Combined Spinning (Private) Limited
Auto coro open end machine	25,759,462	20,256,521	5,502,941	7,000,000	1,497,059	--- do ---	Multan Spinning Mills
Auto coro open end machine	8,696,729	7,455,945	1,240,784	2,500,000	1,259,216	--- do ---	Noor Tex
Loptex sorter machine	14,073,537	10,773,517	3,300,020	3,350,000	49,980	--- do ---	Nadeem Textile Mills Limited
Vortex MVS machines	30,999,479	18,087,672	12,911,806	14,500,000	1,588,194	--- do ---	H.A.R Textile Mills Limited
Loptex sorter machine	8,975,089	6,038,679	2,936,409	2,945,455	9,046	--- do ---	Abdullah Fibres (Private) Limited
Water treatment machine	1,800,000	725,800	1,074,200	1,100,000	25,800	--- do ---	Chemtronics Water Services (Private) Limited
Chain grate, coal firing system machines	5,955,052	990,027	4,965,025	4,307,785	(657,240)	--- do ---	Prime Oil And Ghee Mills Limited
Steam boiler machine	12,000,000	5,882,524	6,117,476	7,300,000	1,182,524	--- do ---	M.A. Oils Private Limited
	271,945,020	178,796,863	93,148,157	75,315,240	(17,832,917)		
<b>Vehicles - Sold to employees</b>							
Suzuki Swift	1,463,000	663,486	799,514	799,514	-	As per Company Policy	Mr. Sami Ud Din
Honda Civic	2,353,000	745,640	1,607,360	1,607,360	-	--- do ---	Mr. Alam Zeb Burki
Suzuki Cultus	1,250,000	425,000	825,000	825,000	-	--- do ---	Mr. Adnan Younus
Suzuki Cultus	1,250,000	350,000	900,000	900,000	-	--- do ---	Mr. Zain-UI-Abideen
Suzuki Cultus	1,099,000	555,068	543,932	543,932	-	--- do ---	Mr. Zahid Siddique
Honda Civic	2,353,000	857,538	1,495,462	1,495,462	-	--- do ---	Mr. Muhammad Sohaib Khan
Suzuki Swift	1,418,000	866,228	551,772	551,772	-	--- do ---	Mr. Muhammad Irfan Akhtar
Toyota Corolla	1,880,500	906,986	973,514	973,514	-	--- do ---	Mr. Faisal Arif
Honda Civic	2,403,000	698,472	1,704,528	1,704,528	-	--- do ---	Mr. Sarmad Munir
Suzuki Cultus	1,250,000	527,500	722,500	722,500	-	--- do ---	Mr. Faisal Nazir
	16,719,500	6,595,918	10,123,582	10,123,582	-		
<b>Vehicles - Sold to third parties</b>							
Toyota Corolla	2,379,000	198,250	2,180,750	2,425,000	244,250	Negotiation	Mr. Muhammad Asif Ashraf
Honda City	1,804,000	263,584	1,540,416	1,854,000	313,584	--- do ---	Ms. Samreen Sajid
Toyota Fortuner	6,230,500	1,574,240	4,656,260	4,901,250	244,990	--- do ---	Mr. Malik Taimur Ali Noon
Suzuki Swift	1,327,000	627,759	699,241	1,100,000	400,759	--- do ---	Mr. Waqas Dilawar
Suzuki Swift	1,463,000	708,742	754,258	1,200,000	445,742	--- do ---	Mr. Naveed Ahmed Khan
	13,203,500	3,372,575	9,830,925	11,480,250	1,649,325		
<b>Other assets having book value less than Rs.500,000</b>							
	25,724,987	21,807,686	3,917,301	5,947,710	2,030,409		
2020	327,593,007	210,573,042	117,019,965	102,866,782	(14,153,183)		
2019	777,255,413	540,036,617	237,218,795	228,050,702	(9,168,093)		





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>8 INTANGIBLE ASSETS</b>			
(Computer software)			
<b>Net carrying value as at 01 July 2019</b>			
Net book value as at July 01		627,039	2,035,188
Amortization during the year	8.1	(418,706)	(1,408,149)
<b>Net book value as at 30 June 2020</b>		<b>208,333</b>	<b>627,039</b>
<b>Gross carrying value as at 30 June 2020</b>			
Cost		24,992,360	24,992,360
Accumulated amortization		(24,784,027)	(24,365,321)
<b>Net book value as at 30 June 2020</b>		<b>208,333</b>	<b>627,039</b>
Amortization rate % per annum		20	20
<b>8.1</b>	Amortization expense for the year has been charged to other operating expenses.		
<b>9 LONG TERM INVESTMENTS</b>			
<b>Related parties - at cost:</b>			
Subsidiaries - unlisted	9.1	9,522,423,070	9,630,113,070
Associates - listed	9.2	8,461,851	8,461,851
- unlisted	9.3	467,514,425	467,514,425
		475,976,276	475,976,276
<b>Other companies - Fair value through other comprehensive income</b>	9.4	3,614,599,820	4,150,418,072
		<b>13,612,999,166</b>	<b>14,256,507,418</b>

## 9.1 Investments in subsidiary companies - unlisted

2020	2019		Note	2020	2019
No. of Shares		Name of Company		Rupees	Rupees
228,228,737	228,228,737	<b>Sapphire Wind Power Company Limited (SWPCL)</b>	9.1.1	2,282,287,370	2,282,287,370
		Equity Interest Held 70% (2019: 70%)			
-	10,000	<b>Sapphire Tech (Private) Limited</b>			
		Equity Interest Held 0% (2019: 100%)	9.1.2	-	100,000
		Less: Impairment charged		-	(100,000)
				-	-
-	1,000	<b>Sapphire Solar (Private) Limited</b>			
		Equity Interest Held 0% (2019: 100%)	9.1.2	-	10,000
		Less: Impairment charged		-	(10,000)
				-	-
200,000,000	200,000,000	<b>Sapphire Retail Limited</b>		2,000,000,000	2,000,000,000
		Equity Interest Held 100% (2019: 100%)			
475,051,500	475,051,500	<b>Triconboston Consulting Corporation (Private) Limited (TBCL)</b>	9.1.1	5,224,375,700	5,224,375,700
		Equity Interest Held 57.125% (2019: 57.125%)			
-	1,234,500	<b>Sapphire Renewables Limited</b>			
		Equity Interest Held 0% (2019: 100%)	9.1.2	-	123,450,000
673,780	-	<b>Sapphire International ApS</b>	9.1.3	15,760,000	-
		Equity Interest Held 100% (2019: Nil)			
				9,522,423,070	9,630,113,070

**9.1.1** The shares of SWPCL and TBCL held by the Company are under pledge as a security for debt finance arrangement for the wind energy project of SWPCL and TBCL respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

**9.1.2** On 29 October 2019, the Board of Directors of the Company passed a resolution approving a Scheme of Amalgamation under Section 284 of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Sapphire Solar (Private) Limited (SSPL), Sapphire Tech (Private) Limited (STPL) and Sapphire Renewables Limited (SRL) with and into the Company. As such, as of the completion date of 31 December 2019, the entire undertaking of SSPL, STPL and SRL stands merged with and into the Company. As a result the entire business of SSPL, STPL and SRL including its properties, assets, liabilities and rights and obligations vested into the Company. Since SSPL, STPL, SRL were group companies under common control, the merger has been accounted for as a common control transaction. The acquired net assets of SSPL, STPL and SRL are included in the financial statements of the Company at the same carrying values as recorded in SSPL's, STPL's and SRL's own financial statements as on 31 December 2019. The results and the statement of financial position of SSPL, STPL and SRL are consolidated prospectively from the date of merger.

Under merger accounting, the carrying values of the assets and liabilities of the parties to the combination are as follows:

	Carrying value on the date of merger			Total
	SSPL	STPL	SRL	
	Rupees			
<b>Assets</b>				
Deposits and other receivables	-	-	6,827,900	6,827,900
Cash at bank	22,618	90,690	7,578,929	7,692,237
Income tax recoverable	-	-	442,260	442,260
	22,618	90,690	14,849,089	14,962,397
<b>Liabilities</b>				
Accrued and other liabilities	80,170	140,170	-	220,340
Short term loans	2,500,662	138,738	-	2,639,400
Withholding sales tax payable	-	-	91,640	91,640
	2,580,832	278,908	91,640	2,951,380
<b>Net assets acquired</b>	<b>(2,558,214)</b>	<b>(188,218)</b>	<b>14,757,449</b>	<b>12,011,017</b>

Reconciliation of the net assets acquired to amount transferred to reserves is as follows:

	Amount Rupees
Net assets acquired	12,011,017
Less: Investment in subsidiaries	(123,450,000)
	(111,438,983)
Short term loan receivable - written off	2,639,400
Net loss transferred to reserves	(108,799,583)

**9.1.3** The Company has incorporated a wholly owned subsidiary for the facilitation of its exports. Its registered address is Petersen Søgade 15, 1. th. 6000 Kolding, Denmark.

2020	2019		2020	2019
No. of Shares		Name of Company	Rupees	Rupees
<b>9.2 Investments in associates - listed</b>				
313,295	313,295	<b>Reliance Cotton Spinning Mills Limited</b> Equity Interest Held 3.04% (2019: 3.04%)	8,461,851	8,461,851
<b>9.3 Investments in associates - unlisted</b>				
4,234,500	4,234,500	<b>Sapphire Power Generation Limited</b> Equity Interest Held 26.43% (2019: 26.43%)	113,705,500	113,705,500
6,000,000	6,000,000	<b>Sapphire Electric Company Limited</b> Equity Interest Held 1.42% (2019: 1.42%)	60,000,000	60,000,000
10,000	10,000	<b>Sapphire Holding Limited</b> Equity Interest Held 0.05% (2019: 0.05%)	100,000	100,000
23,500,000	23,500,000	<b>Sapphire Dairies (Private) Limited</b> Equity Interest Held 18.80% (2019: 21.36%)	235,000,000	235,000,000
3,675	3,675	<b>Foreign Company - Creadore A/S Denmark</b> Beneficial ownership: Sapphire Textile Mills Limited - 49% (2019: 49%) and Beirholm holding A/S Nordager 20, 6000 Kolding, Denmark- 51% (2019: 51%)	58,708,925	58,708,925
			<b>467,514,425</b>	<b>467,514,425</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 9.4 Other companies - Fair value through other comprehensive income

2020	2019	Note	2020	2019
No. of Shares	Name of Company		Rupees	Rupees
	<b>Quoted - conventional</b>			
4,061,840	4,061,840 MCB Bank Limited		217,880,150	217,880,150
	Fair value adjustment		440,422,259	490,707,838
			658,302,409	708,587,988
29,623,714	29,623,714 Habib Bank Limited		5,926,153,798	5,926,153,798
	Fair value adjustment		(3,056,504,623)	(2,570,971,950)
			2,869,649,175	3,355,181,848
	<b>Unquoted</b>			
7,055,985	7,055,985 Novelty Enterprises (Private) Limited	9.4.1	86,148,236	86,148,236
50,000	50,000 TCC Management Services (Private) Limited		500,000	500,000
			3,614,599,820	4,150,418,072

**9.4.1** This represents 12.5% equity interest in Novelty Enterprises (Private) Limited, a privately held entity. The investee company has not yet commenced its operations accordingly fair value of the investment cannot be determined. However, based on the latest available financial statements, the management is of the view that there are no indications of impairment and the carrying amount has been considered equal to the fair value.

**9.4.2** The Company has pledged 3.332 million (2019: 2.832 million) shares of MCB Bank Limited, 0.150 million (2019: 1 million) shares of Engro Corporation Limited, 12.906 million (2019: 18.906 million) shares of Bank Al-Habib Limited and 27.177 million (2019: 21.177 million) shares of Habib Bank Limited with various financial institutions for arrangement of finance facilities.

**9.4.3** The Company has pledged 4.407 million (2019: 4.407 million) shares of Engro Corporation Limited, 7.200 million (2019: 9.2 million) shares of Bank Al-Habib Limited, 0.730 million (2019: 1.230 million) shares of MCB Bank Limited and 2.447 million (2019: 2.447 million) shares of Habib Bank Limited and Nil (2019: 30.183 million) shares of K- Electric Limited with Standard Chartered Bank as security for issuance of standby letter of credit amounting to US \$ 8.791 million in favour of a financial institution for Debt Service Reserve support for TBCL (2019: US \$ 11.300 million in favour of a financial institutions for contingency support in TBCL in accordance with Sponsors Support agreement).



	Note	2020 Rupees	2019 Rupees
<b>10 LONG TERM LOANS AND ADVANCES</b>			
Loan to employees - unsecured (considered good)	10.1	46,163,175	51,343,927
Advance for land		65,500,000	84,500,000
		<b>111,663,175</b>	<b>135,843,927</b>
<b>10.1 Loan to employees - unsecured (considered good)</b>			
Loans to employees	10.1.1	70,855,954	78,281,393
Current portion of loans shown under current assets	15	(24,692,779)	(26,937,466)
		<b>46,163,175</b>	<b>51,343,927</b>
<b>10.1.1</b> These represent interest free loans provided to executives and permanent employees for various purposes in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives / employees on resignation / retirement. These are recoverable in equal monthly instalments. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of long term loans is not considered material and hence not recognized.			
<b>11 LONG TERM DEPOSITS</b>			
<b>Security deposits</b>			
WAPDA		85,830,588	85,830,588
SNGPL		1,097,000	1,097,000
Others	11.1	756,504	981,504
		<b>87,684,092</b>	<b>87,909,092</b>
<b>11.1</b> It includes an amount of Rs.36,000 (2019: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party.			
<b>12 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		233,006,325	198,542,639
Spares - in hand		215,245,013	188,427,624
Spares - in transit		77,157,422	71,764,713
		<b>292,402,434</b>	<b>260,192,337</b>
Loose tools		593,715	547,686
		<b>526,002,473</b>	<b>459,282,662</b>
Less: Provision for slow moving stores, spares and loose tools	12.1	(54,628,399)	(65,469,942)
		<b>471,374,075</b>	<b>393,812,720</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>12.1 Provision for slow moving stores, spares and loose tools</b>			
Balance at the beginning of the year		65,469,942	55,806,634
(Reversal) / provision made during the year - net	34/35	(10,841,543)	9,663,308
Balance at the end of the year		54,628,399	65,469,942
<b>13 STOCK IN TRADE</b>			
Raw material - in hand	31.1	6,208,117,180	5,132,990,550
Raw material - in transit		95,424,152	268,530,903
		6,303,541,332	5,401,521,453
Work in process	31	638,708,853	589,256,549
Finished goods		1,918,914,557	1,460,392,852
Waste		49,747,419	30,796,400
	31	1,968,661,976	1,491,189,252
		8,910,912,161	7,481,967,254

- 13.1** Stock in trade include items valued at Net Realizable value (NRV). The write down to NRV amounting Rs.481.878 million (2019: Rs. Nil) has been recognized in cost of goods sold. Detail of cost and NRV is as follows.

## Cost

Raw material	4,395,019,840	-
Finished goods	545,151,568	-
Firm commitments against stock in transit	784,043,303	-
	5,724,214,710	-

## Net Realizable value

Raw material	4,013,188,697	-
Finished goods	502,664,415	-
Firm commitments against stock in transit	726,483,724	-
	5,242,336,836	-

	Note	2020 Rupees	2019 Rupees
<b>14 TRADE DEBTS</b>			
<b>Considered good</b>			
Foreign debts	14.1	249,688,542	547,412,695
<b>Considered good</b>			
Domestic debts	14.2 & 14.3	2,486,991,685	1,609,750,052
Waste		28,043,192	24,324,356
Others		18,048,075	16,405,701
		2,533,082,952	1,650,480,109
Considered doubtful		36,773,217	36,505,865
Less: Provision for expected credit loss	14.4	(36,773,217)	(36,505,865)
		2,533,082,952	1,650,480,109
		<b>2,782,771,494</b>	<b>2,197,892,804</b>

**14.1** Foreign debts includes an amount of Rs. 6,651,238 (2019: Rs. Nil) from Sapphire International Aps, a related party, against export sales.

**14.2** Domestic debts includes an amount of Rs.567,469,863 (2019: Rs.402,577,494) receivable against indirect export sales.

#### 14.3 Due from related parties- Domestic debts

Diamond Fabrics Limited	6,013,426	1,547,426
Sapphire Fibres Limited	620,024	-
Reliance Cotton Spinning Mills Limited	-	468,180
Sapphire Finishing Mills Limited	203,140,815	129,618,265
Sapphire Retail Limited	737,817,914	734,068,164
	<b>947,592,179</b>	<b>865,702,035</b>

**14.3.1** The aging of trade debts receivable from related parties as at reporting date is as follows:

	Total amount receivable	Neither past due nor impaired	Past due but not impaired				
			0-30 days	31-60 days	61-90 days	91-180 days	181-360 days
	Rupees						
<b>30 June 2020</b>	947,592,179	361,859,683	180,549,174	134,675,618	107,678,067	162,751,798	77,840

**14.3.2** Maximum amount due from related parties during the year, calculated by reference to month-end balances, was Rs.1,507,302,859 (2019: Rs.1,677,704,456).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>14.4 Provision for expected credit loss</b>			
Balance at the beginning of the year		36,505,865	44,925,809
Charged during the year	34	267,352	-
Written off during the year		-	(7,836,532)
Recovered during the year		-	(583,412)
Balance at the end of the year		<u>36,773,217</u>	<u>36,505,865</u>
<b>15 LOANS AND ADVANCES</b>			
<b>Advances</b>			
- <b>Unsecured-Considered good</b>			
to suppliers		27,044,201	38,903,397
to contractors		-	989,134
		<u>27,044,201</u>	<u>39,892,531</u>
<b>Loans</b>			
Current portion of long term loans to employees			
Short term loans to employees	10.1	24,692,779	26,937,466
		<u>5,145,349</u>	<u>5,558,580</u>
<b>Short term loans to subsidiaries</b>			
- Sapphire Solar (Private) Limited (subsidiary)		-	2,500,662
Less: Impairment		-	(2,500,662)
- Sapphire Tech (Private) Limited (subsidiary)		-	138,738
Less: Impairment		-	(138,738)
		<u>-</u>	<u>-</u>
		<u>56,882,329</u>	<u>72,388,577</u>
<b>16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		22,789,000	4,065,140
Prepayments		<u>2,136,374</u>	<u>2,623,544</u>
		<u>24,925,374</u>	<u>6,688,684</u>

	Note	2020 Rupees	2019 Rupees
<b>17 OTHER RECEIVABLES</b>			
Claims receivable		8,143,153	-
Deposits with High Court		19,430,291	19,430,291
Export rebate receivable		67,859,558	99,244,147
Receivable against sale of fixed assets		10,797,272	80,841,307
Receivable from Triconboston Consulting Corporation (Private) Limited (subsidiary)	17.1	739,347,345	721,482,301
Receivable from Sapphire Wind Power Company Limited (subsidiary) against shared expenses		-	406,800
Rent receivable		90,000	-
Interest receivable		-	494,795
		<b>845,667,618</b>	<b>921,899,641</b>

**17.1** It includes an amount of Rs.709.347 million (2019: Rs. 691.482 million) receivable against technical services and Rs. 30.000 million (2019: Rs. 30.000 million) representing receivable balance transferred to the Company from the subsidiary's previous sponsor at the time of its acquisition. This is interest free and un-secured.

## 18 SHORT TERM INVESTMENTS

Advance for Term Finance Certificates (TFCs)		-	50,000,000
Investments at fair value through other comprehensive income (FVOCI)	18.1	2,956,225,380	3,980,717,707
		<b>2,956,225,380</b>	<b>4,030,717,707</b>

### 18.1 Investments at fair value through other comprehensive income (FVOCI) comprises of:

Debt instruments at fair value through other comprehensive income (FVOCI)	18.1.1	49,000,000	53,443,295
Equity instruments at fair value through other comprehensive income (FVOCI)	18.1.2	2,907,225,380	3,927,274,412
		<b>2,956,225,380</b>	<b>3,980,717,707</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 18.1.1 Debt instruments at fair value through other comprehensive income (FVOCI)

2020	2019	Particulars	2020	2019	2020	2019
Number of Certificates			Cost		Carrying value	
			Rupees			
500	-	HBL Term Finance Certificates (a)	50,000,000	-	49,000,000	-
-	602	Sales tax refund bonds	-	60,200,000	-	53,443,295
			50,000,000	60,200,000	49,000,000	53,443,295

(a) This represents 500 TFCs of HBL having par value of Rs.100,000 and aggregated value of Rs.50,000,000. TFCs issued are rated, listed, unsecured, subordinated, perpetual, non-cumulative, contingent convertible, additional Tier-1, capital eligible and having green shoe option.

## 18.1.2 Equity instruments at fair value through other comprehensive income (FVOCI)

2020	2019		2020	2020	2019
No. of Shares		Name of Company	Cost	Fair value	
			Rupees		
26,985,346	28,105,846	Bank Al-Habib Limited (Refer to note 9.4.2 and 9.4.3)	1,105,332,382	1,411,333,596	2,202,936,210
4,574,007	5,947,370	Engro Corporation (Pakistan) Limited (Refer to note 9.4.2 and 9.4.3)	1,293,345,025	1,339,818,130	1,579,621,472
113,000	-	Engro Fertilizer Limited	6,981,529	6,811,640	-
-	72,000	Pakistan State Oil Limited	-	-	12,213,360
30,183,000	30,183,000	K Electric Limited	260,805,385	90,850,830	132,503,370
808,000	-	Meezan Bank Limited	70,864,861	55,630,800	-
26,900	-	United Bank Limited	4,093,970	2,780,384	-
			2,741,423,152	2,907,225,380	3,927,274,412
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	-	-
			2,758,864,522	2,907,225,380	3,927,274,412

	Note	2020 Rupees	2019 Rupees
<b>19 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax - net	19.1	1,066,819,158	1,017,180,322
Sales tax receivable		624,534,807	524,303,681
Less: provision against doubtful sales tax refunds	19.2	(324,969,127)	(288,528,348)
		299,565,680	235,775,333
		<u>1,366,384,838</u>	<u>1,252,955,655</u>
<b>19.1 Income tax - net</b>			
Advance income tax / refundable		1,489,327,475	1,666,028,099
Provision for taxation	19.1.1	(422,508,317)	(648,847,777)
		<u>1,066,819,158</u>	<u>1,017,180,322</u>
<b>19.1.1 Provision for taxation</b>			
Balance at the beginning of the year		648,847,777	476,622,134
Provision for the year		422,616,472	401,846,952
		<u>1,071,464,249</u>	<u>878,469,086</u>
Less: Advance tax adjusted during the year against completed assessments		(648,955,932)	(229,621,309)
		<u>422,508,317</u>	<u>648,847,777</u>
<b>19.2 Provision against doubtful sales tax refunds</b>			
Balance at the beginning of the year		288,528,348	135,006,064
Provision made during the year		36,440,779	153,522,284
Balance at the end of the year		<u>324,969,127</u>	<u>288,528,348</u>
<b>20 CASH AND BANK BALANCES</b>			
Cash in hand		2,071,975	1,517,000
<b>Bank balances</b>			
Local Currency			
Current		7,397,946	43,365,855
Saving	20.1	37,643,605	34,498,339
		<u>45,041,551</u>	<u>77,864,194</u>
Foreign currency-current accounts			
USD	20.2	20,427,212	16,657,349
EURO	20.3	-	720,648
		<u>20,427,212</u>	<u>17,377,997</u>
		<u>67,540,738</u>	<u>96,759,191</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

**20.1** Balances with banks carry profit at the rate ranging from 6.5% to 11.25% (2019: 8% to 12%) per annum.

**20.2** Cash at bank on USD account was US\$ 121,410 (2019: US \$ 101,569).

**20.3** Cash at bank on EURO account was Nil (2019: EURO 3,867).

## 21 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
No. of Shares			Rupees	Rupees
7,813,391	6,206,740	Ordinary shares of Rs.10 each allotted for consideration paid in cash	78,133,910	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
21,689,791	20,083,140		216,897,910	200,831,400

**21.1** Numerical movement in the number of shares is as follows:

	2020	2019
	Numbers	Numbers
Opening number of shares	6,206,740	6,206,740
Number of shares issued against right issue	1,606,651	-
Closing number of shares	7,813,391	6,206,740

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

**21.3** 6,716,144 (2019: 6,215,349) shares of the Company are held by associated companies as at the reporting date.

	Note	2020	2019
		Rupees	Rupees
<b>22 RESERVES</b>			
Capital reserves	22.1	(1,616,425,752)	(1,043,541,449)
Revenue reserves	22.2	17,876,075,789	17,224,790,391
		16,259,650,037	16,181,248,942
<b>22.1 Composition of capital reserves is as follows:</b>			
Share Premium	22.1.1	782,796,090	156,202,200
Fixed Assets Replacement Reserve	22.1.2	65,000,000	65,000,000
Unrealized loss on investments at fair value through OCI	22.1.3	(2,451,280,135)	(1,264,743,649)
Unrealized loss on forward foreign exchange contracts		(12,941,707)	-
		(1,616,425,752)	(1,043,541,449)

**22.1.1** This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

**22.1.2** This reserve represents funds set aside for the purchase of fixed assets in the future.

**22.1.3** This represents the unrealized loss on re-measurement of investments at fair value through OCI.

	Note	2020 Rupees	2019 Rupees
<b>22.2 Composition of revenue reserves is as follows:</b>			
General reserves	22.2.1	1,330,000,000	1,330,000,000
Unappropriated profit	22.2.2	16,546,075,789	15,894,790,391
		<b>17,876,075,789</b>	<b>17,224,790,391</b>

**22.2.1** This represents appropriation of profit in past years to meet future contingencies.

**22.2.2** This represents the level of unrestricted funds available for general use and distribution among the shareholders.

## 23 LONG TERM FINANCING

### Loans from banking companies - secured

Allied Bank Limited	23.1	3,295,808,372	2,832,884,395
Bank Alfalah Limited - Related Party	23.2	999,147,248	499,905,000
Bank Al Habib Limited	23.3	1,616,922,462	1,838,740,792
Faysal Bank Limited	23.4	71,285,000	95,006,000
Habib Bank Limited	23.5	7,335,590,333	7,821,197,334
MCB Bank Limited	23.6	23,716,000	-
United Bank Limited	23.7	1,166,829,293	1,170,626,000
		<b>14,509,298,708</b>	<b>14,258,359,521</b>
Less: Current portion shown under current liabilities		<b>(736,989,866)</b>	<b>(2,001,251,085)</b>
		<b>13,772,308,842</b>	<b>12,257,108,436</b>

**23.1** These loans carry mark-up ranging from 2.50% to 14.20% (2019: 2.50% to 11.43%) obtained in different tranches and are repayable in quarterly instalments ranging from 8 to 32. These loans are secured against exclusive hypothecation charge of Rs.2,965 million (2019: Rs.2,659 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 9.4.2 having market value of Rs.1,171.583 million (2019: Rs.838.077 million) as on reporting date.

**23.2** These loans carry mark-up of 2.50% to 2.75% (2019: 2.50%) obtained in different tranches and are repayable in quarterly instalments ranging from 16 to 32. These loans are secured against exclusive hypothecation charge of Rs.1,352.95 million (2019: Rs.588.240 million) over specific plant and machinery.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

**23.3** These loans carry mark-up ranging from 2.50% to 13.87% (2019: 2.50% to 11.13%) obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.328 million (2019: Rs.328 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 9.4.2 having market value Rs.2,044.940 million (2019: Rs.1,631.120 million) as on reporting date.

**23.4** These loans carry mark-up ranging from 2.50% to 6.50% (2019: 2.50% to 6.50%) obtained in different tranches and are repayable in 24 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.228.033 million (2019: Rs.228.033 million) over specific plant and machinery.

**23.5** These loans carry mark-up ranging from 2.50% to 14.04% (2019: 2.50% to 11.25%) obtained in different tranches and are repayable in quarterly instalments ranging from 4 to 32. These loans are secured against exclusive hypothecation charge of Rs.9,211.730 million (2019: Rs.8,544.773 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 9.4.2 having market value Rs.674.976 million (2019: Rs.1,037.288 million) as on reporting date.

**23.6** These loans carry mark-up at the rate of 2.50% (2019: Nil) obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.27.901 million (2019: Nil) over specific plant and machinery.

**23.7** These loans carry mark-up at the rate of 2.50% (2019: 2.50%) obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.1,463 million (2019: Rs. 1,425 million) over specific plant and machinery.

	Note	2020 Rupees	2019 Rupees
<b>24 DEFERRED LIABILITIES</b>			
Deferred taxation	24.1	-	236,675,636
Staff retirement benefits - gratuity	24.2	297,609,788	272,908,701
		<b>297,609,788</b>	<b>509,584,337</b>

## 24.1 Deferred taxation

In view of applicability of presumptive tax regime on taxable income for the current and previous tax year and expected pattern of chargeability of Company's income to tax in the same manner, deferred tax liability has been reversed in the financial statements.

	Note	2020 Rupees	2019 Rupees
<b>24.2 Staff retirement benefits</b>			
<b>Movement in the net liability recognized in the statement of financial position</b>			
Opening net liability		272,908,701	225,857,306
Expense for the year in profit and loss	24.2.1	148,493,559	109,967,518
Remeasurement recognized in other comprehensive income		(51,412,524)	8,535,640
		369,989,736	344,360,464
Benefits paid during the year		(72,379,948)	(71,451,763)
Closing net liability		297,609,788	272,908,701
<b>24.2.1 Expense recognized in the statement of profit or loss</b>			
Current service cost		114,761,140	92,855,690
Interest cost		33,732,419	17,111,828
		148,493,559	109,967,518
<b>Movement in the present value of defined benefit obligation</b>			
Present value of defined benefit obligation		272,908,701	225,857,306
Current service cost		114,761,140	92,855,690
Interest cost		33,732,419	17,111,828
Actuarial (gain) / loss		(51,412,524)	8,535,640
Benefits paid		(72,379,948)	(71,451,763)
		297,609,788	272,908,701

	2020	2019	2018	2017	2016
	Rupees				
<b>Historical information</b>					
Present value of defined benefit obligation	297,609,788	272,908,701	225,857,306	200,339,674	250,766,027
Experience adjustments on plan liabilities	51,412,524	(8,535,640)	(13,604,382)	7,398,992	9,965,376



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

- Expected gratuity expenses charged to profit and loss for the year ending 30 June 2021 works out to Rs.131,417,555.
- 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. Latest actuarial valuation was carried out on 30 June 2020.

	2020 %	2019 %
<b>Principal actuarial assumptions</b>		
Following are a few important actuarial assumption used in the valuation:		
Discount rate	8.50	14.25
Expected rate of increase in salary	7.50	13.25
Average age of employees	32.1 years	31.6 years
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 the amount of defined benefit obligation at the end of the reporting period if there is a change in respective assumptions by 100 basis point.

	Increase in assumptions	Decrease in assumptions
	Rupees in '000	
Discount rate	282,330	315,061
Increase in future salaries	316,347	280,859

	Note	2020 Rupees	2019 Rupees
<b>25 TRADE AND OTHER PAYABLES</b>			
Creditors	25.1	1,006,008,344	714,556,613
Accrued liabilities		2,167,383,421	2,059,619,157
Workers' profit participation fund	25.2	62,057,316	99,005,254
Workers' welfare fund		360,614,852	346,498,561
Infrastructure fee	25.3	276,097,189	215,818,411
Payable to provident fund		8,028,146	3,115,242
Unrealized loss on remeasurement of forward currency contracts		17,947,173	-
Others		800,000	3,975,204
		<b>3,898,936,441</b>	<b>3,442,588,442</b>
<b>25.1</b> These balances include the following amounts due to related parties:			
Amer Cotton Mills (Private) Limited		201,393	17,499
Diamond Fabrics Limited		22,176	-
Reliance Cotton Spinning Mills Limited		45,118,193	-
Sapphire Fibres Limited		6,934,076	4,949,420
Sapphire Finishing Mills Limited		91,493,188	142,548
		<b>143,769,026</b>	<b>5,109,467</b>
<b>25.2 Workers' profit participation fund</b>			
Balance at the beginning of the year		99,005,254	59,029,338
Allocation for the year	34	62,057,316	99,005,254
Interest on funds utilized in the Company's business	36	2,402,298	719,673
		<b>64,459,614</b>	<b>99,724,927</b>
		<b>163,464,868</b>	<b>158,754,265</b>
Less: Payments during the year		(101,407,552)	(59,749,011)
Balance at the end the year		<b>62,057,316</b>	<b>99,005,254</b>

**25.3** It includes Rs.275,207,157 (2019: Rs.214,406,369) representing 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 High Court in its judgment dated 15 September 2008 partly accepted the appeal by declaring the levy and collection of infrastructure fee prior to 28 December 2006 as illegal and ultra vires and afterward as legal. The Company filed an appeal in the Supreme Court against this judgement. Additionally, the Government of Sindh also filed appeal for the part of judgement decided against them.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 27 December 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to 27 December 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at 30 June 2020, the Company has provided bank guarantees aggregating Rs.274.823 million (2019: Rs.214.823 million) in favour of Excise and Taxation Department.

