



Sapphire

# ANNUAL REPORT 2021

**Sapphire Textile Mills Limited**





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## 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

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  
 Industrial and Commercial Bank of China  
 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/stml](http://www.sapphire.com.pk/stml)

#### **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.



The background of the slide is a close-up photograph of a textile mill. It shows a large roll of red and white patterned fabric being processed by machinery. A person's hand is visible on the right side, pointing towards the fabric. The image is slightly blurred, emphasizing the texture of the fabric.

# 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 17 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 Ltd.

**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 35 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 Textile Mills Limited 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 (Sind 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 21 years in Investment and Capital Markets. She has been associated with the asset management industry in Pakistan for over 19 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 the 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 conducted. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

Despite unprecedented challenges in the form of COVID-19, the Board's overall performance and effectiveness have been assessed as Satisfactory for the financial year ended June 30, 2021. That performance is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business. I would also like to extend my acknowledgement and gratefulness towards the Board for its positive contribution and continuous commitment.

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 the Board and its 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.

Karachi  
23 September 2021



Mohammad Abdullah  
Chairman



# 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, 2021.

### FINANCIAL REVIEW

The Company's financial results have been encouraging. The Summary of key financial numbers are presented below:

	2021	2020
	Rupees in '000	
Net turnover	38,470,987	34,030,186
Gross Profit	6,350,113	4,834,691
Profit from Operations	5,341,902	3,866,062
Other Income	1,097,563	721,187
Finance cost	(1,582,533)	(2,556,977)
Profit before taxation	3,759,369	1,309,085
Profit after taxation	3,262,935	1,179,089

The company's net turnover increased from Rs.34.030 billion to Rs.38.471 billion as compared to the previous year. The increased turnover was due to increase in sale prices as well as increase in volume of sales.

The gross profit as a percentage of sales increased to 16.51% during the current financial year from 14.21% in the corresponding year. The current year witnessed a significant increase in demand of textile products from the international market. During this period, which was dominated by the global spread of the covid pandemic, productions in Pakistan, by and large, remained undisrupted as compared to many other textile producing countries. Due to this, there was a major shift of demand to Pakistan from international markets.

The Governments handling of the covid situation as well as the support to the manufacturing sector in general by the State Bank of Pakistan instilled a lot of confidence in the manufacturing sector. The company was also able to procure raw material at attractive prices during the period which resulted in high profitability.

Other income which mainly comes from dividends from investments in subsidiary companies and listed companies was Rs.1,098 million in comparison with Rs.721 million in preceding year. The financial cost during the year significantly reduced to Rs.1.583 billion representing 4.11% of sales as compared to that of Rs. 2.557 billion representing 7.51% of sales in 2020 due to decrease in interest rates on borrowings.

## APPROPRIATION OF PROFIT

	Rupees in '000
Profit Before Taxation	3,759,369
Less: Taxation	(496,434)
Profit after taxation	3,262,935
Loss on remeasurement of staff retirement benefits	(26,355)
Loss on disposal of investments - net of tax	(152,401)
Add: Unappropriated profit brought forward	16,546,076
	19,630,255

## Subsequent effects

Final dividend for the year ended June 30, 2021 (150% i.e. Rs.15 per share)	(325,347)
Unappropriated Profit Carried Forward	19,304,908

## EARNINGS PER SHARE

The earnings per share for the year ended June 30, 2021 is Rs.150.44 as compared to Rs.55.03 for last year ended June 30, 2020.

## DIVIDEND

The Board of Directors of the company is pleased to recommend a cash dividend of 150% i.e. Rs. 15 per share for the year ended June 30, 2021.(June 30, 2020: NIL).

## FUTURE PROSPECTS

Presently Textile Sector in Pakistan is performing well due to robust demand from the international market. The support provided by the State Bank of Pakistan in terms of the concessionary finance for long term investments has also encouraged the sector to expand tremendously. The company has also embarked on an extensive expansion program particularly in the value added sector which should further increase the future profitability of the company.

The major challenge for the textile industry remains the size of the local cotton crop. This year due to better weather conditions the cotton crop is expected to be higher than the previous year but still short of the domestic requirement. We hope that with the joint efforts of the Government and the industry cotton crop will increase further in the coming years.



### 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 32 retail outlets throughout the country.

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

Triconboston Consulting Corporation (Private) Limited is 57.125% owned by Sapphire Textile Mills Limited. The company 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.

#### 4. Sapphire International ApS

Sapphire International ApS is wholly owned subsidiary of Sapphire Textile Mills Limited and a limited liability Company incorporated in Denmark formed to strengthen exports.

#### 5. Designtex SMC-Private Limited

Designtex SMC-Private Limited (the company) was incorporated 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.



### BOARD OF DIRECTORS

The Board comprises three independent directors, four non-executive directors and three executive directors.

During the year Four (4) 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	4
Mr. Nabeel Abdullah	Executive Director	4
Mr. Umer Abdullah	Executive Director	4
Mr. Mohammad Abdullah	Non- Executive Director	4
Mr. Shahid Abdullah	Non- Executive Director	2
Mr. Amer Abdullah	Non- Executive Director	4
Mr. Yousuf Abdullah	Non- Executive Director	4
Mr. Nadeem Karamat	Independent Director	4
Mr. Shahid Shafiq	Independent Director	4
Ms. Mashmooma Zehra Majeed	Independent Director	4

### 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	4
Mr. Yousuf Abdullah	4
Mr. Shahid Shafiq	4

### Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee held Two (2) meetings during the year. Attendance by each member were as follows:

Name	No of Meetings
Mr. Nadeem Karamat	2
Mr. Nadeem Abdullah	2
Mr. Umer Abdullah	2
Ms. Mashmooma Zehra Majeed	2
Mr. Shahid Shafiq	2



### 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.45 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:

- a) 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.
- b) The company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- e) The system of internal control, which was in place, is being continuously reviewed by the internal audit and has been effectively implemented. The process of review and monitoring continues with the object to improve it further.
- f) All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same are disclosed as contingent liabilities in the notes to the accounts.
- g) There are no doubts about the company's ability to continue as a going concern.
- h) There has been no material departure from the best practice of Corporate Governance.
- i) A summary of key operating and financial data of the Company are annexed.
- j) The Company is operating Employees' Provident Fund for its eligible employees. The value of investment of the fund as on June 30, 2021 is Rs.381.100 million.
- k) No trade in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief financial Officer, Company Secretary, their spouses and minor children.

### Code of Conduct

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

### Related Party Transactions

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

During the year, the company carried out transactions with its related parties. Details of these transactions are disclosed in note 42 to unconsolidated financial statements attached therein.

Details of pertinent related party transactions are placed before the Audit Committee and upon recommendation of the Board Audit Committee, the same are placed before the Board of Directors for review and approval in accordance with regulatory requirements.

#### 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.

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 Sustainable Development Goals (SDGs).

Company made generous donations for health, education and social welfare projects as reported in Note no.35 to the financial statement.

#### 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, 2022.

#### Pattern of Shareholding

The Pattern of shareholding of the company as at June 30, 2021 is annexed. This statement is prepared in accordance with section 227 (2) (f) of the Companies Act, 2017.

#### Board Evaluation

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

#### 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  
23 September 2021



## Financial Highlights

For the year ended June 30, 2021

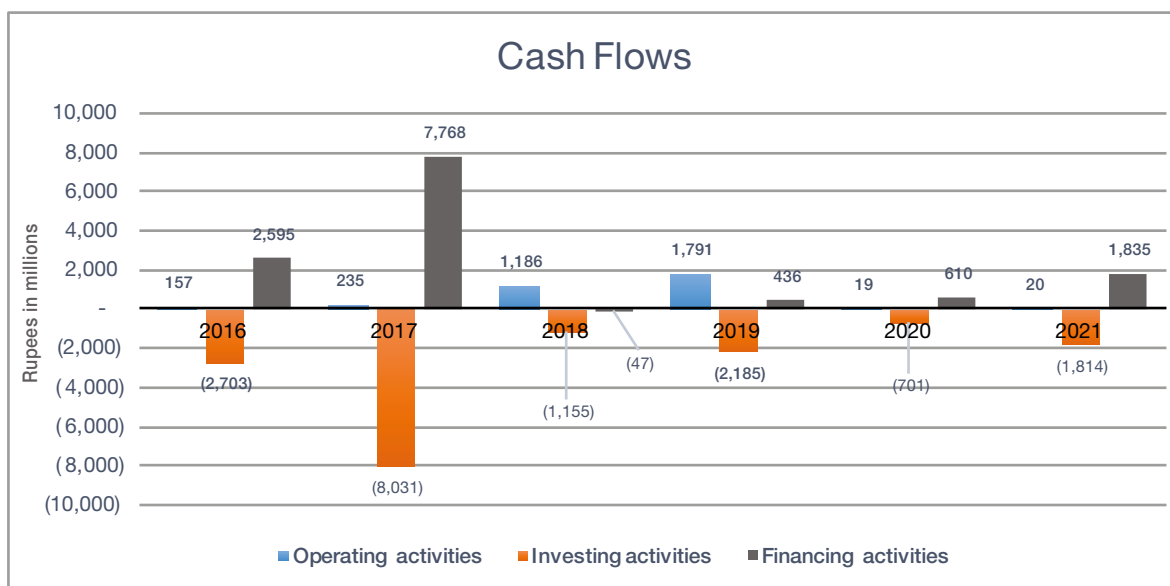
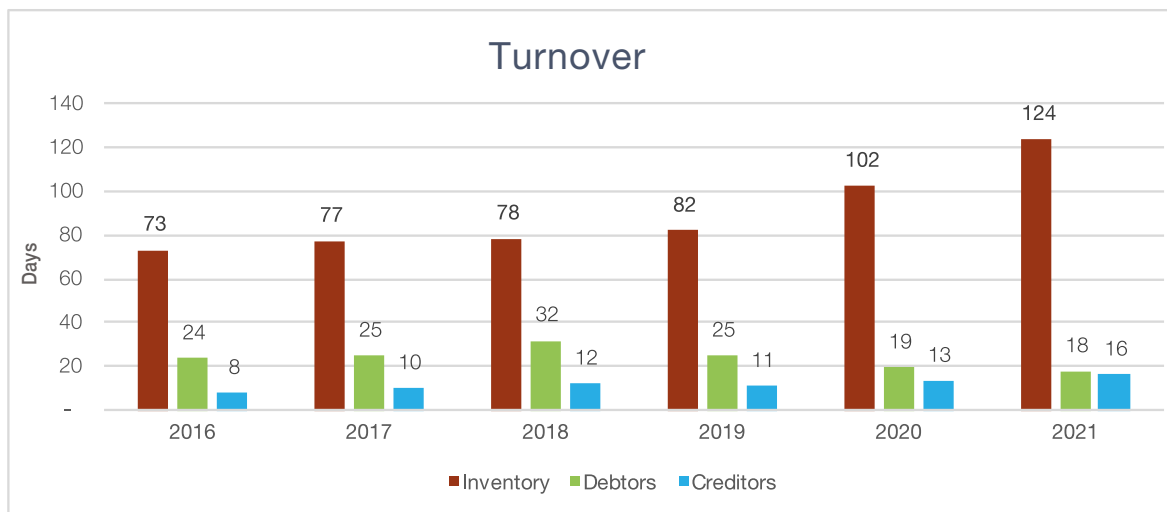
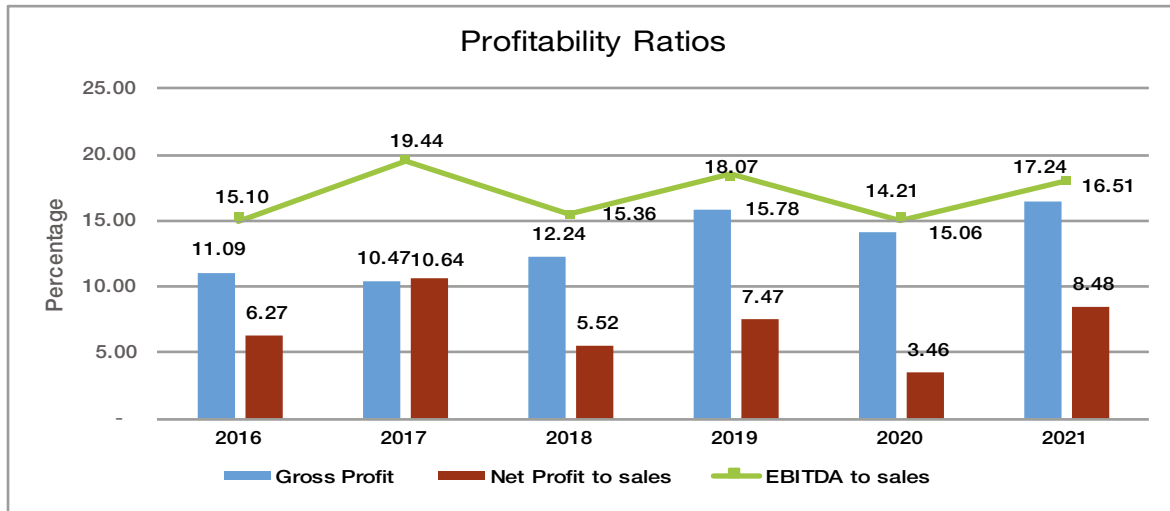
Particulars	UOM	2021	2020	2019	2018	2017	2016
<b>Summarized Statement of Profit or Loss</b>							
Sales	Rs. in Million	38,471	34,030	34,253	28,896	25,584	23,111
Gross profit	Rs. in Million	6,350	4,835	5,406	3,536	2,678	2,563
Operating profit / EBIT	Rs. in Million	5,342	3,866	5,031	3,340	3,944	2,610
Profit before taxation	Rs. in Million	3,759	1,309	2,946	1,949	2,975	1,737
Profit after taxation	Rs. in Million	3,263	1,179	2,559	1,595	2,722	1,448
Cash dividend	Rs. in Million	325	-	522	321	281	281
<b>Summarized Statement of Financial Position</b>							
Property, plant and equipment	Rs. in Million	14,714	13,119	12,595	11,415	10,575	9,523
Investment & Other assets	Rs. in Million	14,493	13,844	14,513	15,568	17,926	10,695
Net current assets	Rs. in Million	6,470	4,548	2,041	2,376	2,224	1,907
Total assets employed	Rs. in Million	35,677	31,511	29,149	29,359	30,726	22,124
<b>Represented By:</b>							
Share capital	Rs. in Million	217	217	201	201	201	201
Reserves	Rs. in Million	20,802	16,260	16,181	15,821	16,794	14,703
Shareholders' equity	Rs. in Million	21,019	16,477	16,382	16,022	16,995	14,904
Long term liabilities	Rs. in Million	14,321	14,737	12,257	12,858	13,326	6,728
Deferred liabilities	Rs. in Million	338	298	510	478	405	492
Total	Rs. in Million	35,677	31,511	29,149	29,358	30,726	22,124
<b>Summarized Statement of Cash Flows</b>							
Operating activities	Rs. in Million	20	19	1,791	1,186	235	157
Investing activities	Rs. in Million	(1,814)	(701)	(2,185)	(1,155)	(8,031)	(2,703)
Financing activities	Rs. in Million	1,835	610	436	(47)	7,768	2,595
Cash and cash equivalents at the end of the year	Rs. in Million	75	34	97	55	71	99