## 26. CONTRACT LIABILITIES

**26.1** It includes advances received from Creadore A/S Denmark amounting Rs.24,179,553 (2019: Rs. 45,117,361).

**26.2** The contract liabilities outstanding at 30 June 2019 have been recognized as revenue during the year.

	Note	2020 Rupees	2019 Rupees
<b>27 ACCRUED INTEREST / MARK-UP</b>			
Accrued interest / mark-up on secured:			
- long term financing		209,788,226	170,362,670
- short term borrowings		151,434,062	150,061,296
		<b>361,222,288</b>	<b>320,423,966</b>

**27.1** Accrued mark-up includes an amount of Rs.15,569,438 (2019: Rs.9,637,049) due to Bank Alfalah Limited - related party.

## 28. SHORT TERM BORROWINGS

Short term loans		3,682,792,190	5,009,967,750
Running finance under mark-up arrangements		4,353,842,308	2,549,697,785
	<b>28.1</b>	<b>8,036,634,498</b>	<b>7,559,665,535</b>
Bank overdrafts	<b>28.2</b>	<b>33,938,460</b>	-
Loan from related parties	<b>28.3</b>	-	237,843,000
		<b>8,070,572,958</b>	<b>7,797,508,535</b>

**28.1** Aggregate facilities amounting to Rs.19,495 million (2019: Rs.15,662 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts, export bills under collection and pledge of shares. These carry mark up ranging 2.25% to 14.81% (2019: 2.15% to 13.30%) on local currency loans per annum payable monthly / quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs.1,047 million (2019: Rs.814 million) due to Bank Alfalah Limited (related party).

Total unfunded facilities available to the company aggregate to Rs.18,964 million (2019: Rs.11,846 million) out of which the amount remained unutilized at the year-end was Rs.14,120 million (2019: Rs.8,320 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Company, cash margins and pledge of shares.

**28.2** This represents issuance of cheques in excess of balance at bank accounts.

**28.3** It includes loans received from related parties, which are interest free, unsecured and payable by the entity on demand. Details of the parties are as follows:

	Note	2020 Rupees	2019 Rupees
Loan from Directors and their spouses		-	148,140,000
Loan from major shareholders		-	19,443,000
Loan from associated companies		-	70,260,000
		-	237,843,000

## 29 CONTINGENCIES AND COMMITMENTS

### Contingencies

**29.1** Guarantees issued by banks on behalf of the Company

702,400,369 617,943,587

**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 30 June 2020 the value of these cheques amounted to Rs.1,391.363 million (2019: Rs.720.484 million).

**29.3** A commercial bank 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.

**29.4** Also refer to content of note 9.4.2 and 9.4.3.

### 29.5 Commitments

Commitments in respect of confirmed letter of credit	29.5.1	2,306,194,325	1,055,047,702
Commitments in respect of capital expenditure	29.5.2	28,927,239	128,731,342
Commitments in respect of forward foreign currency contracts		352,443,189	-
		2,687,564,754	1,183,779,044

#### 29.5.1 Confirmed letter of credit in respect of:

- plant and machinery	470,885,640	297,630,174
- raw material	1,752,672,334	706,206,126
- stores and spares	82,636,351	51,211,402
	2,306,194,325	1,055,047,702

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

**29.5.2** This includes commitments for payments to be made for to various construction companies for the construction and extension on existing building at multiple plants of the Company.

## 30 NET TURNOVER

	Note	Export Sales		Local Sales		Total	
		2020	2019	2020	2019	2020	2019
		Rupees					
Yarn	30.2	11,954,237,418	13,255,163,103	4,012,514,180	1,427,087,011	15,966,751,598	14,682,250,114
Fabric	30.3	10,715,373,459	10,842,110,780	999,797,207	563,725,987	11,715,170,666	11,405,836,767
Home textile products		5,769,494,876	5,183,496,486	115,644,765	117,765,718	5,885,139,641	5,301,262,204
Raw material		-	-	100,024,559	29,873,566	100,024,559	29,873,566
Waste	30.4	199,973,684	179,230,548	317,259,594	267,546,934	517,233,278	446,777,482
Processing income		-	-	1,995,067,920	2,243,606,323	1,995,067,920	2,243,606,323
		28,639,079,437	29,460,000,917	7,540,308,225	4,649,605,539	36,179,387,662	34,109,606,456
Export rebate and duty drawback						507,580,498	160,828,378
Less: sales tax						(2,656,781,872)	(17,682,777)
						34,030,186,288	34,252,752,057

**30.1** Revenue is recognised at point in time as per the terms and conditions of underlying contracts with customers.

	2020 Rupees	2019 Rupees
<b>30.2 Export sales - Yarn</b>		
Direct export	4,559,377,181	4,676,488,557
In-direct export	7,394,860,237	8,578,674,546
	11,954,237,418	13,255,163,103
<b>30.3 Export sales - Fabric</b>		
Direct export	7,339,764,196	8,059,404,814
In-direct export	3,375,609,263	2,782,705,966
	10,715,373,459	10,842,110,780

**30.4** Export waste sales represent comber noil sales.

**30.5** Exchange loss due to currency rate fluctuations relating to export sales amounting to Rs.79.253 million (2019: gain of Rs.77.652 million) has been included in export sales.

	Note	2020 Rupees	2019 Rupees
<b>31 COST OF SALES</b>			
Raw material consumed	31.1	20,411,274,110	20,441,921,666
Packing material consumed		475,654,063	433,831,982
Stores and spares consumed		958,791,245	918,861,102
Salaries, wages and benefits	31.2	3,714,363,587	3,514,144,126
Fuel, power and water		2,060,837,544	2,212,273,630
Other manufacturing expenses	31.3	526,734,110	701,221,384
Repair and maintenance		76,483,143	63,008,830
Vehicle running expenses		35,742,291	40,582,373
Travelling and conveyance		31,366,964	41,318,644
Insurance expenses		31,885,732	27,719,223
Rent, rates and taxes		2,204,133	15,551,558
Fees and subscription		18,290,801	6,567,026
Communication expenses		19,108,477	15,114,005
Printing and stationery		1,210,115	955,284
Legal and professional charges		1,281,277	568,308
Depreciation	6.4	1,218,364,009	1,114,315,358
Miscellaneous expenses		2,591,979	4,691,425
		<b>29,586,183,580</b>	<b>29,552,645,924</b>
<b>Work in process</b>			
Opening stock		589,256,549	478,749,878
Closing stock	13	(638,708,853)	(589,256,549)
		<b>(49,452,304)</b>	<b>(110,506,671)</b>
<b>Cost of goods manufactured</b>		<b>29,536,731,276</b>	<b>29,442,139,253</b>
<b>Finished goods</b>			
Opening stock		1,491,189,252	850,821,494
Closing stock	13	(1,968,661,976)	(1,491,189,252)
		<b>(477,472,724)</b>	<b>(640,367,758)</b>
<b>Cost of goods sold - manufactured</b>		<b>29,059,258,552</b>	<b>28,801,771,495</b>
Cost of raw material sold	31.4	136,236,602	45,247,572
		<b>29,195,495,154</b>	<b>28,847,019,067</b>
<b>31.1 Raw material consumed</b>			
Opening balance		5,132,990,550	4,045,463,922
Purchases		21,486,400,740	21,529,448,294
		<b>26,619,391,290</b>	<b>25,574,912,216</b>
Closing stock	13	(6,208,117,180)	(5,132,990,550)
		<b>20,411,274,110</b>	<b>20,441,921,666</b>

**31.2** Salaries, wages and benefits include Rs.148,493,559 (2019: Rs.109,967,518) in respect of post employment benefits - gratuity and Rs.32,307,658 (2019: Rs.27,299,161) in respect of provident fund contribution.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>31.3 Other manufacturing expenses</b>			
Cotton dyeing, bleaching and bale pressing charges		156,073,108	179,369,514
Yarn dyeing and bleaching charges		21,224,897	47,647,855
Fabric dyeing, bleaching, knitting and processing charges		60,883,124	66,244,055
Weaving and yarn doubling charges		103,764,645	48,831,353
Stitching, spinning and other charges		82,960,791	90,614,042
Embroidery charges		101,827,545	268,514,565
		<b>526,734,110</b>	<b>701,221,384</b>

**31.4** It includes salaries, wages and benefits, insurance and finance cost amounting Rs.1,205,457 (2019: Rs.400,421), Rs.2,410,913 (2019: Rs.800,842) and Rs.12,054,567 (2019: Rs.4,004,210) respectively.

## 32 DISTRIBUTION COST

### On export sales

Export development surcharge		43,537,687	45,441,414
Insurance		5,855,415	7,313,037
Commission		204,057,762	254,905,801
Ocean freight and forwarding		382,453,727	380,184,579
		<b>635,904,591</b>	<b>687,844,831</b>

### On local sales

Inland freight and handling		53,292,081	53,179,803
Commission		47,069,859	53,010,756
		<b>100,361,940</b>	<b>106,190,559</b>

### Other distribution cost

Salaries and benefits	32.1	203,223,297	173,721,218
Rent and utilities		344,937	161,397
Communication		14,619,634	13,515,578
Travelling, conveyance and entertainment		70,650,939	65,859,323
Insurance expenses		194,052	323,405
Repair and maintenance		3,982,151	394,530
Fees and subscription		3,503,893	10,578,633
Samples and advertising		3,484,940	11,842,377
Exhibition expenses		11,637,033	10,822,151
Printing and stationery		391,156	398,603
Depreciation	6.4	1,388,726	2,425,329
		<b>313,420,757</b>	<b>290,042,544</b>
		<b>1,049,687,288</b>	<b>1,084,077,934</b>

**32.1** Salaries and benefits include Rs.8,055,912 (2019: Rs.6,640,620) in respect of provident fund contribution.

	Note	2020 Rupees	2019 Rupees
<b>33 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		50,520,000	45,600,000
Directors' meeting fee		450,000	300,000
Salaries and benefits	33.1	242,101,110	220,382,140
Rent, rates and utilities		19,371,517	18,040,850
Communication		10,892,705	11,989,461
Printing and stationery		3,407,087	5,302,492
Travelling, conveyance and entertainment		23,569,851	30,275,027
Motor vehicle expenses		15,949,864	15,627,262
Repair and maintenance		16,668,495	17,725,377
Insurance expense		2,367,929	2,675,486
Legal and professional charges		9,387,804	3,413,253
Fees and subscription		4,859,039	8,500,944
Computer expenses		7,990,867	6,224,475
Advertisement		240,815	136,630
Depreciation	6.4	39,225,730	41,498,103
Others		252,000	360,218
		<b>447,254,813</b>	<b>428,051,718</b>

**33.1** Salaries and benefits include Rs.8,638,857 (2019: Rs.7,842,312) in respect of provident fund contribution.

<b>34 OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund	25.2	62,057,316	99,005,254
Workers' welfare fund		26,716,027	60,122,623
Auditors' remuneration	34.1	2,568,900	2,231,850
Donations	34.2	31,590,176	12,067,030
Amortization of intangible assets	8.1	418,706	1,408,149
Provision for stores, spares and loose tools	12.1	-	9,663,308
Provision against doubtful sales tax refundable	19.2	36,440,779	153,522,284
Realized loss on forward currency contracts		18,331,482	-
Allowance for expected credit loss	6.5	267,352	-
Loss on sale of fixed assets		14,153,183	9,168,093
Exchange loss on foreign currency accounts		329,561	-
		<b>192,873,482</b>	<b>347,188,591</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>34.1 Auditors' remuneration</b>			
Audit fee		1,698,900	1,618,000
Half yearly review fee		444,150	423,000
Code of corporate governance review fee		85,850	85,850
Tax consultancy fee		200,000	-
Other certification / services		140,000	105,000
		<b>2,568,900</b>	<b>2,231,850</b>

**34.2** Donations to following organisation are greater than 10% of total donations i.e. Rs.3,159,018 (2019: Rs.1,206,703) of the Company.

The Kidney Centre Post Graduate Training Institute		-	1,250,000
Network of Organisations Working for People with Disabilities Pakistan (NOWPDP)		-	1,500,000
Abdullah Foundation	<b>34.2.1</b>	<b>23,185,000</b>	<b>2,300,000</b>
		<b>23,185,000</b>	<b>5,050,000</b>

**34.2.1** The Directors of the Company who have interest in Abdullah Foundation (donee) are following.

Name of director	Interest in donee	Name and address of donee
Mr. Mohammad Abdullah	Director	Abdullah Foundation, 312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mr. Shahid Abdullah	Director	
Mr. Nadeem Abdullah	Director	
Mr. Amer Abdullah	Director	
Mr. Yousuf Abdullah	Director	

	Note	2020 Rupees	2019 Rupees
<b>35 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income			
- from other companies		447,930,334	397,359,558
- from subsidiary and associated companies		167,546,540	317,870,640
		615,476,874	715,230,198
Mark-up income on loans to subsidiaries		-	12,822,179
Exchange gain on foreign currency accounts		-	3,541,393
Exchange gain on translation of receivable		17,865,044	-
Interest income on saving account and bonds		10,398,801	2,835,359
		643,740,719	734,429,129
<b>Income from non-financial assets</b>			
Reversal of stores, spares and loose tools	12.1	10,841,543	-
Credit balance written-back		-	6,883,216
Rental income		600,000	600,000
Technical services		-	691,482,301
Scrap sales [Net of sales tax aggregating Rs.14.752 million (2019: Rs.9.783 million)]		66,004,411	51,626,400
		77,445,954	750,591,917
		721,186,673	1,485,021,046
<b>36 FINANCE COST</b>			
Interest / mark-up on :			
- short term finances		794,232,615	838,361,165
- long term loans		1,302,855,080	1,049,341,278
- Workers' Profit Participation Fund	25.2	2,402,298	719,673
		2,099,489,993	1,888,422,116
Bank charges, commission and others charges		324,082,933	197,005,135
Exchange loss on foreign currency loans		133,403,953	-
		2,556,976,879	2,085,427,251

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
<b>37 TAXATION</b>		
Current tax		
- for the year	421,583,240	402,681,080
- prior years	(54,911,259)	(834,128)
	366,671,981	401,846,952
Deferred tax	(236,675,636)	(15,278,355)
	129,996,345	386,568,597

There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime for the current year. Accordingly, no numerical reconciliation has been presented.

**37.1** The Finance Act, 2017 had amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 7.5%, for the year ended 30 June 2017, of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 40% of the accounting profit through cash dividend within six months of the end of the said year. The Company filed a Constitutional Petition (CP) before the Honourable Sindh High Court (SHC), Sindh on 28 July 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 30 June 2017. The matter is still pending with the court as at current reporting date.

		2020	Restated 2019
<b>38 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year	Rupees	1,179,089,000	2,559,439,945
Weighted average number of ordinary shares	Number	21,427,664	21,097,578
Earnings per share - basic and diluted	Rupees	55.03	121.31

	Note	2020 Rupees	2019 Rupees
<b>39 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		1,309,085,345	2,946,008,542
<b>Adjustments for non-cash items:</b>			
Depreciation on operating fixed assets		1,258,978,465	1,158,238,790
Amortization of intangible assets		418,706	1,408,149
Interest income		(10,398,801)	(15,657,538)
Loss on sale of property, plant and equipment		14,153,183	9,168,093
Dividend income - others		(447,930,334)	(397,359,558)
Dividend income - subsidiary and associate		(167,546,540)	(317,870,640)
Provision for gratuity		148,493,559	109,967,518
(Reversal) / Provision for stores, spares and loose tools		(10,841,543)	9,663,308
Provision against doubtful sales tax refundable		36,440,779	153,522,284
Credit balance written back		-	(6,883,216)
Finance cost		2,423,572,926	2,085,427,251
Rental income		(600,000)	(600,000)
		<b>3,244,740,400</b>	<b>2,789,024,441</b>
Operating cash flow before changes in working capital		<b>4,553,825,745</b>	<b>5,735,032,983</b>
<b>Changes in working capital</b>			
<b>(Increase) / Decrease in current assets</b>			
Stores, spare and loose tools		(66,719,811)	(13,106,126)
Stock-in-trade		(1,428,944,907)	(2,010,266,735)
Trade debts		(579,873,224)	749,290,597
Loans and advances		15,506,247	47,248,229
Trade deposits and short term prepayments		(11,408,790)	1,151,212
Other receivables		6,277,987	(371,548,794)
		<b>(2,065,162,499)</b>	<b>(1,597,231,617)</b>
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		438,088,846	(417,811,253)
Contract liabilities		(20,206,925)	850,602,812
		<b>2,906,545,167</b>	<b>4,570,592,925</b>
<b>40 CASH AND CASH EQUIVALENTS</b>			
Bank overdrafts		(33,938,460)	-
Cash and bank balances	20	67,540,738	96,759,191
		<b>33,602,278</b>	<b>96,759,191</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 41 RELATED PARTY DISCLOSURES

The related parties comprise of associated companies (due to common directorship), subsidiaries, directors and key management personnel. The remuneration of key management personnel is disclosed in note 44. 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	2020 Rupees	2019 Rupees
(i) Subsidiaries	Sales / processing	3,055,673,011	2,996,099,227
	Purchase of vehicle	-	2,350,000
	Investment made	15,760,000	1,000,000,000
	Expenses charged to	547,555	441,371
	Mark-up charged to	-	12,822,179
	Loans recovered	-	(482,000,000)
	Rental income	600,000	600,000
	Dividend received	105,000,000	279,999,998
(ii) Associates	Sales / processing	2,188,385,995	2,024,157,587
	Purchases	272,867,255	348,990,618
	Electricity / steam purchased	-	10,886,678
	Expenses charged to	50,602,713	44,785,484
	Expenses charged by	10,862,700	8,683,181
	Mark-up charged by	60,937,811	44,800,008
	Dividend paid	146,203,902	89,971,632
	Dividend received	62,546,540	37,870,642
	Loans obtained net	662,522,688	189,215,131
	Right shares issued	200,158,000	-
(ii) Others	Contribution to provident fund	49,002,427	41,782,087
	Loans (repaid to) / received from directors and others - net	(167,583,000)	167,583,000
	Right shares issued	394,444,400	-
	Donation	23,185,000	2,300,000
	Sale of vehicle to key management personnel	-	1,869,482
	Dividend	320,474,622	195,459,952

- 41.1** The related parties with whom the Company had entered into transactions or have arrangement / agreement in place are following:

Company Name	Basis of relationship	Aggregate % of shareholding
Sapphire Wind Power Company Limited	Subsidiary	70%
Triconboston Consulting Corporation (Private) Limited	Subsidiary	57.125%
Sapphire Retail Limited	Subsidiary	100%
Sapphire International Aps	Subsidiary	100%
Creadore A/S	Associated Company	49%
Sapphire Power Generation Limited	Associated Company	26.43%
Sapphire Dairies (Private) Limited	Associated Company	18.80%
Reliance Cotton Spinning Mills Limited	Common directorship	3.04%
Sapphire Electric Company Limited	Common directorship	1.42%
Sapphire Holding Limited	Common directorship	0.05%
Sapphire Fibres Limited	Common directorship	N/A
Yousuf Agencies (Private) Limited	Common directorship	N/A
Sapphire Finishing Mills (Private) Limited	Common directorship	N/A
Diamond Fabrics Limited	Common directorship	N/A
Amer Cotton Mills (Private) Limited	Common directorship	N/A
Bank Alfalah Limited	Investor in a subsidiary of the Company	N/A
Amer Tex (Private) Limited	Common directorship	N/A
Galaxy Agencies (Private) Limited	Common directorship	N/A
Nadeem Enterprises (Private) Limited	Common directorship	N/A
Neelum Textile Mills (Private) Limited	Common directorship	N/A
Sapphire Agencies (Private) Limited	Common directorship	N/A
Green Field Enterprises (Private) Limited	Subsidiary of an associated company	N/A
Four strength (Private) Limited	Common directorship	N/A
Abdullah Foundation	Common directorship	N/A

	2020	2019
<b>42 NUMBER OF EMPLOYEES</b>		
Number of employees at year end	9,541	9,120
Average number of employees	9,862	8,864

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020	2019
<b>43 PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Spinning</b>		
Total number of spindles installed	141,576	139,433
Average number of spindles worked	138,431	138,424
Total number of rotors installed	1,032	3,120
Number of shifts worked per day	3	3
Total days worked	353	365
Installed capacity after conversion into 20/s lbs.	114,315,658	119,255,126
Actual production after conversion into 20/s lbs	95,065,457	98,423,297
<b>Weaving</b>		
Total number of looms installed	362	360
Average number of looms worked	362	360
Number of shifts worked per day	3	3
Total days worked	360	365
Installed capacity(at 50 picks/inch of fabric square meters)	153,231,821	152,241,843
Actual production(at 50 picks/inch of fabric square meters)	137,858,353	142,630,979
<b>Finishing and Printing</b>		
Production capacity meters	43,200,000	43,200,000
Actual production meters	35,003,177	38,986,791
<b>Yarn dyeing</b>		
Production capacity KGs	1,080,000	-
Actual production KGs	713,467	-

## 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.

### 43.1 Reason for low production

Under utilization of available capacity for spinning and finishing and printing is mainly due to normal maintenance / temporarily shut down and changes in production pattern.

#### 44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives		Director		Chief Executive	
	2020	2019	2020	2019	2020	2019
	Rupees					
Remuneration	293,694,847	252,541,929	14,520,000	12,600,000	36,000,000	33,000,000
Bonus	27,499,838	24,667,078	-	-	-	-
Medical	4,446,502	3,245,176	-	-	-	-
Contribution to provident fund	16,253,842	12,102,292	-	-	-	-
Leave encashment and other benefits	26,544,047	28,861,328	-	-	-	-
	368,439,076	321,417,803	14,520,000	12,600,000	36,000,000	33,000,000
Number of persons	83	75	2	1	1	1

44.1 In addition, some of the above persons have been provided with the company maintained cars.

44.2 Meeting fee of Rs.0.450 million (2019: Rs.0.300 million) has been paid to independent non-executive directors. No other remuneration has been paid to non-executive directors of the Company.

44.3 The Chief Executive and Executive Directors were also provided with telephones at residence.

#### 45 PROVIDENT FUND

Sapphire Textile Mills Limited Employees' Provident Fund Trust holds the investments which are in accordance with the provisions of section 218 of the Companies Act 2017 and the Rules formulated for this purpose.

#### 46 FINANCIAL INSTRUMENTS

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

Credit risk  
Liquidity risk  
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.

##### 46.1 Credit risk

##### 46.1.1 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, trade deposits, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.10,383 million (2019: Rs.11,423 million), financial assets which are subject to credit risk aggregate to Rs.3,862 million (2019: Rs.3,345 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:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
Long term deposits	87,684,092	87,909,092
Trade debts	2,782,771,494	2,197,892,804
Loan to employees	76,001,303	83,839,973
Trade deposits	22,789,000	4,065,140
Other receivables	777,808,061	822,655,494
Short term investments	49,000,000	53,443,295
Bank balances	65,468,763	95,242,191
	<u>3,861,522,713</u>	<u>3,345,047,989</u>

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

Domestic	2,533,082,952	1,650,480,109
Export	249,688,542	547,412,695
	<u>2,782,771,494</u>	<u>2,197,892,804</u>

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

**46.1.3** Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and all exports are covered by letters of credit or other forms of credit insurance obtained from reputable banks.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Company does not hold collateral as security. The letters of credit for export sales are considered integral part of export trade receivables and there is no past history of default in case of export debtors, so the expected credit loss rate for the export trade receivables is insignificant, hence gross amount equals to net carrying amount. However, for local trade receivables the Company evaluates the concentration of risk with respect to them as low, as its customers mostly deal in advances and their demand is order based.

Set out below is the information about the credit risk exposure on the Company's local trade receivables assets using a provision matrix:

	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	361 days or more
	Rupees						
<u>As at 30 June 2020</u>							
Estimated total gross carrying amount at default	1,499,077,540	570,453,928	177,880,120	132,805,029	180,024,052	294,904	9,320,596
Expected credit loss	8,424,010	7,283,233	346,903	8,892,690	2,453,312	52,474	9,320,596
<u>As at 30 June 2019</u>							
Estimated total gross carrying amount at default	924,835,461	331,960,447	208,541,467	162,325,440	44,395,138	3,415,038	11,512,983
Expected credit loss	6,787,847	10,401,101	3,476,282	1,612,100	154,273	2,561,278	11,512,983

**46.1.4** Credit risk from balances with banks and financial institutions is managed by the Company's finance department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held:

Name of bank	Rating Agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Citibank N.A.	Moody's	P-1	Aa3
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
Allied Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Industrial and Commercial Bank of China	Moody's	P-1	A1
Soneri Bank Limited	PACRA	A1+	AA-



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 46.2 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:

	2020				
	Carrying amount	Contractual cashflow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	14,509,298,708	18,866,028,411	1,871,524,010	13,464,177,509	3,530,326,892
Trade and other payables	3,200,167,084	3,200,167,084	3,200,167,084	-	-
Accrued interest / mark-up	361,222,288	361,222,288	361,222,288	-	-
Unclaimed dividend	1,696,118	1,696,118	1,696,118	-	-
Short term borrowings	8,070,572,958	8,296,097,794	8,296,097,794	-	-
	<u>26,142,957,156</u>	<u>30,725,211,695</u>	<u>13,730,707,294</u>	<u>13,464,177,509</u>	<u>3,530,326,892</u>
	2019				
	Carrying amount	Contractual cashflow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	14,258,359,521	18,226,035,999	3,127,730,141	12,757,064,140	2,341,241,718
Trade and other payables	2,781,266,216	2,781,266,216	2,781,266,216	-	-
Accrued interest / mark-up	320,423,966	320,423,966	320,423,966	-	-
Unclaimed dividend	1,795,457	1,795,457	1,795,457	-	-
Short term borrowings	7,797,508,535	7,940,128,276	7,940,128,276	-	-
	<u>25,159,353,695</u>	<u>29,269,649,914</u>	<u>14,171,344,056</u>	<u>12,757,064,140</u>	<u>2,341,241,718</u>

46.2.1 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.

## 46.3 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.

### 46.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares 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:

2020							
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(249,688,542)	(1,358,933)	(111,310)	-	-	-	-
Bank balances	(20,427,212)	(121,410)	-	-	-	-	-
	(270,115,755)	(1,480,343)	(111,310)	-	-	-	-
Outstanding letters of credit	2,306,194,325	12,457,892	1,058,180	-	17,790	-	-
Foreign currency forward contracts	352,443,189	1,823,850	241,026	-	-	-	-
<b>Net Exposures</b>	<b>2,388,521,759</b>	<b>12,801,399</b>	<b>1,187,896</b>	<b>-</b>	<b>17,790</b>	<b>-</b>	<b>-</b>

2019							
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(547,412,695)	(2,741,522)	(524,779)	-	-	-	-
Bank balances	(17,377,997)	(101,569)	(3,867)	-	-	-	-
	(564,790,692)	(2,843,091)	(528,646)	-	-	-	-
Outstanding letters of credit	1,055,047,702	4,028,853	1,216,360	14,604,000	48,900	2,955,600	9,000
Forward exchange contracts	-	-	-	-	-	-	-
<b>Net Exposures</b>	<b>490,257,010</b>	<b>1,185,762</b>	<b>687,714</b>	<b>14,604,000</b>	<b>48,900</b>	<b>2,955,600</b>	<b>9,000</b>

The following significant exchange rates have been applied as at reporting date:

	2020 Rupees	2019 Rupees
US \$ to Rupees (Buying/Selling)	168.25 / 168.75	164 / 164.5
Euro to Rupees (Buying/Selling)	189.11 / 189.73	186.37 / 186.99

#### Sensitivity analysis

A 20 percent (2019: 20 percent) strengthening of the Rupees against US Dollar and Euro at 30 June 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.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2020</b>		
Effect in US Dollar	(49,813,542)	(49,813,542)
Effect in Euro	(4,209,967)	(4,209,967)
<b>As at 30 June 2019</b>		
Effect in US Dollar	(93,253,385)	(93,253,385)
Effect in Euro	(19,704,751)	(19,704,751)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

20 percent (2019: 20 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.

## 46.3.2 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:

	Effective rate		Carrying Amount	
	2020 %	2019 %	2020 Rupees	2019 Rupees
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing	2.5% to 6.5%	2.5% to 6.5%	5,457,318,288	4,535,248,994
Short term borrowings	2.25% to 3.00%	2.15% to 3%	3,486,784,000	2,100,000,000
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing	7.97% to 14.20%	6.47% - 13.43%	9,051,980,420	9,723,110,527
Short term borrowings - local currency	8.36% to 14.81%	6.46% to 13.30%	4,583,788,958	5,459,665,535

## 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 or loss. Therefore, a change in mark-up / interest rates at the reporting date would not affect profit or 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 2020.

	Profit and loss 100 bps	
	Increase Rupees	(Decrease) Rupees
<b>As at 30 June 2020</b>		
Cash flow sensitivity - variable rate instruments	136,357,694	(136,357,694)
<b>As at 30 June 2019</b>		
Cash flow sensitivity - variable rate instruments	151,827,761	(151,827,761)

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

#### 46.3.3 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 reporting date would have increased / decreased the Company's unrealized gain on investments at fair value through OCI as follows:

	2020 Rupees	2019 Rupees
Effect on equity	643,517,696	799,104,425
Effect on investments	643,517,696	799,104,425

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

#### 46.4 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.

#### 46.5 Financial instruments by Category

##### FINANCIAL ASSETS

##### Debt instruments at amortised cost

Long term deposits	87,684,092	87,909,092
Trade debts	2,782,771,494	2,197,892,804
Loan to employees	76,001,303	83,839,973
Trade deposits	22,789,000	4,065,140
Other receivables	777,808,061	822,655,494
Bank balances	65,468,763	95,242,191
	<b>3,812,522,713</b>	<b>3,291,604,694</b>

##### Debt instruments at fair value through OCI

Sales tax refund bonds	-	53,443,295
HBL Term Finance Certificates	49,000,000	-
	<b>49,000,000</b>	<b>53,443,295</b>

##### Equity instruments at fair value through OCI

Quoted equity shares	6,435,176,964	7,991,044,248
Unquoted equity shares	86,648,236	86,648,236
	<b>6,521,825,200</b>	<b>8,077,692,484</b>
<b>Total current</b>	<b>6,634,900,826</b>	<b>7,133,069,382</b>
<b>Total non current</b>	<b>3,748,447,087</b>	<b>4,289,671,091</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized cost</b>		
Trade and other payables	3,200,167,084	2,781,266,216
Accrued interest / mark-up	361,222,288	320,423,966
Unclaimed dividend	1,696,118	1,795,457
Secured bank loan	14,509,298,708	12,257,108,436
Short term finances from banks	8,070,572,958	9,560,916,620
Other current loans	-	237,843,000
	<b>26,142,957,156</b>	<b>25,159,353,695</b>
<b>Total current</b>	<b>12,370,648,314</b>	<b>12,580,025,836</b>
<b>Total non current</b>	<b>13,772,308,842</b>	<b>12,579,327,859</b>

## 46.6 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).

The main level of inputs used by the Company for its financial assets are derived and evaluated as follows:

	Level 1	Level 2	Level 3
	Rupees		
<b>As at 30 June 2020</b>			
<b>Assets carried at fair value</b>			
Debt instruments at fair value through OCI	49,000,000	-	-
Equity instruments at fair value through OCI	6,435,176,964	-	86,648,236
	<b>6,484,176,964</b>	<b>-</b>	<b>86,648,236</b>
<b>As at 30 June 2019</b>			
<b>Assets carried at fair value</b>			
Debt instruments at fair value through OCI	-	53,443,295	-
Equity instruments at fair value through OCI	7,991,044,248	-	86,648,236
	<b>7,991,044,248</b>	<b>53,443,295</b>	<b>86,648,236</b>

#### 46.7 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 financing and short term borrowings as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves'.

	2020 Rupees	2019 Rupees
<b>Total borrowings</b>	22,579,871,666	22,055,868,056
Less: Cash and bank balances	67,540,738	96,759,191
<b>Net debt</b>	22,512,330,928	21,959,108,865
<b>Total equity</b>	16,476,547,947	16,382,080,342
<b>Total capital</b>	38,988,878,875	38,341,189,207

	2020 Percentage	2019 Percentage
<b>Gearing ratio</b>	57.74	57.27



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 47 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2020				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	Rupees				
Balance as at 01 July 2019	14,258,359,521	7,797,508,535	320,423,966	1,795,457	22,378,087,479
<u>Cash flows</u>					
Repayment of loans	(1,428,458,120)	-	-	-	(1,428,458,120)
Proceeds from loans	1,679,397,307	239,125,963	-	-	1,918,523,270
Finance cost paid	-	-	(2,382,774,603)	-	(2,382,774,603)
Dividends paid	-	-	-	(522,260,979)	(522,260,979)
Total changes from financing cash flows	250,939,187	239,125,963	(2,382,774,603)	(522,260,979)	(2,414,970,432)
<u>Other changes including non-cash</u>					
Dividend declared	-	-	-	522,161,640	522,161,640
Finance cost	-	-	2,423,572,926	-	2,423,572,926
Total liability related other changes	-	-	2,423,572,926	522,161,640	2,945,734,566
Closing as at 30 June 2020	14,509,298,708	8,036,634,498	361,222,289	1,696,118	22,908,851,613
	2019				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	Rupees				
Balance as at 01 July 2018	13,997,415,153	7,301,276,206	184,774,199	1,309,519	21,484,775,077
<u>Cash flows</u>					
Repayment of loans	(1,051,123,632)	-	-	-	(1,051,123,632)
Proceeds from loans	1,312,068,000	496,232,329	-	-	1,808,300,329
Finance cost paid	-	-	(1,949,777,484)	-	(1,949,777,484)
Dividends paid	-	-	-	(320,844,302)	(320,844,302)
Total changes from financing cash flows	260,944,368	496,232,329	(1,949,777,484)	(320,844,302)	(1,513,445,088)
<u>Other changes including non-cash</u>					
Dividend declared	-	-	-	321,330,240	321,330,240
Finance cost	-	-	2,085,427,251	-	2,085,427,251
Total liability related other changes	-	-	2,085,427,251	321,330,240	2,406,757,491
Closing as at 30 June 2019	14,258,359,521	7,797,508,535	320,423,966	1,795,457	22,378,087,479

#### 48 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's revenue comprises of both local within Pakistan and export sales outside Pakistan. COVID-19 is expected to bear an impact in the given situation as the Company caters the needs of different levels of the textile supply chain both locally and internationally. It expects that the local market will not show further decline and growth is expected in the upcoming period. The international markets have also starting resuming business and orders are now regaining volume. However extent and duration of such impact remains uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of COVID-19 and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements.

Financial impact of COVID-19 on Company's financial statements mainly includes decrease in revenue of last quarter as compared to prior period and adjustment for Net Realizable Value as disclosed in note 13.1.

#### 49 CORRESPONDING FIGURES

Corresponding figures have been rearranged/reclassified, wherever necessary for better presentation. However, no significant reclassification has been made during the year except for advance for land amounting to Rs. 84.5 million which has been reclassified from capital work in progress (note 6.6) to long term loans and advances (note 10).

#### 50 DATE OF AUTHORIZATION FOR ISSUE

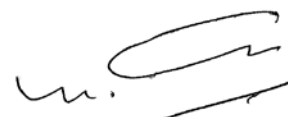
These financial statements were approved by the Board of Directors and authorized for issue on 24 September 2020.



Chief Executive



Chief Financial Officer



Director





# CONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended 30 June 2020



## Directors' Report to the Shareholders

### To the members of Sapphire Textile Mills Limited

### Report on the Audit of the Consolidated Financial Statements

On behalf of Board of Directors of Holding Company of, Sapphire Wind Power Company Limited, Sapphire Retail Limited, Triconboston Consulting Corporation (Private) Limited, Sapphire International APS and Designtex SMC-Private Limited, it is our pleasure to present Directors' Report with Audited Consolidated Financial Statements for the year ended June 30, 2020.

#### **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 November 2015 – the project is operating following best industry practices and is yielding satisfactory results.

#### **Sapphire Retail Limited**

Sapphire Retail Limited (SRL) is a wholly owned subsidiary of Sapphire Textile Mills Limited. The principal business of SRL is to operate "Sapphire" brand retail outlets for the sale of textile and other products. SRL is principally engaged in 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 online stores. SRL operates 25 retail outlets throughout the country.

#### **Tricon Boston Consulting Corporation (Private) Limited**

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

#### **Sapphire International APS**

Sapphire International APS is a limited liability Company incorporated in Denmark formed to strengthen exports.

#### **Designtex SMC-Private Limited**

Designtex SMC-Private Limited (the company) was incorporated during the year as SMC Private Company limited by shares under Companies Act, 2017. It is wholly owned subsidiary of Sapphire Retail Limited which is wholly owned subsidiary of Sapphire Textile Mills Limited. The principal business of the company is manufacturing of textile and ancillary products.

On behalf of the Board



NADEEM ABDULLAH  
CHIEF EXECUTIVE



MOHAMMAD ABDULLAH  
DIRECTOR

Karachi  
24 September 2020

# Independent Auditors' Report

## To the Members of Sapphire Textile Mills Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the annexed consolidated financial statements of Sapphire Textile Mills Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2020 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as

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

#### Key Audit Matters

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

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
<b>1. Preparation of consolidated financial statements</b>	
The Group's consolidated financial statements comprise of transactions and balances of the Holding Company, its subsidiaries and associates. Consolidating these financial statements involves elimination of intercompany transactions and balances and consolidation of the amounts and disclosures of each entity's financial statements.	We reviewed the consolidation schedules in relation to transactions and balances of the subsidiaries.
Significant auditor attention is required in review of the consolidation schedules as the Group comprises of a number of subsidiaries as associates and intercompany transactions are material to the consolidated financial statements as a whole, hence these are considered a Key Audit Matter.	We reviewed the computation of share of profit of associates.
	We cross-matched the inter-company transactions and balances with the respective financial statements of the entities for elimination of the same.
	We reviewed the arithmetic accuracy of the consolidation schedules.
	We reviewed the work performed by component auditors including reviewing reporting deliverables from the component audit teams.
	We reviewed the completeness of disclosures in the consolidated financial statements by comparing with the relevant disclosures in each entity's individual financial statements.



Key audit matters	How our audit addressed the key audit matter
<b>2. Stock in trade</b>	
<p>The Holding Company has a composite textile set-up comprising spinning, weaving, processing and home textile units. Therefore, its stock in trade includes various inventory items including cotton, yarn and fabric categorized into raw materials, work in process and finished goods based on the processes of respective units where these are being utilized / produced. These are stored at various geographically dispersed locations.</p> <p>Stock in trade as at 30 June 2020 amounted to Rs. 11,492 million comprising 10% of the Group's total assets.</p> <p>The amount of stock in trade is net of provisions for net realizable value amounting to Rs. 482 million due to items to be sold at less than cost as disclosed in note 15.3 to the consolidated financial statements.</p> <p>There is an element of judgement relating to this provision which is based on expected future transactions and the current economic conditions particularly after the outbreak of COVID-19.</p> <p>Due to the above factors, significant auditor attention is required in auditing of inventory balances and transactions during the year and hence considered a Key Audit Matter.</p>	<p>We performed following key audit procedures, among other procedures, in respect of stock in trade:</p> <ul style="list-style-type: none"> <li>- We gained an understanding of the management's process of recording and valuing inventories.</li> <li>- We tested controls over the Group's processes of inventory purchases and issuance.</li> <li>- We attended virtual inventory counts and reconciled the count results to inventory listings at the year end.</li> <li>- We performed substantive procedures over purchases recorded during the year.</li> <li>- We tested the valuation of inventory items in accordance with Group's policy and international accounting standards (IAS 2 – Inventories).</li> <li>- We evaluated appropriateness of the measurement basis for net realizable value for finished goods and raw material.</li> <li>- We recalculated the NRV adjustment for finished goods and raw material, on sample basis.</li> </ul>
<b>3. First time adoption of IFRS 16</b>	
<p>The Group has adopted IFRS 16 Leases with effect from 01 July 2019 which resulted in changes to the accounting policies as disclosed in Note 5.1 to the consolidated financial statements.</p> <p>The standard has now introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per new requirement the Group has recognized right-of-use assets of Rs. 2,102 million and lease liability of Rs. 2,178 million in the consolidated statement of financial position of the Group as disclosed in Note 7.10 and Note 27 respectively.</p>	<p>Our Audit procedures to review the application of IFRS 16 amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• We evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of lease contracts in the consolidated financial statements.</li> <li>• We obtained the understanding of the process and controls in place for identification of in-scope lease contracts (considering recognition exemption available under the standard i.e. short-term leases and leases of low value assets).</li> <li>• We corroborated the completeness of leases identified by the management by reviewing and analyzing the existing lease arrangements as of the date of initial application and reviewing the rent expense ledgers for the year.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p>The application of new standard requires management to make significant estimates and judgements such as determination of lease term and appropriate discount rate for the measurement of lease liability.</p> <p>We have considered adoption of the standard as a Key Audit Matter due to the significance of the accounting change and the involvement of significant judgements in respect of application of the new standard.</p>	<ul style="list-style-type: none"> <li>• We performed independent checks of lease accounting computations for the sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts.</li> <li>• We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate, lease term etc.</li> <li>• We assessed the adequacy and appropriateness of disclosures in the consolidated financial statements as required under the standard and the applicable financial reporting framework.</li> </ul>
<b>4. Covid - 19</b>	
<p>The COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities particularly during the period from March 2020 to May 2020, in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</p> <p>The Group's operations were disrupted due to the circumstances arising from COVID-19 including the suspension of production, sales and operations; although for a short period of time.</p> <p>In view of the unique nature of these events and its possible impacts on the business operations and financial reporting we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.</p> <p>Please also refer to note 52 to the consolidated financial statements.</p>	<p>We discussed with the senior management about the impacts of COVID-19 related events on the business operations, financial condition, liquidity and operating performance of the Group.</p> <p>We identified key financial statement items which may require additional audit considerations due to the COVID-19 related conditions that prevailed during the latter part of the year. In this regard, we considered the realizable value of inventories and recoverability of trade receivables, which were impacted by the lockdowns imposed by the Government and distressed demand in global economy.</p> <p>We checked the sale of the inventories subsequent to the year end to evaluate the realizable value of inventory held as at 30 June 2020.</p> <p>We assessed the adequacy of allowance for net realizable value made in respect of the inventory held as at 30 June 2020.</p> <p>In respect of trade receivables, we checked the computations for expected credit losses as determined by the management in accordance with the requirements of IFRS-9 'Financial Instruments'. We evaluated the assumptions used by the management for such estimates including their reasonableness and the supporting economic and historical data used in this regard.</p> <p>We reviewed the terms of loans obtained, renewed and / or restructured by the Group to assess compliance with key terms and conditions, including any applicable debt covenants and reviewed the correct classification, treatment and disclosure of the same.</p>

## **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Farooq Hameed.



**EY Ford Rhodes**  
**Chartered Accountants**  
**Lahore**  
**24 September 2020**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	68,330,966,394	67,768,721,445
Investment property	8	31,750,000	31,750,000
Intangible assets	9	458,860,485	457,922,727
Long term investments	10	4,910,371,492	5,392,557,086
Long term loans and advances	11	111,663,175	135,843,927
Long term deposits and prepayments	12	90,434,779	255,063,553
Deferred tax asset	13	115,051,021	81,646,027
		<b>74,049,097,346</b>	<b>74,123,504,765</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	14	725,190,008	639,876,314
Stock in trade	15	11,491,779,760	9,737,203,625
Trade debts	16	11,627,624,567	5,587,782,714
Loans and advances	17	132,174,057	137,705,316
Trade deposits and short term prepayments	18	86,972,105	58,776,966
Other receivables	19	985,815,910	2,946,182,241
Short term investments	20	2,956,225,380	4,030,717,707
Tax refunds due from Government	21	1,467,911,232	1,086,056,747
Cash and bank balances	22	6,264,545,239	4,414,025,673
		<b>35,738,238,258</b>	<b>28,638,327,303</b>
<b>TOTAL ASSETS</b>		<b>109,787,335,604</b>	<b>102,761,832,068</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
35,000,000 ordinary shares of Rs.10 each		<b>350,000,000</b>	<b>350,000,000</b>
Issued, subscribed and paid-up capital	23	216,897,910	200,831,400
Reserves	24	22,198,232,942	17,938,008,345
Equity attributable to equityholders of the parent		22,415,130,852	18,138,839,745
Non-controlling interest		8,769,248,341	6,204,799,788
<b>Total Equity</b>		<b>31,184,379,193</b>	<b>24,343,639,533</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	25	54,006,688,838	55,768,661,310
Deferred liabilities	26	310,342,296	521,093,438
Lease liabilities	27	2,016,766,709	10,644,971
		<b>56,333,797,843</b>	<b>56,300,399,719</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	6,757,019,625	5,089,972,393
Contract liabilities	29	869,746,700	850,602,812
Accrued interest / mark-up	30	499,052,861	539,247,498
Unclaimed dividend		1,696,118	1,795,457
Short term borrowings	31	8,510,584,713	8,858,241,142
Current portion of long term financing	25	5,470,065,259	6,774,126,398
Current portion of lease liabilities	27	160,993,292	3,807,116
		<b>22,269,158,568</b>	<b>22,117,792,816</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	32		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>109,787,335,604</b>	<b>102,761,832,068</b>

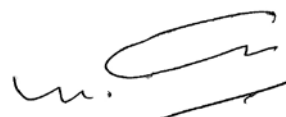
The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Net turnover	33	52,967,395,731	49,641,617,037
Cost of sales	34	(36,161,494,725)	(35,792,532,087)
<b>Gross profit</b>		<b>16,805,901,006</b>	<b>13,849,084,950</b>
Distribution cost	35	(2,595,681,324)	(2,857,822,555)
Administrative expenses	36	(784,446,472)	(795,739,879)
Other operating expenses	37	(217,390,973)	(515,724,842)
Other income	38	702,357,546	585,048,426
		(2,895,161,223)	(3,584,238,850)
<b>Profit from operations</b>		<b>13,910,739,783</b>	<b>10,264,846,100</b>
Finance cost	39	(6,054,361,338)	(4,970,115,365)
Share of profit of associated companies		129,882,216	175,894,211
<b>Profit before taxation</b>		<b>7,986,260,661</b>	<b>5,470,624,946</b>
Taxation	40	(121,981,481)	(431,316,256)
<b>Profit after taxation for the year</b>		<b>7,864,279,180</b>	<b>5,039,308,690</b>
<b>Attributable to:</b>			
Equity holders of the parent		5,257,567,820	3,760,432,789
Non-controlling interest		2,606,711,360	1,278,875,901
		<b>7,864,279,180</b>	<b>5,039,308,690</b>
<b>Earnings per share - basic and diluted</b>	41	<b>245.36</b>	<b>Restated 178.24</b>

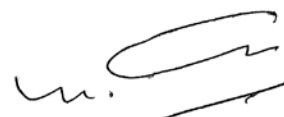
The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
Profit after taxation for the year	7,864,279,180	5,039,308,690
Other comprehensive income:		
Items that may be reclassified to profit or loss in subsequent years:		
Forward foreign currency contracts		
Unrealized loss on remeasurement of forward foreign currency contracts	(12,941,707)	-
Reclassification adjustments relating to gain realized on settlement of forward foreign currency contracts	-	(17,651,047)
Unrealised (loss) / gain on remeasurement of forward foreign currency contracts of associates	(51,980)	188,100
	(12,993,687)	(17,462,947)
Unrealized loss on equity instruments at fair value through other comprehensive income - associates	(8,752,707)	(18,940,824)
Net loss on debt instruments at fair value through other comprehensive income	(1,000,000)	(6,756,705)
Exchange difference on translation of foreign operations	2,406,857	65,313,797
Items not be reclassified to profit or loss in subsequent years:		
Net loss on equity instruments at fair value through other comprehensive income	(1,133,791,389)	(1,845,905,550)
Gain / (loss) on remeasurement of staff retirement benefits	51,412,524	(8,535,640)
(Loss) / gain on remeasurement of staff retirement gratuity - associates	(181,347)	168,288
Impact of deferred tax	-	564,377
	51,231,177	(7,802,975)
Other comprehensive loss for the year	(1,102,899,749)	(1,831,555,204)
Total comprehensive income for the year	6,761,379,431	3,207,753,486
Attributable to:		
Equityholders of the parent	4,154,668,071	1,928,877,585
Non- controlling interest	2,606,711,360	1,278,875,901
	6,761,379,431	3,207,753,486

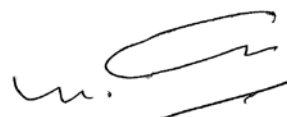
The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Capital Reserves				Revenue Reserves				Total	Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Fixed Assets Replacement	Unrealized Gain/(loss) on available for sale investments	Unrealized Gain/(loss) on investments at fair value through OCI	Unrealized (loss)/ Gain on translation of foreign operation	Unrealized (loss)/ gain on forward foreign exchange contracts	General reserves			
Balance as at 01 July 2018	200,831,400	156,202,200	65,000,000	589,844,100	-	23,454,928	17,804,164	1,330,000,000	16,532,974,148	5,045,923,889	21,578,898,037
Effect of adoption of IFRS 9 by parent company	-	-	-	(589,844,100)	589,844,100	-	-	-	-	-	-
Balance as at 01 July 2018 (restated)	200,831,400	156,202,200	65,000,000	-	589,844,100	23,454,928	17,804,164	1,330,000,000	16,532,974,148	5,045,923,889	21,578,898,037
Total comprehensive income for the year ended 30 June 2019											
Profit after taxation for the year	-	-	-	-	-	-	-	3,760,432,789	3,760,432,789	1,278,875,901	5,039,308,690
Other comprehensive (loss) / income for the year	-	-	-	-	(1,871,603,079)	65,313,797	(17,462,947)	(7,802,975)	(1,831,555,204)	-	(1,831,555,204)
Share of decrease in reserves of associated companies under equity method	-	-	-	-	(1,871,603,079)	65,313,797	(17,462,947)	-	1,928,877,585	1,278,875,901	3,207,753,486
Transaction with owners											
Final dividend for the year ended 30 June 2018 @ Rs.16 per share	-	-	-	-	-	-	-	(1,681,748)	(1,681,748)	-	(1,681,748)
Interim dividend @ Rs.1.23 per share - SWPCL	-	-	-	-	-	-	-	-	-	(120,000,002)	(120,000,002)
Balance as at 30 June 2019	200,831,400	156,202,200	65,000,000	-	(1,281,758,979)	88,768,725	341,217	1,330,000,000	18,138,839,745	6,204,799,788	24,343,639,533
Effect of change in accounting policy due to adoption of IFRS-16 by SWPCL- note 5.1 (ii)	-	-	-	-	-	-	-	-	-	-	-
Balance as at 01 July 2019 - Adjusted	200,831,400	156,202,200	65,000,000	-	(1,281,758,979)	88,768,725	341,217	1,330,000,000	18,145,226,529	6,207,536,981	24,352,763,510
Total comprehensive income for the year ended 30 June 2020											
Profit after taxation for the year	-	-	-	-	-	-	-	-	6,386,784	2,737,193	9,123,977
Other comprehensive (loss) / income for the year	-	-	-	-	(1,143,544,096)	2,406,857	(12,993,687)	51,231,177	(1,102,899,749)	-	(1,102,899,749)
Transfer of gain on sale of investment at fair value through OCI to un-appropriated profit	-	-	-	-	(1,143,544,096)	2,406,857	(12,993,687)	-	4,154,668,071	2,606,711,360	6,761,379,431
Share of decrease in reserves of associated companies under equity method	-	-	-	-	(51,745,097)	-	-	-	(5,262,508)	-	(5,262,508)
Transaction with owners											
1,606,651 right shares issued at the rate of Rs.400 per share (Rs.10 par value and Rs.390 premium per share)	16,066,510	626,593,890	-	-	-	-	-	-	642,660,400	-	642,660,400
Final dividend for the year ended 30 June 2019 @ Rs.26 per share	-	-	-	-	-	-	-	(522,161,640)	(522,161,640)	-	(522,161,640)
Interim dividend for the year ended 30 June 2020 @ Rs.0.46 per share-SWPCL	-	-	-	-	-	-	-	-	-	(45,000,000)	(45,000,000)
Balance as at 30 June 2020	216,897,910	782,796,090	65,000,000	-	(2,477,048,172)	91,175,582	(12,652,470)	1,330,000,000	22,415,130,852	8,769,248,341	31,184,379,193

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Director

Chief Financial Officer

Chief Executive

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	42	13,787,248,151	5,722,624,303
Long term loans, advances and deposits		188,809,526	(105,079,440)
Finance cost paid		(6,033,671,458)	(4,706,307,449)
Staff retirement benefits - gratuity paid		(72,379,948)	(71,451,763)
Taxes paid		(868,891,713)	(42,461,733)
		(6,786,133,593)	(4,925,300,385)
Net cash generated from operating activities		7,001,114,558	797,323,918
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,857,038,724)	(8,251,126,263)
Purchase of intangibles		(3,290,960)	(722,236)
Dividend received from associates		62,523,860	37,850,867
Investments made		-	(50,000,000)
Investments in equity investments		(81,940,358)	-
Investment in subsidiaries		(15,860,000)	-
Proceeds from disposal of property, plant and equipment		185,421,375	268,240,755
Proceeds from disposal of right to use assets		9,194,831	-
Proceeds from sale of investments		497,776,517	-
Dividend received		447,953,012	397,979,333
Interest received		106,814,900	125,123,289
Net cash used in investing activities		(648,445,547)	(7,472,654,255)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings - net		(381,594,890)	564,208,776
Proceeds from long term financing		2,066,476,724	10,277,538,139
Repayment of long term financing		(6,262,779,676)	(3,902,210,327)
Repayment of lease liabilities		(41,281,722)	(26,216,693)
Issuance of shares		642,660,400	-
Dividend paid		(567,260,979)	(440,844,304)
Net cash (used in) / generated from financing activities		(4,543,780,143)	6,472,475,591
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,808,888,868</b>	<b>(202,854,746)</b>
Cash and cash equivalents at the beginning of the year		4,414,025,673	4,616,880,419
Transfer upon merger		7,692,237	-
<b>Cash and cash equivalents at the end of the year</b>	<b>43</b>	<b>6,230,606,778</b>	<b>4,414,025,673</b>

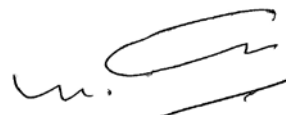
The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1. LEGAL STATUS AND OPERATIONS

Sapphire Textile Mills Limited (the Holding Company) was incorporated in Pakistan on 11 March 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 Holding Company is principally engaged in manufacturing and sale of yarn, fabrics, home textile products, finishing, stitching and printing of fabrics. Following are the business units of the Holding Company along with their respective locations:

BUSINESS UNIT	LOCATION
<b>Registered Office</b>	
Karachi	212, Cotton Exchange Building, I. I. Chundrigar Road, Karachi
<b>Lahore office</b>	7-A/K, Main Boulevard, Gulberg II, Lahore
<b>Production Plants</b>	
Spinning	A-17,SITE, Kotri
Spinning	A-84,SITE Area, Nooriabad
Spinning	63/64-KM, Multan Road, Jumber Khurd,Chunian, District Kasur
Spinning	1.5-KM, Warburton Road, Feroze Wattoan, Sheikhpura
Weaving and Yarn Dyeing	2-KM, Warburtan Road, Feroze Wattoan, Sheikhpura
Printing Processing and Home Textile	
Stitching	1.5-KM Off, Defence Road, Bhubtian Chowk, Raiwind Road, Lahore

### 1.1 The Group consists of:

- Sapphire Textile Mills Limited (the Holding Company)

Subsidiary Companies	% of shareholding
(i) Sapphire Retail Limited (SRL)	100%
(ii) Sapphire Wind Power Company Limited (SWPCL)	70%
(iii) Tricon Boston Consulting Corporation (Private) Limited (TBCL)	57.125%
(iv) Sapphire International ApS	100%
(v) Designtex (SMC-Private) Limited (Wholly owned subsidiary of SRL)	100%

- Sapphire Retail Limited (SRL) was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on 11 June 2014. Its registered office is situated at 7 A/K Main Boulevard, Gulberg-II, Lahore. SRL is principally engaged in carrying out manufacturing of textile products by processing the textile goods in outside manufacturing facilities and operating retail outlets to sell the same in Pakistan and abroad through e-store.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

- ii) Sapphire Wind Power Company Limited (SWPCL) was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on 27 December 2006. Its registered office is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and the wind power plant has been set up at Jhimpir, District Thatta, Sindh on land that is leased to the it by Alternative Energy Development Board ('AEDB'), Government of Pakistan.

SWPCL'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.

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

- iii) Tricon Boston Consulting Corporation (Private) Limited (TBCL) was incorporated in Pakistan as a private limited company by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on 13 August 2012. Its principle 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. Its registered office is located at 7/A- K, Main Boulevard, Gulberg II, Lahore, Punjab.

TBCL has set up three wind power station of each 49.735 MW gross capacity at Deh, Kohistan 7/1 Tapo Jhimpir, Taluka and District Thatta in the province of Sindh measuring 3,852 acres. It has achieved Commercial Operations Date ('COD') on 16 August 2018, 14 September 2018 and 11 September 2018 for Project A, B and C respectively (collectively defined as 'Projects'). It has also signed three Energy Purchase Agreement ('EPA') with its sole customer for its Projects, Central Power Purchaser Agency (Guarantee) Limited ('CPPA-G') for twenty years which commenced from the COD.

- iv) Sapphire International APS a limited liability company incorporated in Denmark is formed to strengthen exports of the Holding Company and is engaged in selling textiles. The Company was incorporated on 27 August 2019. Its registered office is located at c/o Petersen Søgade 15, 1. th. 6000 Kolding, Denmark.
- v) Designtex (SMC-Private) Limited was incorporated in Pakistan on 6 February 2020 as a single member private company and is wholly owned subsidiary of Sapphire Retail Limited, which is wholly owned subsidiary of Sapphire Textile Mills Limited. The company is principally engaged in manufacturing of textile and ancillary products. The head office of the Company is located at 1.5KM, Defence Road, Bhohtian Chowk, Off Raiwind Road, Lahore.

**1.2** On 29 October 2019, the Board of Directors of the Holding Company passed a resolution approving a Scheme of Amalgamation under Section 284 of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited with and into the Holding Company. As such, as of the completion date of 31 December 2019, the entire undertaking of Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited stands merged with and into the Holding Company. As a result the entire business of Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited including their properties, assets, liabilities and rights and obligations vested into the Holding Company. Since Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited were group companies under common control, the merger has been accounted for as a common control transaction. The acquired net assets of Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited are included in the financial statements of the Holding Company at the same carrying values as recorded in Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited's own financial statements as on 31 December 2019. The results and the statement of financial position of Sapphire Solar (Private) Limited, Sapphire Tech (Private) Limited and Sapphire Renewables Limited are consolidated prospectively from the date of merger.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These consolidated 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 using valuation techniques.

2.3 These consolidated financial statements are presented in Pak Rupees, which is the functional currency of the Group. Figures have been rounded off to the nearest rupee unless otherwise stated.

## 3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 4. ACCOUNTING ESTIMATES, JUDGEMENTS 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 and equipment, intangible assets [notes 6.3, 6.5, 7.1, and 9]
- b) Provision for obsolete and slow moving stores, spares and loose tools [note 6.6 and 14]
- c) Net realizable values of stock-in-trade [note 6.7 and 15]
- d) Provision for expected credit loss [note 6.8 and 16]
- e) Provision for employees' retirement benefits [note 6.11 and 26.2]
- f) Provision for taxation [note 6.13 and 40]
- g) Judgement and estimate used for determining incremental borrowing rate [note 6.14 and 27]

## 5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 5.1 New / Revised Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Group has adopted the following accounting standards which became effective for the current period:

- IAS 19 - Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement
- IAS 28 - Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)

- IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - Leases
- IFRS 16 - Leases; to clarify the amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification.
- IFRIC 23 - Uncertainty over Income Tax Treatments

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2015 - 2017 cycle) has also been adopted:

- IFRS 3 & IFRS 11 - Business Combinations & Joint Arrangements - When an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.
- IAS 12 - Income Taxes - Income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.
- IAS 23 - Borrowing Costs - If any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The adoption of the above amendments and improvements to accounting standards did not have any material effect on the consolidated financial statements except for adoption of IFRS -16 'Leases'. The analysis of changes introduced by IFRS 16 is explained below:

#### *Impact on adoption of IFRS 16*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on the Group for leases where the Group is the lessor.

The Group has adopted IFRS 16 retrospectively from 01 July 2019 as permitted under the specific transitional provisions in the standard. Under this method, the standard is applied retrospectively with cumulative effect of applying the standard recognized at the date of initial application. The Group has recognised the impact of adoption of this standard as an adjustment to opening balance of retained earnings on 01 July 2019 where applicable. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease
- has not accessed whether a COVID-19 related rent concession is a lease modification

The SECP through SRO 986(I)/2019 dated 02 September 2019 has granted exemption from the requirements of IFRS 16 to all companies to the extent of the power purchase agreements executed before 01 January 2019 as disclosed in note 5.2. Therefore, for the remaining leases, TBCL and SWPL (subsidiary companies) have adopted IFRS 16 retrospectively from 01 July 2019.

## *Leases previously accounted for as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

## *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

Impact of adoption of IFRS-16 against each subsidiary Company is as follows:

<i>Name of company</i>	<i>Note reference</i>
Sapphire Textile Mills Limited - Holding company	(i)
Sapphire Wind Power Company Limited - Subsidiary Company	(ii)
Tricon Boston Consulting Corporation (Private) Limited - Subsidiary Company	(ii)
Sapphire Retail Limited - Subsidiary Company	(iii)

### **(i) Sapphire Textile Mills Limited**

The adoption of IFRS 16 did not have material impact on the amounts recognized in the statement of financial position, statement of profit or loss, statement of cash flows or earnings per share of the STML as the Holding Company does not have any operating lease contract which is not short term or of immaterial value.

### **(ii) Sapphire Wind Power Company Limited and Tricon Boston Consulting Corporation (Private) Limited**

The following summary reconciles the operating lease commitments of SWPCL and TBCL; power generation companies of the Group at 30 June 2019 to the lease liabilities recognised on initial application of IFRS 16 at 01 July 2019:

	SWPCL Rupees	TBCL Rupees
<b>Operating lease as at 30 June 2019</b>		
Operating lease commitments	66,354,820	90,815,225
Accrued liability for operating lease liability	9,123,977	-
	<b>75,478,797</b>	<b>90,815,225</b>
Incremental borrowing rate	15.25%	14.97%
Discounted using the lessee's incremental borrowing rate at the date of initial application	<b>23,274,419</b>	<b>22,335,816</b>
<b>Lease liability recognised as at 01 July 2019</b>		
Of which are:		
Current lease liabilities	2,744,000	-
Non-current lease liabilities	20,530,419	22,335,816
	<b>23,274,419</b>	<b>22,335,816</b>

The right of use asset relating to the leasehold land at plant site of both the subsidiary Companies, Jhimpir, was measured at the amount equal to the lease liability recognised in the statement of financial position as at 01 July 2019.