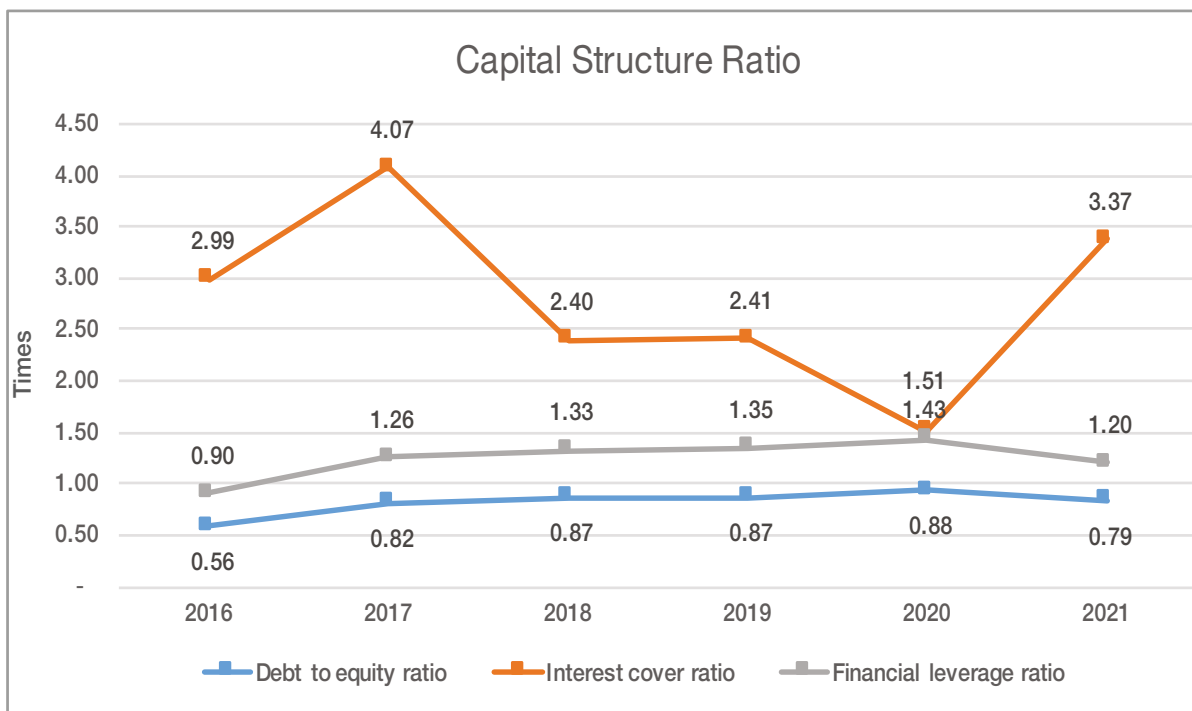
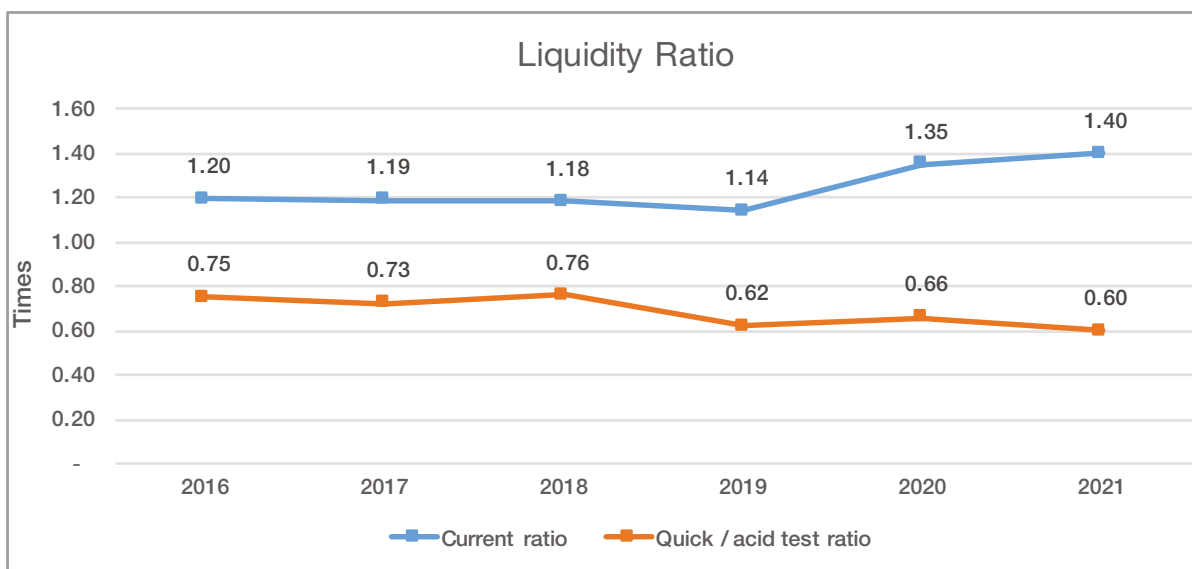
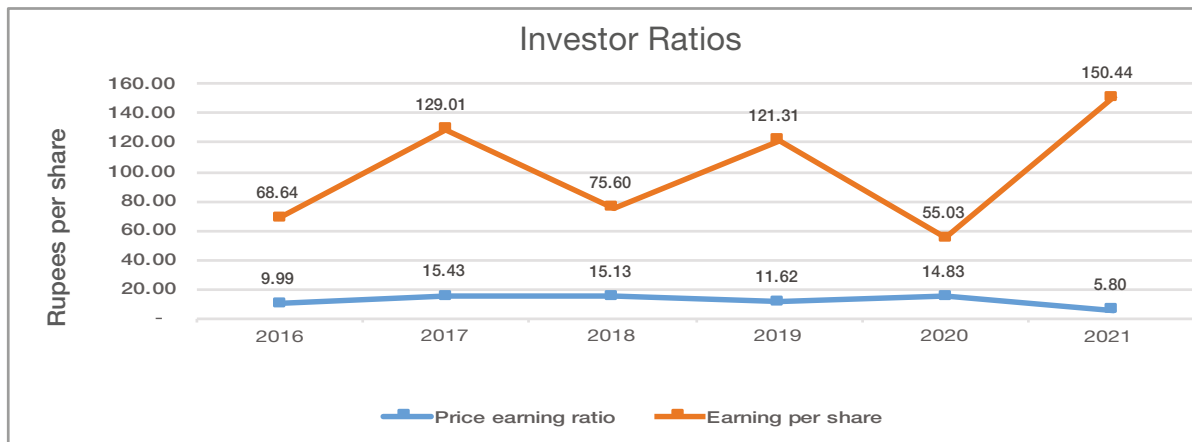
# Financial Highlights

For the year ended June 30, 2021

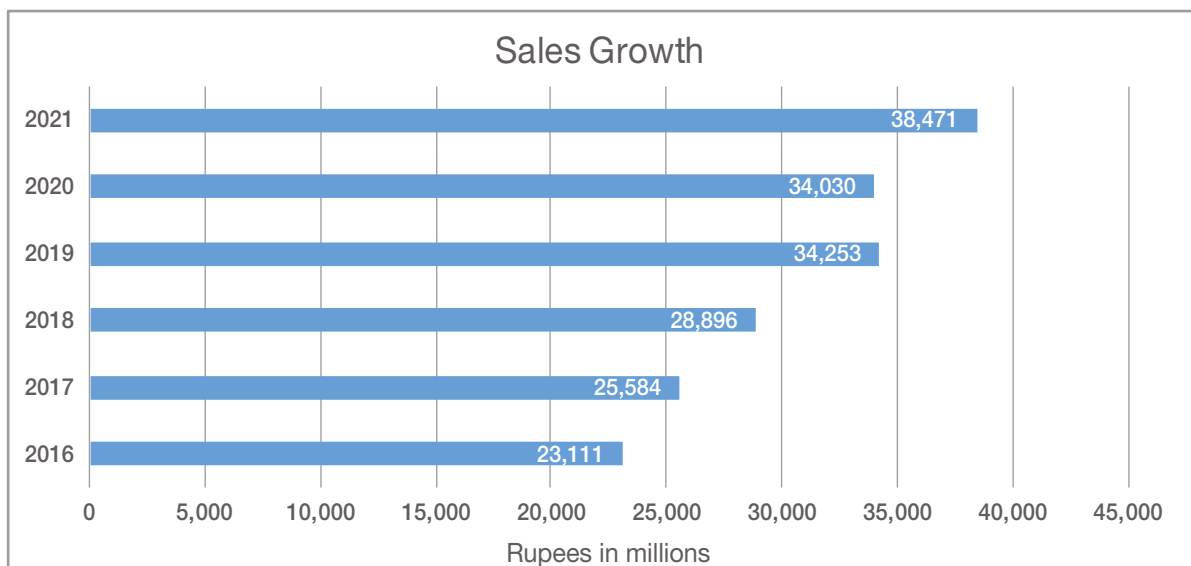
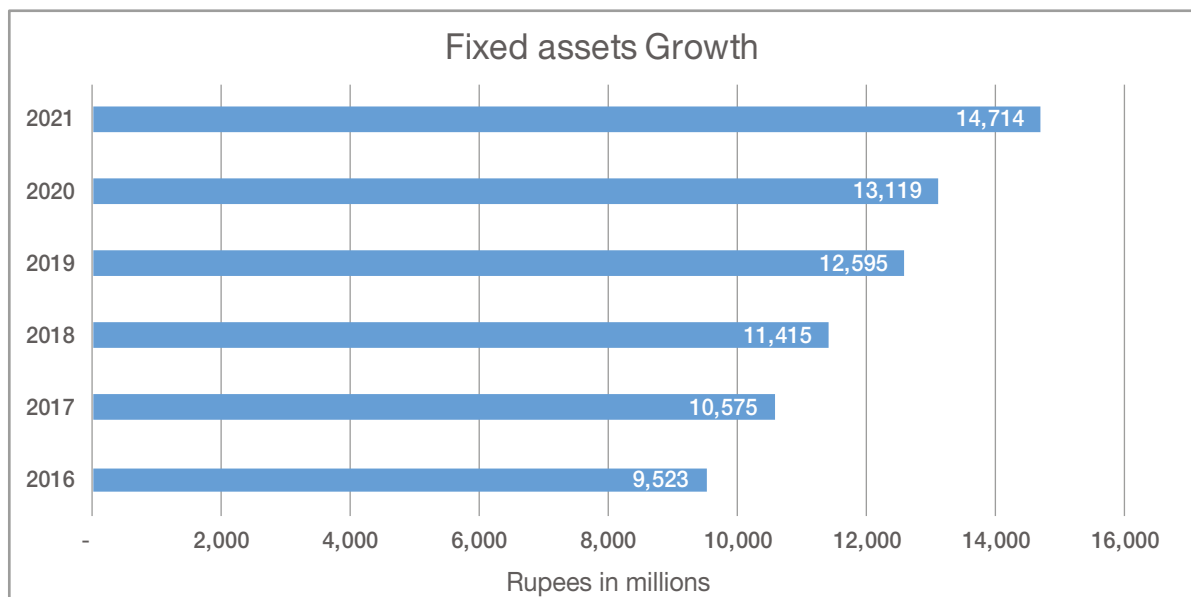
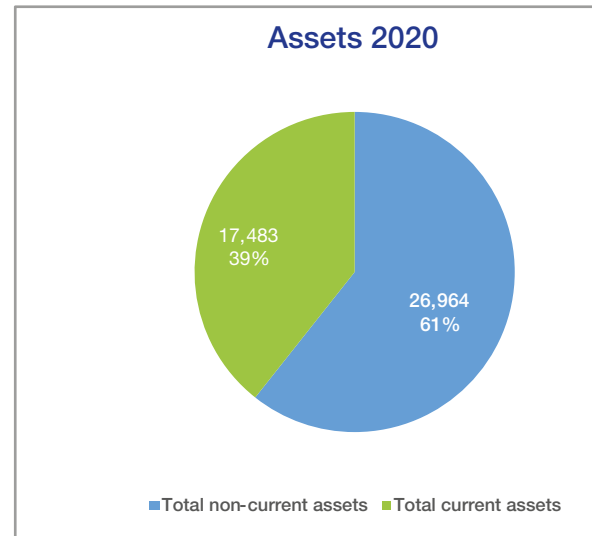
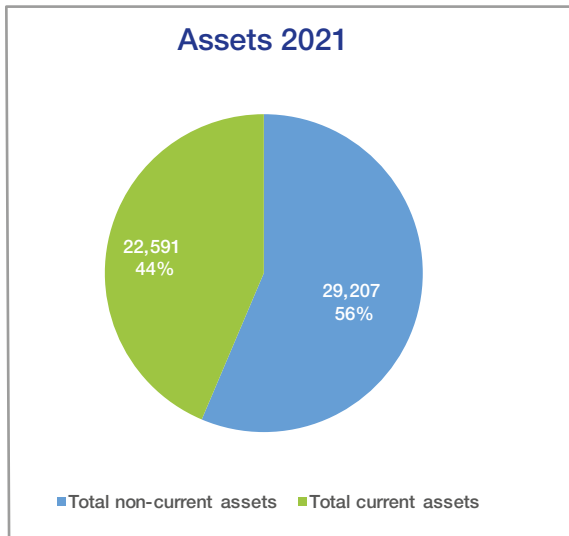
Particulars	UOM	2021	2020	2019	2018	2017	2016
<b>RATIOS:</b>							
<b>Profitability Ratios:</b>							
Gross Profit to sales	Percentage	16.51	14.21	15.78	12.24	10.47	11.09
EBITDA to sales	Percentage	17.24	15.06	18.07	15.36	19.44	15.10
Net Profit to sales	Percentage	8.48	3.46	7.47	5.52	10.64	6.27
Return on equity	Percentage	15.52	7.16	15.62	9.96	16.02	9.72
Return on capital employed	Percentage	9.15	3.74	8.78	5.43	8.86	6.55
<b>Liquidity Ratios:</b>							
Current ratio	Times	1.40	1.35	1.14	1.18	1.19	1.20
Quick / acid test ratio	Times	0.60	0.66	0.62	0.76	0.73	0.75
<b>Capital Structure ratios</b>							
Financial leverage ratio	Times	1.20	1.43	1.35	1.33	1.26	0.90
Weighted average cost of debt	Percentage	6.26	9.34	8.56	5.84	4.11	5.81
Debt to equity ratio	Times	0.79	0.88	0.87	0.87	0.82	0.56
Interest cover ratio	Times	3.37	1.51	2.41	2.40	4.07	2.99
<b>Turnover Ratios:</b>							
Inventory turnover	Days	123.84	102.47	81.95	78.41	77.33	73.28
Inventory turnover ratio	Times	2.83	3.38	4.20	4.37	4.42	4.62
Debtor turnover	Days	17.75	19.42	24.87	31.90	24.84	23.57
Debtors turnover ratio	Times	20.57	18.79	14.68	11.44	14.70	15.48
Creditors turnover	Days	16.22	13.35	10.93	12.07	9.97	7.81
Creditors turnover ratio	Times	22.50	27.35	33.38	30.24	36.59	46.74
Fixed assets turnover ratio	Times	2.76	2.65	2.85	2.63	2.55	2.53
Total assets turnover ratio	Times	0.80	0.77	0.80	0.68	0.69	0.77
Operating cycle	Days	125.37	108.55	95.89	98.24	92.19	89.05
<b>Investment / Market Ratios:</b>							
Earning per share	Rs. Per share	150.44	55.03	121.31	75.60	129.01	68.64
Price earning ratio	Times	5.80	14.83	11.62	15.13	15.43	9.99
Price to book ratio	Times	0.90	1.07	1.82	1.51	2.47	0.97
Dividend yield	Percentage	1.72	-	1.84	1.40	0.70	2.04
Cash dividend per share	Rs. Per share	15.00	-	26.00	16.00	14.00	14.00
Dividend payout ratio	Percentage	9.97	-	21.43	21.16	10.85	20.40
Dividend cover ratio	Times	10.03	-	4.67	4.73	9.21	4.90
Breakup value per share	Rs. Per share	969.05	759.64	776.49	759.44	805.53	706.43
Market value per share at the end of the year	Rs. Per share	872.50	816.18	1,409.95	1,143.80	1,990.45	685.61
Share Price - High during the year	Rs. Per share	1,144.32	1,440.00	1,410.98	2,144.80	2,273.95	708.75
Share Price - Low during the year	Rs. Per share	730.00	612.00	932.31	1,035.94	600.00	689.90
EBITDA	Rs. In Million	6,631	5,125	6,191	4,439	4,974	3,490