Right of use asset	<b>23,274,419</b>	<b>22,335,816</b>
The adoption of IFRS 16 affected the following items in the statement of financial position on 01 July 2019:		
Property, plant and equipment - increased by	<b>23,274,419</b>	<b>22,335,816</b>
Lease liability - increased by	<b>23,274,419</b>	<b>22,335,816</b>
Trade and other payables (accrued liability for operating lease rentals) - decreased by	<b>9,123,977</b>	-
Adjustment to opening retained earnings	<b>9,123,977</b>	-

**(iii) Sapphire Retail Limited**

'Sapphire Retail Limited; textile retail company of the Group has lease contracts for rented premises (retail outlets and warehouse) and vehicles. The effect of adoption IFRS 16 as at 1 July 2019 increase/ (decrease) is as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Leases previously accounted for as operating leases

	Rupees
<b>Assets</b>	
Right-of-use assets	1,979,344,096
Long term deposits - retail outlets	(99,481,724)
Prepayments	(28,148,063)
	<b>1,851,714,309</b>
<b>Liabilities</b>	
Lease liabilities	<b>1,851,714,309</b>
 <b>Leases previously classified as finance leases</b>	
<b>Assets</b>	
Right-of-use assets	16,987,661
Property and equipment - leased assets	(16,987,661)
<b>Liabilities</b>	
Lease liabilities	14,452,087
Liabilities against assets subject to finance lease	(14,452,087)
Incremental borrowing rate	
	Rented premises 14.97% to 15.92%
	Vehicles 8.02% to 12.61%
<b>Statement of profit or loss</b>	
<b>Profit before adoption of IFRS 16</b>	<b>301,407,977</b>
Lease rental expense not booked	(414,050,790)
Depreciation - right-of-use assets	342,471,145
Interest on lease liabilities	299,352,169
Impact on profit before taxation	<b>227,772,524</b>

## 5.2 Exemption from applicability of certain interpretations to standards for Power Sector Companies

- (a) SECP through SRO 986(I)/2019 dated 02 September 2019 has granted exemption from the requirements of IFRS 16 'Leases' to all companies that have executed their power purchase agreements before 01 January, 2019. Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a lease under IFRS 16, 'Leases'. Consequently, TBCL and SWPL (Subsidiary Companies) wind power plants' control due to purchase of total output by CPPA-G appears to fall under the scope of IFRS 16. Consequently, if the Group were to follow IFRS 16, the effect on the financial statements would be as follows:

	2020 Rupees	2019 Rupees
De-recognition of property, plant and equipment	(43,296,543,978)	(45,660,284,996)
De-recognition of trade debts	(2,589,320,201)	(1,665,951,772)
Recognition of lease debtor	45,555,837,666	46,077,223,488
	(330,026,513)	(1,249,013,280)
Decrease in un-appropriated profit at the beginning of the year	(1,249,086,819)	(373,237,920)
Increase / (decrease) in profit for the year	919,060,306	(875,848,899)
Decrease in un-appropriated profit at the end of the year	(330,026,513)	(1,249,013,280)

- (b) In respect of companies holding financial assets due from the Government of Pakistan, SECP through SRO 985(I)/2019 dated 02 September 2019 has notified that the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till 30 June 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the TBCL and SWPCL (Subsidiaries companies) have not followed the requirements of IFRS 9 with respect to application of Expected Credit Losses in respect of trade debts and other receivables due from CPPA-G.

### 5.3 Standards, Interpretations and amendments to approved accounting standards that are not yet effective:

The following amendments to the approved accounting and reporting standards, applicable in Pakistan, would be effective from the dates mentioned below against the respective standards and interpretation have not been adopted early by the Group:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022
IFRS 3	Business combinations to clarify the definition of business The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2020
IFRS 4	Insurance contracts to clarify extension of the Temporary Exemption from Applying IFRS 9 defers the fixed expiry date of the following temporary exemptions from applying IFRS 9 to annual periods beginning on or after January 01, 2023.	01 January 2023
IFRS 9	Financial Instruments to clarify the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.	01 January 2020



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized
IAS 16	Property, plant and equipment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, contingent liabilities and contingent assets to specify which costs should be included in an entity's assessment whether a contract will be loss-making.	01 January 2022

The above new amendments to standards and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application.

In addition to the above new standards and amendments to standard and interpretations, The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

In addition to the above new standards and amendments to standard and interpretations, improvements to various accounting standards have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard		IASB effective date (annual periods beginning on or after)
IFRS 1	- First time adoption of International Financial Reporting Standards	01 July 2009
IFRS 17	- Insurance Contracts	01 January 2023

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set-out below. These policies have been consistently applied to all the years presented except as explained in note 5.1.

### 6.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests (NCI) in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 6.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group except for Creadore A/S . When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The financial statements of foreign associate 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. Statement of financial position items are translated at the exchange rate at the reporting date and the statement of profit or loss 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.

## 6.3 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 except to the effect that straight line method is used for assets of SWPCL and TBCL and charged to the statement of profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 7.1. 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 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 or 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 statement of profit or loss.

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.

#### **Capital work-in-progress**

Capital work-in-progress is stated at cost accumulated up to the reporting 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.

### **6.4 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. The Group has adopted cost model for its investment property using the same basis as disclosed for measurement of the Group's owned assets.

### **6.5 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 the statement of profit or loss on straight line basis over a period ranging from three to 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.

### **6.6 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 reporting date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on management estimate regarding their future usability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6.7 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. Provision for obsolete stock is determined based on management estimate regarding their future usability.

## 6.8 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less expected credit losses (ECL) as explained in note 6.21.1 (d).

## 6.9 Cash and cash equivalents

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

## 6.10 Borrowings

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

## 6.11 Employee benefits

### Compensated absences

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

### Defined benefit plan

The Holding Company operates an unfunded gratuity scheme for its eligible 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 reporting date. The amount arising as a result of remeasurement are recognized in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

### Defined contribution plan

There is an approved contributory provident fund for its eligible employees as per terms of employment 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. The assets of the fund are held separately under the control of trustees.

## 6.12 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.

## 6.13 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 credits, 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 income of subsidiary companies - Sapphire Wind Power Company Limited (SWPCL) and Tricon Boston Consulting Corporation (Private) Limited derived from electric power generation is exempt from tax as per the 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 companies (SWPCL and TBCL) are also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

### Deferred 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 consolidated 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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

The Holding Company assesses at each reporting date whether its income is subject to tax under the Final Tax Regime or normal provision of the Income Tax Ordinance, 2001. It considers turnover trend of last three years as well as expected pattern of taxation of future years in order to recognize deferred tax.

## 6.14 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Group as lessee

Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, dismantling cost, initial direct costs incurred, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

## Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses implicit rates available in the lease agreements, however, in case the interest rate implicit in the lease is not readily determinable, the Group uses incremental borrowing rate at the lease commencement date.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.



#### 6.14.1 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. During the year, the Group has recognized an amount of rent expense, in the statement of profit or loss, representing charge for short-term leases.

#### 6.15 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the consolidated 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.

#### 6.16 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 reporting date and adjusted to reflect the current best estimate.

#### 6.17 Revenue recognition

##### *Sale of goods*

The Group's contracts with customers for the sale of goods generally include one performance obligation for both local and export sales i.e. provision of goods to the customers.

##### **(i) Local Sales**

The revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on dispatch of products from the mill.

##### **(ii) Export Sales**

The revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, dependent on the related incoterms generally on date of bill of lading or delivery of the product to the port of destination. Therefore, export sales are recognized upon clearance of shipment at port of discharge.

##### **(iii) Sale of electricity**

Revenue on account of energy is recognised on electricity output delivered to CPPA-G whereas on account of Non-Project Missed Volume is recognised when the event has occurred in terms of the EPA and underlying data is available. Both are recognised at the rates specified under the EPA. Delayed payment markup on amounts due under the EPA is accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the EPA. Invoices are generally raised on a monthly basis and are due after 30 days from acknowledgement by CPPA-G.

##### *Rendering of services*

The Group provides garments stitching and fabric processing services to local customers. These services are sold separately and the Group's contract with the customer for services constitute a single performance obligation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Revenue from services is recognized at the point in time, generally on dispatch of the stitched / processed fabric from the factory. There are no terms giving rise to variable consideration under the Group's contracts with its customers.

## *Other sources of revenue*

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.

Revenue against scrap sales is recognized when control is transferred to customer. Consideration is always received at the time of delivery.

All other income items are recognized on accrual basis.

## **6.18 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 commencement.

## **6.19 Foreign currency transactions and translation**

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee using the exchange rates at reporting date. Non-monetary assets and liabilities are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair value is determined. Exchange differences on foreign currency transactions and translations are included in statement of profit or loss, except as follows:

For the Group's companies in power sector, foreign exchange gains and losses resulting from the settlement and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are capitalized in property, plant and equipment in accordance with SRO 986(I)/2019 dated 02 September 2019 (previously SRO 24(I)/2012) of the SECP. Accordingly, the exchange differences of the Group's Power Sector subsidiaries have been capitalized.

## **6.20 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 statement of profit or loss.

## **6.21 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## 6.21.1 Financial assets

### (a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 as explained in Note 6.17 Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes long term deposits, trade debts, loan to employees, trade deposits and other receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Financial assets at fair value through OCI (debt instruments)

The Group measures financial assets at fair value through OCI if both of the following conditions are met:

- i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

## Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. The Group transfers the gain / loss on investments disposed off to unappropriated profit within equity. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Based on business model of the Group, it elected to classify irrevocably its equity investments under this category.

## Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### c) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- i) The rights to receive cash flows from the asset have expired, or
- ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### d) **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

## 6.21.2 Off-setting of financial assets and liabilities

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

## 6.21.3 Derivative financial instruments

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

### a) Cash flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of capital reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

## **b) Fair value hedges**

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortized fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

### **6.21.4 Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, accrued interest/mark up, unclaimed dividend, long term loans and short term borrowings including bank overdrafts.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

##### **a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

##### **b) Financial liabilities at amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective interest rate (EIR) method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to the liabilities as disclosed in Note 50.5.

## 6.22 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.

## 6.23 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 Chief Executive Officer (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 comprise 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 and bank balances. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate payables.

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, Textile retail and Power generation which also reflects the management structure of Group.

## 6.24 Related party transactions

All transactions with related parties are carried out by the Group at arms' length. Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to these consolidated financial statements.

	Note	2020 Rupees	2019 Rupees
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	7.1	64,883,952,143	66,878,177,418
Capital work-in-progress	7.7	1,276,023,745	821,327,771
Major spare parts and stand-by equipment	7.9	69,216,256	69,216,256
Right of use asset	7.10	2,101,774,250	-
		<b>68,330,966,394</b>	<b>67,768,721,445</b>

### 7.1 Operating fixed assets

	Land		Buildings on free - hold land				Buildings on lease - hold land				Rupees									
	Free - hold	Lease - hold	Factory building	Office building	Buildings on free - hold land		Leased building improvements	Plant and machinery	Electric installation	Fire fighting equipment	Electric equipment	Computer	Office equipment	Mills equipment	Furniture and fixtures	Vehicles	Leased vehicles	Total		
					Labour, staff colony and others	Factory building													Labour, staff colony and others	
Balance as at 1 July 2019																				
Cost	324,259,058	115,038,377	2,975,527,412	511,126,592	420,773,248	1,904,139,017	107,892,467	689,975,329	70,703,452,549	647,103,167	26,470,720	396,809,254	225,896,427	54,582,086	107,108,148	400,060,092	301,461,511	-	79,880,656,464	
Accumulated depreciation	-	-	(1,176,490,969)	(164,449,036)	(74,432,381)	(311,353,266)	(86,188,869)	(246,241,953)	(10,214,493,322)	(255,311,567)	(6,719,368)	(98,383,443)	(122,252,370)	(89,182,769)	(50,027,929)	(84,424,494)	(139,509,944)	-	(13,016,466,706)	
Net book value	324,259,058	115,038,377	1,799,036,443	346,677,556	346,340,867	1,592,785,751	71,703,598	412,733,376	60,488,959,227	391,791,600	19,751,322	298,420,811	103,644,057	15,379,331	57,081,219	315,635,598	161,951,567	-	66,861,189,759	
For the year ended 30 June 2020																				
Additions																				
Additions during the year																				
-Additions	31,036,499	-	184,697,709	73,769,902	-	2,561,308	-	4,000,000	955,640,755	33,354,989	2,629,700	61,422,866	24,799,954	371,080	8,909,010	64,010,632	45,740,409	-	1,532,833,853	
-Net exchange loss capitalised (Note 7.4)	-	-	-	-	-	28,586,437	-	-	988,630,880	-	-	-	-	-	-	-	-	-	1,017,217,317	
Deposits:																				
Exchange loss adjustments	-	-	13,802,693	-	-	-	-	-	48,077,615	-	-	-	-	-	-	-	-	-	61,890,308	
- Cost	-	-	-	-	-	-	-	-	289,504,573	-	-	-	2,415,023	594,865	-	-	54,277,208	-	346,791,669	
- Depreciation	-	-	-	-	-	-	-	-	(194,383,740)	-	-	-	(1,604,184)	(594,865)	-	-	(22,740,445)	-	(219,323,234)	
	-	-	-	-	-	-	-	-	95,120,833	-	-	-	810,839	-	-	-	31,536,763	-	127,468,435	
Depreciation for the year	-	-	(188,929,314)	(20,070,107)	(17,317,043)	(89,707,972)	(3,259,134)	(82,150,818)	(3,740,323,431)	(31,708,943)	(2,104,776)	(44,547,981)	(37,725,121)	(3,698,390)	(6,469,513)	(35,401,804)	(34,625,695)	-	(4,338,040,042)	
	355,295,557	115,038,377	1,781,002,145	400,376,351	329,023,824	1,534,225,524	68,444,464	334,582,558	56,589,708,983	393,437,646	20,276,246	315,295,716	89,898,051	12,052,021	59,520,716	344,244,446	141,529,518	-	64,883,952,143	
Balance as at 30 June 2020																				
Cost	355,295,557	115,038,377	3,160,225,121	584,895,484	420,773,248	1,935,286,762	107,892,467	662,975,329	72,398,219,611	680,456,156	29,100,420	458,232,140	245,271,358	54,338,311	116,018,158	464,070,744	292,924,712	-	82,084,015,965	
Accumulated depreciation	-	-	(1,379,222,976)	(184,519,143)	(91,749,424)	(401,061,238)	(39,448,003)	(328,392,771)	(13,806,510,629)	(267,020,510)	(8,924,174)	(142,936,424)	(156,373,307)	(42,286,290)	(56,497,442)	(119,926,299)	(151,395,194)	-	(17,200,063,822)	
	355,295,557	115,038,377	1,781,002,145	400,376,351	329,023,824	1,534,225,524	68,444,464	334,582,558	56,589,708,983	393,437,646	20,276,246	315,295,716	89,898,051	12,052,021	59,520,716	344,244,446	141,529,518	-	64,883,952,143	
Depreciation rate % per annum																				
	-	-	10	5	5	5 & 10	5	20	5 & 10	10	10 & 33.33	10 & 33.33	30	10 & 33.33	10	10 & 15	20	-	-	

## For the year ended 30 June 2020

\*Assets subject to finance lease have been transferred to right of use assets after the adoption of IFRS 16 (refer to note 7.10).

**7.2** Freehold lands of the Holding Company are located at Sheikhpura, Kasur and Lahore with an area of 1,099,016 (2019: 1,077,327) square yards and leasehold lands of the Holding Company are located at Kotri, Nooriabad and Karachi with an area of 435,964 (2019: 435,964) square yards.

**7.3** Freehold land includes Rs.80.685 million (2019: 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).

#### **7.4 Net exchange loss capitalised**

This represents exchange difference capitalised in accordance with SRO 24(I)/2019 dated 02 September 2019 of the SECP (as fully explained fully in note 6.19 to these consolidated financial statements). Had the subsidiary companies followed IAS 21 "The Effects of Changes in Foreign Exchange Rates", the effect on the consolidated financial statements would be as follows:

	Note	2020 Rupees	2019 Rupees
<b>Statement of financial position:</b>			
Decrease in the carrying amount of property, plant and equipment and un-appropriated profit as at 30 June		(13,181,207,906)	(12,837,721,668)
<b>Statement of profit or loss:</b>			
Decrease in cost of sales		691,596,123	128,160,959
Increase in other expenses		(1,017,217,317)	(11,624,833,607)
Decrease in profit for the year		(325,621,194)	(11,496,672,648)

#### **7.5 The depreciation charge for the year has been allocated as follows:**

Cost of sales	34	4,124,720,399	3,226,085,387
Distribution cost	35	145,323,853	148,818,386
Administrative expenses	36	67,995,790	77,451,221
		<u>4,338,040,042</u>	<u>3,452,354,994</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 7.6 Particulars of disposed operating fixed assets during the year, having book value of five hundred thousand rupees or more are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal	Particulars of Buyers / Relationship (if any)
Rupees							
<b>Plant and Machinery</b>							
Gas Generator	104,490,065	59,031,569	45,458,495	16,812,000	(28,646,495)	Negotiation	R.A Engineering Services (Private) Limited
Auto coro open end machine	26,699,603	21,840,764	4,858,839	7,000,000	2,141,161	- - - do - - -	A.R.Textile
Auto coro open end machines	16,770,074	14,529,210	2,240,864	4,393,046	2,152,182	- - - do - - -	Lyalpur Textiles
Slub Device	3,741,579	3,134,625	606,954	606,954	-	- - - do - - -	Lyalpur Textiles
Auto coro open end machine	11,984,352	10,050,009	1,934,343	3,500,000	1,565,657	- - - do - - -	Combined Spinning (Private) Limited
Auto coro open end machines	25,759,462	20,256,521	5,502,941	7,000,000	1,497,059	- - - do - - -	Multan Spinning Mills
Auto coro open end machine	8,696,729	7,455,945	1,240,784	2,500,000	1,259,216	- - - do - - -	Noor Tex
Loptex Sorter machine	14,073,537	10,773,517	3,300,020	3,350,000	49,980	- - - do - - -	Nadeem Textile Mills Limited
Vortex MVS machines	30,999,479	18,087,672	12,911,806	14,500,000	1,588,194	- - - do - - -	H.A.R Textile Mills Limited
Loptex Sorter machine	8,975,089	6,038,679	2,936,409	2,945,455	9,046	- - - do - - -	Abdullah Fibres (Private) Limited
Water Treatment machine	1,800,000	725,800	1,074,200	1,100,000	25,800	- - - do - - -	Chemtronics Water Services (Private) Limited
Chain Grate, Coal Firing System machines	5,955,052	990,027	4,965,025	4,307,785	(657,240)	- - - do - - -	Prime Oil And Ghee Mills Limited
Steam Boiler machine	12,000,000	5,882,524	6,117,476	7,300,000	1,182,524	- - - do - - -	M.A. Oils (Private) Limited
	271,945,020	178,796,863	93,148,157	75,315,240	(17,832,917)		
<b>Vehicles - Sold to employees</b>							
Suzuki Swift	1,463,000	663,486	799,514	799,514	-	As per Company Policy	Mr. Sami Ud Din
Honda Civic	2,353,000	745,640	1,607,360	1,607,360	-	- - - do - - -	Mr. Alam Zeb Burki
Suzuki Cultus	1,250,000	425,000	825,000	825,000	-	- - - do - - -	Mr. Adnan Younus
Suzuki Cultus	1,250,000	350,000	900,000	900,000	-	- - - do - - -	Mr. Zain-Ul-Abideen
Suzuki Cultus	1,099,000	555,068	543,932	543,932	-	- - - do - - -	Mr. Zahid Siddique
Honda Civic	2,353,000	857,538	1,495,462	1,495,462	-	- - - do - - -	Mr.Muhammad Sohaib Khan
Suzuki Swift	1,418,000	866,228	551,772	551,772	-	- - - do - - -	Mr. Muhammad Irfan Akhtar
Toyota Corolla	1,880,500	906,986	973,514	973,514	-	- - - do - - -	Mr. Faisal Arif
Honda Civic	2,403,000	698,472	1,704,528	1,704,528	-	- - - do - - -	Mr. Sarmad Munir
Suzuki Cultus	1,250,000	527,500	722,500	722,500	-	- - - do - - -	Mr. Faisal Nazir
Toyota Corolla	1,796,302	1,066,011	730,291	762,043	31,752	- - - do - - -	Mr. Danish Hanif
Toyota Vezel	2,932,000	1,108,829	1,823,171	2,000,000	176,829	- - - do - - -	Mr. Saquib Saeed
Honda Civic	2,577,500	1,104,887	1,472,613	1,457,226	(15,387)	- - - do - - -	Mr. Muhammad Asif
Toyota Corolla	2,080,000	1,153,484	926,516	1,011,000	84,484	- - - do - - -	Mr. Waseem Mahmood
Honda Civic	2,926,257	969,567	1,956,690	1,995,056	38,366	- - - do - - -	Mr. Saqib Younas
	29,031,559	11,998,696	17,032,863	17,348,907	316,044		
<b>Vehicles - Sold to third parties</b>							
Toyota Corolla	2,379,000	198,250	2,180,750	2,425,000	244,250	Negotiation	Mr. Muhammad Asif Ashraf
Honda City	1,804,000	263,584	1,540,416	1,854,000	313,584	- - - do - - -	Ms. Samreen Sajid
Toyota Fortuner	6,230,500	1,574,240	4,656,260	4,901,250	244,990	- - - do - - -	Mr. Malik Taimur Ali Noon
Suzuki Swift	1,327,000	627,759	699,241	1,100,000	400,759	- - - do - - -	Mr. Waqas Dilawar
Suzuki Swift	1,463,000	708,742	754,258	1,200,000	445,742	- - - do - - -	Mr. Naveed Ahmed Khan
Toyota Hilux Revo G	3,749,000	861,229	2,887,771	3,795,000	907,229	Loss insurance claim	Adamjee Insurance Company Limited
	16,952,500	4,233,804	12,718,696	15,275,250	2,556,554		
<b>Other assets having book value less than Rs.500,000</b>							
	28,862,590	24,293,871	4,568,719	7,437,942	2,869,223		
2020	346,791,669	219,323,234	127,468,435	115,377,339	(12,091,096)		
2019	872,347,891	572,903,830	299,444,061	268,240,755	(31,203,306)		

	Note	2020 Rupees	2019 Rupees
<b>7.7 Capital work-in-progress</b>			
Freehold land and building	7.7.1	443,173,511	435,749,570
Civil works and buildings		167,976,421	154,608,429
Plant and machinery	7.7.2	660,175,499	184,923,436
Electric installation		543,314	44,904,336
Mills equipment		4,155,000	-
Computer		-	642,000
Advance for vehicles		-	500,000
		<b>1,276,023,745</b>	<b>821,327,771</b>

**7.7.1** This represents land and building owned by SRL (Subsidiary Company) requiring levelling / construction. The land measures four canals, seven marlas and fifty square feet and is situated at Plot No. 21 Block H, Gulberg II Scheme, Lahore.

**7.7.2** Additions to capital work in progress include borrowing cost amounting to Rs.11,199,800 (2019: Rs. 419,125) at the borrowing rate of 2.75% to 14.65% (2019: 2.50%) pertaining to Holding Company.

**7.8** Movement of capital work-in-progress during the year is as follows:

	01 July 2019	Additions during the year	Transferred to operating fixed assets	30 June 2020
	Rupees			
<b>Particulars</b>				
Freehold land and building	435,749,570	7,423,941	-	443,173,511
Civil works and buildings	154,608,429	269,731,144	(256,363,152)	167,976,421
Plant and machinery	184,923,436	1,432,067,491	(956,815,428)	660,175,499
Electric installation	44,904,336	840,652	(45,201,674)	543,314
Mills equipment	-	4,310,000	(155,000)	4,155,000
Computer	642,000	939,444	(1,581,444)	-
Advance for vehicles	500,000	16,278,650	(16,778,650)	-
	<b>821,327,771</b>	<b>1,731,591,322</b>	<b>(1,276,895,348)</b>	<b>1,276,023,745</b>

**7.9** These spare parts and stand-by equipment are in the possession and control of SWPCL's (subsidiary company) O&M contractor, General Electric, for smooth and uninterrupted operation and maintenance of the Company's plant as per the terms of the O&M Agreement dated 13 October 2011 and as amended by Novation Agreement dated 29 June 2018. Previously, these were in the possession and control of former O&M contractor, HydroChina as per the terms of the O&M Agreement dated 12 December 2013. Upon completion of the term of the said agreement on 07 March 2018, HydroChina handed over the major spare parts and stand-by equipment to General Electric. As per the terms of the above mentioned O&M Agreement, General Electric will replenish and hand over these items to the Subsidiary Company on the expiry of the respective O&M Agreement i.e. eight years from the Taking-Over Date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 7.10 Right of use asset

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year.

	Note	Rented premises	Vehicles	Land	Total
Rupees					
As at 1 July 2019		1,979,344,096	16,987,661	65,946,318	2,062,278,075
Additions during the year		393,201,598	3,950,000	-	397,151,598
Depreciation expense	7.10.5	(342,471,145)	(2,257,670)	(3,644,091)	(348,372,906)
Disposals during the year-WDV		-	(9,282,517)	-	(9,282,517)
As at 30 June 2020		2,030,074,549	9,397,474	62,302,227	2,101,774,250
Note reference		7.10.1	7.10.2	7.10.3	

**7.10.1** SRL (subsidiary) has lease contracts for rented premises (retail outlets). Leases of rented premises generally have lease terms between 2 and 12 years. The subsidiary company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets with a few exceptions. There are several lease contracts that include extension and termination options and variable lease payments based on future events. The subsidiary company has other leases for rented premises with a lease term of 12 months or less, for which the Company applies the short-term leases recognition exemption for these leases.

**7.10.2** SRL(subsidiary) has lease contracts for vehicles. Leases of vehicles have lease terms between 4 and 5 years. The subsidiary company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, subsidiary company is restricted from assigning and subleasing the leased assets with a few exceptions.

**7.10.3** This represents right of use asset relating to land obtained from Government of Sindh, Land Utilization Department, through Deputy Commissioner Thatta for a lease of 1,284 acres for each of the three projects of TBCL (subsidiary) and land acquired from AEDB, situated in Jhimpir, District Thatta for a lease of 1,372 acres on which the wind power plant of SWPCL (subsidiary) is installed for a period of thirty years.

**7.10.4** Particulars of disposed leased vehicles during the year is as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal
Rupees						
Suzuki Swift - Mr. Muhammad Wasim - Employee	1,375,000	491,649	883,351	901,389	18,038	Company Policy
Suzuki Swift - Mr. Hammad Ahmed - Employee	1,375,000	491,638	883,362	919,417	36,055	--- do ---
Honda City - Mr. Juniad Khan - Employee	1,703,000	407,962	1,295,038	1,316,987	21,949	--- do ---
Suzuki Swift - Mr. Rao Zulifqar - Ex Employee	1,571,000	377,040	1,193,960	1,090,600	(103,360)	--- do ---
Honda City - Mr. Zeeshan Haider - Ex Employee	1,903,900	336,355	1,567,545	1,472,944	(94,601)	--- do ---
Suzuki Swift - Mr. Ali Khan - Ex Employee	1,375,000	553,667	821,333	855,566	34,233	--- do ---
Suzuki Cultus - Mr. Shahid Manzoor - Ex Employee	1,340,000	275,445	1,064,555	1,064,555	-	--- do ---
Honda Civic - Mr. Muhammad Imran - Third party	2,353,000	779,627	1,573,373	1,573,373	-	Negotiation
	<b>12,995,900</b>	<b>3,713,383</b>	<b>9,282,517</b>	<b>9,194,831</b>	<b>(87,686)</b>	



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

	Note	2020 Rupees	2019 Rupees
Cost of sales	34	4,630,536	-
Distribution cost	35	343,011,487	-
Administrative expenses	36	730,883	-
		<b>348,372,906</b>	<b>-</b>
<b>8 INVESTMENT PROPERTY</b>			
Freehold land		<b>31,750,000</b>	<b>31,750,000</b>

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

**8.2** Fair value of the investment property, based on estimation was Rs.70 million (2019: Rs.45 million).

## **9 INTANGIBLE ASSETS**

Computer software	9.1	3,320,175	2,382,417
Goodwill	9.2	455,540,310	455,540,310
		<b>458,860,485</b>	<b>457,922,727</b>
<b>9.1 Computer software</b>			
<b>Net carrying value as at 01 July 2019</b>			
Net book value as at July 01		2,382,417	17,925,194
Addition during the year	9.1.1	3,290,960	722,236
Write-off		-	(8,969,460)
Amortization during the year	9.1.2	(2,353,202)	(7,295,553)
<b>Net book value as at 30 June 2020</b>		<b>3,320,175</b>	<b>2,382,417</b>
<b>Gross carrying value as at 30 June 2020</b>			
Cost		38,660,733	35,369,773
Accumulated amortization		(35,340,558)	(32,987,356)
<b>Net book value as at 30 June 2020</b>		<b>3,320,175</b>	<b>2,382,417</b>
Amortization rate % per annum		<b>20 &amp; 33.33</b>	<b>20 &amp; 33.33</b>

**9.1.1** This represents inventory and point of sale (POS) software and garments simulator software of SRL (Subsidiary Company).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

**9.1.2** Amortization expense for the year has been charged to other operating expenses.

**9.2** Goodwill represents excess of the amount paid by the Holding Company over fair value of net assets of TBCL (Subsidiary company) for the purchase of the Subsidiary Company in 2015. TBCL is considered a separate cash generating unit of the Group and there is no indicator of its impairment.

		Note	2020 Rupees	2019 Rupees
<b>10 LONG TERM INVESTMENTS</b>				
<b>Related parties - under equity method</b>				
Associates	- listed	10.1	93,345,238	85,189,188
	- unlisted	10.2	1,202,426,434	1,156,949,826
			1,295,771,672	1,242,139,014
<b>Other companies - Fair value through other comprehensive income</b>		10.3	3,614,599,820	4,150,418,072
			4,910,371,492	5,392,557,086

## 10.1 Investments in associates - listed

2020 No. of Shares	2019	Name of Company	2020 Rupees	2019 Rupees
313,295	313,295	<b>Reliance Cotton Spinning Mills Limited (RCSM)</b>	93,345,238	85,189,188
		Equity Interest Held 3.04% (2019: 3.04%)		
		Fair value of the ordinary shares as at 30 June 2020 amounted to Rs. 40.102 million (24 June 2019: Rs. 45.741 million).		

**10.1.1** The movement in the value of equity investment is as follows:

	2020 Rupees	2019 Rupees
Cost	8,461,851	8,461,851
Dividend received	(2,506,360)	(2,036,418)
Accumulated profit	87,389,747	78,763,755
	93,345,238	85,189,188

Investment in RCSM represents 313,295 fully paid ordinary shares of Rs.10 each representing 3.04% (2019: 3.04%) of RCSM's issued, subscribed and paid-up capital as at 30 June 2020. RCSM was incorporated on 13 June 1990 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of RCSM is manufacturing and sale of yarn. RCSM is an associate of the Group on the basis of common directorship.

## 10.2 Investments in associates - unlisted

2020	2019		Note	2020	2019
No. of Shares		Name of Company		Rupees	Rupees
4,234,500	4,234,500	<b>Sapphire Power Generation Limited (SPGL)</b>	10.2.1	369,108,608	366,555,937
		Equity Interest Held 26.43% (2019: 26.43%)			
6,000,000	6,000,000	<b>Sapphire Electric Company Limited (SECL)</b>	10.2.2	233,878,141	201,011,680
		Equity Interest Held 1.42% (2019: 1.42%)			
10,000	10,000	<b>Sapphire Holding Limited (SHL)</b>	10.2.3	4,322,127	3,802,866
		Equity Interest Held 0.05% (2019: 0.05%)			
23,500,000	23,500,000	<b>Sapphire Dairies (Private) Limited (SDL)</b>	10.2.4	273,136,997	278,957,283
		Equity Interest Held 18.80% (2019: 21.36%)			
3,675	3,675	<b>Foreign Company - Creadore A/S Denmark (Creadore A/S)</b>	10.2.5	321,980,561	306,622,060
		Beneficial ownership: Sapphire Textile Mills Limited - 49% (2019: 49%) and Beirholm holding A/S Nordager 20, 6000 Kolding, Denmark- 51% (2019: 51%)			
			10.2.6	1,202,426,434	1,156,949,826

**10.2.1** Investment in SPGL represents 4,234,500 fully paid ordinary shares of Rs.10 each representing 26.43% (2019: 26.43%) of SPGL's issued, subscribed and paid-up capital as at 30 June 2020. SPGL was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution.

**10.2.2** Investment in SECL represents 6,000,000 fully paid ordinary shares of Rs.10 each representing 1.42% (2019: 1.42%) of SECL's issued, subscribed and paid-up capital as at 30 June 2020. 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, Sheikhupura. SECL is an associate of the Group due to common directorship.

**10.2.3** Investment in SHL represents 10,000 fully paid ordinary shares of Rs.10 each representing 0.05% (2019: 0.05%) of SHL's issued, subscribed and paid-up capital as at 30 June 2020. 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.

**10.2.4** Investment in SDL represents 23,500,000 fully paid ordinary shares of Rs.10 each representing 18.80% (2019: 21.36%) of SDL's issued, subscribed and paid-up capital as at 30 June 2020. SDL was incorporated as a private limited company and is principally engaged in production and sale of milk and milk products.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

**10.2.5** Investment in Creadore represents 3,675 fully paid ordinary shares of DKK1000 each representing 49% (2019: 49%) of Creadore's share capital as at 30 April 2020. Creadore is principally engaged in product development and marketing of textiles for the global hotel industry.

**10.2.6** The movement in the value of equity investments is as follows:

	SPGL	SECL	SHL	SDL	Creadore A/S
	Rupees				
<b>2020</b>					
Cost	113,705,500	60,000,000	100,000	235,000,000	58,708,925
Dividend received	-	(18,000,000)	-	-	(42,017,500)
Accumulated profit	255,403,108	191,878,141	4,222,127	38,136,997	305,289,136
	<u>369,108,608</u>	<u>233,878,141</u>	<u>4,322,127</u>	<u>273,136,997</u>	<u>321,980,561</u>
<b>2019</b>					
Cost	113,705,500	60,000,000	100,000	235,000,000	58,708,925
Dividend received	-	-	(17,500)	-	(35,796,949)
Accumulated profit	252,850,437	141,011,680	3,720,366	43,957,283	283,710,084
	<u>366,555,937</u>	<u>201,011,680</u>	<u>3,802,866</u>	<u>278,957,283</u>	<u>306,622,060</u>

The summary of financial statements / reconciliation of the associates is as follows:

	30 June 2020					30 April 2020
	RCSML	SPGL	SECL	SHL	SDL	Creadore A/S
Rupees						
Summarized Statement of Financial Position						
Non-current assets	2,946,376,178	1,268,186,963	12,137,766,684	9,284,764,318	2,765,787,162	-
Current assets	4,264,333,101	351,903,858	12,134,585,333	101,927,336	448,120,800	832,884,948
	7,210,709,279	1,620,090,821	24,272,352,017	9,386,691,654	3,213,907,962	832,884,948
Non-current and current liabilities	4,144,240,968	223,306,183	7,744,130,904	702,181,242	1,761,051,593	175,781,760
Net assets	3,066,468,311	1,396,784,637	16,528,221,113	8,684,510,412	1,452,856,369	657,103,186
Reconciliation to carrying amount						
Opening net assets	2,798,535,314	1,387,124,794	14,205,540,890	7,641,151,557	1,305,757,496	625,759,309
Right shares issued	-	-	-	-	150,000,000	-
Profit for the year	392,882,264	39,693,688	3,594,744,295	1,235,854,678	12,068,020	116,026,850
Other comprehensive (loss) / income	(47,577,492)	(30,016,282)	-	(198,231,223)	(1,361,943)	-
Other adjustments	4,964,225	(17,563)	-	5,735,400	(13,607,204)	10,027,030
Dividend paid during the year	(82,336,000)	-	(1,272,064,072)	-	-	(94,710,000)
Closing net assets	3,066,468,311	1,396,784,637	16,528,221,113	8,684,510,412	1,452,856,369	657,103,186
Group's share (%)	3.04%	26.43%	1.42%	0.05%	18.80%	49.00%
Carrying amount of investment	93,345,238	369,108,608	233,878,141	4,322,127	273,136,997	321,980,561

30 June 2020						30 April 2020
RCSML	SPGL	SECL	SHL	SDL		Creadore A/S
Rupees						
<b>Summarized Statement of Profit or Loss</b>						
Revenue	5,986,720,080	540,000	10,225,387,536	5,393,106	1,428,308,718	1,338,916,000
Profit before tax	461,316,957	62,150,168	3,595,016,880	1,321,674,466	68,398,242	148,747,550
Profit after tax	392,882,264	39,693,688	3,594,744,295	1,235,854,678	12,068,020	116,026,850
30 June 2019						30 April 2019
RCSML	SPGL	SECL	SHL	SDL		Creadore A/S
Rupees						
<b>Summarized Statement of Financial Position</b>						
Non-current assets	2,798,087,483	1,208,437,851	12,711,139,304	8,156,112,550	2,355,473,666	-
Current assets	3,264,523,208	310,117,593	12,149,706,721	108,714,997	316,673,348	793,263,364
	6,062,610,691	1,518,555,444	24,860,846,025	8,264,827,547	2,672,147,014	793,263,364
Non-current and current liabilities	3,264,075,377	131,430,651	10,655,305,135	623,675,990	1,366,389,518	167,504,058
Net assets	2,798,535,314	1,387,124,793	14,205,540,890	7,641,151,557	1,305,757,496	625,759,306
<b>Reconciliation to carrying amount</b>						
Opening net assets	2,425,593,005	1,427,056,270	11,025,494,570	6,596,393,913	1,146,522,825	416,057,628
Profit for the year	517,324,312	25,539,768	3,180,046,320	1,501,117,021	161,136,640	149,463,215
Other comprehensive income / (loss)	(69,893,791)	(60,365,252)	-	(434,342,868)	(1,351,758)	-
Other adjustments	(7,590,212)	(5,105,992)	-	13,146,486	(550,211)	133,293,463
Dividend paid during the year	(66,898,000)	-	-	(35,162,995)	-	(73,055,000)
Closing net assets	2,798,535,314	1,387,124,794	14,205,540,890	7,641,151,557	1,305,757,496	625,759,306
Group's share (percentage)	3.04%	26.43%	1.42%	0.05%	21.36%	49.00%
Carrying amount of investment	85,189,188	366,555,937	201,011,680	3,802,866	278,957,283	306,622,060
<b>Summarized Statement of Profit or Loss</b>						
Revenue	5,379,009,395	93,065,004	14,872,883,864	36,868,689	1,088,576,356	1,226,221,810
Profit before tax	550,889,260	36,629,274	3,180,578,910	1,560,535,943	202,222,259	191,299,790
Profit after tax	517,324,312	25,539,768	3,180,046,320	1,501,117,021	161,136,640	149,463,215

**10.2.7** The share of profit or loss after acquisition is recognized based on financial statements as at 30 June 2020 except Creadore A/S, Denmark whose financial year ended on 30 April 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 10.3 Other companies - Fair value through other comprehensive income

2020	2019		Note	2020	2019
No. of Shares		Name of Company		Rupees	Rupees
		<b>Quoted - conventional</b>			
4,061,840	4,061,840	MCB Bank Limited		217,880,150	217,880,150
		Fair value adjustment		440,422,259	490,707,838
				658,302,409	708,587,988
29,623,714	29,623,714	Habib Bank Limited		5,926,153,798	5,926,153,798
		Fair value adjustment		(3,056,504,623)	(2,570,971,950)
				2,869,649,175	3,355,181,848
		<b>Unquoted</b>			
7,055,985	7,055,985	Novelty Enterprises (Private) Limited	10.3.1	86,148,236	86,148,236
50,000	50,000	TCC Management Services (Private) Limited		500,000	500,000
				3,614,599,820	4,150,418,072

**10.3.1** This represents 12.5% equity interest of the Holding Company in Novelty Enterprises (Private) Limited, a privately held entity. The investee Company has not yet commenced its operations accordingly fair value of the investment cannot be determined. However, based on the latest available financial statements, the management is of the view that there are no indications of impairment and the carrying amount has been considered equal to the fair value.

**10.3.2** The Holding Company has pledged 3.332 million (2019: 2.832 million) shares of MCB Bank Limited, 0.150 million (2019: 1 million) shares of Engro Corporation Limited, 12.906 million (2019: 18.906 million) shares of Bank Al-Habib Limited and 27.177 million (2019: 21.177 million) shares of Habib Bank Limited with various financial institutions for arrangement of finance facilities.

**10.3.3** The Holding Company has pledged 4.407 million (2019: 4.407 million) shares of Engro Corporation Limited, 7.200 million (2019: 9.2 million) shares of Bank Al-Habib Limited, 0.730 million (2019: 1.230 million) shares of MCB Bank Limited, 2.447 million (2019: 2.447 million) shares of Habib Bank Limited and Nil (2019: 30.183 million) shares of K- Electric Limited with Standard Chartered Bank as security for issuance of standby letter of credit amounting to US \$ 8.791 million in favour of a financial institution for Debt Service Reserve support for TBCL (2019: US \$ 11.300 million in favour of a financial institutions for contingency support in TBCL in accordance with Sponsors Support agreement).

	Note	2020 Rupees	2019 Rupees
<b>11 LONG TERM LOANS AND ADVANCES</b>			
Loan to employees	11.1	46,163,175	51,343,927
Advance for land		65,500,000	84,500,000
		<b>111,663,175</b>	<b>135,843,927</b>
<b>11.1</b> Loan to employees - unsecured (considered good)	11.1.1	70,855,954	78,281,393
Current portion of loans shown under current assets	17	(24,692,779)	(26,937,466)
		<b>46,163,175</b>	<b>51,343,927</b>

**11.1.1** These represent interest free loans provided to executives and permanent employees for various purposes in accordance with the terms of employment as per Group's Human Resource policy. These loans are secured against retirement benefits payable to the executives / employees on resignation / retirement. These are recoverable in equal monthly instalments. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of long term loans is not considered material and hence not recognized.

## 12 LONG TERM DEPOSITS AND PREPAYMENTS

### Security deposits

WAPDA		85,830,588	85,830,588
SNGPL		1,097,000	1,097,000
Others	12.1	3,507,191	130,068,244
		<b>90,434,779</b>	<b>216,995,832</b>
Lease deposit money	12.2	-	22,973,966
Prepayments		-	15,093,755
		<b>90,434,779</b>	<b>255,063,553</b>

**12.1** It includes an amount of Rs.36,000 (2019: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party, by the Holding Company.

**12.2** This represented payment made to Government of Sindh by TBCL (Subsidiary Company) for lease of land measuring 3,852 acres situated at Deh Kohistan 7/1 Tapo Jhampir, Taluka & District Thatta in the province of Sindh.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>13 DEFERRED TAX ASSET</b>			
Deferred tax (liability) / asset as at year end comprises of temporary differences relating to:			
Accelerated tax depreciation - property and equipment		(47,289,824)	(57,713,782)
Leases		25,723,893	-
Provision for leave encashment		4,055,075	3,915,000
Minimum tax available for carry forward		-	40,680,462
Business loss carry forward - depreciation		132,561,877	94,764,347
		<b>115,051,021</b>	<b>81,646,027</b>

The aggregate unused tax losses and minimum tax credits available to the SRL (Subsidiary Company) for set off against future taxable profit as at 30 June 2020 amount to Rs. 1,056.60 million and Rs. 132.83 million respectively. Of these, deferred tax assets on unused tax losses arising from depreciation amounting to Rs. 457.11 million have been recognized as shown above.

Expiry of tax losses (excluding depreciation) and minimum tax credits for which no deferred tax asset has been recognized is as follows:

Tax Year	Nature		
2023	Business loss	-	12,081,851
2024	Business loss	599,494,500	660,998,102
		599,494,500	673,079,953
2020	Minimum tax credit	-	3,625,664
2021	Minimum tax credit	13,211,118	13,211,118
2022	Minimum tax credit	17,140,632	17,140,632
2023	Minimum tax credit	28,631,627	28,631,627
2024	Minimum tax credit	40,680,462	-
2025	Minimum tax credit	33,169,305	-
		132,833,144	62,609,041
		<b>732,327,644</b>	<b>735,688,994</b>

## 14 STORES, SPARES AND LOOSE TOOLS

Stores	14.1	486,822,258	444,606,233
Spares - in hand		215,245,013	188,427,624
Spares - in transit		77,157,422	71,764,713
		292,402,435	260,192,337
Loose tools		593,714	547,686
		779,818,407	705,346,256
Less: Provision for slow moving stores, spares and loose tools	14.2	(54,628,399)	(65,469,942)
		<b>725,190,008</b>	<b>639,876,314</b>

- 14.1** This includes stores and spares amounting of Rs.111.051 million (2019: Rs.111.051 million) of SPWCL (subsidiary company) which are in the possession and control of the subsidiary company's O & M contractor, General Electric, for smooth and uninterrupted operation and maintenance of the subsidiary company's plant as per the terms of the O & M Agreement dated 13 October 2011 and as amended by Novation Agreement dated 29 June 2018. Previously, these were in the possession and control of former O & M contractor, HydroChina as per the terms of the O&M Agreement dated 12 December 2013. Upon completion of the term of the said agreement on 7 March 2018, HydroChina handed over the stores and spares to General Electric. As per the terms of the above mentioned O & M Agreement, General Electric will replenish and hand over these items to the subsidiary company on the expiry of the respective O & M Agreement i.e. eight years from the Taking-Over Date.

This also includes spare parts and stand-by equipment of Rs.122.975 million (2019: 122.975 million) of TBCL (subsidiary company) which are in the possession and control of the subsidiary company's Wind Power Operations & Maintenance(O&M) contractor, HydroChina, for smooth and uninterrupted operation and maintenance of the subsidiary company's plant as per the terms of the O&M Agreements dated 26 September 2016 amended through supplemental agreement dated 06 May 2017, for a period of two years from the taking-over date. Furthermore, the subsidiary company has also signed LTOMA dated 26 September 2016 as amended through supplemental agreements dated 19 April 2017 for a term of eight years starting from the end of the above mentioned HydroChina's O&M Agreement, and these items will be handed over to the GE on expiry of HydroChina's O&M Agreements. As per the terms of the O&M Agreements, HydroChina and subsequently GE will replenish and hand over these items to the subsidiary Company on the expiry of their respective agreements.

	Note	2020 Rupees	2019 Rupees
<b>14.2 Provision for slow moving stores, spares and loose tools</b>			
Balance at the beginning of the year		65,469,942	55,806,634
(Reversal) / provision made during the year - net	38 / 37	(10,841,543)	9,663,308
Balance at the end of the year		54,628,399	65,469,942
<b>15 STOCK IN TRADE</b>			
Raw material - in hand	34.1	6,477,674,302	5,484,996,977
Raw material - in transit		95,424,152	268,530,903
		6,573,098,454	5,753,527,880
Work in process	15.1	1,894,315,328	1,706,335,329
Provision for obsolete stock	15.2	(1,200,000)	(1,200,000)
	34	1,893,115,328	1,705,135,329
Finished goods - manufactured	34	2,852,494,380	2,199,493,745
Finished goods - purchased for resale		123,324,179	48,250,271
		2,975,818,559	2,247,744,016
Waste	34	49,747,419	30,796,400
		11,491,779,760	9,737,203,625

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

- 15.1** This includes work-in-process of SRL (subsidiary company) amounting to Rs.246,154,546 (2019: Rs. 28,975,377) in the possession of various vendors.

	Note	2020 Rupees	2019 Rupees
<b>15.2 Provision for obsolete stock - (work-in-process)</b>			
Opening balance		1,200,000	61,825,350
Add: Provision for the year		-	1,200,000
Less: Reversal during the year		-	(61,825,350)
Closing balance		1,200,000	1,200,000

- 15.3** Stock in trade include items valued at Net Realizable value (NRV). The write down to NRV amounting Rs.481.878 million (2019: Rs. Nil) has been recognized in cost of goods sold. Detail of cost and NRV is as follows.

## Cost

Raw material	4,395,019,840	-
Finished goods	545,151,568	-
Firm commitments against stock in transit	784,043,303	-
	5,724,214,710	-

## Net Realizable value

Raw material	4,013,188,697	-
Finished goods	502,664,415	-
Firm commitments against stock in transit	726,483,724	-
	5,242,336,836	-

## 16 TRADE DEBTS

### Considered good

Foreign debts		824,555,141	547,412,695
CPPA-G	16.1	9,013,939,918	4,123,958,073
Other domestic debts	16.2 & 16.3	1,743,038,241	875,681,889
Waste		28,043,192	24,324,356
Others		18,048,075	16,405,701
		11,627,624,567	5,587,782,714

### Considered doubtful

Less: Provision for expected credit loss	16.6	36,773,217 (36,773,217)	36,505,865 (36,505,865)
		-	-
		11,627,624,567	5,587,782,714

- 16.1** These include amount of Rs.2,643.092 million (2019: Rs.1,775.380 million) receivable from CPPA-G by SWPCL (Subsidiary Company). 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 11.43% to 18.41% (2019:12.54% to 17.40%) per annum. An amount of Rs. 551.75 million (2019: Rs. 523.76 million) related to unbilled receivables is included in this receivable.

These also include amount of Rs 6,370.847 million (2019: 2,348.580 million) receivable from CPPA-G by TBCL (Subsidiary Company). 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 2% 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 10.97% to 15.90% per annum. An amount of Rs. 187.20 million related to unbilled delayed payment markup is included in this receivable.

- 16.2** Domestic debts include amount of Rs.567,469,863 (2019: Rs.402,577,494) receivable against indirect export sales.

	2020 Rupees	2019 Rupees
<b>16.3 Due from related parties- Domestic debts</b>		
Diamond Fabrics Limited	6,013,426	1,547,426
Sapphire Fibres Limited	620,024	-
Reliance Cotton Spinning Mills Limited	-	468,180
Sapphire Finishing Mills Limited	203,140,815	129,618,265
	<b>209,774,265</b>	<b>131,633,871</b>

- 16.4** The aging of trade debts receivable from related parties as at reporting date is as follows:

	Total amount receivable	Neither past due nor impaired	Past due but not impaired			
			0-30 days	31-60 days	61-90 days	91-180 days
			Rupees			
<b>30 June 2020</b>	209,774,265	101,303,943	103,676,417	2,459,240	138,025	2,196,640

- 16.5** Maximum amount due from related parties during the year, calculated by reference to month-end balances, was Rs.324,281,641 (2019: Rs.238,317,735).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>16.6 Provision for expected credit loss</b>			
Balance at the beginning of the year		36,505,865	44,925,809
Charged during the year	37	267,352	-
Written off during the year		-	(7,836,532)
Recovered during the year		-	(583,412)
Balance at the end of the year		36,773,217	36,505,865
<b>17 LOANS AND ADVANCES</b>			
Advances - Unsecured-Considered good			
to suppliers		102,049,829	103,921,447
to contractors		-	989,134
		102,049,829	104,910,581
Current portion of long term loans to employees	11.1	24,692,779	26,937,466
Short term loans to employees		5,431,449	5,857,269
		132,174,057	137,705,316
<b>18 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		49,784,895	4,134,140
Margin deposits with bank	18.1	-	5,327,900
Prepayments		37,187,210	49,314,926
		86,972,105	58,776,966
<b>18.1</b>	This represented cash margin deposited with a bank by Sapphire Renewables Limited (subsidiary company merged with holding company during the year) on behalf of TBCL( Subsidiary Company) against issuance of letters of guarantee.		
<b>19 OTHER RECEIVABLES</b>			
Claims receivable		8,143,153	-
Deposits with High Court		19,430,291	19,430,291
Export rebate receivable		67,859,558	99,244,147
Receivable against sale of fixed assets		10,797,271	80,841,307
Claims recoverable from NTDC against WPPF for pass through items	19.1	498,906,164	224,346,175
Receivables from CPPA-G	19.2	373,708,145	2,521,552,891
Interest receivable		-	494,795
Other receivables - considered good		6,971,328	272,635
		985,815,910	2,946,182,241

- 19.1** Under section 9.2(a) of the EPA, payments to Workers' Profit Participation Fund (WPPF) by SWPCL and TBCL (Subsidiary Companies) are recoverable from CPPA-G as a pass through items amounting to Rs. 151.354 million (2019: Rs. 119.348 million) and Rs. 347.553 million (2019: Rs. 104.998 million) respectively. Movement of WPPF for during the year is as follows:

	Note	2020 Rupees	2019 Rupees
Opening balance		224,346,175	129,174,909
Accrued for the year	28.2	329,335,299	169,570,864
Received during the year		(47,565,978)	(74,399,598)
Written off during the year		(7,209,332)	-
Closing balance		498,906,164	224,346,175

**19.2 Receivables from CPPA-G by  
TBCL (Subsidiary Company)**

Import duty		96,789,463	290,368,399
Insurance	19.2.1	276,918,682	118,659,022
Un-billed price differential	19.2.2	-	2,112,525,470
		373,708,145	2,521,552,891

- 19.2.1** Under section 9.2(a) of the EPA with CPPA-G, Insurance payments are recoverable from CPPA-G as a pass through item.

- 19.2.2** These were accrued on the basis of difference between indexed tariff applied with NEPRA and Reference Tariff as approved by NEPRA through its tariff determination dated 13 May 2016 numbered NEPRA/ TRF-343/ TBCCPL-A-2015/ 6485-6487, NEPRA / TRF-344/ TBCCPL-B-2015/ 6491-6493 and NEPRA/ TRF-345/ TBCCPL-C-2015/ 6497-6499 issued by NEPRA for the Project A, B and C respectively. In the previous year, the subsidiary company had billed the price differential invoice to CPPA amounting to 3.01 billion after determination of tariff by NEPRA.

**20 SHORT TERM INVESTMENTS**

Advance for Term Finance Certificates (TFCs)		-	50,000,000
Investments at fair value through other comprehensive income (FVOCI)	20.1	2,956,225,380	3,980,717,707
		2,956,225,380	4,030,717,707

**20.1 Investments at fair value through other comprehensive income (FVOCI) comprises of:**

Debt instruments at fair value through other comprehensive income (FVOCI)	20.1.1	49,000,000	53,443,295
Equity instruments at fair value through other comprehensive income (FVOCI)	20.1.2	2,907,225,380	3,927,274,412
		2,956,225,380	3,980,717,707

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 20.1.1 Debt instruments at fair value through other comprehensive income (FVOCI)

2020	2019	Particulars	2020	2019	2020	2019
Number of Certificates			Cost		Carrying value	
			Rupees			
500	-	HBL Term Finance Certificates (a)	50,000,000	-	49,000,000	-
-	602	Sales tax refund bonds	-	60,200,000	-	53,443,295
			50,000,000	60,200,000	49,000,000	53,443,295

(a) This represents 500 TFCs of HBL having par value of Rs.100,000 and aggregated value of Rs.50,000,000. TFCs issued are rated, listed, unsecured, subordinated, perpetual, non-cumulative, contingent convertible, additional Tier-1, capital eligible and having green shoe option.

## 20.1.2 Equity instruments at fair value through other comprehensive income (FVOCI)

2020	2019		2020	2020	2019
No. of Shares		Name of Company	Cost	Fair value	
			Rupees		
26,985,346	28,105,846	Bank Al-Habib Limited (Refer to note 10.3.2 and 10.3.3)	1,105,332,382	1,411,333,596	2,202,936,210
4,574,007	5,947,370	Engro Corporation (Pakistan) Limited (Refer to note 10.3.2 and 10.3.3)	1,293,345,025	1,339,818,130	1,579,621,472
113,000	-	Engro Fertilizer Limited	6,981,529	6,811,640	-
-	72,000	Pakistan State Oil Limited	-	-	12,213,360
30,183,000	30,183,000	K Electric Limited	260,805,385	90,850,830	132,503,370
808,000	-	Meezan Bank Limited	70,864,861	55,630,800	-
26,900	-	United Bank Limited	4,093,970	2,780,384	-
			2,741,423,152	2,907,225,380	3,927,274,412
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	-	-
			2,758,864,522	2,907,225,380	3,927,274,412



	Note	2020 Rupees	2019 Rupees
<b>21 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax - net	21.1	1,121,439,170	1,034,187,284
Sales tax receivable		671,441,189	340,397,811
Less: provision against doubtful sales tax refunds	21.2	(324,969,127)	(288,528,348)
		346,472,062	51,869,463
		1,467,911,232	1,086,056,747
<b>21.1 Income tax - net</b>			
Advance income tax / refundable		1,553,183,264	1,710,249,230
Provision for taxation	21.1.1	(431,744,094)	(676,061,946)
		1,121,439,170	1,034,187,284
<b>21.1.1 Provision for taxation</b>			
Balance at the beginning of the year		676,061,946	480,944,706
Provision for the year		465,021,555	448,688,960
		1,141,083,501	929,633,666
Less: Advance tax adjusted during the year against completed assessments		(709,339,407)	(253,571,720)
		431,744,094	676,061,946
<b>21.2 Provision against doubtful sales tax refunds</b>			
Balance at the beginning of the year		288,528,348	135,006,064
Provision made during the year	37	36,440,779	153,522,284
Balance at the end of the year		324,969,127	288,528,348
<b>22 CASH AND BANK BALANCES</b>			
Cash in hand		99,012,801	109,063,508
<b>Bank balances</b>			
<b>Local Currency</b>			
Current		1,900,281,474	1,352,472,739
Saving	22.1	37,643,605	35,188,509
		1,937,925,079	1,387,661,248
<b>Foreign currency-current accounts</b>			
USD	22.2	59,504,819	16,657,349
EURO	22.3	-	720,648
		59,504,819	17,377,997
<b>Foreign currency-saving accounts (USD)</b>			
Sapphire Wind Power Company Limited (SWPCL)	22.4	1,699,725,159	1,730,825,941
Tricon Boston Consulting Corporation (Private) Limited (TBCL)	22.5	2,468,377,381	1,169,096,979
		4,168,102,540	2,899,922,920
		6,264,545,239	4,414,025,673

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

**22.1** Balances with banks carry profit at the rate ranging from 6.5% to 11.25% (2019: 8% to 12%) per annum.

**22.2** Cash at bank in USD account includes US \$ 121,410 (2019: US \$ 101,569) related to Holding Company and amount of US \$ 231,915 (2019: US \$ Nil) pertaining to Sapphire International Aps (Subsidiary Company).

**22.3** Cash at bank in EURO account represents EURO Nil (2019: EURO 3,867) .

**22.4** This includes the following balances as at 30 June 2020 held in various accounts, mentioned below, established and maintained by the subsidiary company in pursuance to the Finance Agreement dated 31 March 2014 entered into by the Company with IDFC (formerly OPIC) and the Accounts Agreement dated 07 May 2014 entered into by the subsidiary company with IDFC and various branches of CitiBank, N.A.:

USD 9.4623 million equivalent to Rs. 1,592.059 million (2019: USD 9.570 million equivalent to Rs 1,569.49 million) in Debt Service Reserve account for repayment of long term finance and payment of interest accrued and other related costs thereon to IDFC;

USD 0.640 million equivalent to Rs. 107.680 million (2019: USD 0.984 million equivalent to Rs.161.337 million) in Dollar Maintenance Reserve account for payments against O & M Agreements.

Profit on balances on these accounts ranges from 0.051% to 2.360% (2019: 1.75% to 1.48%) per annum.

**22.5** This represents balances as at 30 June 2020 held in various accounts, established and maintained by the Subsidiary Company pursuant to the Accounts Agreement dated 21 April 2017 entered into by the Subsidiary Company with various branches of Citibank, N.A. USD 14.39 million equivalent to Rs 2,421.27 million (2019: nil) in Debt Service Reserve account for repayment of long term finance and payment of interest accrued and other related costs thereon to lenders.

Profit on balances on these accounts ranges from 0.08% to 1.91288% (2019:1.44% to 1.90%) per annum.

## 23 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
No. of Shares			Rupees	Rupees
7,813,391	6,206,740	Ordinary shares of Rs.10 each allotted for consideration paid in cash	78,133,910	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
<b>21,689,791</b>	<b>20,083,140</b>		<b>216,897,910</b>	<b>200,831,400</b>

**23.1** Numerical movement in the number of shares is as follows:

	2020	2019
	Numbers	Numbers
Opening number of shares	6,206,740	6,206,740
Number of shares issued against right issue	1,606,651	-
Closing number of shares	<b>7,813,391</b>	<b>6,206,740</b>

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

**23.3** 6,716,144 (2019: 6,215,349) shares of the Holding Company are held by associated companies as at the reporting date.

	Note	2020 Rupees	2019 Rupees
<b>24 RESERVES</b>			
Capital reserves	24.1	(1,550,728,970)	(971,446,837)
Revenue reserves	24.2	23,748,961,912	18,909,455,182
		<u>22,198,232,942</u>	<u>17,938,008,345</u>
<b>24.1 Composition of capital reserves is as follows:</b>			
Share Premium	24.1.1	782,796,090	156,202,200
Fixed Assets Replacement Reserve	24.1.2	65,000,000	65,000,000
Unrealized loss on investments at fair value through OCI	24.1.3	(2,477,048,172)	(1,281,758,979)
Unrealized gain on translation of foreign operation		91,175,582	88,768,725
Unrealized (loss) / gain on forward foreign exchange contracts		(12,652,470)	341,217
		<u>(1,550,728,970)</u>	<u>(971,446,837)</u>

**24.1.1** This reserve can be utilized by the Holding Company only for the purposes specified in section 81 of the Companies Act, 2017.

**24.1.2** This reserve represents funds set aside for the purchase of fixed assets in the future.

**24.1.3** This represents the unrealized loss on re-measurement of investments at fair value through OCI.

**24.2 Composition of revenue reserves is as follows:**

General reserves	24.2.1	1,330,000,000	1,330,000,000
Unappropriated profit	24.2.2	22,418,961,912	17,579,455,182
		<u>23,748,961,912</u>	<u>18,909,455,182</u>

**24.2.1** This represents appropriation of profit in past years to meet future contingencies.

**24.2.2** This represents the level of unrestricted funds available for general use and distribution among the shareholders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>25 LONG TERM FINANCING</b>			
Loans from banking companies - secured	25.1	15,274,253,121	14,743,297,021
Loans from Overseas Private Investment Corporation	25.2	9,241,209,462	10,607,855,809
Loans from International Finance Corporation, Asian Development Bank, Islamic Development Bank and DEG	25.3	34,961,291,514	37,191,634,878
		59,476,754,097	62,542,787,708
<b>Less: current portion of long term financing</b>			
Loans from banking companies - secured	25.1	815,875,792	2,144,001,085
Loans from Overseas Private Investment Corporation	25.2	1,682,479,688	1,625,041,215
Loans from International Finance Corporation, Asian Development Bank, Islamic Development Bank and DEG	25.3	2,971,709,779	3,005,084,098
		5,470,065,259	6,774,126,398
		54,006,688,838	55,768,661,310
<b>25.1 Loans from banking companies - secured</b>			
Allied Bank Limited	25.1.1	3,382,887,785	2,832,884,395
Bank Alfalah Limited - Related Party	25.1.2	999,147,248	499,905,000
Bank Al Habib Limited	25.1.3	1,716,922,462	2,013,740,792
Faysal Bank Limited	25.1.4	71,285,000	95,006,000
Habib Bank Limited	25.1.5	7,335,590,333	7,821,197,334
Diminishing musharakah from Meezan Bank	25.1.6	277,875,000	309,937,500
MCB Bank Limited	24.1.7	23,716,000	-
United Bank Limited	25.1.8	1,166,829,293	1,170,626,000
The Bank of Punjab	25.1.9	300,000,000	-
		15,274,253,121	14,743,297,021
Less: Current portion shown under current liabilities		(815,875,792)	(2,144,001,085)
		14,458,377,329	12,599,295,936

- 25.1.1** For the Holding Company, these loans carry mark-up ranging from 2.50% to 14.20% (2019: 2.50% to 11.43%) obtained in different tranches and are repayable in quarterly instalments ranging from 8 to 32. These loans are secured against exclusive hypothecation charge of Rs.2,965 million (2019: Rs.2,659 million) over specific plant and machinery and pledge of shares of various companies as disclosed note 10.3.2 having market value Rs.1,171.583 million (2019: Rs.838.077 million) as on reporting date.

SRL (Subsidiary Company) has obtained long term loan from Allied Bank Limited to pay salaries and wages of the employees for the months effected by COVID-19. The loan for 2.5 years tenure and principal will be repaid in 8 equal installments after 31 January 2021. The markup rate is 1 month KIBOR + 1% per annum. The loan is secured against current assets of the Subsidiary Company. The loan was converted to State Bank of Pakistan's refinance scheme for the payment of salaries and wages subsequent to the year end.

- 25.1.2** These loans carry mark-up of 2.50% to 2.75% (2019: 2.50%) obtained in different tranches and are repayable in quarterly instalments ranging from 16 to 32. These loans are secured against exclusive hypothecation charge of Rs.1,352.950 million (2019: Rs.588.240 million) over specific plant and machinery.

- 25.1.3** For the Holding Company, these loans carry mark-up ranging from 2.50% to 13.87% (2019: 2.50% to 11.13%) obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.328 million (2019: Rs.328 million) over specific plant and machinery and pledge of shares of various companies held by the Holding Company as disclosed in note 10.3.2 having market value Rs. 2,044.940 million (2019: Rs.1,631.120 million) as on reporting date.