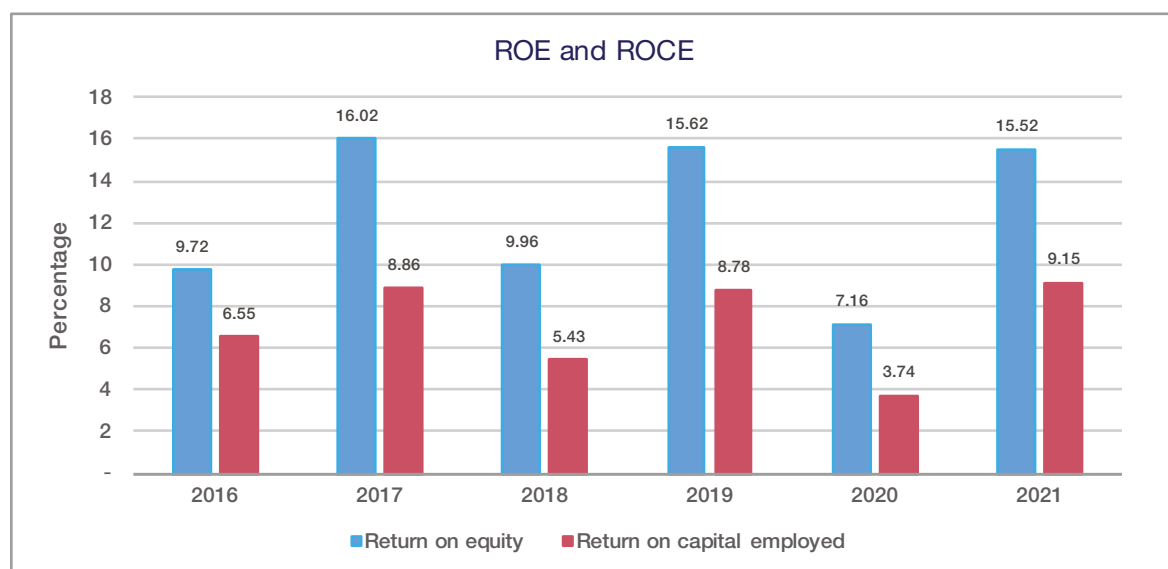
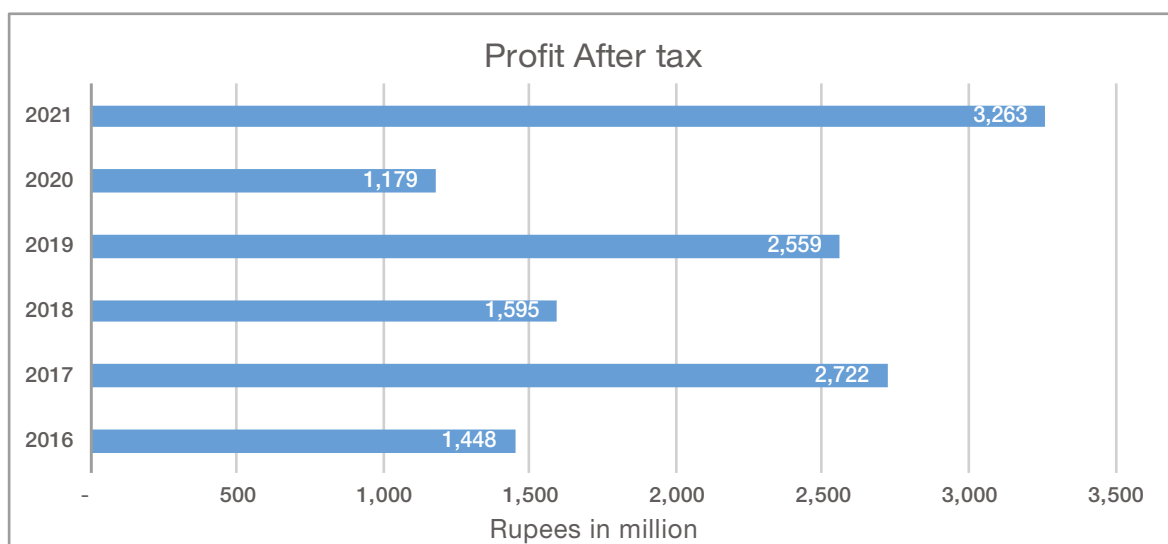
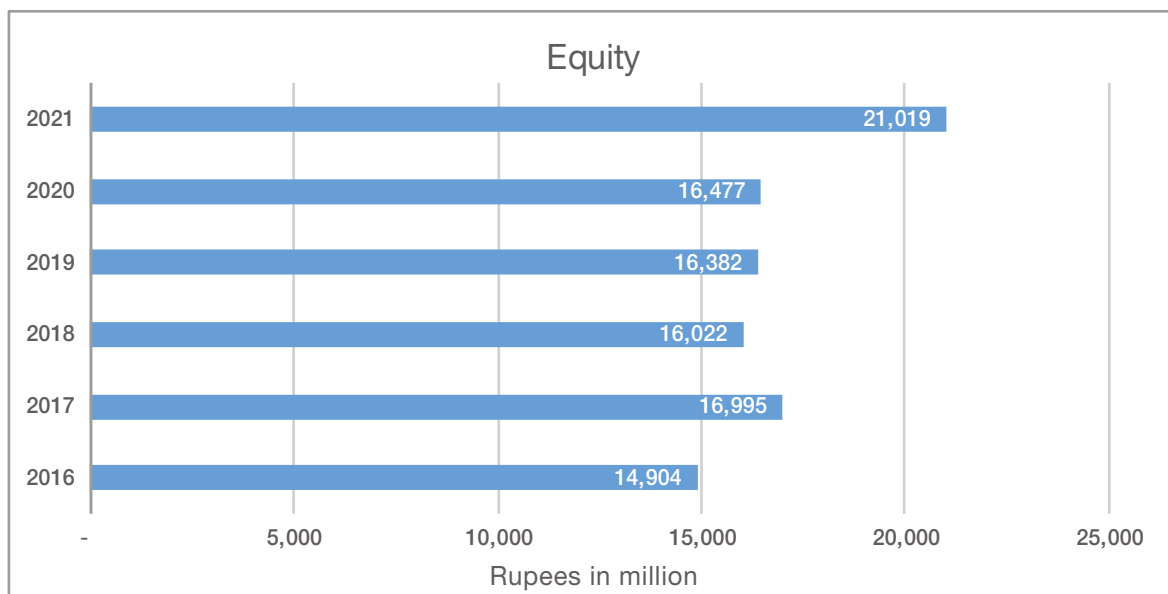




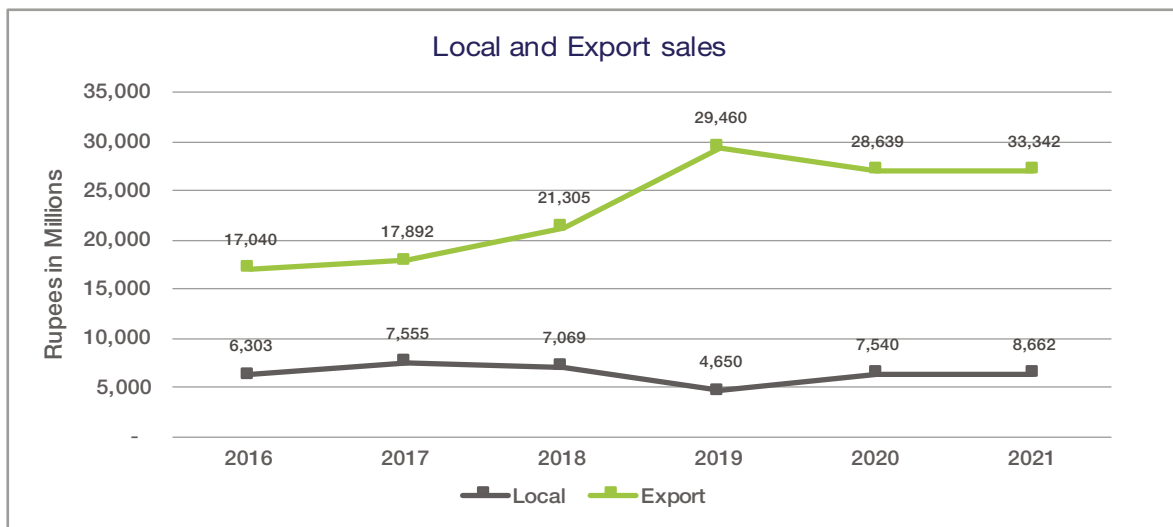
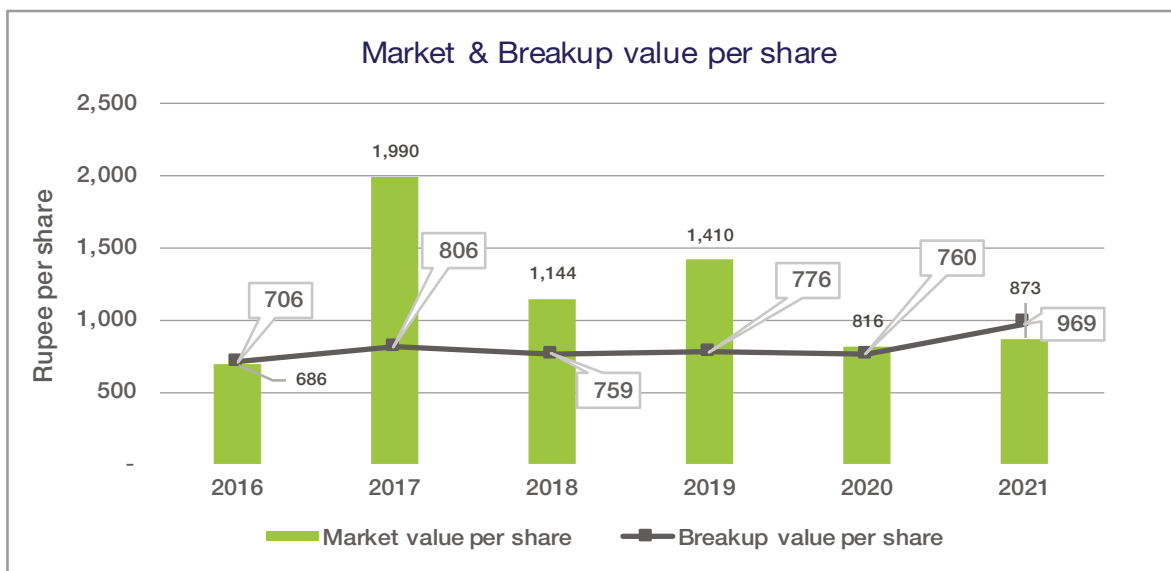
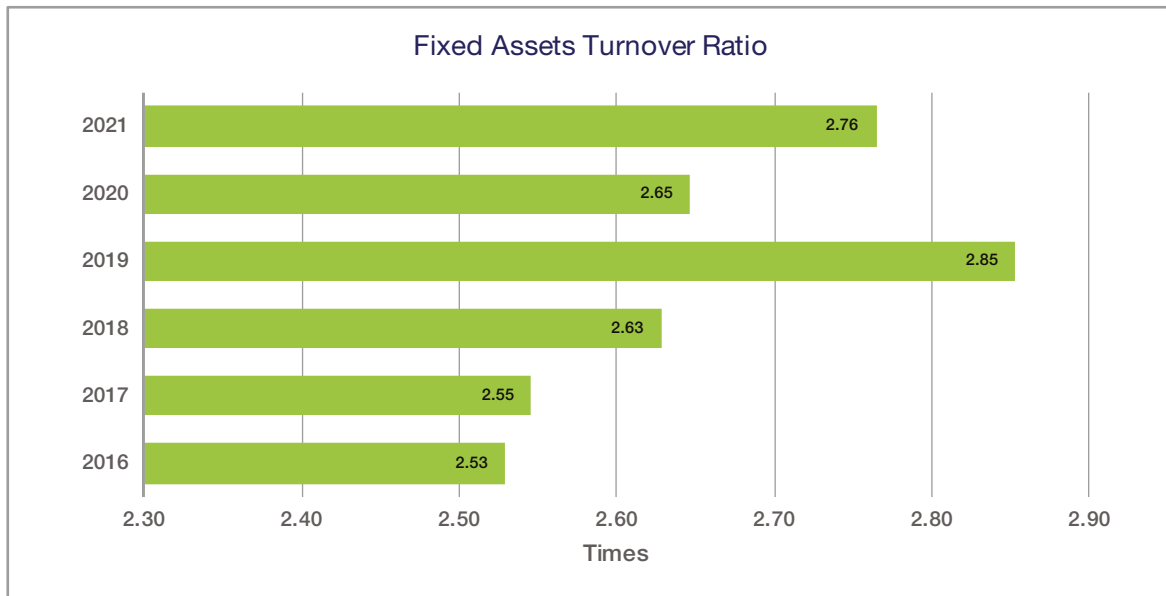








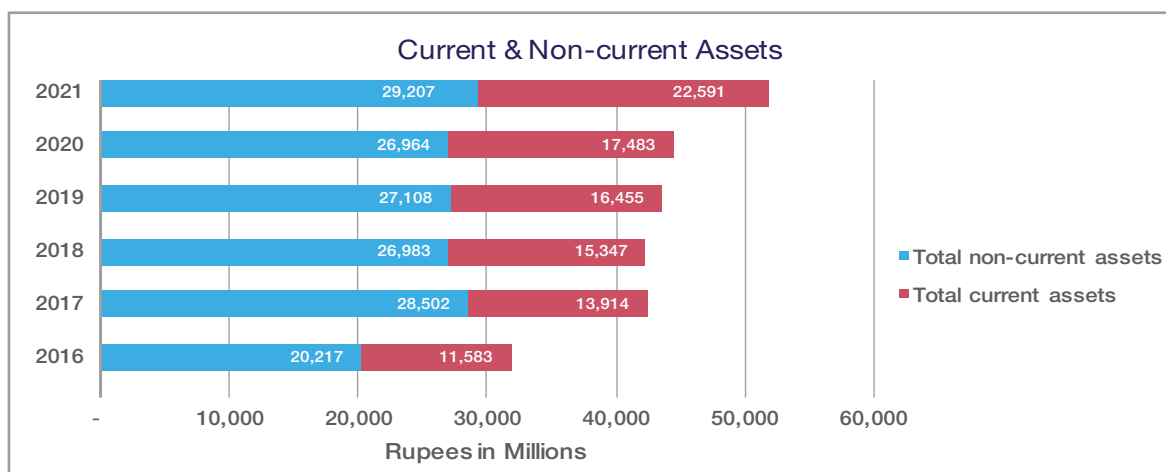
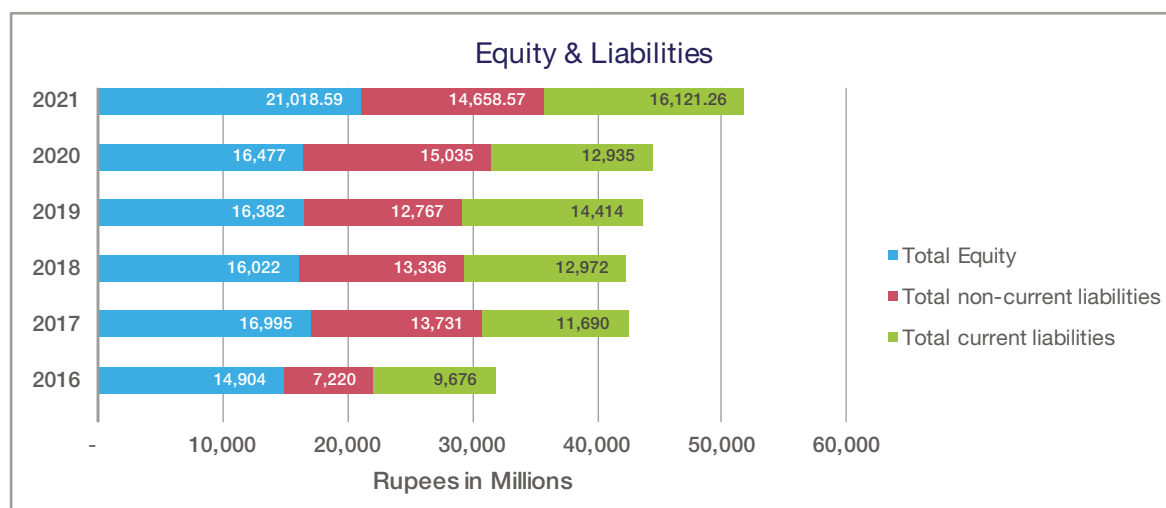




# Horizontal Analysis of Statement of Financial Position

As at 30 June 2021

	2021	2020	2019	2018	2017	2016
<b>Statement of Financial Position</b>	<b>Rupees in '000</b>					
Total Equity	21,018,586	16,476,548	16,382,080	16,022,255	16,994,755	14,903,981
Total non-current liabilities	14,658,569	15,034,790	12,766,693	13,336,334	13,730,948	7,220,257
Total current liabilities	16,121,257	12,934,942	14,414,170	12,971,562	11,689,840	9,676,419
<b>Total equity and liabilities</b>	<b>51,798,412</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>
Total non-current assets	29,207,483	26,963,596	27,107,861	26,982,905	28,501,663	20,217,498
Total current assets	22,590,929	17,482,684	16,455,082	15,347,246	13,913,880	11,583,159
<b>Total assets</b>	<b>51,798,412</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>Variance in %</b>					
Total Equity	27.57	0.58	2.25	(5.72)	14.03	3.71
Total non-current liabilities	(2.50)	17.77	(4.27)	(2.87)	90.17	22.03
Total current liabilities	24.63	(10.26)	11.12	10.96	20.81	24.04
<b>Total equity and liabilities</b>	<b>16.54</b>	<b>2.03</b>	<b>2.91</b>	<b>(0.20)</b>	<b>33.38</b>	<b>13.22</b>
Total non-current assets	8.32	(0.53)	0.46	(5.33)	40.98	7.08
Total current assets	29.22	6.24	7.22	10.30	20.12	25.81
<b>Total assets</b>	<b>16.54</b>	<b>2.03</b>	<b>2.91</b>	<b>(0.20)</b>	<b>33.38</b>	<b>13.22</b>

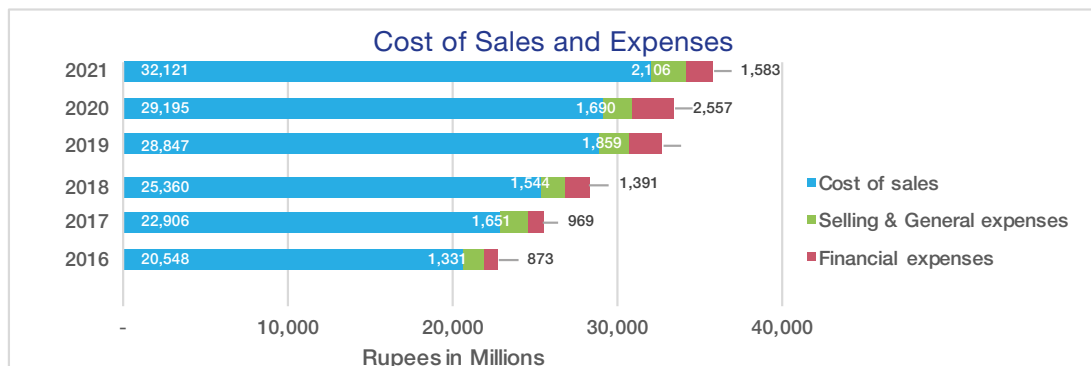
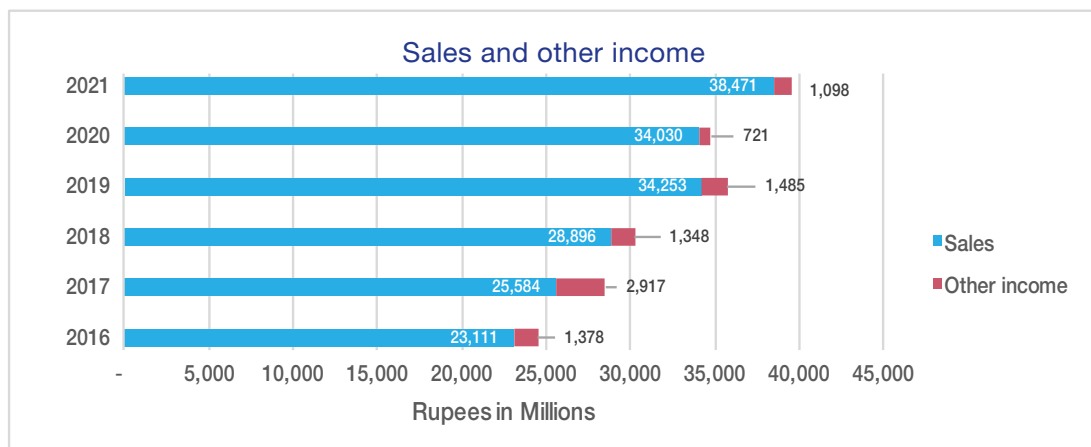




## Horizontal Analysis of Statement of Profit or Loss

For the year ended 30 June 2021

	2021	2020	2019	2018	2017	2016
	Rupees in '000					
Statement of Profit or Loss						
Net turnover	38,470,987	34,030,186	34,252,752	28,896,327	25,583,975	23,110,564
Cost of sales	32,120,873	29,195,495	28,847,019	25,360,087	22,906,157	20,547,990
Gross profit	6,350,113	4,834,691	5,405,733	3,536,240	2,677,818	2,562,574
Distribution cost	1,232,187	1,049,687	1,084,078	1,011,944	925,753	860,297
Administrative expenses	472,454	447,255	428,052	413,538	360,275	311,823
Other operating expenses	401,133	192,873	347,189	118,970	364,712	159,117
Other income	1,097,563	721,187	1,485,021	1,348,444	2,917,232	1,378,442
Profit from operations	5,341,902	3,866,062	5,031,435	3,340,232	3,944,310	2,609,779
Finance cost	1,582,533	2,556,977	2,085,427	1,391,491	968,946	873,059
Profit before taxation	3,759,369	1,309,085	2,946,008	1,948,741	2,975,364	1,736,720
Taxation	496,434	129,996	386,568	353,682	253,617	288,506
Profit after taxation	3,262,935	1,179,089	2,559,440	1,595,059	2,721,747	1,448,214
	Variance in %					
Net turnover	13.05	(0.65)	18.54	12.95	10.70	(0.88)
Cost of sales	10.02	1.21	13.75	10.71	11.48	(0.77)
Gross profit	31.34	(10.56)	52.87	32.06	4.50	(1.73)
Distribution cost	17.39	(3.17)	7.13	9.31	7.61	(6.69)
Administrative expenses	5.63	4.49	3.51	14.78	15.54	5.60
Other operating expenses	107.98	(44.45)	191.83	(67.38)	129.21	30.63
Other income	52.19	(51.44)	10.13	(53.78)	111.63	138.03
Profit from operations	38.17	(23.16)	50.63	(15.32)	51.14	41.24
Finance cost	(38.11)	22.61	49.87	43.61	10.98	30.42
Profit before taxation	187.18	(55.56)	51.17	(34.50)	71.32	47.38
Taxation	281.88	(66.37)	9.30	39.46	(12.09)	99.99
Profit after taxation	176.73	(53.93)	60.46	(41.40)	87.94	40.04



## Vertical Analysis of Financial Statements

	2021		2020		2019		2018		2017		2016	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>Statement of financial position</b>												
<b>As at 30 June</b>												
Total Equity	21,018,586	40.58	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
Total non-current liabilities	14,658,569	28.30	15,034,790	33.83	12,766,693	29.31	13,336,334	31.51	13,730,948	32.37	7,220,257	22.70
Total current liabilities	16,121,257	31.12	12,934,942	29.10	14,414,170	33.09	12,971,562	30.64	11,689,840	27.56	9,676,419	30.43
<b>Total equity and liabilities</b>	<b>51,798,412</b>	<b>100.00</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>
Total non-current assets	29,207,483	56.39	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
Total current assets	22,590,929	43.61	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
<b>Total assets</b>	<b>51,798,412</b>	<b>100.00</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>Statement of profit or loss</b>												
<b>For the year ended 30 June</b>												
Net turnover	38,470,987	100.00	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
Cost of sales	32,120,873	83.49	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
<b>Gross profit</b>	<b>6,350,113</b>	<b>16.51</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>
Distribution cost	1,232,187	3.20	1,049,687	3.08	1,084,078	3.16	1,011,944	3.50	925,753	3.62	860,297	3.72
Administrative expenses	472,454	1.23	447,255	1.31	428,052	1.25	413,538	1.43	360,275	1.41	311,823	1.35
Other operating expenses	401,133	1.04	192,873	0.57	347,189	1.01	118,970	0.41	364,712	1.43	159,117	0.69
Other income	1,097,563	2.85	721,187	2.12	1,485,021	4.34	1,348,444	4.67	2,917,232	11.40	1,378,442	5.96
<b>Profit from operations</b>	<b>5,341,902</b>	<b>13.89</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>
Finance cost	1,582,533	4.11	2,556,977	7.51	2,085,427	6.09	1,391,491	4.82	968,946	3.79	873,059	3.78
<b>Profit before taxation</b>	<b>3,759,369</b>	<b>9.77</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>
Provision for taxation	496,434	1.29	129,996	0.38	386,568	1.13	353,682	1.22	253,617	0.99	288,506	1.25
<b>Profit after taxation</b>	<b>3,262,935</b>	<b>8.48</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>

### 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 share has strengthen due to increase in share prices whereas value of property, plant and equipment increased as company invested in balancing, modernization and replacement of ring, loom machines and expansion of 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.14,714 million which is 55% higher than property, plant and equipment held in year 2016. 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, 2021

### 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. Stock in trade are increased due to increase in prices of raw material. Value of short term investments in blue chip shares has increased due to increase in stock market rates.