SRL (Subsidiary Company) has obtained long term loan from Bank AL Habib Limited to meet its long term capital requirements .The repayment period of the loan is in arrears of quarterly equal installment of Rs. 25 Million over 3 years. The markup rate is 3 months KIBOR + 2% per annum. The loan is secured against exclusive charge of Rs. 400 million over electrical equipment, furniture and fittings etc. of the Subsidiary Company.

- 25.1.4** These loans carry mark-up ranging from 2.50% to 6.50% (2019: 2.50% to 6.50%) obtained in different tranches and are repayable in 24 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs. 228.033 million (2019: Rs. 228.033 million) over specific plant and machinery.

- 25.1.5** These loans carry mark-up ranging from 2.50% to 14.04% (2019: 2.50% to 11.25%) obtained in different tranches and are repayable in quarterly instalments ranging from 4 to 32. These loans are secured against exclusive hypothecation charge of Rs.9,211.730 million (2019: Rs.8,544.773 million) over specific plant and machinery and pledge of shares of various companies held by the Holding Company as disclosed in note 10.3.2 having market value Rs.674.976 million (2019: Rs.1,037.288 million) as on reporting date.

- 25.1.6** SRL (Subsidiary Company) has obtained long term facility from Meezan Bank Limited in July 2016 for the purchase of land, building and its commercialization fee. The facility is for 10 years tenure including 2 years grace period after which principal is repayable in quarterly installments. 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 Subsidiary Company.

- 25.1.7** These loans carry mark-up at the rate of 2.50% (2019: Nil) obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.27.901 million (2019: Nil) over specific plant and machinery.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

**25.1.8** These loans carry mark-up at the rate of 2.50% (2019: 2.50%) obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.1,463 million (2019: Rs.1,425 million) over specific plant and machinery.

**25.1.9** SRL (Subsidiary Company) has obtained long term facility from The Bank of Punjab to meet its long term capital requirements. The facility is for 4 years tenure including 6 months of grace period after which principal is repayable in equal quarterly installments of Rs. 37.5 million each. The markup rate is 3 months KIBOR + 1.25% per annum. The loan is secured against first charge of Rs.400 million over the present and future moveable fixed assets of the Subsidiary Company.

	2020 Rupees	2019 Rupees
<b>25.2 Loans from Overseas Private Investment Corporation</b>		
Opening balance	10,607,855,809	9,031,048,357
Exchange loss	208,156,257	2,963,854,327
Amortization of transaction cost	22,703,716	22,635,000
	10,838,715,782	12,017,537,684
Repaid during the year	(1,597,506,320)	(1,409,681,875)
	9,241,209,462	10,607,855,809
Less: Current portion shown under current liabilities	(1,682,479,688)	(1,625,041,215)
	7,558,729,774	8,982,814,594

**25.2.1** This represents long term finance facility of USD 95 million obtained by SWPCL (Subsidiary Company) from IDFC (formerly OPIC) for the construction of the wind power project at Jhimpir in accordance with the Finance Agreement dated 31 March 2014. The Subsidiary Company has fully availed the loan facility during the previous year. The security for the loan includes all the current and future assets of the Subsidiary Company. It carries markup, payable quarterly, at the rate of three months London Inter-Bank Offered Rate ('LIBOR') plus 3.7% guarantee fee per annum. As of 30 June 2020, the principal amount of USD \$ 55.47 million is repayable in eleven unequal semi annual installments ending on 10 October 2025 in accordance with the amortization schedule provided by IDFC.

## **25.3 Loans from International Finance Corporation, Asian Development Bank, Islamic Development Bank and DEG**

Opening balance	37,191,634,878	20,835,460,122
Receipt during the year	-	7,799,500,800
Amortization of transaction cost	38,914,836	38,914,836
Exchange loss	860,494,536	9,827,101,440
	38,091,044,250	38,500,977,198
Repaid during the period	(3,129,752,736)	(1,309,342,320)
	34,961,291,514	37,191,634,878
Less: Current portion shown under current liabilities	(2,971,709,779)	(3,005,084,098)
	31,989,581,735	34,186,550,780

**25.3.1** This represents long term finance facility of USD 237.60 million obtained by TBCL (Subsidiary Company) equivalent to Rs.28,893 million from International Finance Corporation (IFC), Asian Development Bank (ADB), Islamic Development Bank (IDB) and Deutsche Investitions-undEntwicklungsgesellschaft (DEG) for the construction of the projects at Jhimpir in accordance with the Facility Agreements. The security for the loan includes all the current and future assets of the Subsidiary Company. It carries markup, payable quarterly, at the rate of three months London Inter-Bank Offered Rate ('LIBOR') plus 4.5% fee per annum. The principal amount is repayable in nineteen unequal semi annual instalments ending on September 2028.

	Note	2020 Rupees	2019 Rupees
<b>26 DEFERRED LIABILITIES</b>			
Deferred taxation	26.1	12,732,508	248,184,737
Staff retirement benefits - gratuity	26.2	297,609,788	272,908,701
		<b>310,342,296</b>	<b>521,093,438</b>
<b>26.1 Deferred taxation</b>			
Investment in associate	26.1.1	12,732,508	11,509,101

**26.1.1** The temporary differences associated with investments in the Group's associates, for which a deferred tax liability has not been recognised in the periods presented, aggregate to Rs. 97.196 million (2019: Rs. 92.84 million). The Group has determined that the undistributed profits of its associates will not be distributed in the foreseeable future. Furthermore, the Group has also no intention to sell the investments in its associate in the foreseeable future. Hence, there are no income tax consequences attached to the payment of dividends in either 2020 or 2019 by the Group to its shareholders.

**26.1.2** In view of applicability of presumptive tax regime on taxable income for the current and previous tax year and expected pattern of chargeability of Holding Company's income to tax in the same manner, deferred tax liability has been reversed in the financial statements.

The income of power generation companies of the Group is exempt from taxation. Therefore, there is no deferred tax liability in respect of these companies.

In respect of deferred taxation of the Group's tax retail company, refer to note 13.

DesignTex (SMC-Private) Limited does not have a deferred tax liability as its income is currently chargeable to tax under minimum taxation and there is no taxable income under Normal Tax Regime.

There are no taxable or deductible temporary differences in case of Sapphire International ApS's assets or liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 26.2 Staff retirement benefits

### Movement in the net liability recognized in the statement of financial position

	Note	2020 Rupees	2019 Rupees
Opening net liability		272,908,701	225,857,306
Expense for the year in profit and loss	26.2.1	148,493,559	109,967,518
Remeasurement recognized in other comprehensive income		(51,412,524)	8,535,640
		369,989,736	344,360,464
Benefits paid during the year		(72,379,948)	(71,451,763)
Closing net liability		297,609,788	272,908,701

### 26.2.1 Expense recognized in the statement of profit or loss

Current service cost	114,761,140	92,855,690
Interest cost	33,732,419	17,111,828
	148,493,559	109,967,518

	2020	2019	2018	2017	2016
	Rupees				
<b>Historical information</b>					
Present value of defined benefit obligation	297,609,788	272,908,701	225,857,306	204,111,474	250,766,027
Experience adjustments on plan liabilities	51,412,524	(8,535,640)	(13,604,382)	7,398,992	9,965,376

### Principal actuarial assumptions

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

	2020	2019
	%	%
Discount rate	8.50	14.25
Expected rate of increase in salary	7.50	13.25
Average age of employees	32.1 years	31.6 years
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 the amount of defined benefit obligation at the end of the reporting period if there is a change in respective assumptions by 100 basis point.

	Increase in assumptions	Decrease in assumptions
	Rupees in '000	
Discount rate	282,330	315,061
Increase in future salaries	316,347	280,859

## 27 LEASE LIABILITIES

	Note	2020 Rupees	2019 Rupees
Land	27.1	49,584,897	-
Rented premises	27.2	2,120,540,012	-
Vehicles	27.2	7,635,092	14,452,087
		2,177,760,001	14,452,087
<b>Current portion shown under current liabilities</b>			
Land		(2,744,000)	-
Rented premises		(155,671,132)	-
Vehicles		(2,578,160)	(3,807,116)
		(160,993,292)	(3,807,116)
		2,016,766,709	10,644,971

**27.1** Set out below are the carrying amounts of lease liabilities recognized in respect of land and the movements during the period:

	SWPCL	TBCL	Total
	Rupees		
Initial application of IFRS 16 on 01 July 2019	23,274,419	22,335,816	45,610,235
Payments made during the year	(2,744,000)	-	(2,744,000)
Unwinding of lease liability	3,374,990	3,343,672	6,718,662
	23,905,409	25,679,488	49,584,897
Current portion shown under current liabilities	(2,744,000)	-	(2,744,000)
Balance as at 30 June 2020	21,161,409	25,679,488	46,840,897
Note reference	27.1.1	27.1.2	

**27.1.1** This represents liability in respect of a 20 years lease of 1,372 acres of land, acquired from AEDB, situated in Jhimpir, District Thatta, Sindh on which the wind power plant of SWPCL (subsidiary company) is installed. The aforementioned land has been allocated to the subsidiary 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 13 February 2008. The subsidiary company, in order to gain access to the land for conducting feasibility/other associated studies, had signed an Agreement to Lease with AEDB dated 21 September 2008. However, the formal site sub-lease agreement was signed on 11 March 2014. The term of site sub-lease has commenced from this date and will end with the term of the EPA.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

**27.1.2** This represents liability in respect of 1,284 acres of land each for Project A, Project B and Project C, acquired from Government of Sindh, Land Utilization department, through Deputy Commissioner Thatta, on which the wind power plants of TBCL are installed. The aforementioned land has been allocated to the subsidiary company by Government of Sindh for a period of thirty years for Wind Power Generation Projects under the land lease agreement. The term of land lease agreement has commenced from November 2011 date and will end with the term of the EPA.

	Rupees
<b>27.1.3 Maturity analysis as at 30 June 2020</b>	
Not later than 1 year	2,744,000
Later than 1 year but not later than 5 years	29,128,000
Later than 5 years	131,696,814
	163,568,814
Future finance charge	(113,983,917)
	49,584,897
Present value of finance lease liabilities	(2,744,000)
	46,840,897

**27.2** Set out below are the carrying amounts of lease liabilities recognized and the movements during the period.

	Rented premises	Vehicles	Total
	Rupees	Rupees	Rupees
As at 1 July 2019	1,851,714,309	14,452,087	1,866,166,396
Additions during the year	368,069,122	3,950,000	372,019,122
Accretion of interest	299,352,169	1,194,261	300,546,430
Rental payments	(398,595,588)	(11,961,256)	(410,556,844)
As at 30 June 2020	2,120,540,012	7,635,092	2,128,175,104
Current portion shown under current liabilities	155,671,132	2,578,160	158,249,292
Balance as at 30 June 2020	1,964,868,880	5,056,932	1,969,925,812

**27.2.1** SRL (Subsidiary Company) has entered into finance lease arrangements with different parties for rented premises and Bank Al Habib Limited for leased 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. The effective interest rates used as the discounting factor range from 14.97% - 15.92% for rented premises and 8.02% - 12.61% for vehicles. Residual value of the leased assets has already been paid at the inception of the lease in the form of 15% security deposit. Detail is given in note 7.10.1 to these consolidated financial statements.

**27.2.2 The maturity analysis of lease liabilities is as follows:**

	SRL (Subsidiary Company)		
	Rented premises	Vehicles	Total
	Rupees	Rupees	Rupees
<b>Year ending 30 June</b>			
Not later than 1 year	448,595,277	3,142,821	451,738,098
Later than 1 year but not later than 5 years	1,968,683,001	5,619,113	1,974,302,114
Later than 5 years	1,049,395,936	-	1,049,395,936
	3,466,674,214	8,761,934	3,475,436,148
Less: Future finance charges	(1,346,134,202)	(1,126,842)	(1,347,261,044)
	2,120,540,012	7,635,092	2,128,175,104
Less: Current maturity shown under current liabilities	(155,671,132)	(2,578,160)	(158,249,292)
	1,964,868,880	5,056,932	1,969,925,812
	<b>Note</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>

**28 TRADE AND OTHER PAYABLES**

Creditors	28.1	2,835,227,463	1,654,108,744
Accrued liabilities		2,448,344,770	2,462,971,599
Workers' profit participation fund	28.2	391,952,394	268,576,118
Workers' welfare fund		360,614,852	346,498,561
Infrastructure fee	28.3	322,754,833	262,476,055
Lender fees and charges payable		52,010,682	65,537,913
Tax deducted at source		237,269,057	1,070,147
Unrealized loss on measurement of forward foreign currency contracts		17,947,173	-
Provision against accumulating compensated absences		13,983,018	13,500,000
Payable to provident fund		11,890,730	7,288,404
Others		65,024,653	7,944,852
		<b>6,757,019,625</b>	<b>5,089,972,393</b>

**28.1** These balances include the following amounts due to related parties:

Amer Cotton Mills (Private) Limited	201,393	17,499
Diamond Fabrics Limited	22,176	-
Reliance Cotton Spinning Mills Limited	45,118,193	-
Sapphire Fibres Limited	6,934,076	4,949,420
Sapphire Finishing Mills Limited	91,493,188	2,515,398
	<b>143,769,026</b>	<b>7,482,317</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 28.2 Workers' profit participation fund

	Note	2020 Rupees	2019 Rupees
Balance at the beginning of the year		268,576,118	113,804,648
Allocation for the year	37	62,617,095	99,005,254
Receivable from CPPA-G	19.1	329,335,299	169,570,864
Interest on funds utilized in the Group's business	39	2,402,298	719,673
		394,354,692	269,295,791
		662,930,810	383,100,439
Less: Payments during the year		(270,978,416)	(114,524,321)
Balance at the end the year		391,952,394	268,576,118

**28.3** It includes Rs.275,207,157(2019: Rs.214,405,369) representing provision recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Holding Company has contested this issue in the Sindh High Court (the High Court). The High Court in its judgment dated 15 September 2008 partly accepted the appeal by declaring the levy and collection of infrastructure fee prior to 28 December 2006 as illegal and ultra vires and afterward as legal. The Holding Company filed an appeal in the Supreme Court against this judgement. Additionally, the Government of Sindh also filed appeal for 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 27 December 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to 27 December 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at 30 June 2020, the Holding Company has provided bank guarantees aggregating Rs.274.823 million (2019: Rs.214.823 million) in favor of Excise and Taxation Department.

## 29 CONTRACT LIABILITIES

**29.1** It includes advances received from Creadore A/S Denmark (associated company) amounting Rs.24,179,553 (2019: Rs. 45,117,361).

**29.2** The contract liabilities outstanding at 30 June 2019 have been recognized as revenue during the year.

	2020 Rupees	2019 Rupees
<b>30 ACCRUED INTEREST / MARK-UP</b>		
Accrued interest / mark-up on secured:		
- long term financing	335,932,004	358,597,542
- short term borrowings	163,120,857	180,649,956
	499,052,861	539,247,498

- 30.1** Accrued mark-up includes an amount of Rs.15,569,438 (2019: Rs.9,637,049) due to Bank Alfalah Limited - related party.

	Note	2020 Rupees	2019 Rupees
<b>31 SHORT TERM BORROWINGS</b>			
Short term loans	31.1	3,682,792,190	5,009,967,750
Running finance under mark-up arrangements	31.1	4,550,134,241	3,312,693,610
Running Musharakah facility	31.2	243,719,821	297,736,782
		8,476,646,252	8,620,398,142
Bank overdrafts	31.3	33,938,461	-
Loan from related parties	31.4	-	237,843,000
		8,510,584,713	8,858,241,142

- 31.1** Aggregate facilities amounting to Rs.20,795 million (2019: Rs.16,692 million) were available to the Group from banking companies. These are secured against hypothecation charge on stock in trade, book debts, export bills under collection, lien over import documents, present and future assets of the subsidiary company and pledge of shares. These carry mark up ranging 2.25% to 15.10% (2019: 2.15% to 14.05%) on local currency loans per annum payable monthly / quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs.1,047.344 million (2019: Rs.813.804 million) due to Bank Alfalah Limited (related party).

Total unfunded facilities available to the Group aggregate to Rs.19,614.230 million (2019: Rs.12,396 million) out of which the amount remained unutilised at the year-end was Rs.14,542 million (2019: Rs.8,484 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Group, cash margins and pledge of shares.

- 31.2** Running Musharakah facility available from commercial bank aggregates to Rs. 300 million (2019: Rs. 300 million) at profit rate of 1 month KIBOR plus 0.30% and 0.35% (2019: 1 month KIBOR plus 0.15% and 0.25%) per annum. The amount utilized as at 30 June 2020, for Musharakah was Rs. 243.7 million (2019: Rs 297.7 million). The facilities are secured against pari passu charge on the current assets of the Company with 10% risk margin, and lien on import documents. The mark-up rate charged during the year on the outstanding balance ranges from 8.68% to 14.15% (2019: 7.18% to 13.05%) per annum.
- 31.3** This represents issuance of cheques in excess of balance at bank accounts.
- 31.4** This represented loans received from related parties by Holding Company, which are interest free, unsecured and payable by the entity on demand. Details of the parties are as follows:

	2020 Rupees	2019 Rupees
Loan from Directors and their spouses	-	148,140,000
Loan from major shareholders	-	19,443,000
Loan from associated companies	-	70,260,000
	-	237,843,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 32 CONTINGENCIES AND COMMITMENTS

### Contingencies

	2020 Rupees	2019 Rupees
<b>32.1</b> Guarantees issued by banks on behalf of the Group	<b>702,400,369</b>	<b>624,093,587</b>
<b>32.2</b> 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 30 June 2020 the value of these cheques amounted to Rs.1,391.363 million (2019: Rs.720.484 million).		
<b>32.3</b> A commercial bank 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 Holding Company.		
<b>32.4</b> Irrevocable letter of credit of USD 0.5 million equivalent to Rs 84.375 million (2019: USD 1.17 million equivalent to Rs 192.47 million) in favour of CitiBank, N.A. as per the terms of the Finance Agreement dated 31 March 2014.		
<b>32.5</b> Also refer to content of note 10.3.2 and 10.3.3.		

	Note	2020 Rupees	2019 Rupees
<b>32.6 Commitments</b>			
Commitments in respect of confirmed letter of credit	32.6.1	2,534,194,325	1,441,047,702
Commitments in respect of capital expenditure	32.6.2	28,927,239	128,731,342
Commitments in respect of forward foreign currency contracts		352,443,189	-
		<b>2,915,564,753</b>	<b>1,569,779,044</b>
<b>32.6.1 Confirmed letter of credit in respect of:</b>			
- plant and machinery		470,885,640	297,630,174
- raw material		1,980,672,334	1,092,206,126
- stores and spares		82,636,351	51,211,402
		<b>2,534,194,325</b>	<b>1,441,047,702</b>

**32.6.2** This includes commitments for payments to be made for to various construction companies for the construction and extension on existing building at multiple plants of the Holding Company.



### 33 NET TURNOVER

	Note	Export Sales		Local Sales		Total	
		2020	2019	2020	2019	2020	2019
		Rupees					
Yarn	33.2	11,921,011,153	13,255,163,103	4,012,514,180	1,427,028,111	15,933,525,333	14,682,191,214
Fabric	33.3	9,797,777,893	10,842,110,781	2,002,902,661	455,019,418	11,800,680,554	11,297,130,199
Clothing items		-	9,310,842	8,507,095,555	10,497,133,111	8,507,095,555	10,506,443,953
Home textile products		5,672,930,525	5,183,496,486	187,796,206	219,485,459	5,860,726,731	5,402,981,945
Raw material		-	-	100,024,559	29,873,566	100,024,559	29,873,566
Accessories		-	-	224,436,365	318,470,085	224,436,365	318,470,085
Waste	33.4	199,973,684	179,230,548	317,259,594	260,379,471	517,233,278	439,610,019
Processing income		-	-	476,761,360	146,025,628	476,761,360	146,025,628
Power Generation		-	-	15,868,339,924	10,755,034,731	15,868,339,924	10,755,034,731
		27,591,693,255	29,469,311,760	31,697,130,404	24,108,449,580	59,288,823,659	53,577,761,340
Export rebate and duty drawback						507,580,498	160,828,378
Less: sales tax						(5,202,112,347)	(1,388,225,573)
Less: Discounts to customers						(1,626,896,079)	(2,708,747,108)
						52,967,395,731	49,641,617,037

**33.1** Revenue is recognized at point in time as per the terms and conditions of underlying contracts with customers.

	2020 Rupees	2019 Rupees
<b>33.2 Export sales - Yarn</b>		
Direct export	4,526,150,916	4,676,488,556
In-direct export	7,394,860,237	8,578,674,547
	<b>11,921,011,153</b>	<b>13,255,163,103</b>
<b>33.3 Export sales - Fabric</b>		
Direct export	6,422,168,630	8,059,404,814
In-direct export	3,375,609,263	2,782,705,967
	<b>9,797,777,893</b>	<b>10,842,110,781</b>

**33.4** Export waste sales represent comber noil sales.

**33.5** Exchange loss due to currency rate fluctuations relating to export sales amounting to Rs.79.253 million (2019: gain of Rs.77.652 million) has been included in export sales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>34 COST OF SALES</b>			
Raw material consumed	34.1	19,044,556,928	20,354,059,634
Packing material consumed		520,392,782	518,321,259
Stores and spares consumed		958,791,245	918,861,102
Salaries, wages and benefits	34.2	4,152,801,733	4,062,945,352
Fuel, power and water		2,136,141,501	2,251,281,973
Other manufacturing expenses	34.3	2,619,868,646	3,647,161,320
Repair and maintenance		1,315,540,836	1,013,762,303
Vehicle running expenses		50,034,925	55,301,751
Travelling and conveyance		59,496,955	85,248,245
Site management expenses		18,947,313	28,185,492
Insurance expenses		68,899,152	61,717,142
Rent, rates and taxes		14,920,715	47,312,599
Fees and subscription		22,855,599	7,867,846
Communication expenses		28,498,879	31,986,744
Printing and stationery		2,404,740	4,156,644
Legal and professional charges		22,228,405	1,012,448
Security		6,031,960	6,008,140
Depreciation on right of use asset	7.10.5	4,630,536	-
Depreciation on operating fixed assets	7.5	4,124,720,399	3,226,085,387
Miscellaneous expenses		23,148,862	37,378,133
		<b>35,194,912,111</b>	<b>36,358,653,514</b>
<b>Work in process</b>			
Opening stock		1,705,135,329	1,624,710,151
Closing stock	15 & 34.4	(1,893,115,328)	(1,705,135,329)
		<b>(187,979,999)</b>	<b>(80,425,178)</b>
<b>Cost of goods manufactured</b>		<b>35,006,932,112</b>	<b>36,278,228,336</b>
<b>Finished goods</b>			
Opening stock		2,230,290,145	1,261,823,192
Closing stock	15 & 34.5	(2,902,241,799)	(2,230,290,145)
		<b>(671,951,654)</b>	<b>(968,466,953)</b>
<b>Cost of goods sold - manufactured</b>		<b>34,334,980,458</b>	<b>35,309,761,383</b>
Cost of raw material sold	34.6	136,236,602	45,247,572
Cost of sales - purchased for resale		1,690,277,665	437,523,132
		<b>36,161,494,725</b>	<b>35,792,532,087</b>

	Note	2020 Rupees	2019 Rupees
<b>34.1 Raw material consumed</b>			
Opening balance		5,484,996,977	4,446,479,832
Purchases		20,037,234,253	21,392,576,779
		25,522,231,230	25,839,056,611
Closing stock	15	(6,477,674,302)	(5,484,996,977)
		19,044,556,928	20,354,059,634

**34.2** Salaries, wages and benefits include Rs.148,493,559 (2019: Rs.109,967,518) in respect of post employment benefits - gratuity and Rs. 48,467,337 (2019: Rs.46,103,168) in respect of provident fund contribution.

	2020 Rupees	2019 Rupees
<b>34.3 Other manufacturing expenses</b>		
Cotton dyeing, bleaching and bale pressing charges	156,073,108	179,369,514
Yarn dyeing and bleaching charges	21,224,897	47,647,855
Fabric dyeing, bleaching, knitting and processing charges	2,154,017,660	3,006,434,469
Weaving and yarn doubling charges	103,764,645	48,831,353
Designing Cost	-	5,749,522
Stitching, spinning and other charges	82,960,791	90,614,042
Embroidery charges	101,827,545	268,514,565
	2,619,868,646	3,647,161,320

**34.4** This includes reversal for provision of write down of work in process amounting to Rs. Nil (2019: Rs.60,625,350).

**34.5** This includes reversal of provision for write down of own manufactured finished goods amounting to Rs. Nil (2019: Rs.5,872,188).

**34.6** It includes salaries, wages and benefits, insurance and finance cost amounting Rs.1,205,457 (2019: Rs.400,421), Rs.2,410,913 (2019: Rs.800,842) and Rs.12,054,567 (2019: Rs.4,004,210) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>35 DISTRIBUTION COST</b>			
<b>On export sales</b>			
Export development surcharge		43,537,687	45,441,414
Insurance		5,855,415	7,313,037
Commission		204,057,762	254,905,801
Ocean freight and forwarding		382,453,726	380,184,579
		635,904,590	687,844,831
<b>On local sales</b>			
Inland freight and handling		177,184,037	161,465,893
Commission		47,069,859	53,010,756
		224,253,896	214,476,649
<b>Other distribution cost</b>			
Salaries and benefits	35.1	442,020,088	455,294,307
Rent and utilities		54,349,307	486,795,946
Communication		21,310,080	27,049,362
Travelling, conveyance and entertainment		84,493,029	96,938,830
Fuel, power and water		76,175,685	-
Repair and maintenance		182,981,883	255,831,983
Fees and subscription		3,503,893	10,578,633
Samples and advertising		294,841,941	342,265,518
Packing material		32,046,816	54,937,953
Exhibition expenses		11,637,033	10,822,151
Retail outlet expenses		30,045,902	55,498,048
Legal and professional charges		100,000	1,096,153
Depreciation on operating fixed assets	7.5	145,323,853	148,818,386
Depreciation - right-of-use assets	7.10.5	343,011,487	-
Computer, printing and stationery		4,205,537	8,994,396
Insurance		6,865,891	393,916
Others		2,610,413	185,493
		1,735,522,838	1,955,501,075
		2,595,681,324	2,857,822,555

**35.1** Salaries and benefits include Rs.17,463,640 (2019: Rs.16,310,878) in respect of provident fund contribution.

	Note	2020 Rupees	2019 Rupees
<b>36 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		50,520,000	45,600,000
Directors' meeting fee		1,650,000	2,100,000
Salaries and benefits	36.1	380,697,606	379,103,531
Rent, rates and utilities		44,359,108	49,137,021
Communication		16,705,329	18,776,983
Printing and stationery		9,018,145	10,994,632
Travelling, conveyance and entertainment		45,616,117	58,145,749
Motor vehicle expenses		19,419,539	21,068,478
Repair and maintenance		31,209,011	34,783,471
Insurance expense		9,151,206	5,816,367
Legal and professional charges		38,367,193	38,352,088
Fees and subscription		39,265,407	35,205,963
Computer expenses		15,301,553	8,202,979
Advertisement		240,815	136,630
Depreciation - right-of-use assets	7.10.5	730,883	-
Depreciation - operating fixed assets	7.5	67,995,790	77,451,221
Others		14,198,770	10,864,766
		<b>784,446,472</b>	<b>795,739,879</b>

**36.1** Salaries and benefits include Rs.13,117,770 (2019: Rs.12,370,357) in respect of provident fund contribution.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>37 OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund	28.2	62,617,095	99,005,254
Workers' Welfare Fund		26,716,027	60,122,623
Auditors' remuneration	37.1	13,435,258	7,391,244
Donations	37.2	37,512,103	14,167,030
Amortization of intangible assets	9.1	2,353,202	7,295,553
Provision for stores, spares and loose tools	14.2	-	9,663,308
Balance written off during the year		7,209,332	16,545,891
Provision against doubtful sales tax refundable	21.2	36,440,779	153,522,284
Impairment of receivable		-	107,838,889
Loss on sale of operating fixed assets and right to use assets - net	7.6 & 7.10.4	12,178,782	31,203,306
Loss on write-off of intangible assets	9.1	-	8,969,460
Allowance for expected credit loss	16.6	267,353	-
Exchange loss on foreign currency accounts		329,560	-
Realized loss on forward currency contracts		18,331,482	-
		<b>217,390,973</b>	<b>515,724,842</b>

## 37.1 Auditors' remuneration

Audit fee	4,960,900	4,682,400
Half yearly review fee	444,150	423,000
Code of corporate governance review fee	85,850	85,850
Group reporting	165,000	-
Other certification / services	2,654,300	1,560,900
Taxation services	4,520,750	300,000
Out of pocket expenses	604,308	339,094
	<b>13,435,258</b>	<b>7,391,244</b>

### A.F Ferguson & Company

Audit fee	1,012,000	1,152,000
Group reporting	165,000	-
Other certification	1,136,800	508,400
Taxation services	4,320,750	300,000
Out of pocket expenses	431,063	177,229
	<b>7,065,613</b>	<b>2,137,629</b>

	Note	2020 Rupees	2019 Rupees
<b>EY Ford Rhodes</b>			
Audit fee		2,598,900	2,468,000
Half yearly review fee		444,150	423,000
CCG		85,850	85,850
Tax consultancy services		200,000	-
Other certifications		140,000	105,000
Out of pocket expenses		63,245	61,865
		<b>3,532,145</b>	<b>3,143,715</b>
<b>Shinewing Hameed Chaudhri &amp; Company</b>			
Audit fee		-	32,400
<b>Deloitte Yousuf Adil</b>			
Audit fee		1,350,000	1,030,000
Other certifications		1,377,500	947,500
Out of pocket		110,000	100,000
		<b>2,837,500</b>	<b>2,077,500</b>

**37.2** Donation to following organisations are greater than 10% of total donation Rs. 3,751,210 (2019: Rs.1,416,703) of the Group.

Network of Organisations Working for People with Disabilities Pakistan (NOWPDP)		-	1,500,000
Women's' Empowerment Group		4,000,000	-
Abdullah Foundation	37.2.1	23,185,000	2,300,000
		<b>27,185,000</b>	<b>3,800,000</b>

**37.2.1** Following Directors of the Company have interest in Abdullah Foundation (donee) .

Name of director	Interest in donee	Name and address of donee
Mr. Mohammad Abdullah	Director	Abdullah Foundation, 312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mr. Shahid Abdullah	Director	
Mr. Nadeem Abdullah	Director	
Mr. Amer Abdullah	Director	
Mr. Yousuf Abdullah	Director	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>38 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		447,953,012	397,379,333
Exchange gain on foreign currency accounts		-	3,541,393
Interest income on saving account and bonds		106,320,105	125,618,084
		554,273,117	526,538,810
<b>Income from non-financial assets</b>			
Credit balance written-back		-	6,883,216
Reversal of provision of stores, spares and loose tools	14.2	10,841,543	-
Scrap sales [Net of sales tax aggregating Rs.14.752 million (2019: Rs.9.783 million)]		60,429,951	51,626,400
Waiver on lease payments	38.1	76,812,935	-
		148,084,429	58,509,616
		702,357,546	585,048,426
<b>38.1</b>	This represents concessions provided (rentals not charged) by landlords against rented premises due to COVID-19 pandemic. This represents a non-cash adjustments and is credited to profit or loss as per requirement of IFRS-16 Leases.		
<b>39 FINANCE COST</b>			
Interest / mark-up on :			
- short term finances		880,145,383	938,195,032
- long term loans		4,209,707,941	3,663,698,501
- Workers' Profit Participation Fund	28.2	2,402,298	719,673
- lease liabilities		307,265,092	2,590,689
		5,399,520,714	4,605,203,895
Bank charges, commission and others charges		407,396,325	267,592,498
Amortization of loan transaction cost		61,618,552	54,692,808
Lender's fees and charges		52,421,794	42,626,164
Exchange loss on foreign currency loans		133,403,953	-
		6,054,361,338	4,970,115,365

	2020 Rupees	2019 Rupees
<b>40 TAXATION</b>		
Current tax		
- for the year	463,961,999	466,594,556
- prior years	(73,123,295)	(17,905,596)
	390,838,704	448,688,960
Deferred tax	(268,857,223)	(17,372,704)
	121,981,481	431,316,256

**40.1** There is no relationship between tax expense and accounting profit, since the Holding Company's profits are subject to tax under the Final Tax Regime for the current year, SRL's and Designtex (SMC-Private) Limited current tax represents minimum tax under Income Tax Ordinance, 2001 and for the power generation companies (TBCL and SWPCL), income taxes are exempt as explained in Note 6.13. Accordingly, no numerical reconciliation has been presented.