### Equity

The Company has sound equity aggregating Rs.21,019 million as on 30 June 2021.

### Long Term Financing

Long term financing of the Company has been increased in comparison with last year. During the year the company obtained long term loans of Rs.3,180 million as per the State Bank of Pakistan LTFF and TERF schemes for investment in plant and machinery. During the year, the company has also repaid long term loans aggregating Rs.987 million.

### Short Term Borrowings

Short term loans of the company show downward trend in comparison with previous year despite increase in value of stocks due to better profitability and cash inflows.

### Statement of Profit or Loss

Sales of the company has grown up by 66.46% over the last six years . However, during the current year sales have increased by 13.05% in comparison with last year due to improve Post COVID-19 environment. Gross profit as a percentage of sales has increased from 11.09% to 16.51% over the period of six years. Gross profit has improved due to more emphasis on value added products and efficient cost levels.

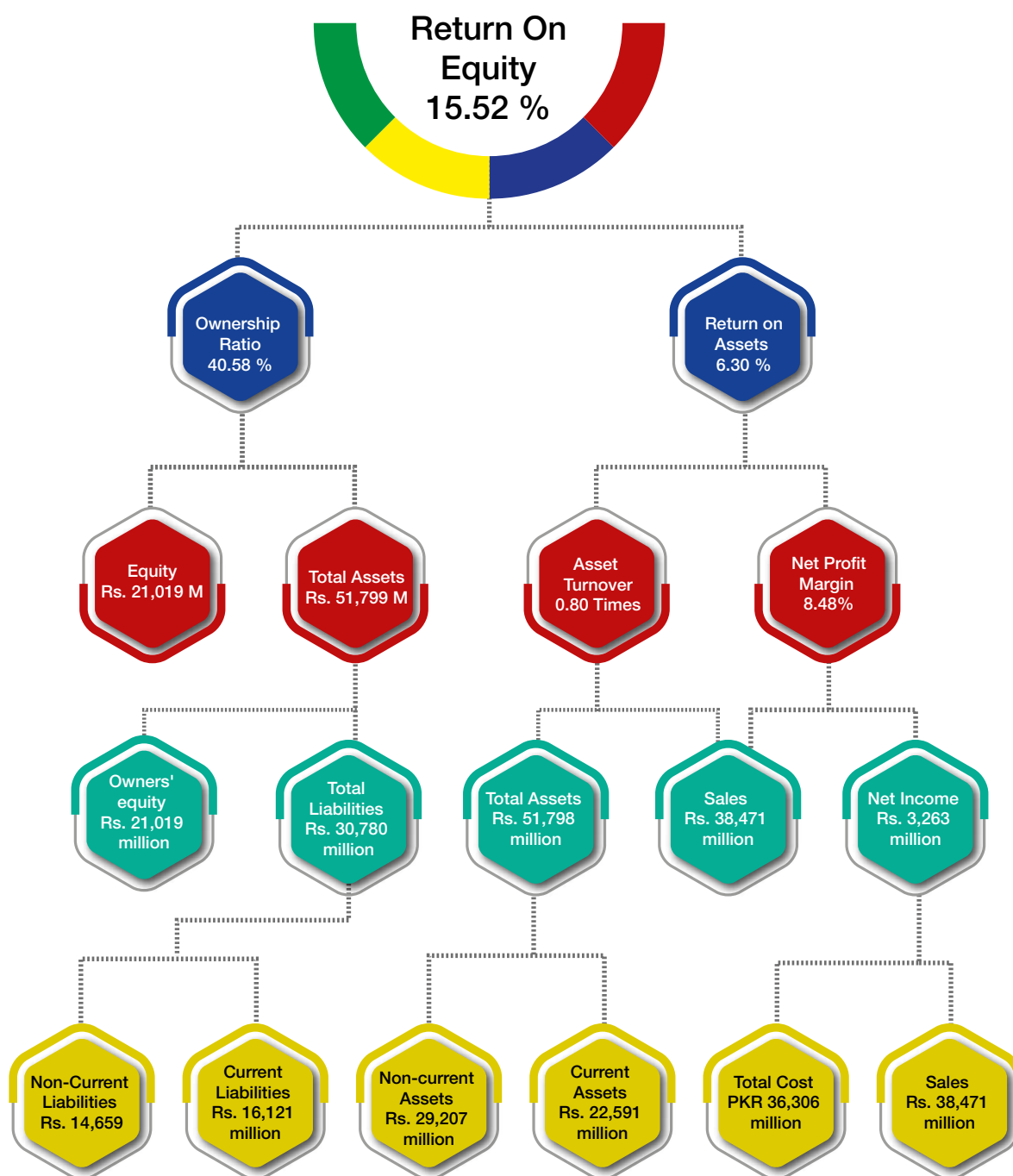
Other income of the company mainly constitute dividend received from subsidiary companies, associated companies and blue chip companies.

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



## DuPont Analysis

For the year ended June 30, 2021

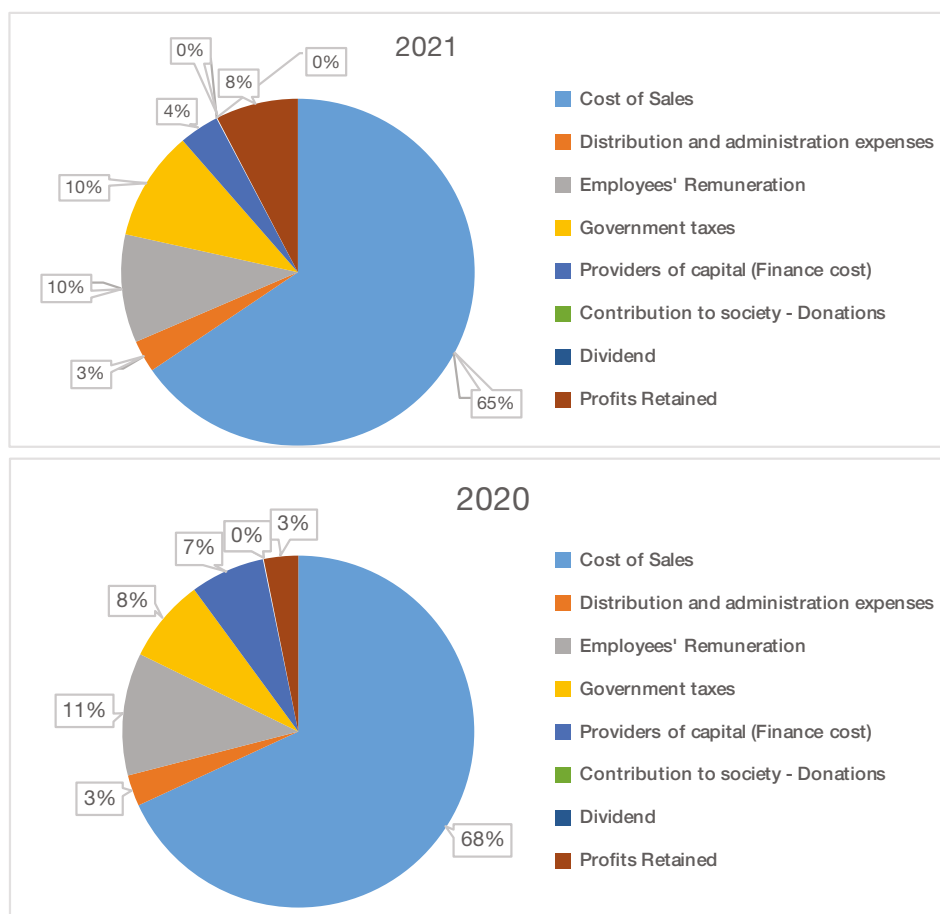


		2021	2020
Tax Burden	Percentage	13.19%	9.93%
Interest Burden	Percentage	29.63%	66.14%
EBIT to Sales	Percentage	13.89%	11.36%
Return on Equity	Percentage	15.52%	7.16%
Total Assets Turnover	Times	0.80	0.77
Debt to Equity Ratio	Times	0.79	0.88

## Our Value Addition and Its Distribution

For the year ended 30 June 2021

	2021		2020	
	Rs. in '000	% age	Rs. in '000	% age
<b>Value Addition</b>				
Net Sales including sales tax	42,133,817	97.46%	36,686,968	98.07%
Other operating income	1,097,563	2.54%	721,187	1.93%
	<b>43,231,380</b>	<b>100.00%</b>	<b>37,408,155</b>	<b>100.00%</b>
<b>Value Distribution</b>				
Cost of Sales (excluding employees' remuneration, duties and taxes)	28,292,381	65.44%	25,481,132	68.12%
Distribution, administration (Excluding employees' remuneration and taxes)	1,293,270	2.99%	1,073,158	2.87%
Employees Remuneration	4,358,810	10.08%	4,210,658	11.26%
Government taxes (includes income tax, WPPF, WWF, duties, federal & provincial taxes, sales tax etc)	4,407,719	10.20%	2,875,552	7.69%
Providers of capital (Finance cost)	1,582,533	3.66%	2,556,977	6.84%
Dividend	325,347	0.75%	-	0.00%
Contribution to society - Donations	33,732	0.08%	31,590	0.08%
Profit retained	2,937,588	6.80%	1,179,089	3.15%
	<b>43,231,380</b>	<b>100.00%</b>	<b>37,408,155</b>	<b>100.00%</b>



# RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS

For the year ended 30 June 2021

	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Total		
	2020	2019	Change	2020	2019	Change	2021	2020	Change	2021	2020	Change	2021	2020	Change
	Rupees in Millions		in %	Rupees in Millions		in %	Rupees in Millions		in %	Rupees in Millions		in %	Rupees in Millions		in %
Particulars															
Sales	8,695	9,092	-4%	9,453	9,497	0%	9,734	9,041	8%	10,589	6,400	65%	38,471	34,030	13%
GP	1,028	1,556	-34%	1,573	1,752	-10%	1,686	1,255	34%	2,063	272	659%	6,350	4,835	31%
EBITDA	981	1,577	-38%	1,751	2,024	-13%	1,760	1,929	-9%	2,139	(404)	-629%	6,631	5,126	29%
PAT	206	564	-63%	915	789	16%	910	60	1422%	1,232	(234)	-627%	3,263	1,179	177%
	Rupee per share			Rupee per share			Rupee per share			Rupee per share			Rupee per share		
EPS	9.51	26.74	-64%	42.16	37.18	13%	41.95	2.76	1420%	56.79	(11.08)	-612%	150.44	55.03	173%



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

Name of Company: **SAPPHIRE TEXTILE MILLS LIMITED** year ended June 30, 2021.

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. Out of the total ten (10) directors of the company, eight (8) Directors meet the requirements, four (4) Directors have already attained certification under directors training program and four (4) directors meet the requirements of the exemption under regulation.

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. There was new appointment of Head of Internal Audit during the year approved by the Board.

11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

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

**a) Audit Committee**

- Mr. Nadeem 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

Four quarterly meetings were held during the Financial Year ended 30th June, 2021.

#### b) HR and Remuneration Committee

Two meetings were held during the Financial Year ended 30th June, 2021.

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  
23 September 2021

**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 Textiles Mills Limited (the Company) for the year ended 30 June, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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, 2021



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

Audit Engagement Partner: Farooq Hameed

Lahore: 23 September 2021





# Notice of the Annual General Meeting

### NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 53rd Annual General Meeting of Sapphire Textile Mills Limited (The "Company") will be held Virtually on Wednesday, 27th October, 2021 at 12:00 noon through [Video Conferencing \(VC\)](#) to transact the following business:

#### Ordinary Business:

1. To confirm the minutes of last Annual General Meeting.
2. To receive, consider and adopt the Audited Financial Statements together with Chairman's, Directors' and Auditors' Reports for the year ended 30th June, 2021.
3. Declaration of Dividend.
4. To appoint auditors for the year ending 30th June, 2022 and fix their remuneration. The present Auditors, M/s. EY Ford Rhodes, Chartered Accountants retire and being eligible offer themselves for reappointment

#### Special Business:

5. To approve by way of special resolution with or without modification the following resolutions in respect of related party transactions in terms of Section 208 of the Companies Act, 2017.
  - (i) **"RESOLVED THAT** the related Parties transactions conducted during the year as disclosed in the note 42 of the unconsolidated financial statements for the year ended 30th June, 2021, be and are hereby ratified, approved and confirmed."
  - (ii) **"RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending 30th June, 2022.

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

#### Any other Business:

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

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

By Order of the Board



**Zeeshan**  
Company Secretary

Karachi  
23 September 2021

#### NOTE

- 1) Share Transfer Books will be remain closed and no transfer of shares will be accepted for registration from 21st October, 2021 to 27th October, 2021 (both days inclusive). Transfers received in order, by the M/s. Hameed Majeed Associates (Private) Limited Company Registrar, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, up to 20th October, 2021, 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.



## NOTICE OF THE ANNUAL GENERAL MEETING

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

### Reason for Holding AGM virtually to Video-Link

- 5) In view of the prevailing pandemic COVID-19 situation and in line with the direction issue by the Security & Exchange Commission of Pakistan (SECP) vide its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 03, 2021, the Company has decided to hold Annual General Meeting (AGM) through electronic means.

### Special arrangements for attending the meeting through video link due to COVID 19 Pandemic will be as under:

The entitled shareholders interested in attending the Annual General Meeting (AGM) through Zoom ("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 time of holding AGM at [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk) by providing the following details:-

Name of Shareholder	CNIC Number.	Folio/CDC IAS A/C 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.
- 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) Payment of Cash Dividend Electronically (Mandatory Requirement)

In accordance with the provisions of Section 242 of the Companies Act and Companies (Distribution of Dividends) Regulation 2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In this regard, Sapphire Textile Mills Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders.

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi (in case of shareholding in Physical Form).

1. Shareholders' Detail	
Name	
Folio# / CDC IAS Account No.	
CNIC No. (Copy attached)	
Mobile/ Landline No.	

2. Shareholders' Bank Detail	
Title of Bank Account	
International Bank Account No. (IBAN)	
Bank's Name	
Branch Name and Address	

In case of non-provision of IBAN, the Company will have to withhold the cash dividend according to SECP directives.



- i) In section 150 of the Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:
- For filers of income tax returns: 15%
  - For non-filers of income tax returns: 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax Payer List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

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

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

- iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or, Hameed Majeed Associates (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.
- 9) As per section 72 of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four year from the commence of this Act i.e., May 30, 2017. The Shareholders having physical shareholding may open CDC Sub-account with any of the broker or investor account directly with CDC to place their physical share into scripless form.
- 10) Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail at [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address.

The Financial Statements of the company for the year ended 30 June 2021 along with reports have been placed on the company's website [www.sapphire.com.pk/stml](http://www.sapphire.com.pk/stml). However, if a shareholder, requests for hard copy of the Annual Audited Financial Statements, the same shall be provided free of cost within seven (07) days of receipt of such request.

## NOTICE OF THE ANNUAL GENERAL MEETING

- 11) An updated list for unclaimed dividend/shares of the Company is available on the Company's website [www.sapphire.com.pk/stml](http://www.sapphire.com.pk/stml). These are unclaimed dividend/shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable.

### 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 (SWPCL) Limited 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 up to 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 Consulting 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, 2017 and is in the process of implementation as and when required.
Triconboston Consulting 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, 2017 and is in the process of implementation as and when required.
Triconboston Consulting 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 Pproject, 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, 2017 and is in the process of implementation as and when required.

**Material Changes in Financial Statements of Associated Company**
**Sapphire Wind Power Company Limited**

The Company is 70% owned by Sapphire Textile Mills Ltd and 30% by Bank Alfalah Limited. The Company has set up 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, 2021	Financial Year Ended June 30, 2020	Financial Year Ended June 30, 2016
	Rupees	Rupees	Rupees
Net Sales	3,012,817,111	3,704,254,098	1,584,896,926
Gross Profit	1,715,780,871	2,421,950,586	1,020,332,620
Profit Before Tax	1,236,705,165	1,746,809,140	678,614,077
Profit After Tax	1,236,705,165	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 (Project A, Project B and Project C) having capacity of 49.735 MW each in Jhimpir Sindh. The Company has achieved Commercial Operations Date ('COD') on August 16, 2018, September 14, 2018 and September 11, 2018 by Project A, Project B and Project C respectively. The projects are operating following best industry practice and is yielding satisfactory results.

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

**STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017**
**1. Relating to Item Number 5 (i) of the notice-Ratification and approval of the related party transactions**

The Company carries out transactions with its associates and related parties in accordance with its policies, applicable laws, regulations and with approval of board of directors of the company. However, during

the year since majority of the Company's Directors are interested in certain transactions (by virtue of being the shareholder or common directorship), therefore due to absent of requisite quorum for approval in Board of Directors meeting, these transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 42 to the unconsolidated financial statements for the year ended 30 June 2021.

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

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

The nature of relationship with these related parties has also been indicated in the note 42 to the unconsolidated financial statements for the year ended 30 June 2021.

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








The Company shall be conducting transactions with its related parties during the year ending 30 June 2022 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending 30th June, 2022 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.



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# UNCONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended 30 June 2021



# 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 2021, 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 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 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 2021 amounted to Rs. 12,885 million comprising a significant percentage (25%) of the Company's total assets.</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 Company's processes of inventory purchases and issuance.</li> <li>- We attended physical 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
	<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> </ul>
<b>2. 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 42 to the accompanying separate financial statements) leading to a significant amount of investments, receivable and payable balances and borrowings of Rs. 9,998 million, Rs. 1,418 million, Rs. 91 million and 1,952 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.

# Independent Auditors' Report

## To the Members of Sapphire Textile Mills Limited

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

#### 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) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



**EY Ford Rhodes**  
**Chartered Accountants**  
**Lahore: 23 September 2021**

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	14,714,164,784	13,119,291,362
Investment property	7	31,750,000	31,750,000
Intangible assets	8	108,333	208,333
Long term investments	9	14,273,157,115	13,612,999,166
Long term loans and advances	10	100,618,981	111,663,175
Long term deposits	11	87,684,092	87,684,092
		29,207,483,305	26,963,596,128
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	12	438,188,678	471,374,075
Stock in trade	13	12,885,111,563	8,910,912,161
Trade debts	14	2,633,783,566	2,782,771,494
Loans and advances	15	58,794,821	56,882,329
Trade deposits and short term prepayments	16	107,725,031	24,925,374
Other receivables	17	985,183,946	845,667,618
Short term investments	18	3,487,399,522	2,956,225,380
Tax refunds due from Government	19	1,919,158,360	1,366,384,838
Cash and bank balances	20	75,583,304	67,540,738
		22,590,928,791	17,482,684,007
<b>TOTAL ASSETS</b>		<b>51,798,412,096</b>	<b>44,446,280,135</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	216,897,910
Reserves	22	20,801,687,879	16,259,650,037
		21,018,585,789	16,476,547,947
<b>NON-CURRENT LIABILITIES</b>			
Long term liabilities	23	14,320,927,549	14,737,180,455
Deferred liabilities	24	337,641,141	297,609,788
		14,658,568,690	15,034,790,243
<b>CURRENT LIABILITIES</b>			
Trade and other payables	25	3,909,854,854	2,934,064,828
Contract liabilities	26	1,012,000,047	830,395,887
Accrued Interest / mark-up	27	234,325,938	361,222,288
Unclaimed dividend		1,629,755	1,696,118
Short term borrowings	28	7,679,189,290	8,070,572,958
Current portion of long term liabilities	29	3,284,257,733	736,989,866
		16,121,257,617	12,934,941,945
<b>CONTINGENCIES AND COMMITMENTS</b>	30		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51,798,412,096</b>	<b>44,446,280,135</b>

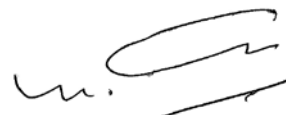
The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

# STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
Net turnover	31	38,470,986,948	34,030,186,288
Cost of sales	32	(32,120,873,453)	(29,195,495,154)
<b>Gross profit</b>		<b>6,350,113,495</b>	<b>4,834,691,134</b>
Distribution cost	33	(1,232,187,456)	(1,049,687,288)
Administrative expenses	34	(472,454,443)	(447,254,813)
Other operating expenses	35	(401,132,811)	(192,873,482)
Other income	36	1,097,562,755	721,186,673
		(1,008,211,955)	(968,628,910)
<b>Profit from operations</b>		<b>5,341,901,540</b>	<b>3,866,062,224</b>
Finance cost	37	(1,582,532,679)	(2,556,976,879)
<b>Profit before taxation</b>		<b>3,759,368,861</b>	<b>1,309,085,345</b>
Taxation	38	(496,433,821)	(129,996,345)
<b>Profit after taxation for the year</b>		<b>3,262,935,040</b>	<b>1,179,089,000</b>
<b>Earnings per share - basic and diluted</b>	39	<b>150.44</b>	<b>55.03</b>

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 2021

	2021 Rupees	2020 Rupees
Profit after taxation for the year	3,262,935,040	1,179,089,000
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	(5,576,935)	(12,941,707)
Net loss on debt instruments at fair value through other comprehensive income	-	(1,000,000)
Items not to be reclassified to profit or loss in subsequent years:		
Net gain / (loss) on equity instruments at fair value through other comprehensive income	1,311,034,469	(1,133,791,389)
(Loss) / gain on remeasurement of staff retirement benefits	(26,354,732)	51,412,524
Other comprehensive income / (loss) for the year	1,279,102,802	(1,096,320,572)
Total comprehensive income for the year	4,542,037,842	82,768,428

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 2021

	Capital Reserves				Revenue Reserves		
	Share Capital	Share Premium	Fixed Assets Replacement	Unrealized Gain/(loss) on investments at fair value through OCI	Unrealized loss on forward foreign exchange contracts	General reserves	Unappropriated profit
	Rupees						
Balance as at 01 July 2019	200,831,400	156,202,200	65,000,000	(1,264,743,649)	-	1,330,000,000	15,894,790,391
Total comprehensive income for the year ended 30 June 2020	-	-	-	-	-	-	-
Profit after taxation for the year	-	-	-	(1,134,791,389)	(12,941,707)	-	1,179,089,000
Other comprehensive loss for the year	-	-	-	(1,134,791,389)	(12,941,707)	-	51,412,524
Transfer of gain on sale of investment at fair value through OCI to un-appropriated profit	-	-	-	(51,745,097)	-	-	1,230,501,524
Transfer of subsidiaries reserve on merger	-	-	-	-	-	-	51,745,097
Transaction with owners	-	-	-	-	-	-	(108,799,583)
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	-	-	-	-	-
Final dividend for the year ended 30 June 2019 @ Rs.26 per share	-	-	-	-	-	-	(642,660,400)
Balance as at 30 June 2020	216,897,910	782,796,090	65,000,000	(2,451,280,135)	(12,941,707)	1,330,000,000	16,546,075,789
Total comprehensive income for the year ended 30 June 2021	-	-	-	-	-	-	-
Profit after taxation for the year	-	-	-	1,311,034,469	(5,576,935)	-	3,262,935,040
Other comprehensive income / (loss) for the year	-	-	-	1,311,034,469	(5,576,935)	-	(26,354,732)
Transfer of loss on sale of investment at fair value through OCI to un-appropriated profit	-	-	-	152,401,442	-	-	(152,401,442)
Balance as at 30 June 2021	216,897,910	782,796,090	65,000,000	(987,844,224)	(18,518,642)	1,330,000,000	19,630,254,655
							21,018,585,789

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 2021

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	40	2,941,261,988	2,906,545,167
Long term loans and advances		11,044,194	24,405,753
Finance cost paid		(1,712,752,049)	(2,382,774,603)
Staff retirement benefits - gratuity paid		(122,755,461)	(72,379,948)
Taxes paid		(1,096,808,815)	(456,416,650)
		(2,921,272,131)	(2,887,165,448)
Net cash generated from operating activities		19,989,857	19,379,719
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,103,057,830)	(1,900,066,091)
Investment in subsidiary		-	(15,760,000)
Short term investment in equity instruments		(124,849,802)	(81,940,358)
Proceeds from disposal of property, plant and equipment		310,986,975	172,910,817
Proceeds from sale of investments		244,552,083	497,776,517
Dividend received		825,988,686	615,476,874
Interest received		2,078,737	10,398,801
Rental income received		30,690,000	510,000
Net cash used in investing activities		(1,813,611,151)	(700,693,440)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings - net		(357,635,962)	239,125,963
Proceeds from long term financing		3,180,296,399	1,679,397,307
Repayment of long term financing		(987,182,508)	(1,428,458,120)
Share issuance		-	642,660,400
Dividend paid		(66,363)	(522,260,979)
Net cash generated from financing activities		1,835,411,566	610,464,571
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>41,790,272</b>	<b>(70,849,150)</b>
Cash and cash equivalents at the beginning of the year		33,602,278	96,759,191
Transfer upon merger		-	7,692,237
<b>Cash and cash equivalents at the end of the year</b>	<b>41</b>	<b>75,392,550</b>	<b>33,602,278</b>

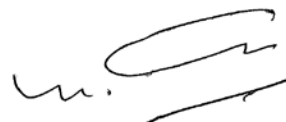
The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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 5.13 and 38]

## 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 for new standards, interpretation and amendments to following standards as described below:

IFRS 3	-	Business Combinations - Definition of a Business (amendments)
IFRS 7 & IFRS 9	-	Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)
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)
IFRS 16	-	Covid-19-Related Rent Concessions (Amendment to IFRS 16)
IFRS 16	-	Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statement.

### 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 7 & IAS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021
IFRS 3	Business Combinations - 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 2022
IAS 16	Property, plant and equipment - Amendment 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 an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2023
IAS 1	Presentation of Financial Statements to require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy	01 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments) - Definition of Accounting Estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”	01 January 2023
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

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.

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 2022. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 5.20.1 (d).

#### **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 Government grant**

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.11 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.

## 5.12 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, whether or not billed to the Company.

## 5.13 Taxation

### Current year

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax 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.

## 5.14 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.



## 5.15 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.

## 5.16 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.

### 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.

## 5.17 Borrowing cost

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.18 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the 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.

## 5.19 Impairment of non financial assets

The carrying amounts of the Company's non-financial 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.

## 5.20 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.

### 5.20.1 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 amortized 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

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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.

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.

#### 5.20.2 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.

#### 5.20.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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.

## 5.20.4 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 47.5.

## 5.21 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.21.1 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.