**40.2** 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%, for the year ended June 30, 2017, of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 40% of the accounting profit through cash dividend within six months of the end of the said year. The Holding Company filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC), Sindh 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 reporting date no charge has been recorded in this respect.

		2020	Restated 2019
<b>41 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year attributable to equity holders of the parent	Rupees	5,257,567,820	3,760,432,789
Weighted average number of ordinary shares	Number	21,427,664	21,097,578
Earnings per share - basic and diluted	Rupees	245.36	178.24

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
<b>42 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation and share of profit of associates	7,856,378,445	5,294,730,735
<b>Adjustments for non-cash items:</b>		
Depreciation on operating fixed assets	4,338,040,042	3,452,354,994
Depreciation on right of use fixed assets	348,372,906	-
Amortization of intangible assets	2,353,202	7,295,553
Interest income	(106,320,105)	(125,618,084)
Loss on sale of property, plant and equipment and right to use asset - net	12,178,782	31,203,306
Loss on write-off of Intangible assets	-	8,969,460
Dividend income	(447,953,012)	(397,379,333)
Provision for gratuity	148,493,559	109,967,518
Provision for stocks	-	(73,670,332)
Amortization of transaction cost	61,618,552	54,692,808
(Reversal of) / provision for stores, spares and loose tools	(10,841,543)	9,663,308
Credit balance written back	-	(6,883,216)
Balance written off during the year	7,209,332	16,545,891
Allowance for expected credit loss	267,353	-
Impairment of receivable	-	107,838,889
Provision against doubtful sales tax refundable	36,440,779	-
Waiver on lease payments	(76,812,935)	-
Finance cost	5,859,338,833	4,915,422,557
	<b>10,172,385,745</b>	<b>8,110,403,319</b>
Operating cash flow before changes in working capital	<b>18,028,764,190</b>	<b>13,405,134,054</b>
<b>Changes in working capital</b>		
<b>(Increase) / Decrease in current assets</b>		
Stores, spare and loose tools	(63,630,608)	(135,675,803)
Stock-in-trade	(1,754,576,135)	(2,184,773,584)
Trade debts	(6,034,836,386)	(1,645,223,262)
Loans and advances	5,531,259	86,916,064
Trade deposits and short term prepayments	(21,367,239)	(4,340,585)
Other receivables	1,882,618,168	(2,017,409,435)
	<b>(5,986,260,941)</b>	<b>(5,900,506,605)</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	1,725,601,014	(2,632,605,958)
Contract liabilities	19,143,888	850,602,812
	<b>13,787,248,151</b>	<b>5,722,624,303</b>

	Note	2020 Rupees	2019 Rupees
<b>43 CASH AND CASH EQUIVALENTS</b>			
Bank overdrafts	31	(33,938,461)	-
Cash and bank balances	22	6,264,545,239	4,414,025,673
		<u>6,230,606,778</u>	<u>4,414,025,673</u>

#### 44 RELATED PARTY DISCLOSURES

The related parties comprise of associated companies (due to common directorship), directors and key management personnel. The remuneration of key management personnel is disclosed in note 48. 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	2020 Rupees	2019 Rupees
(i) <b>Associates</b>	Sales / processing	2,188,385,995	2,024,157,587
	Purchases	291,855,139	358,482,018
	Purchase of electricity / steam	-	10,886,678
	Expenses charged to	50,602,713	44,785,484
	Expenses charged by	10,862,700	8,683,181
	Markup charged by	60,937,811	44,800,008
	Dividend paid	146,203,902	209,971,634
	Dividend received	62,546,540	32,501,100
	Loans obtained net	662,522,688	189,215,131
	Right shares issued	200,158,000	-
(ii) <b>Others</b>	Contribution to provident fund	79,048,747	74,784,403
	Loan from directors and related parties	(167,583,000)	167,583,000
	Sale of vehicles to key management personnel	1,457,226	4,569,482
	Donation	23,185,000	2,300,000
	Dividend	320,474,622	195,459,952
	Right shares issued	394,444,400	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

44.1 The related parties with whom the Group had entered into transactions or have arrangement / agreement in place are following:

Company Name	Basis of relationship	Aggregate % of shareholding
Creadore A/S	Associated Company	49%
Sapphire Power Generation Limited	Associated Company	26.43%
Sapphire Dairies (Private) Limited	Associated Company	18.80%
Reliance Cotton Spinning Mills Limited	Common Directorship	3.04%
Sapphire Electric Company Limited	Common Directorship	1.42%
Sapphire Holding Limited	Common Directorship	0.05%
Sapphire Fibres Limited	Common Directorship	N/A
Yousuf Agencies (Private) Limited	Common Directorship	N/A
Sapphire Finishing Mills Limited	Common Directorship	N/A
Diamond Fabrics Limited	Common Directorship	N/A
Amer Cotton Mills (Private) Limited	Common Directorship	N/A
Four Strength (Private) Limited	Common Directorship	N/A
Bank Alfalah Limited	Investor in a subsidiary of the Group	N/A
Amer Tex (Private) Limited	Common Directorship	N/A
Galaxy Agencies (Private) Limited	Common Directorship	N/A
Nadeem Enterprises (Private) Limited	Common Directorship	N/A
Neelum Textile Mills (Private) Limited	Common Directorship	N/A
Sapphire Agencies (Private) Limited	Common Directorship	N/A
Abdullah Foundation	Common Directorship	N/A
Green Field Enterprises (Private) Limited	Subsidiary of an associated Group	N/A

## 45 SEGMENT ANALYSIS

### 45.1 SEGMENT RESULTS

	Spinning	Weaving	Processing, printing, Home Textile and Textile Retail	Power Generation	Elimination of inter segment transaction	Total
Rupees						
<b>For the year ended 30 June 2020</b>						
Net turnover	20,080,368,493	12,592,699,351	14,674,265,226	14,199,254,197	(8,579,191,536)	52,967,395,731
Cost of sales	(18,709,582,504)	(10,446,553,596)	11,062,207,114)	(4,522,343,047)	8,579,191,536	(36,161,494,725)
Gross Profit	1,370,785,989	2,146,145,755	3,612,058,112	9,676,911,150	-	16,805,901,006
Distribution cost	(312,489,375)	(403,177,843)	(1,880,014,106)	-	-	(2,595,681,324)
Administrative expenses	(245,179,529)	(116,133,887)	(254,621,935)	(168,511,121)	-	(784,446,472)
	(557,668,904)	(519,311,730)	(2,134,636,041)	(168,511,121)	-	(3,380,127,796)
Profit before taxation and unallocated income and expenses	813,117,086	1,626,834,025	1,477,422,070	9,508,400,029	-	13,425,773,210
Depreciation on operating fixed assets	588,091,451	242,978,368	531,681,327	2,975,288,896	-	4,338,040,042
Depreciation on right-to-use assets	-	-	344,728,815	3,644,091	-	348,372,906
<b>For the year ended 30 June 2019</b>						
Net turnover	19,608,053,545	12,903,643,914	14,838,423,013	9,548,078,730	(7,256,582,165)	49,641,617,037
Cost of sales	(17,552,744,021)	(10,718,036,734)	(11,364,812,697)	(3,413,520,800)	7,256,582,165	(35,792,532,087)
Gross Profit	2,055,309,524	2,185,607,180	3,473,610,316	6,134,557,930	-	13,849,084,950
Distribution cost	(371,752,061)	(440,150,291)	(2,046,517,769)	597,566	-	(2,857,822,555)
Administrative expenses	(248,163,598)	(104,641,636)	(279,187,716)	(163,746,929)	-	(795,739,879)
	(619,915,659)	(544,791,927)	(2,325,705,485)	(163,149,363)	-	(3,653,562,434)
Profit before taxation and unallocated income and expenses	1,435,393,865	1,640,815,253	1,147,904,831	5,971,408,567	-	10,195,522,516
Depreciation on operating fixed assets	564,441,305	258,418,689	507,440,779	2,122,054,221	-	3,452,354,994

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

	2020 Rupees	2019 Rupees
Total results for reportable segments	13,425,773,210	10,195,522,516
Other operating expenses	(217,390,973)	(515,724,842)
Other income	702,357,546	585,048,426
Finance cost	(6,054,361,338)	(4,970,115,365)
Share of profit of associated companies	129,882,216	175,894,211
Profit before taxation	7,986,260,661	5,470,624,946
Taxation	(121,981,481)	(431,316,256)
Profit for the year	7,864,279,180	5,039,308,690

## 45.2 SEGMENT ASSETS AND LIABILITIES

	Spinning	Weaving	Processing, printing, Home Textile and Textile Retail	Power Generation	Total
	Rupees				
As at 30 June 2020					
Segment assets	13,132,006,035	4,416,693,552	14,244,801,669	67,067,848,827	98,861,350,083
Segment Liabilities	20,868,358,319	2,531,152,118	10,030,129,373	44,406,320,730	77,835,960,540
As at 30 June 2019					
Segment assets	11,820,053,480	4,594,319,755	9,416,932,220	62,309,278,158	88,140,583,613
Segment Liabilities	20,631,414,203	2,626,065,688	5,669,961,791	48,031,280,061	76,958,721,743

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

	2020 Rupees	2019 Rupees
Total for reportable segments assets	98,861,350,083	88,140,583,613
Unallocated assets	10,925,985,521	14,621,248,455
Total assets as per statement of financial position	109,787,335,604	102,761,832,068
Total for reportable segments liabilities	77,835,960,540	76,958,721,743
Unallocated liabilities	766,995,871	1,459,470,792
Total liabilities as per statement of financial position	78,602,956,411	78,418,192,535



	2020 Numbers	2019 Numbers
<b>46 NUMBER OF EMPLOYEES</b>		
Number of employees at year end	10,472	10,038
Average number of employees	10,790	9,762
<b>47 PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Spinning</b>		
Total number of spindles installed	141,576	139,433
Average number of spindles worked	138,431	138,424
Total number of rotors installed	1,032	3,120
Number of shifts worked per day	3	3
Total days worked	353	365
Installed capacity after conversion into 20/s lbs.	114,315,658	119,255,126
Actual production after conversion into 20/s lbs	95,065,457	98,423,297
<b>Weaving</b>		
Total number of looms installed	362	360
Average number of looms worked	362	360
Number of shifts worked per day	3	3
Total days worked	360	365
Installed capacity(at 50 picks/inch of fabric square meters)	153,231,821	152,241,843
Actual production(at 50 picks/inch of fabric square meters)	137,858,353	142,630,979
<b>Finishing and Printing</b>		
Production capacity meters	43,200,000	43,200,000
Actual production meters	35,003,177	38,986,791
<b>Home Textile Product</b>		
The capacity of this unit is undeterminable due to multi product involving varying processes of manufacturing and run length of order lots.		
<b>Yarn dyeing</b>		
Production capacity KGs	1,080,000	-
Actual production KGs	713,467	-
<b>Power Generation</b>		
Installed capacity (MWh)	600,847	520,216
Actual energy delivered (MWh)	449,760	487,460

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 47.1 Reason for low production

Under utilization of available capacity for spinning, finishing and printing of the Holding Company is mainly due to normal maintenance / temporarily shut down and changes in production pattern.

Output produced by the plants of SWPCL and TBCL (power sector subsidiary companies) is dependent on the load demanded by CCPA-G and plant availability.

## 48 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives		Director		Chief Executive	
	2020	2019	2020	2019	2020	2019
	Rupees					
Remuneration	520,390,999	568,015,005	14,520,000	12,600,000	36,000,000	33,000,000
Bonus	43,849,964	112,110,761	-	-	-	-
Medical	7,074,765	5,995,629	-	-	-	-
Contribution to provident fund	24,100,194	23,210,263	-	-	-	-
Leave encashment and other benefits	34,756,739	41,785,410	-	-	-	-
	630,172,661	751,117,068	14,520,000	12,600,000	36,000,000	33,000,000
Number of persons	131	134	2	1	1	1

48.1 In addition, some of the above persons have been provided with the company maintained cars.

48.2 Meeting fee of Rs.1.650 million (2019: Rs.2.10 million) has been paid to independent non-executive directors. No other remuneration has been paid to non-executive directors of the Group.

48.3 The Chief Executive and Executive Directors were also provided with the telephones at residence.

## 49 PROVIDENT FUND

The Group Employees' Provident Fund Trust holds the investments which are in accordance with the provisions of section 218 of the Companies Act 2017 and the Rules formulated for this purpose.

## 50 FINANCIAL INSTRUMENTS

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

Credit risk  
Liquidity risk  
Market risk

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

## 50.1 Credit risk

### 50.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, loans and advances, trade deposits, other receivables, short term investments and cash and bank balances. Out of total financial assets of Rs. 25,597 million (2019: Rs.21,313 million), financial assets which are subject to credit risk aggregate to Rs.18,976 million (2019: Rs.13,126 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:

	2020 Rupees	2019 Rupees
Long term deposits	90,434,779	239,969,798
Trade debts	11,627,624,567	5,587,782,714
Loan to employees	76,287,403	84,138,662
Trade deposits	49,784,895	9,462,040
Other receivables	917,956,352	2,846,938,094
Short term investments	49,000,000	53,443,295
Bank balances	6,165,532,438	4,304,962,165
	<b>18,976,620,434</b>	<b>13,126,696,768</b>

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

Domestic	10,803,069,426	5,040,370,019
Export	824,555,141	547,412,695
	<b>11,627,624,567</b>	<b>5,587,782,714</b>

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

Customer credit risk is managed by each business unit subject to the Groups' established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and all exports are covered by letters of credit or other forms of credit insurance obtained from reputable banks.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

The letters of credit for export sales are considered integral part of export trade receivables and there is no past history of default in case of export debtors, so the expected credit loss rate for the export trade receivables is insignificant, hence gross amount equals to net carrying amount. However, for local trade receivables the Group evaluates the concentration of risk with respect to them as low, as its customers mostly deal in advances and their demand is order based.

Set out below is the information about the credit risk exposure on the Company's local trade receivables assets using a provision matrix:

	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	361 days or more
Rupees							
<b>As at 30 June 2020</b>							
Estimated total gross carrying amount at default	5,279,065,771	1,770,208,093	1,863,704,984	133,005,029	1,578,528,090	82,827,606	132,503,070
Expected credit loss	8,424,010	7,283,233	346,903	8,892,690	2,453,312	52,474	9,320,596
<b>As at 30 June 2019</b>							
Estimated total gross carrying amount at default	2,827,723,084	1,168,148,380	494,303,823	374,100,313	129,014,382	30,844,936	52,740,965
Expected credit loss	6,787,847	10,401,101	3,476,282	1,612,100	154,273	2,561,278	11,512,983

**50.1.4** Credit risk from balances with banks and financial institutions is managed by the Group's finance department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held:

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	Aa3
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Dubai Islamic Bank Pakistan	JCR-VIS	A-1	AA
Allied Bank Limited	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank	PACRA	A1+	AAA
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-

## 50.2 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:

	2020				
	Carrying amount	Contractual cashflow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	59,476,754,097	63,953,086,842	6,604,599,403	40,833,413,171	16,515,074,268
Lease liabilities	2,177,760,001	3,639,004,962	454,482,098	2,003,430,114	1,181,092,750
Trade and other payables	5,444,428,489	5,444,428,490	5,444,428,490	-	-
Accrued interest / mark-up	499,052,861	499,052,861	499,052,861	-	-
Unclaimed dividend	1,696,118	1,696,118	1,696,118	-	-
Short term borrowings	8,510,584,713	8,736,109,548	8,736,109,548	-	-
	<u>76,110,276,279</u>	<u>82,273,378,821</u>	<u>21,740,368,518</u>	<u>42,836,843,285</u>	<u>17,696,167,018</u>

	2019				
	Carrying amount	Contractual cashflow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	62,542,787,708	66,510,464,186	7,900,605,454	27,077,935,779	31,531,922,953
Lease liabilities	14,452,087	18,064,308	5,532,562	12,531,746	-
Trade and other payables	4,211,351,512	4,211,351,512	4,211,351,512	-	-
Accrued interest / mark-up	539,247,498	539,247,498	539,247,498	-	-
Unclaimed dividend	1,795,457	1,795,457	1,795,457	-	-
Short term borrowings	8,858,241,142	9,000,860,883	9,000,860,883	-	-
	<u>76,167,875,404</u>	<u>80,281,783,844</u>	<u>21,659,393,366</u>	<u>27,090,467,525</u>	<u>31,531,922,953</u>

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

## 50.3 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.

### 50.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores and 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, AED, GBP, Danish Krone and Swiss Frank is as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020						
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(824,555,141)	(4,770,604)	(111,310)	-	-	-	-
Bank balances	(4,227,607,359)	(24,845,625)	-	-	-	-	-
Long term finance - secured	44,202,500,976	261,940,747	-	-	-	-	-
	39,150,338,476	232,324,517	(111,310)	-	-	-	-
Outstanding letters of credit	2,306,194,325	12,457,892	1,058,180	-	17,790	-	-
Foreign currency forward contracts	352,443,189	1,823,850	241,026	-	-	-	-
<b>Net Exposures</b>	<b>41,808,975,990</b>	<b>246,606,259</b>	<b>1,187,896</b>	<b>-</b>	<b>17,790</b>	<b>-</b>	<b>-</b>

	2019						
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(547,412,695)	(2,741,522)	(524,779)	-	-	-	-
Bank balances	(2,926,225,471)	(17,784,209)	(3,867)	-	-	-	-
Long term finance - secured	47,799,490,687	290,574,411	-	-	-	-	-
Creditors and accrued liabilities	348,559,400	2,125,362	-	-	-	-	-
	44,674,411,921	272,174,043	(528,646)	-	-	-	-
Outstanding letters of credit	1,055,047,702	4,028,853	1,216,360	14,604,000	48,900	2,955,600	9,000
<b>Net exposure</b>	<b>45,729,459,623</b>	<b>276,202,896</b>	<b>687,714</b>	<b>14,604,000</b>	<b>48,900</b>	<b>2,955,600</b>	<b>9,000</b>

The following significant exchange rates have been applies as at reporting date:

	2020 Rupees	2019 Rupees
US \$ to Rupees (Buying/Selling)	168.25 / 168.75	164 / 164.5
Euro to Rupees (Buying/Selling)	189.11 / 189.73	186.37 / 186.99

## Sensitivity analysis

A 20 percent (2019: 20 percent) strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particulars interest rates, remain constant. The analysis is performed on the same basis for 2019.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2020</b>		
Effect in US Dollar	8,298,300,626	8,298,300,626
Effect in Euro	44,928,603	44,928,603
<b>As at 30 June 2019</b>		
Effect in US Dollar	8,989,743,098	8,989,743,098
Effect in Euro	25,633,852	25,633,852

20 percent (2019: 20 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.

### 50.3.2 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:

	Effective rate		Carrying Amount	
	2020	2019	2020	2019
	Percentage		Rupees	
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing	2.5% to 6.5%	2.5% to 6.5%	5,457,318,288	4,535,248,994
Short term borrowings	2.25% to 3.00 %	2.15% to 3.00 %	3,486,784,000	2,100,000,000
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing				
- foreign currency loan	5.15% to 6.83%	6.84% to 7.90%	44,202,500,976	47,799,490,687
- local currency loan	7.97% to 14.20%	6.47% to 13.43%	9,816,934,833	10,208,048,027
Short term borrowings - local currency loan	8.36% to 15.10%	6.46% to 14.05%	5,023,800,713	6,520,398,142

### 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 or loss. Therefore, a change in mark-up / interest rates at the reporting date would not affect statement of profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the reporting 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 2019.

	Profit and loss 100 bps	
	Increase Rupees	(Decrease) Rupees
<b>As at 30 June 2020</b>		
Cash flow sensitivity - variable rate instruments	590,432,365	(590,432,365)
<b>As at 30 June 2019</b>		
Cash flow sensitivity - variable rate instruments	821,934,539	821,934,539

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 50.3.3 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 reporting date would have increased / decreased the Group's unrealized gain on investments at FVOCI as follows:

	2020 Rupees	2019 Rupees
Effect on equity	643,517,696	799,104,425
Effect on investments	643,517,696	799,104,425

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

## 50.4 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.

## 50.5 Financial instruments by Category

### FINANCIAL ASSETS

#### Loans and receivables

Long term deposits	90,434,779	239,969,798
Trade debts	11,627,624,567	5,587,782,714
Loan to employees	76,287,403	84,138,662
Trade deposits	49,784,895	9,462,040
Other receivables	917,956,352	2,846,938,094
Cash and bank balances	6,264,545,239	4,414,025,673
	<b>19,026,633,235</b>	<b>13,182,316,981</b>

#### Debt instruments at fair value through OCI

HBL Term Finance Certificates	49,000,000	-
Sales tax refund bonds	-	53,443,295
	<b>49,000,000</b>	<b>53,443,295</b>

#### Equity instruments at fair value through OCI

Quoted equity shares	6,435,176,964	7,991,044,248
Unquoted equity shares	86,648,236	86,648,236
	<b>6,521,825,200</b>	<b>8,077,692,484</b>

<b>Total current</b>	<b>21,846,260,661</b>	<b>16,871,720,963</b>
<b>Total non current</b>	<b>3,751,197,774</b>	<b>4,441,731,797</b>

	2020 Rupees	2019 Rupees
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized cost</b>		
Trade and other payables	5,444,428,489	4,211,351,512
Accrued Interest / mark-up	499,052,861	539,247,498
Unclaimed dividend	1,696,118	1,795,457
Secured bank loan	59,476,754,097	62,542,787,708
Lease liabilities	2,177,760,001	14,452,087
Other current loans	-	237,843,000
Short term borrowings	8,510,584,713	8,858,241,142
	<b>76,110,276,279</b>	<b>76,405,718,404</b>
<b>Total current</b>	<b>20,086,820,732</b>	<b>20,626,412,123</b>
<b>Total non current</b>	<b>56,023,455,547</b>	<b>55,779,306,281</b>

#### 50.6 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).

The main level of inputs used by the Group for its financial assets are derived and evaluated as follows:

	Level 1	Level 2	Level 3
	Rupees		
<b>As at 30 June 2020</b>			
<b>Assets carried at fair value</b>			
Debt instruments at fair value through OCI	49,000,000	-	-
Equity instruments at fair value through OCI	6,435,176,964	-	86,648,236
	<b>6,484,176,964</b>	<b>-</b>	<b>86,648,236</b>
<b>As at 30 June 2019</b>			
<b>Assets carried at fair value</b>			
Debt instruments at fair value through OCI	-	53,443,295	-
Equity instruments at fair value through OCI	7,991,044,248	-	86,648,236
	<b>7,991,044,248</b>	<b>53,443,295</b>	<b>86,648,236</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 50.7 Capital risk management

The Group'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 Group 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 statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves'.

	2020 Rupees	2019 Rupees
<b>Total borrowings</b>	67,987,338,810	62,557,239,795
Less: Cash and bank balances	6,264,545,239	4,414,025,673
<b>Net debt</b>	61,722,793,571	58,143,214,122
<b>Total equity</b>	22,415,130,852	18,138,839,745
<b>Total capital</b>	84,137,924,423	76,282,053,867

	2020 Percentage	2019 Percentage
<b>Gearing ratio</b>	73.36	76.22

## 51 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2020				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	Rupees				
<b>Balance as at 01 July 2019</b>	62,542,787,708	8,858,241,142	539,247,498	1,795,457	71,942,071,805
<b><u>Cash flows</u></b>					
Repayment of loans	(6,262,779,676)	(381,594,890)	-	-	(6,644,374,566)
Proceeds from loans	2,066,476,724	-	-	-	2,066,476,724
Finance cost paid	-	-	(6,033,671,458)	-	(6,033,671,458)
Dividends paid	-	-	-	(567,260,979)	(567,260,979)
<b>Total changes from financing cash flows</b>	<b>(4,196,302,952)</b>	<b>(381,594,890)</b>	<b>(6,033,671,458)</b>	<b>(567,260,979)</b>	<b>(11,178,830,279)</b>
<b><u>Other changes including non-cash</u></b>					
Dividend declared	-	-	-	567,161,640	567,161,640
Amortization of transaction cost	61,618,552	-	-	-	61,618,552
Exchange loss	1,068,650,789	-	-	-	1,068,650,789
Changing in running finance	-	33,938,461	-	-	33,938,461
Finance cost	-	-	5,993,476,821	-	5,993,476,821
<b>Total liability related other changes</b>	<b>1,130,269,341</b>	<b>33,938,461.00</b>	<b>5,993,476,821</b>	<b>567,161,640</b>	<b>7,724,846,263</b>
<b>Closing as at 30 June 2020</b>	<b>59,476,754,097</b>	<b>8,510,584,713</b>	<b>499,052,861</b>	<b>1,696,118</b>	<b>68,488,087,789</b>
	2019				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	Rupees				
<b>Balance as at 01 July 2018</b>	44,480,923,632	8,294,872,401	330,132,390	1,309,519	53,107,237,942
<b><u>Cash flows</u></b>					
Repayment of loans	(3,902,210,327)	-	-	-	(3,902,210,327)
Proceeds from loans	21,964,074,403	563,368,741	-	-	22,527,443,144
Finance cost paid	-	-	(4,706,307,449)	-	(4,706,307,449)
Dividends paid	-	-	-	(440,844,304)	(440,844,304)
	18,061,864,076	563,368,741	(4,706,307,449)	(440,844,304)	13,478,081,064
<b><u>Other changes including non-cash</u></b>					
Dividend declared	-	-	-	441,330,242	441,330,242
Finance cost	-	-	4,915,422,557	-	4,915,422,557
<b>Total liability related other changes</b>	<b>-</b>	<b>-</b>	<b>4,915,422,557</b>	<b>441,330,242</b>	<b>5,356,752,799</b>
<b>Closing as at 30 June 2019</b>	<b>62,542,787,708</b>	<b>8,858,241,142</b>	<b>539,247,498</b>	<b>1,795,457</b>	<b>71,942,071,805</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 52 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

Analysis of impact of COVID -19 on the Group companies is as follows:

The Holding Company's revenue is earned from both local within Pakistan and international markets. COVID-19 is expected to bear an impact in the given situation as the Holding Company caters the needs of different levels of the textile supply chain both locally and internationally. It expects that the local market will not show further decline and growth is expected in the upcoming period. The international markets have also starting resuming business and orders are now regaining volume. However extent and duration of such impact remains uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of COVID-19 and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements.

Financial impact of COVID-19 on Holding Company's financial statements mainly includes decrease in revenue of last quarter as compared to prior period and adjustment for Net Realizable Value as disclosed in note 15.3.

SRL (Subsidiary Company) has reviewed its exposure to business risks and related accounting considerations. Consequently the Subsidiary Company believes that there is no material impact on the recognition and measurement of assets and liabilities. Closure of outlets due to Government-enforced lockdown led to decline in revenue and higher working capital requirements leading to increase in creditors. To cater the working capital requirements, the Subsidiary Company obtained long term financing from Allied Bank Limited and The Bank of Punjab as disclosed in note 25.1.1 and 25.1.9 respectively. SRL was however able to obtain relief in the payment of rental for retail outlets, resulting in waiver income (note- 38). However, since the lockdown was relaxed subsequent to year-end, all retail outlets have opened for resumption of normal business activities.

The operations of TBCL and SWPCL (Subsidiaries companies) were not affected as they fell under the exemption provided by the Government of Sindh to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, both the companies continued to carry out their operations and have taken all necessary steps to ensure smooth and adequate continuation of their business. Due to this, management of both the subsidiary companies has assessed the accounting implications of these developments and according to management's assessment, there is no significant accounting impact of the effects of COVID-19.

Sapphire International ApS and Designtex (SMC-Private) Limited have been incorporated during the year and their operations are dependent on those of the Holding Company and Sapphire Retail Limited respectively.

### 53 EVENTS AFTER REPORTING DATE

On August 13, 2020, a Memorandum of an Understanding ('MoU') was executed by and between the Committee for Negotiation with Independent Power Producers [on behalf of Government of Pakistan ('GoP')] and Pakistan Wind Energy Association [on behalf of Wind Power Projects ('WPPs')] under the Renewable Energy Policy 2006], through which the WPPs have voluntarily agreed to provide certain concessions to the GoP on a prospective basis, including the efforts on their part for negotiations with third parties regarding an extension in the debt tenure and a reduction in the operation and maintenance cost and spread over the interest rates offered by the banks. Furthermore, the WPPs have agreed to reduce their return on equity and the spread over the markup rates used for charging interest on amounts due from CPPA-G. However, the terms of the MoU are subject to approval of the Board of Directors of several WPPs, as well as National Electric Power Regulatory Authority and the Federal Cabinet and would take affect when it is approved.

### 54 CORRESPONDING FIGURES

Corresponding figures have been rearranged/reclassified, wherever necessary for better presentation. However, no significant reclassification has been made during the year except for advance for land amounting to Rs. 84.5 million which has been reclassified from capital work in progress (note 7.7) to long term loans and advances (note 11).

### 55 DATE OF AUTHORIZATION FOR ISSUE

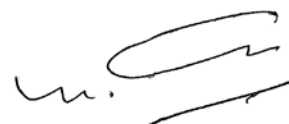
These consolidated financial statements were approved by the Board of Directors of the Holding Company and authorized for issue on 24 September 2020.



Chief Executive



Chief Financial Officer



Director

# PATTERN OF SHAREHOLDING

As at 30 June 2020

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
313	1	100	5,785
53	101	500	13,158
21	501	1,000	14,791
26	1,001	5,000	53,754
5	5,001	10,000	40,039
2	10,001	15,000	26,363
2	15,001	20,000	37,119
2	20,001	25,000	43,282
1	25,001	30,000	30,000
2	30,001	35,000	61,236
3	35,001	40,000	108,383
2	45,001	50,000	94,367
2	60,001	65,000	122,287
1	75,001	80,000	78,345
1	80,001	85,000	81,432
1	100,001	105,000	100,700
1	115,001	120,000	118,800
2	140,001	145,000	282,853
1	160,001	165,000	162,853
1	185,001	190,000	189,540
2	215,001	220,000	434,516
1	225,001	230,000	227,988
1	245,001	250,000	247,508
1	270,001	275,000	285,809
1	300,001	305,000	300,926
1	405,001	410,000	408,301
1	415,001	420,000	417,077
1	495,001	500,000	498,454
1	540,001	545,000	544,979
1	565,001	570,000	567,114
1	570,001	575,000	573,152
1	605,001	610,000	609,683
1	630,001	635,000	633,141
1	655,001	660,000	657,788
1	675,001	680,000	677,128
2	685,001	690,000	1,372,335
2	780,001	785,000	1,566,170
1	795,001	800,000	800,000
1	995,001	1,000,000	998,015
2	1,025,001	1,030,000	2,052,000
2	1,070,001	1,075,000	2,144,000
1	1,590,001	1,595,000	1,591,291
1	2,415,001	2,420,000	2,417,329
<b>470</b>			<b>21,689,791</b>

\* Note: The slabs representing nil holding have been omitted.