## 5.22 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.

## 5.23 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	2021 Rupees	2020 Rupees
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	13,432,407,958	12,286,441,128
Capital work-in-progress	6.5	1,281,756,826	832,850,234
		<u>14,714,164,784</u>	<u>13,119,291,362</u>



## 6.1 Operating fixed assets

	2021																	
	Land		Buildings on free - hold land				Buildings on lease - hold land				Rupess							
	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	Mills equipment	Furniture and fixtures	Vehicles	Total
Balance as at 1 July 2020																		
Cost	355,296,567	115,038,377	3,156,625,175	595,291,615	420,773,248	323,628,906	97,486,346	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	22,296,955,087
Accumulated depreciation	-	-	(1,386,731,515)	(188,394,350)	(91,749,424)	(227,137,064)	(35,672,796)	(69,893,590)	(7,379,855,945)	(284,214,661)	(9,196,737)	(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	355,296,567	115,038,377	1,769,893,660	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
For the year ended 30 June 2021																		
Additions	357,010,868	21,974,800	172,819,741	12,250,071	-	8,000,000	-	-	2,017,180,649	3,701,889	1,009,620	1,740,886	15,944,091	2,773,944	7,714,423	10,826,816	21,203,450	2,654,151,238
Disposals:																		
- Cost	80,392,936	-	-	-	-	-	-	39,372,177	474,839,173	1,037,671	200,200	4,783,084	26,164,449	6,038,415	2,740,077	14,724,216	16,823,739	667,116,137
- Depreciation	-	-	-	-	-	-	-	(26,491,250)	(369,005,302)	(626,494)	(135,653)	(2,619,764)	(23,109,693)	(4,224,970)	(2,120,550)	(9,221,733)	(10,301,313)	(447,856,722)
	80,392,936	-	-	-	-	-	-	12,880,927	105,833,871	411,177	64,547	2,163,320	3,054,756	1,813,445	619,527	5,502,483	6,522,426	219,259,415
Depreciation for the year	-	-	(188,650,053)	(20,507,704)	(16,451,191)	(10,249,184)	(3,096,178)	(3,022,493)	(958,319,411)	(27,095,002)	(2,033,670)	(11,169,984)	(10,128,643)	(884,331)	(6,400,741)	(8,241,398)	(22,674,010)	(1,288,924,993)
	631,913,479	137,013,177	1,774,063,348	398,639,632	312,572,633	94,242,658	58,827,372	3,639,803	9,348,322,411	269,913,881	18,815,086	101,482,373	31,593,188	9,847,482	60,587,123	78,140,126	102,804,186	13,432,407,958
Balance as at 30 June 2021																		
Cost	631,913,479	137,013,177	3,329,444,916	607,541,688	420,773,248	331,628,906	97,486,346	50,064,636	17,317,492,465	580,997,050	29,909,840	158,681,179	89,636,765	38,918,608	120,992,504	114,902,587	226,382,796	24,283,990,188
Accumulated depreciation	-	-	(1,555,381,568)	(208,902,054)	(108,200,615)	(237,386,248)	(38,668,974)	(46,424,833)	(7,969,170,054)	(310,683,169)	(11,094,754)	(57,198,806)	(98,053,577)	(29,071,126)	(60,405,381)	(36,762,461)	(123,578,610)	(10,850,982,230)
Net book value 2021	631,913,479	137,013,177	1,774,063,348	398,639,632	312,572,633	94,242,658	58,827,372	3,639,803	9,348,322,411	269,913,881	18,815,086	101,482,373	31,593,188	9,847,482	60,587,123	78,140,126	102,804,186	13,432,407,958
Depreciation rate % per annum	-	-	10	5	5	10	5	20	10	10	10	10	30	10	10	10	20	

For the year ended 30 June 2021

**6.2** Freehold lands of the Company are located at Sheikhupura, Kasur and Lahore with an area of 1,228,215 (2020: 1,099,016) square yards and leasehold lands of the Company are located at Kotri, Nooriabad and Karachi with an area of 440,840 (2020: 435,964) square yards.

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

	Note	2021 Rupees	2020 Rupees
Cost of sales	32	1,248,653,817	1,218,364,009
Distribution cost	33	927,523	1,388,726
Administrative expenses	34	39,343,653	39,225,730
		<b>1,288,924,993</b>	<b>1,258,978,465</b>

### 6.4 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	Gain / (loss)	Mode of disposal	Particulars of Buyers / Relationship (if any)
	Rupees						
<u>Freehold Land</u>	80,392,936	-	80,392,936	181,224,967	100,832,031	Negotiation	Sitara Heights (Private) Limited
<u>Leased Building Improvement</u>	39,372,177	26,491,251	12,880,926	-	(12,880,926)	Written off	Written off during the year
<u>Plant and Machinery</u>							
Gas generator	13,635,020	11,537,132	2,097,888	2,100,000	2,112	Negotiation	Mr. Faisal Javed
Gas generator	17,818,808	16,303,737	1,515,071	1,550,000	34,929	--- do ---	Mr. Muhammad Saleem
Chute feed tandam crosrol machine	22,246,142	21,218,388	1,027,754	10,474,948	9,447,194	--- do ---	Ideal Trading Company
Auto coro open end machine	33,560,812	28,016,680	5,544,132	9,500,000	3,955,868	--- do ---	A.R.Textile
Chute feed tandam crosrol machine	8,523,923	7,825,932	697,991	2,171,796	1,473,805	--- do ---	Qausar Textile Mills (Private) Limited
Chute feed tandam crosrol machine	4,128,808	3,443,277	685,531	910,000	224,469	--- do ---	Mubashar Brothers
Gas generator	16,163,644	12,708,583	3,455,061	6,000,000	2,544,939	--- do ---	Orient Rental Modaraba
Loptex sortor machine	18,515,213	13,307,766	5,207,447	1,800,002	(3,407,445)	--- do ---	Zaitoon Textile Mills Faisalabad
Auto coro open end machine	9,667,507	7,583,366	2,084,141	683,761	(1,400,380)	--- do ---	Mr. Khalid Pervaiz
Gas generator	16,158,324	12,454,116	3,704,208	6,000,000	2,295,792	--- do ---	Orient Rental Modaraba
Murata Coner Machine	16,517,302	15,478,756	1,038,546	2,250,000	1,211,454	--- do ---	Ideal Trading Company
Gas generator	46,135,530	34,070,078	12,065,452	12,000,000	(65,452)	--- do ---	Orient Energy System (Pvt) Ltd
Auto compact machine	24,168,766	19,094,338	5,074,428	1,169,230	(3,905,198)	--- do ---	Vj Textile Traders
Compact spinning machine	39,403,481	31,265,025	8,138,456	-	(8,138,456)	Written off	Written off during the year
Power Looms	60,152,428	40,042,773	20,109,655	20,000,000	(109,655)	Negotiation	Shabbir Textile Mills (Private) Limited
Power Looms	76,099,449	62,362,195	13,737,254	16,011,111	2,273,857	--- do ---	Bismillah Industries
Power Looms	622,597	112,534	510,063	510,070	7	--- do ---	Sajal Textile
Lock stitch machine	5,270,897	2,351,729	2,919,168	1,299,145	(1,620,023)	--- do ---	Paracha Systems (Private) Limited
Chain Grate Boiler - Thermal Oil Heater	24,051,543	11,234,061	12,817,482	10,900,000	(1,917,482)	--- do ---	Opera Textile (Private) Limited
	<b>452,840,192</b>	<b>350,410,466</b>	<b>102,429,726</b>	<b>105,330,063</b>	<b>2,900,337</b>		
<u>Furniture and Fixture</u>	14,724,216	9,221,733	5,502,483	-	(5,502,483)	Written off	Written off during the year
<u>Vehicles</u>							
Honda Civic	2,382,500	1,726,714	655,786	1,225,000	569,214	Negotiation	Mr. Asif Gul Mohammad
Suzuki Swift	1,463,000	750,981	712,019	712,019	-	As per Company Policy	Mr. Shakeel Ahmad
Suzuki Cultus	1,250,000	626,000	624,000	636,000	12,000	--- do ---	Mr. Wali Muhammad Arian
Toyota Corolla	1,987,000	842,488	1,144,512	1,144,512	-	--- do ---	Mr. Murad Sarwar
Suzuki Cultus	1,250,000	602,000	648,000	660,000	12,000	--- do ---	Mr. Fayyaz Abrar
Suzuki Cultus	1,250,000	616,666	633,334	633,334	-	--- do ---	Mr. Naveed Mubashar
Suzuki Cultus	1,250,000	528,221	721,779	1,200,000	478,221	Insurance claim	Adamjee Insurance Company Limited
	<b>10,832,500</b>	<b>5,693,070</b>	<b>5,139,430</b>	<b>6,210,865</b>	<b>1,071,435</b>		
<u>Other assets having book value less than Rs.500,000</u>	68,954,116	56,040,202	12,913,914	9,373,033	(3,540,881)		
30 June 2021	<b>667,116,137</b>	<b>447,856,722</b>	<b>219,259,415</b>	<b>302,138,928</b>	<b>82,879,513</b>		
30 June 2020	327,593,007	210,573,042	117,019,965	102,866,782	(14,153,183)		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>6.5 Capital work-in-progress</b>			
Civil works and buildings		296,416,131	167,976,421
Plant and machinery	6.5.1	978,153,620	660,175,499
Electric installation		3,032,075	543,314
Mills equipment		4,155,000	4,155,000
		<b>1,281,756,826</b>	<b>832,850,234</b>

**6.5.1** Additions to capital work in progress include borrowing cost aggregating Rs.7,369,884 (2020: Rs.11,199,800) at the borrowing rate of 1.75% to 8.49% (2020: 2.75% to 14.65%) per annum.

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

	01 July 2020	Additions during the year	Transferred to operating fixed assets	30 June 2021
	Rupees			
<b>Particulars</b>				
Civil works and buildings	167,976,421	321,509,526	(193,069,816)	296,416,131
Plant and machinery	660,175,499	2,314,180,817	(1,996,202,696)	978,153,620
Electric installation	543,314	4,472,554	(1,983,793)	3,032,075
Mills equipment	4,155,000	368,000	(368,000)	4,155,000
	<b>832,850,234</b>	<b>2,640,530,897</b>	<b>(2,191,624,305)</b>	<b>1,281,756,826</b>
			<b>2021 Rupees</b>	<b>2020 Rupees</b>

## 7 INVESTMENT PROPERTY

Freehold land	<b>31,750,000</b>	31,750,000
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**7.1** This represents free-hold land situated at Raiwind Road, Lahore having an area of 5,000 square yards.

**7.2** Fair value of the investment property, based on the estimation was Rs.75 million (2020: Rs.70 million).



	Note	2021 Rupees	2020 Rupees
<b>8 INTANGIBLE ASSETS</b>			
(Computer software)			
<b>Net carrying value as at 01 July 2020</b>			
Net book value as at July 01		208,333	627,039
Amortization during the year	8.1	(100,000)	(418,706)
<b>Net book value as at 30 June 2021</b>		<b>108,333</b>	<b>208,333</b>
<b>Gross carrying value as at 30 June 2021</b>			
Cost		24,992,360	24,992,360
Accumulated amortization		(24,884,027)	(24,784,027)
<b>Net book value as at 30 June 2021</b>		<b>108,333</b>	<b>208,333</b>
Amortization rate % per annum		20	20
<b>8.1</b>	Amortization expense for the year has been charged to other operating expenses (note 35).		
<b>9 LONG TERM INVESTMENTS</b>			
<b>Related parties - at cost:</b>			
Subsidiaries - unlisted	9.1	9,522,423,070	9,522,423,070
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	4,274,757,769	3,614,599,820
		<b>14,273,157,115</b>	<b>13,612,999,166</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 9.1 Investments in subsidiary companies - unlisted

2021	2020		Note	2021	2020
No. of Shares		Name of Company		Rupees	Rupees
228,228,737	228,228,737	<b>Sapphire Wind Power Company Limited (SWPCL)</b> Equity Interest Held 70% (2020: 70%)	9.1.1	2,282,287,370	2,282,287,370
200,000,000	200,000,000	<b>Sapphire Retail Limited</b> Equity Interest Held 100% (2020: 100%)		2,000,000,000	2,000,000,000
475,051,500	475,051,500	<b>Triconboston Consulting Corporation (Private) Limited (TBCL)</b> Equity Interest Held 57.125% (2020: 57.125%)	9.1.1	5,224,375,700	5,224,375,700
673,780	673,780	<b>Sapphire International ApS</b> Equity Interest Held 100% (2020: 100%)		15,760,000	15,760,000
				<b>9,522,423,070</b>	<b>9,522,423,070</b>

**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.

## 9.2 Investments in associates - listed

2021	2020		2021	2020
No. of Shares		Name of Company	Rupees	Rupees
313,295	313,295	<b>Reliance Cotton Spinning Mills Limited</b> Equity Interest Held 3.04% (2020: 3.04%)	8,461,851	8,461,851

### 9.3 Investments in associates - unlisted

2021		2020	
No. of Shares	Name of Company	Rupees	Rupees
4,234,500	4,234,500 <b>Sapphire Power Generation Limited</b> Equity Interest Held 26.43% (2020: 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% (2020: 1.42%)	60,000,000	60,000,000
10,000	10,000 <b>Sapphire Holding Limited</b> Equity Interest Held 0.05% (2020: 0.05%)	100,000	100,000
23,500,000	23,500,000 <b>Sapphire Dairies (Private) Limited</b> Equity Interest Held 12.95% (2020: 18.80%)	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% (2020: 49%) and Beirholm holding A/S Nordager 20, 6000 Kolding, Denmark- 51% (2020: 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 2021

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

2021	2020		2021	2020
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	431,323,737	440,422,259
			649,203,887	658,302,409
29,623,714	29,623,714	Habib Bank Limited	5,926,153,798	5,926,153,798
		Fair value adjustment	(2,301,099,916)	(3,056,504,623)
			3,625,053,882	2,869,649,175
<b>Unquoted</b>				
-	7,055,985	Novelty Enterprises (Private) Limited	-	86,148,236
50,000	50,000	TCC Management Services (Private) Limited	500,000	500,000
			4,274,757,769	3,614,599,820

**9.4.1** The Company has pledged 3.332 million (2020: 3.332 million) shares of MCB Bank Limited, Nil (2020: 0.150 million) shares of Engro Corporation Limited, 12.906 million (2020: 12.906 million) shares of Bank Al-Habib Limited and 24.177 million (2020: 27.177 million) shares of Habib Bank Limited with various financial institutions for arrangement of finance facilities.

**9.4.2** The Company has pledged 3.736 million (2020: 4.407 million) shares of Engro Corporation Limited, 7.200 million (2020: 7.200 million) shares of Bank Al-Habib Limited, 0.730 million (2020: 0.730 million) shares of MCB Bank Limited and 2.447 million (2020: 2.447 million) shares of Habib Bank 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 Triconboston Consulting Corporation (Private) Limited (2020: US \$ 8.791 million).

	Note	2021 Rupees	2020 Rupees
<b>10 LONG TERM LOANS AND ADVANCES</b>			
Loan to employees - unsecured (considered good)	10.1	27,846,483	46,163,175
Advance for land		66,072,498	65,500,000
Advance for vehicles		6,700,000	-
		100,618,981	111,663,175
<b>10.1 Loan to employees - unsecured (considered good)</b>			
Loans to employees	10.1.1	47,723,771	70,855,954
Current portion of loans shown under current assets	15	(19,877,288)	(24,692,779)
		27,846,483	46,163,175

**10.1.1** 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.

	Note	2021 Rupees	2020 Rupees
<b>11 LONG TERM DEPOSITS</b>			
<b>Security deposits</b>			
Water and Power Development Authority		85,830,588	85,830,588
Sui Northern Gas Pipelines Limited		1,097,000	1,097,000
Others	11.1	756,504	756,504
		<b>87,684,092</b>	<b>87,684,092</b>
<b>11.1</b>	It includes an amount of Rs.36,000 (2020: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party.		
<b>12 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		203,775,319	233,006,325
Spares - in hand		230,909,041	215,245,013
Stores and spares - in transit		71,235,873	77,157,422
Loose tools		554,486	593,715
		<b>506,474,719</b>	<b>526,002,474</b>
Less: Provision for slow moving stores, spares and loose tools	12.1	(68,286,041)	(54,628,399)
		<b>438,188,678</b>	<b>471,374,075</b>
<b>12.1 Provision for slow moving stores, spares and loose tools</b>			
Balance at the beginning of the year		54,628,399	65,469,942
Provision / (reversal) made during the year - net	35/36	13,657,642	(10,841,543)
Balance at the end of the year		<b>68,286,041</b>	<b>54,628,399</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>13 STOCK IN TRADE</b>			
Raw material - in hand	32.1	9,247,728,191	6,208,117,180
Raw material - in transit		539,874,635	95,424,152
		9,787,602,826	6,303,541,332
Work in process	32	872,742,200	638,708,853
Finished goods		2,140,922,705	1,918,914,557
Waste		83,843,832	49,747,419
	32	2,224,766,537	1,968,661,976
		12,885,111,563	8,910,912,161
<b>14 TRADE DEBTS</b>			
Foreign debts	14.1	241,272,133	249,688,542
Domestic debts	14.2 & 14.3	2,397,234,176	2,523,764,902
Waste		22,475,466	28,043,192
Others		9,900,721	18,048,075
		2,429,610,363	2,569,856,169
Less: Provision for expected credit loss	14.4	(37,098,930)	(36,773,217)
		2,392,511,433	2,533,082,952
		2,633,783,566	2,782,771,494
<b>14.1</b>	Foreign debts includes an amount of Rs. 304,381 (2020: Rs. 6,651,238) from Sapphire International Aps, a related party, against export sales.		
<b>14.2</b>	Domestic debts includes an amount of Rs. 930,365,653 (2020: Rs. 567,469,863) receivable against indirect export sales.		
<b>14.3 Due from related parties- Domestic debts</b>			
Diamond Fabrics Limited		12,483,026	6,013,426
Sapphire Fibres Limited		30,326	620,024
Reliance Cotton Spinning Mills Limited		45,630	-
Sapphire Finishing Mills Limited		231,815,855	203,140,815
Sapphire Retail Limited		230,276,888	737,817,914
DesignTex (SMC-Private) Limited		161,515,455	-
		636,167,180	947,592,179

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				
30 June 2021	636,167,180	382,138,030	91,984,326	81,240,343	78,009,483	2,794,997	-
30 June 2020	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.1,782,296,128 (2020: Rs. 1,507,302,859).

	Note	2021 Rupees	2020 Rupees
<b>14.4 Provision for expected credit loss</b>			
Balance at the beginning of the year		36,773,217	36,505,865
Charged during the year	35	325,713	267,352
Balance at the end of the year		37,098,930	36,773,217
<b>15 LOANS AND ADVANCES</b>			
<b>- Unsecured-Considered good</b>			
Advances to suppliers		32,056,725	27,044,201
<b>Loans</b>			
Current portion of long term loans to employees	10.1	19,877,288	24,692,779
Short term loans to employees		6,860,808	5,145,349
		58,794,821	56,882,329
<b>16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		102,789,000	22,789,000
Prepayments		4,936,031	2,136,374
		107,725,031	24,925,374

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>17 OTHER RECEIVABLES</b>			
Claims receivable		2,378,234	8,143,153
Deposits with High Court		19,430,291	19,430,291
Dividend receivable		54,888,084	-
Export rebate receivable		124,613,112	67,859,558
Receivable against sale of fixed assets		1,949,225	10,797,272
Receivable from Triconboston Consulting Corporation (Private) Limited (subsidiary)	17.1	781,925,000	739,347,344
Rent receivable		-	90,000
		<b>985,183,946</b>	<b>845,667,618</b>

**17.1** It includes an amount of Rs. 751.925 million (2020: Rs. 709.347 million) receivable against technical services and Rs. 30 million (2020: Rs. 30 million) representing receivable balance transferred to the Company from the subsidiary's previous sponsor at the time of its acquisition. This is un-secured, interest free and is payable in normal course of business. Maximum amount due during the year calculated by reference to month-end balances is Rs. 829,240,044 (2020: Rs. 739,347,344).

## 18 SHORT TERM INVESTMENTS

Investments at fair value through other comprehensive income (FVOCI)	18.1	3,487,399,522	2,956,225,380
<b>18.1 Investments at fair value through other comprehensive income (FVOCI) comprises of:</b>			
Debt instruments at fair value through other comprehensive income (FVOCI)	18.1.1	-	49,000,000
Equity instruments at fair value through other comprehensive income (FVOCI)	18.1.2	3,487,399,522	2,907,225,380
		<b>3,487,399,522</b>	<b>2,956,225,380</b>

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

2021	2020		2021	2020	2021	2020
Number of Certificates		Particulars	Cost		Carrying value	
			Rupees			
-	500	HBL Term Finance Certificates	-	50,000,000	-	49,000,000

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

2021	2020		2021	2021	2020
No. of Shares		Name of Company	Cost	Fair value	
			Rupees		
26,985,346	26,985,346	Bank Al-Habib Limited (Refer to note 9.4.1 and 9.4.2)	1,105,332,382	1,892,212,462	1,411,333,596
4,574,007	4,574,007	Engro Corporation (Pakistan) Limited (Refer to note 9.4.1 and 9.4.2)	1,293,345,025	1,347,548,202	1,339,818,130
597,500	113,000	Engro Fertilizer Limited	38,557,255	41,986,324	6,811,640
-	30,183,000	K Electric Limited	-	-	90,850,830
197,000	-	Oil and Gas Development Company Limited	20,490,173	18,720,910	-
288,000	-	Fauji Fertilizer Company Limited	31,509,883	30,556,797	-
888,800	808,000	Meezan Bank Limited	70,864,860	102,576,407	55,630,800
58,500	-	Lucky Cement Limited	41,274,019	50,511,240	-
26,900	26,900	United Bank Limited	4,093,970	3,287,180	2,780,384
			2,605,467,567	3,487,399,522	2,907,225,380
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	-	-
			2,622,908,937	3,487,399,522	2,907,225,380

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>19 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax - net	19.1	952,918,674	1,066,819,158
Sales tax receivable		1,338,810,286	624,534,807
Less: Provision against doubtful sales tax refunds	19.2	(372,570,600)	(324,969,127)
		966,239,686	299,565,680
		1,919,158,360	1,366,384,838
<b>19.1 Income tax - net</b>			
Advance income tax / refundable		1,449,760,605	1,489,327,475
Provision for taxation	19.1.1	(496,841,931)	(422,508,317)
		952,918,674	1,066,819,158
<b>19.1.1 Provision for taxation</b>			
Balance at the beginning of the year		422,508,317	648,847,777
Provision for the year		496,433,821	422,616,472
		918,942,138	1,071,464,249
Less: Advance tax adjusted during the year against completed assessments		(422,100,207)	(648,955,932)
		496,841,931	422,508,317
<b>19.2 Provision against doubtful sales tax refunds</b>			
Balance at the beginning of the year		324,969,127	288,528,348
Provision made during the year	35	47,601,473	36,440,779
Balance at the end of the year		372,570,600	324,969,127
<b>20 CASH AND BANK BALANCES</b>			
Cash in hand		2,073,106	2,071,975
<b>Bank balances</b>			
Local currency			
Current accounts		10,324,874	7,397,946
Saving account	20.1	39,326,371	37,643,605
		49,651,245	45,041,551
Foreign currency-current account (USD)	20.2	23,858,953	20,427,212
		73,510,198	65,468,763
		75,583,304	67,540,738



**20.1** These balances with banks carry profit at the rate ranging from 6.25% to 6.50% (2020: 6.5% to 11.25%) per annum.

**20.2** Cash at bank in USD account was US \$151,197 (2020: US \$121,410).

## **21 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2021	2020	Note	2021	2020
No. of Shares			Rupees	Rupees
7,813,391	7,813,391	Ordinary shares of Rs.10 each allotted for consideration paid in cash	78,133,910	78,133,910
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>21,689,791</b>		<b>216,897,910</b>	<b>216,897,910</b>

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

**21.2** 6,716,694 (2020: 6,716,144) shares of the Company are held by associated companies as at the reporting date.

## **22 RESERVES**

Capital reserves	22.1	(158,566,776)	(1,616,425,752)
Revenue reserves	22.2	20,960,254,655	17,876,075,789
		<b>20,801,687,879</b>	<b>16,259,650,037</b>

### **22.1 Composition of capital reserves is as follows:**

Share Premium	22.1.1	782,796,090	782,796,090
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	(987,844,224)	(2,451,280,135)
Unrealized loss on forward foreign exchange contracts		(18,518,642)	(12,941,707)
		<b>(158,566,776)</b>	<b>(1,616,425,752)</b>

**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.

### **22.2 Composition of revenue reserves is as follows:**

General reserves	22.2.1	1,330,000,000	1,330,000,000
Unappropriated profit	22.2.2	19,630,254,655	16,546,075,789
		<b>20,960,254,655</b>	<b>17,876,075,789</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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>23 LONG TERM LIABILITIES</b>			
Long term financing	23.1	13,874,280,348	13,772,308,842
Gas Infrastructure Development Cess payable	23.2	446,647,201	964,871,613
		<b>14,320,927,549</b>	<b>14,737,180,455</b>
<b>23.1 Long term financing</b>			
<b>Loans from banking companies - secured</b>			
Allied Bank Limited	23.1.1	4,102,595,017	3,295,808,372
Bank Alfalah Limited - Related Party	23.1.2	1,109,534,310	999,147,248
Bank Al Habib Limited	23.1.3	1,552,860,238	1,616,922,462
Bank of Punjab	23.1.4	333,127,995	-
Faysal Bank Limited	23.1.5	65,378,000	71,285,000
Habib Bank Limited	23.1.6	7,381,105,049	7,335,590,333
MCB Bank Limited	23.1.7	1,023,847,054	23,716,000
United Bank Limited	23.1.8	1,133,964,936	1,166,829,293
		<b>16,702,412,599</b>	<b>14,509,298,708</b>
Less: Current portion shown under current liabilities	29	(2,828,132,251)	(736,989,866)
		<b>13,874,280,348</b>	<b>13,772,308,842</b>

**23.1.1** These loans carry mark-up ranging from 1.00% to 8.49% (2020: 2.50% to 14.20%) per annum 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.5,027 million (2020: Rs.2,965 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 9.4.1 having market value of Rs.1,057.375 million (2020: Rs.1,171.583 million) as on reporting date.

**23.1.2** These loans carry mark-up of 1.75% to 2.75% (2020: 2.50% to 2.75%) per annum 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.1352.95 million (2020: Rs.1,352.95 million) over specific plant and machinery.

**23.1.3** These loans carry mark-up ranging from 2.50% to 11.19% (2020: 2.50% to 13.87%) per annum obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.328 million (2020: Rs.328 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 9.4.1 having market value Rs.2,433.638 million (2020: Rs.2,044.940 million) as on reporting date.

**23.1.4** This represents interest free loan amounting to Rs. 1,020 million measured at the present value of all future cash payments discounted using the prevailing market rate of interest. It is repayable in quarterly installments over a period of 12 years including a 2 year grace period. This loan is secured against exclusive mortgage charge amounting to Rs. 521 million over specific lands and a charge of Rs. 679 million over plant and machinery owned by the Company.

**23.1.5** These loans carry mark-up ranging from 2.50% to 6.50% (2020: 2.50% to 6.50%) per annum obtained in different tranches and are repayable in 24 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs. 228.033 million (2020: Rs.228.033 million) over specific plant and machinery.

**23.1.6** These loans carry mark-up ranging from 0.6% to 11.51% (2020: 2.50% to 14.04%) per annum 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 (2020: Rs.9,211.730 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 9.4.1 having market value Rs. 904.957 million (2020: Rs.674.976 million) as on reporting date.

**23.1.7** These loans carry mark-up at the rate of 1.5% to 2.50% (2020: 2.50%) per annum obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.1,318.901 million (2020: Rs. 27.901 million) over specific plant and machinery.

**23.1.8** These loans carry mark-up at the rate of 2.50% (2020: 2.50%) per annum obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.1,463 million (2020: Rs. 1,463 million) over specific plant and machinery.

	Note	2021 Rupees	2020 Rupees
<b>23.2 Gas Infrastructure Development Cess payable</b>			
Gas Infrastructure Development Cess payable		902,772,683	964,871,613
Less: current portion shown under current liabilities	29	(456,125,482)	-
		<b>446,647,201</b>	<b>964,871,613</b>
<b>23.2.1 Movement in Gas Infrastructure Development Cess payable</b>			
Balance at the beginning of the year		964,871,613	869,363,548
Provision during the year		30,311,257	95,508,065
Effect of discounting		(147,193,002)	-
Unwinding of interest		54,782,815	-
		<b>902,772,683</b>	<b>964,871,613</b>

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

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

The Company has already recorded a provision for GIDC (included in trade and other payables in the preceding year). The amount has now been classified as long term liabilities at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs. 147.193 million which has been netted off against cost of sales.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>24 DEFERRED LIABILITIES</b>			
Government grant	24.1	4,682,611	-
Staff retirement benefits - gratuity	24.2	332,958,530	297,609,788
		<b>337,641,141</b>	<b>297,609,788</b>
<b>24.1 Government grant</b>			
Government grant		43,794,088	-
Less: current portion shown under trade and other payables		(39,111,477)	-
		<b>4,682,611</b>	<b>-</b>
Government grant has been recognized against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.			
<b>24.2 Staff retirement benefits</b>			
<b>Movement in the net liability recognized in the statement of financial position</b>			
Opening net liability		297,609,788	272,908,701
Expense for the year in profit and loss	24.2.1	131,749,471	148,493,559
Remeasurement recognized in other comprehensive income		26,354,732	(51,412,524)
		<b>455,713,991</b>	<b>369,989,736</b>
Benefits paid during the year		(122,755,461)	(72,379,948)
Closing net liability		<b>332,958,530</b>	<b>297,609,788</b>

	Note	2021 Rupees	2020 Rupees
<b>24.2.1 Expense recognized in the statement of profit or loss</b>			
Current service cost		111,669,746	114,761,140
Interest cost		20,079,725	33,732,419
		<b>131,749,471</b>	<b>148,493,559</b>
<b>Movement in the present value of defined benefit obligation</b>			
Present value