## CATEGORIES OF SHAREHOLDERS

As at 30 June 2020

Particulars	No. of Shares Held	Percentage %
Director's, CEO, Their Spouse and Minor Children	8,752,081	40.35
Associated Companies, Undertakings and Related Parties	6,716,144	30.96
NIT & ICP	1,002,955	4.62
Banks, Development Finance Institutions, Non-Banking Financial Institutions	129	0.00
Insurance Company	11,910	0.05
Other Companies	324,658	1.50
General Public (Local)	4,881,914	22.51
	<b>21,689,791</b>	<b>100.00</b>

# PATTERN OF SHAREHOLDING

As at 30 June 2020

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	NO OF SHARES
Amer Tex (Pvt.) Limited	419,139
Four Strenght (Pvt.) Limited	804,789
Galaxy Agencies (Pvt.) Limited	544,979
Nadeem Enterprise (Pvt.) Limited	633,141
Neelum Textile Mills (Private) Limited	463,779
Reliance Cotton Spinning Mills Limited	100,223
Salman Ismail (SMC-Private) Limited	639,923
Sapphire Agencies (Pvt.) Limited	2,518,029
Sapphire Holding Limited	285,809
Sapphire Power Generation Limited	306,333
B) NIT & ICP	
CDC - Trustee National Investement (Unit) Trust	998,015
National Investment Trust Limited	4,940
C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN	
DIRECTORS & THEIR SPOUSES	
Mr. Mohammad Abdullah	498,454
Mr. Yousuf Abdullah	1,605,744
Mr. Amer Abdullah	712,228
Mr. Shahid Abdullah	427,741
Mr. Nabeel Abdullah	1,072,000
Mr. Umer Abdullah	1,072,000
Mr. Nadeem Karamat	540
Mr. Shahid Shafiq	510
Mrs. Shamshad Begum	688,784
Mrs. Ambareen Amer	875,886
Mrs. Shireen Shahid	708,594
Ms. Mashmooma Zehra Majeed	500
CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
Mr. Nadeem Abdullah	654,584
Mrs. Noshaba Nadeem	434,516
D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES	
BANKS	
National Bank of Pakistan	129

## PATTERN OF SHAREHOLDING

As at 30 June 2020

INSURANCE COMPANY	NO OF SHARES
EFU Life Assurance Ltd	11,910
<b>E) SHAREHOLDERS HOLDING 05% OR MORE</b>	
Mr. Yousuf Abdullah	1,605,744
Sapphire Agencies (Pvt.) Limited	2,518,029
<b>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</b>	
Shares Purchased by Mrs. Shamshad Begum	200
Mrs. Usma Yousuf Shares Gift to her Husband Mr. Yousuf Abdullah	107,500
Mr. Yousuf Abdullah Shares Gift to his Son Mr. Salman Abdullah	800,000
Mr. Amer Abdullah Shares Gift to his Son Mr. Ali Abdullah	350,000
Mr. Amer Abdullah Shares Gift to his Son Mr. Tayyab Abdullah	784,170
Mr. Nadeem Abdullah Shares Gift to his Son Mr. Nabeel Abdullah	100,000
Mrs. Noshaba Nadeem Shares Gift to her Son Mr. Umer Abdullah	100,000

## ڈائریکٹر رپورٹ برائے حصص یافتگان

سیفائر وٹڈ پاور کمپنی لمیٹڈ، سیفائر ریشیل لمیٹڈ، ٹرانسکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ، سیفائر انٹرنیشنل اے پی ایس اور ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ کی ہولڈنگ کمپنی کے بورڈ آف ڈائریکٹرز نہایت مسرت کے ساتھ 30 جون 2020ء کو مکمل ہونے والے سال کے لیے ڈائریکٹر رپورٹ مع گروپ کے آڈٹ شدہ کنسولیدیشنڈ اسٹیٹمنٹس اور آڈیٹر رپورٹ پیش کر رہے ہیں۔

### سیفائر وٹڈ پاور کمپنی لمیٹڈ

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

### سیفائر ریشیل لمیٹڈ

سیفائر ریشیل لمیٹڈ، سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبسیڈییری ہے۔ اس سبسیڈییری کا اہم کاروبار ٹیکسٹائل اور دیگر مصنوعات کی فروخت کیلئے ”سیفائر برانڈ“ ریشیل آؤٹ لیٹس چلانا ہے۔ ایس آر ایل بنیادی طور پر بیرون زراہ سے ٹیکسٹائل کی پروسیسنگ کروا کے ٹیکسٹائل کی مصنوعات کی تیاری میں مصروف ہے۔ اور اسی طرح پاکستان میں ریشیل اسٹورز اور بیرون ملک آن لائن اسٹورز کے ذریعے ٹیکسٹائل کی مصنوعات کی فروخت میں مصروف ہے۔ ایس آر ایل پورے ملک میں پچیس ریشیل اسٹورز چلا رہا ہے۔

### ٹرانسکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ

ٹرانسکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ چھ ماہ سندھ میں پاکستانی قوانین کے تحت تشکیل پائی ہے اور 3X50 میگا واٹ وٹڈ انرجی کے (3) پروجیکٹس چلا رہی ہے۔ تینوں پروجیکٹس کی تجارتی سرگرمیاں ستمبر 2018ء سے کامیابی کے ساتھ شروع ہو گئی ہیں۔

### سیفائر انٹرنیشنل اے پی ایس

سیفائر انٹرنیشنل اے پی ایس انٹیلیجنٹ لمیٹڈ کمپنی ہے جو کہ ڈنمارک میں وجود میں آئی، جس کا مقصد کمپنی کی درآمد کو استحکام دینا ہے۔

### ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ

ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ کو کمپنی ایکٹ 2017 کے تحت ایس ایم سی پرائیویٹ لمیٹڈ کے طور پر قائم کیا گیا۔ یہ کمپنی سیفائر ریشیل لمیٹڈ کی ملکیت کی مکمل سبسیڈییری ہے اور سیفائر ریشیل لمیٹڈ، سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل سبسیڈییری ہے۔ اس کمپنی کا بنیادی مقصد ٹیکسٹائل اور ذیلی مصنوعات کی تیاری ہے۔

بورڈ کی جانب سے



محمد عبداللہ  
ڈائریکٹر



ندیم عبداللہ  
چیف ایگزیکٹو

کراچی

مورخہ 24 ستمبر 2020ء

## آڈیٹرز

موجودہ آڈیٹرز میسر EY فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس آنے والے اجلاس عام میں ریٹائر ہو جائیں گے اور اہلیت کے باعث انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ آف

ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر میسرز EY فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی کے بیرونی آڈیٹرز برائے سال 30 جون 2021 تقرری کی تجویز دی ہے۔

## حصص داری کی ساخت

30 جون 2020 کو کمپنی کی حصص داری کی ساخت منسلک ہے۔ یہ گوشوار کمپنیز ایکٹ 2017 کی دفعہ (f)(2)227 کے مطابق تیار کیا گیا ہے۔

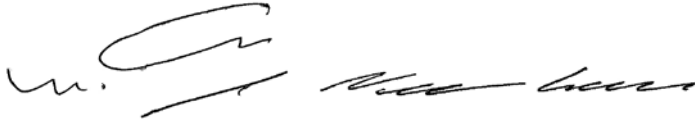
## بورڈ کی تشکیص

سال کے دوران، بورڈ اور اس کی ذیلی کمیٹیوں نے اپنی کارکردگی کی تشکیص کا باضابطہ عمل مکمل تک پہنچایا۔ بورڈ اور اس کی ذیلی کمیٹیوں کی مجموعی کارکردگی سال کے دوران طے کردہ خصوصیات کے مطابق تسلی بخش پائی گئی۔

## اعتراف

انتظامیہ بورڈ آف ڈائریکٹرز، نگران اداروں، حصص یافتگان، گاہکوں، مالیاتی اداروں، سپلائرز اور عملہ و ملازمین کی انتھک محنت اور خلوص ستائش ریکارڈ پر لانا چاہتی ہے۔

منجانب بورڈ



محمد عبداللہ  
ڈائریکٹر

ندیم عبداللہ  
چیف ایگزیکٹو

کراچی  
مورخہ 24 ستمبر 2020ء

ضابطہ اخلاق کمپنی کے ہر ڈائریکٹر اور ملازم کو بھیج دیا گیا ہے اور انہوں نے وصول کر لیا ہے۔

### ملحقہ پارٹیوں کے سودے

کمپنی اسٹاک ایکسچینج آف پاکستان کے لسٹنگ ریگولیشن کے ٹرانسفر پرائسنگ کے بہترین طور طریقوں پر مکمل طور پر عمل پیرا ہے۔ ملحقہ پارٹیوں کے ساتھ سودے عمومی طریقہ کار یعنی آرم لینتھ پرائسز کے طریقہ کار پر انجام پائے۔

سال کے دوران کمپنی نے ملحقہ پارٹیوں کے ساتھ سودے کئے۔ ان سودوں کی تفصیلات غیر مجموعی مالیاتی گوشواروں کے نوٹ 41 میں منکشف کی گئی ہے۔

ملحقہ پارٹیوں کے قابل ذکر سودوں کی تفصیلات آڈٹ کمیٹی کے روبرو پیش کی گئی اور ضابطوں کے تقاضوں کے تحت بورڈ کی آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز کے جائزے اور منظوری کے لئے پیش کی گئی۔

### ادارتی سماجی ذمہ داری

کمپنی وسیع معنوں میں معاشرے سے متعلق اپنی ذمہ داریوں پر مضبوطی سے یقین رکھتی ہے اور تعلیم، صحت اور قدرتی ماحول کے شعبے میں کئی اقدامات کئے ہیں۔ ہمارے گروپ کی ویلفیئر ٹرسٹ عبداللہ فاؤنڈیشن کے ذریعے ہم دی سٹیزنز فاؤنڈیشن کے فخریہ شراکت دار ہیں جو کہ ایک پیشہ ور منتظم، غیر منافع بخش ادارہ ہے جسے شہریوں کے گروپ نے 1995 میں قائم کیا تھا جو تعلیم کے ذریعے مثبت سماجی تبدیلی لانا چاہتے تھے۔

سالہا سال ہم نے ہمسامہ لوگوں کے لئے مختلف اسکول قائم کئے اور سب کے سب کامیابی سے چل رہے ہیں۔ موجودہ سال عبداللہ فاؤنڈیشن نے TCF کے طلباء کے لئے اسکالرشپ فنڈ قائم کیا ہے تاکہ وہ پاکستان کی اعلیٰ یونیورسٹیوں میں اعلیٰ تعلیم حاصل کر سکیں۔

عبداللہ فاؤنڈیشن کے ذریعے 2015 میں ہم نے جناح ہسپتال لاہور میں سیڈیا ٹرک وارڈ کی اپ گریڈنگ کا چیلنج قبول کیا۔ نہ صرف وارڈ کی مکمل کی تزئین و آرائش کی گئی بلکہ آلات بھی فراہم کئے گئے تاکہ ڈپارٹمنٹ بلا کاؤٹ چلتا رہے اور بچوں کی طبی ضروریات کو پورا کرتا رہے۔ یہ بات ہمارے لئے باعث طمانیت ہے کہ یہ ہسپتال بچوں کی زندگی میں مثبت فرق لا رہا ہے۔ رواں سال گامینی وارڈ کی تعمیر اور تزئین و آرائش کا کام کیا گیا ہے۔

کمپنی جھمپیر سندھ میں ونڈر پروجیکٹس سے نیشنل گرڈ کو صاف ستھری توانائی فراہم کر رہی ہے۔ کمپنی نے شمسی توانائی کے پائلز جھمپیر کے علاقے میں مقامی باشندوں کیلئے نصب کئے ہیں اور علاقہ کے لوگوں کو صاف پانی فراہم کر رہی ہے۔

کمپنی نے اپنی ذیلی کمپنی سیفائر ریٹیل لمیٹڈ کے ذریعے ماحول دوست ٹاٹ کے تھیلے متعارف کروائے ہیں۔ یہ ٹاٹ کے تھیلے 100 فیصد بچے ہوئے کپڑے کے ہیں، انہیں پلاسٹک کے تھیلوں سے تبدیل کیا گیا ہے۔ ان اقدامات سے ریٹیل سیل میں ایک نیا بیج مارک پیدا ہوا ہے۔

کمپنی یونائیٹڈ نیشنز گلوبل کمپیکٹ پروگرام کی ایک متحرک شریک کار ہے۔ ہم یونائیٹڈ نیشنز SGDS کے 2030 وژن پر عمل کرتے ہوئے کام کر رہے ہیں۔ کمپنی نے صحت، تعلیم اور سماجی بہبود کے پروجیکٹس میں عطیات دیئے ہیں جنہیں رپورٹ مالیاتی گوشواروں کے نوٹ نمبر 34 میں رپورٹ کیا گیا ہے۔

## ڈائریکٹران کا معاوضہ

بورڈ کے ممبران کا معاوضہ بورڈ خود طے کرتا ہے۔ تاہم ادارتی نظم و ضبط کے ضابطے کے تحت اس بات کو یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنے معاوضہ کے فیصلے میں شریک نہ ہو۔ کمپنی نان ایگزیکٹو ڈائریکٹر ان کو کوئی معاوضہ ادا نہیں کرتی اور آزاد ڈائریکٹر ان کو اجلاس میں حاضر ہونے کی فیس ادا کی جاتی ہے۔ چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر ان کے معاوضے کا پیکیج مالیاتی گوشواروں کے نوٹ نمبر 44 میں منکشف کیا گیا ہے۔

## ادارتی اور مالیاتی رپورٹنگ فریم ورک پر بیان

بورڈ آف ڈائریکٹرز وقفے وقفے سے کمپنی کی کلیدی سمت کا جائزہ لیتا ہے۔ کاروباری منصوبوں اور ہدف کا تعین چیف ایگزیکٹو کرتا ہے اور بورڈ ان کا جائزہ لیتا ہے۔ بورڈ ادارتی نظم و ضبط کے اعلیٰ معیار کو برقرار رکھنے کے لئے کوشاں ہے۔ بورڈ نے ادارتی نظم و ضبط کے ضابطے کا جائزہ لیا اور تصدیق کرتا ہے کہ:

- مالیاتی گوشواروں کے ساتھ دیئے گئے نوٹس کو کمپنیز ایکٹ 2017 کے ضابطوں کے مطابق تیار کیا گیا ہے۔ یہ کمپنی کے معاملات، اس کے کاروباری نتائج، اس کے نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔
- کمپنی میں حسابات کی کتابیں مناسب انداز میں تیار کی گئی ہیں۔
- درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، کو ملحوظ خاطر رکھا گیا ہے۔ اور ان سے کسی قسم کی پہلو تہی کا مناسب انکشاف اور تشریح کی گئی ہے۔
- اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔ اندرونی گرفت کی نگرانی کا یہ عمل اس مقصد سے ساتھ جاری رکھا جاتا ہے کہ گرفت کو مزید مستحکم اور نظام کو بہتر بنایا جاسکے۔
- ٹیکسوں، ڈیوٹیوں اور چارجز کی مد میں تمام واجبات کے لئے اختصاص رکھا گیا ہے اور درست طریقے سے ادا کئے جائیں گے یا جہاں دعویٰ کو بطور قرضہ تسلیم نہیں کیا گیا، انہیں اتفاقی واجبات کے طور پر مالیاتی گوشواروں کے نوٹس میں منکشف کیا گیا ہے۔
- کمپنی کی بڑھتی ہوئی کاروباری صلاحیت کے تسلسل میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی بڑا انحراف نہیں ہوا۔
- اہم کاروباری اور مالیاتی اعداد و شمار کا اختصار یہ منسلک ہے۔
- کمپنی اپنے اہل ملازمین کے لئے ایمپلائز پروویڈنٹ فنڈ چلاتی ہے۔ 30 جون 2020 کو فنڈ سے کی گئی سرمایہ کاری 350.116 ملین روپے ہے۔
- ڈائریکٹر ان، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، ان کے شریک حیات اور چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں خرید و فروخت کی جو کہ درج ذیل ہے:

200 حصص	مسز شمشاد بیگم نے حصص خریدے
107,500 حصص	محترمہ اسماء یوسف نے حصص اپنے شوہر جناب یوسف عبداللہ کو ہبہ کئے
800,000 حصص	جناب یوسف عبداللہ نے حصص اپنے بیٹے جناب سلمان عبداللہ کو ہبہ کئے
350,000 حصص	جناب عامر عبداللہ نے حصص اپنے بیٹے جناب علی عبداللہ کو ہبہ کئے
784,170 حصص	جناب عامر عبداللہ نے حصص اپنے بیٹے جناب طیب عبداللہ کو ہبہ کئے
100,000 حصص	جناب ندیم عبداللہ نے حصص اپنے بیٹے جناب نبیل عبداللہ کو ہبہ کئے
100,000 حصص	مسز نوشاہہ ندیم نے حصص اپنے بیٹے عمر عبداللہ کو ہبہ کئے



## بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز تین آزاد ڈائریکٹران، چار نان ایگزیکٹو ڈائریکٹران اور تین ایگزیکٹو ڈائریکٹران پر مشتمل ہے۔ کمپنی کے ڈائریکٹران غیر معمولی اجلاس عام مورخہ 15 جون 2020 کو منتخب ہوئے۔

سال کے دوران بورڈ آف ڈائریکٹرز کے چھ (6) اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کے حاضری اجلاسوں کی تعداد درج ذیل ہے:

نام	قسم	حاضری اجلاسوں کی تعداد
جناب ندیم عبداللہ	ایگزیکٹو ڈائریکٹر	5
جناب نبیل عبداللہ	ایگزیکٹو ڈائریکٹر	5
جناب عمر عبداللہ	ایگزیکٹو ڈائریکٹر	1
جناب محمد عبداللہ	نان ایگزیکٹو ڈائریکٹر	6
جناب شاہد عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب ندیم کرامت	آزاد ڈائریکٹر	6
جناب شاہد شفیق	آزاد ڈائریکٹر	1
مس ماشومہ زہرہ مجید	آزاد ڈائریکٹر	1
جناب شایان عبداللہ *	نان ایگزیکٹو ڈائریکٹر	4

\* جناب شایان عبداللہ بورڈ آف ڈائریکٹرز سے سبکدوش ہو گئے تھے۔

\* جناب عمر عبداللہ، جناب شاہد شفیق اور مس ماشومہ زہرہ مجید 15 جون 2020 کو بورڈ کے نئے ممبر منتخب ہوئے۔

## آڈٹ کمیٹی

سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ممبر کی حاضری درج ذیل رہی:

نام	حاضری اجلاسوں کی تعداد
جناب ندیم کرامت	4
جناب عامر عبداللہ	3
جناب یوسف عبداللہ	3
جناب شایان عبداللہ	3
جناب شاہد شفیق	0

\* جناب شاہد شفیق کو بورڈ کے اجلاس مورخہ 25 جون 2020 میں آڈٹ کمیٹی کا ممبر مقرر کیا گیا ہے اور جناب شایان عبداللہ آڈٹ کمیٹی سے سبکدوش ہو گئے ہیں۔

صنعت کے لئے ایک بڑا چیلنج ملک میں کپاس کی کم پیداوار ہے جس کی وجہ سے کپاس کو درآمد کرنا پڑتا ہے جس سے ہماری مقامی مصنوعات کو دیگر پیدا کرنے والے ممالک کی بہ نسبت فوقیت نہیں ملتی۔

### سیفائر ٹیکسٹائل ملز لمیٹڈ کی ذیلی کمپنیاں

کمپنی کی ملکیت میں پانچ ذیلی کمپنیاں ہیں جن میں سے تین کی 100 فیصد ملکیت سیفائر ٹیکسٹائل ملز لمیٹڈ کے پاس ہے۔ ہر ذیلی کمپنی کا اختصار یہ درج ذیل ہے:

#### 1- سیفائر وونڈ پاور کمپنی لمیٹڈ

کمپنی کی 70 فیصد ملکیت سیفائر ٹیکسٹائل ملز کے پاس ہے اور 30 فیصد ملکیت بینک الفلاح لمیٹڈ کے پاس۔ کمپنی نے ایک وونڈ فارم جھمپیر سندھ میں قائم کیا ہے جس کی گنجائش 52.8 میگا واٹ ہے جس نے تجارتی آپریشنز کا آغاز نومبر 2015 سے کیا۔ پروجیکٹ بہترین صنعتی طور طریقوں پر عمل کر رہا ہے اور تسلی بخش نتائج فراہم کر رہا ہے۔

#### 2- 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۔ ایس آر ایل بنیادی طور پر بیرون ذرائع سے ٹیکسٹائل کی پروسیسنگ کروا کے ٹیکسٹائل کی مصنوعات کی تیاری میں مصروف ہے۔ اور اسی طرح پاکستان میں ریٹیل اسٹورز اور بیرون ملک آن لائن اسٹورز کے ذریعے ٹیکسٹائل کی مصنوعات کی فروخت میں مصروف ہے۔ ایس آر ایل پورے ملک میں بچپس ریٹیل اسٹورز چلا رہا ہے۔

#### 3- ٹرانکون بوٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ

ٹرانکون بوٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ کی تشکیل پاکستانی قوانین کے تحت ہوئی ہے اور اس وقت 50 میگا واٹ کے تین پروجیکٹس جھمپیر سندھ میں چلا رہی ہے۔ ان تمام پروجیکٹس نے ستمبر 2018 میں اپنی تجارتی آپریشنز کا آغاز کر دیا تھا۔

#### 4- سیفائر انٹرنیشنل اے پی ایس

سیفائر انٹرنیشنل اے پی ایس لائسنسڈ لمیٹڈ کمپنی ہے جو کہ ڈنمارک میں وجود میں آئی، جس کا مقصد کمپنی کی برآمدات کو استحکام دینا ہے۔

#### 5- ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ

ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ کو کمپنی ایکٹ 2017 کے تحت ایس ایم سی پرائیویٹ لمیٹڈ کے طور پر قائم کیا گیا۔ یہ کمپنی سیفائر ریٹیل لمیٹڈ کی ملکیت کی مکمل سبسیڈیری ہے اور سیفائر ریٹیل لمیٹڈ سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل سبسیڈیری ہے۔ اس کمپنی کا بنیادی مقصد ٹیکسٹائل اور ذیلی مصنوعات کی تیاری ہے۔

#### غیر فعال مکمل ملکیتی ذیلی کمپنیوں کا انضمام

29 اکتوبر 2019 کو کمپنی کے بورڈ آف ڈائریکٹرز نے مکمل ملکیتی کمپنیوں سیفائر سولر (پرائیویٹ) لمیٹڈ (SSPL)، سیفائر ٹیک پرائیویٹ لمیٹڈ (STPL) اور سیفائر رینیو ایبلز لمیٹڈ (SRL) کی کمپنی کے ساتھ اور اس میں انضمام کی اسکیم کی قرارداد منظور کی۔ 31 دسمبر 2019 کو تکمیل کی تاریخ تک SSPL، STPL اور SRL کمپنی کے ساتھ اور اس میں مدغم ہو گئیں۔ جس کے نتیجے میں SSPL، STPL اور SRL کے تمام کاروبار بشمول اثاثے، واجبات اور حقوق و ذمہ داریاں کمپنی کی ملکیت میں چلے گئے۔

## مصارف منافع

روپے ہزاروں میں

1,309,085

(129,996)

1,179,089

51,413

51,745

(108,800)

15,894,790

17,068,237

منافع قبل از ٹیکس

منہا: ٹیکس

منافع بعد از ٹیکس

ملازمین کے ریٹائرمنٹ کے فوائد پر منافع کی از سر نو پیکاش

سرمایہ کاریوں کی فروخت پر منافع - ٹیکس نکالنے کے بعد

ذیلی کمپنیوں کے ادغام پر ذخائر کی منتقلی

جمع: غیر مصرف شدہ منافع پیچھے سے لایا گیا

## مصارف

(522,162)

16,546,076

منافع منقسمہ برائے سال 30 جون 2019 (260 فیصد یعنی -/26 روپے فی حصص)

غیر مصرف شدہ منافع آگے لے جایا گیا

## ذیلی کمپنی کے حصص میں سرمایہ کاری

کمپنی نے ایک مکمل ملکیت شدہ ذیلی کمپنی سیفائر انٹرنیشنل APS قائم کی ہے جو کہ ایک لمیٹڈ لابیٹی کمپنی ہے جس کی تشکیل ڈنمارک میں ہوئی ہے۔ ذیلی کمپنی کا ادا شدہ سرمایہ 100,000 یو ایس ڈالر ہے۔

## رائٹ حصص کا اجراء

سال کے دوران کمپنی نے حصص یافتگان کو 400 روپے فی حصص بشمول 390 روپے پر بیم پر 8 فیصد یعنی ہر 100 حصص کی ملکیت پر 8 حصص جاری کئے ہیں۔

## فی حصص آمدن

سال مختتمہ 30 جون 2020 میں فی حصص آمدن 55.03 روپے رہی جبکہ گزشتہ سال مختتمہ 30 جون 2019 کو 121.31 روپے تھی۔

## منافع منقسمہ

Covid کے بعد کی غیر یقینی صورتحال اور اسٹیٹ بینک آف پاکستان بینکوں کی اصل رقم کی ادائیگی کو موخر کرنے اسکیم کی وجہ سے بورڈ آف ڈائریکٹرز نے سال مختتمہ 30 جون 2020 کیلئے کسی منافع منقسمہ کی تجویز نہیں دی ہے۔

## مستقبل کے امکانات

COVID-19 وباء کے دشوار گزار وقت کے دوران حکومتی اقدامات جیسے قرضوں کی اصل رقم کی ادائیگی کو موخر کرنے، شرح سود میں کمی اور مزدوروں کی تنخواہوں اور اجرتوں کی موزوں لاگت کی وجہ سے کاروباری استحکام میں مدد ملی جس کو مد نظر رکھتے ہوئے کمپنی کاروباری ماحول سے پراعتماد ہے۔

سال کے دوران کمپنی نے اپنی قیمتی مصنوعات کی توسیع کی حکمت عملی کے تحت فیرک ڈاننگ پلانٹ میں سرمایہ کاری کی۔ اس حالیہ سرمایہ کاری سے کمپنی کی برآمدات اور منافع کو مضبوط کرنے میں مدد ملے گی۔

## حصص یافتگان کے لئے ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹران اپنی رپورٹ کے ساتھ کمپنی کے آڈٹ شدہ مالیاتی گوشوارے برائے اختتامہ سال 30 جون 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

### مالیاتی جائزہ

آپ کی کمپنی کے مالیاتی نتائج دشوار گزار مالیاتی ماحول میں بھی تسلی بخش رہے۔ درج ذیل میں اہم مالیاتی اعداد و شمار پیش کئے گئے ہیں:

2019	2020	
		روپے ہزاروں میں
34,252,752	34,030,186	خالص فروخت
5,405,733	4,834,691	خام منافع
5,031,346	3,866,062	کاروباری منافع
1,485,021	721,187	دیگر آمدن
(2,085,427)	(2,556,977)	مالیاتی لاگت
2,946,009	1,309,085	منافع قبل از ٹیکس
2,559,440	1,179,089	منافع بعد از ٹیکس

کمپنی کی خالص فروخت میں معمولی کمی ہوئی جو کہ گزشتہ سال کے 34.253 بلین کے مقابلے میں کم ہو کر 34.030 بلین روپے رہ گئی۔ کمپنی کی فروخت میں مالیاتی سال کے پہلے نو ماہ میں 8 فیصد نمو ہوئی تاہم آخری سہ ماہی میں COVID-19 کی وجہ سے دنیا کے ساتھ ساتھ ملک میں لاک ڈاؤن نے فروخت میں اضافہ کے رجحان کو متاثر کیا۔

موجودہ مالیاتی سال کے نو ماہ کے دوران کمپنی کا خام منافع 16.52 فیصد رہا۔ COVID-19 کی صورتحال کی وجہ سے فروخت میں کمی اور خام مال کی قیمتوں میں نمایاں کمی واقع ہوئی، جس نے کمپنی کے منافع کو خاص طور پر متاثر کیا تھا جس کی وجہ سے کمپنی کی انوینٹری کے نرخوں میں ایڈجسٹمنٹ ہے۔ جس کے نتیجے میں ہمارے خام منافع میں کمی واقع ہوئی اور خام منافع 14.21 فیصد تک آ گیا۔ خام منافع کی مستحکم شرح کمپنی کی مسلسل عمودی انضمام سے ہوئی۔

دیگر آمدن میں ذیلی کمپنیوں اور بلیو چپ کمپنیوں میں کی گئی سرمایہ کاریوں پر حاصل ہونے والا منافع منقسمہ 721 بلین روپے شامل ہے جو کہ گزشتہ سال 1.485 بلین روپے تھا۔ سال کے دوران مالیاتی لاگت بڑھ کر 2.557 بلین روپے ہو گئی جو کہ فروخت کا 7.51 فیصد ہے جبکہ گزشتہ سال 2.085 بلین روپے رہی جو کہ فروخت کا 6.09 فیصد تھی۔ شرح سود میں اضافہ ایک چیلنج رہا، تاہم حکومت پاکستان نے صنعت کو سہارا دینے کے لئے فوری اقدامات کئے۔ ان میں شرح سود میں کمی، التواء میں پڑے ہوئے ریفرنڈز کی ادائیگی، طویل مدتی قرضوں کی اصل رقومات کی ادائیگی کو موخر کرنے کے ساتھ ساتھ مزدوروں کو ملازمت میں رکھنے کیلئے رعایتی قرضوں کی فراہمی شامل تھی۔


## چیئر مین کی جائزہ رپورٹ

کمپنی کے ڈائریکٹران اپنے فرائض قانون کے مطابق اور حصص یافتگان کے بہترین مفادات میں ادا کر رہے ہیں۔ سیفائر ٹیکسٹائل ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے ۲۰۲۰ء کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ مجموعی جائزے کا اطمینان بخش ہونا ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دورانہی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

سیفائر ٹیکسٹائل ملز بورڈ کی تشکیل، طریقہ کار اور بورڈ اور اس کی کمیٹی کی مینٹننگز کے سلسلے میں تمام قوانین کی پاس داری کرتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز اور اس کی کمیٹی کی ملاقاتوں میں ایجنڈا مع دیگر ضروری دستاویزات قبل از وقت فراہم کئے گئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لئے باقاعدگی سے ملاقات کرتا ہے۔ بورڈ نے اپنے تمام اختیارات کا استعمال قانون اور ریگولیشن کے مطابق کیا ہے اور نان ایگزیکٹو اور آڈٹائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

بورڈ کی جانب سے



محمد عبداللہ  
چیئر مین

کراچی۔

24 ستمبر 2020ء

## فارم برائے قائم مقام / متبادل سفارت ٹیکسٹائل ملز لمیٹڈ

میں/ ہم : \_\_\_\_\_

پتہ : \_\_\_\_\_

سفارت ٹیکسٹائل ملز لمیٹڈ کے ممبر ہونے کے ناطے اپنا/ اپنے مندرجہ ذیل قائم مقام / متبادل مقرر کرتا ہوں / کرتے ہیں۔

نام جناب / محترمہ: \_\_\_\_\_

پتہ : \_\_\_\_\_

اور ان کی غیر موجودگی میں جناب / محترمہ: \_\_\_\_\_

پتہ : \_\_\_\_\_

میری/ ہماری غیر موجودگی میں قائم مقام / متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز جمعرات 22 اکتوبر 2020ء کو بوقت 3:30 بجے شام، 312- کاٹن ایکسچینج بلڈنگ، آئی آئی چنڈریگر روڈ، کراچی میں منعقد ہوگی۔

اس دستاویز پر مورخہ \_\_\_\_\_ 2020ء کو دستخط ہوئے۔

ریونیوٹکٹ

پانچ روپے

شیر ہولڈر کے دستخط \_\_\_\_\_

شیر ہولڈر کا فوٹیو نمبر : \_\_\_\_\_

شریک ہونے والے کا ID نمبر \_\_\_\_\_

اور/ یا CDC \_\_\_\_\_

اور سب اکائیٹ نمبر \_\_\_\_\_

## نوٹس

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

## سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں

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

## گواہان:

(1) دستخط : \_\_\_\_\_

(2) دستخط : \_\_\_\_\_

نام : \_\_\_\_\_

نام : \_\_\_\_\_

پتہ : \_\_\_\_\_

پتہ : \_\_\_\_\_

CNIC یا پاسپورٹ نمبر : \_\_\_\_\_

CNIC یا پاسپورٹ نمبر : \_\_\_\_\_



**AFFIX  
CORRECT  
POSTAGE**

The Company Secretary

**SAPPHIRE TEXTILE MILLS LIMITED**

212, Cotton Exchange Buidling,  
I.I. Chundrigar Road,  
Karachi.



# FORM OF PROXY SAPPHIRE TEXTILE MILLS LIMITED

For the year ended 30 June 2020

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 52<sup>nd</sup> Annual General meeting of the Company to be held on Thursday the 22<sup>nd</sup> October, 2020 at 03:30 p.m. at Trading Hall, 312-Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature \_\_\_\_\_

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

REVENUE  
STAMP PF  
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, a certified copy of that Power of Attorney must be deposited along with this form.
4. This proxy form duly completed must be deposited at the Registered Office of the Company at least 48 hours before the time of holding the meeting.
5. In case of CDC account holder:
  - i) The proxy form shall be witnessed by two persons whose names, addresses CNIC numbers shall be mentioned on the form.
  - ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
  - iv) In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Witness:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_



AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**SAPPHIRE TEXTILE MILLS LIMITED**

212, Cotton Exchange Buidling,  
I.I. Chundrigar Road,  
Karachi.





### Sapphire Textile Mills Limited

212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi, Pakistan.  
Phone: +92 21 111 000 100, +92 21 3241 0930 Fax: +92 21 3241 6705  
E-Mail: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk)

7A-K, Main Boulevard, Gulberg II, Lahore, Pakistan.  
Phone: +92 42 111 000 100, +92 42 35750410, Fax: +92 42 35758783  
E-Mail: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk)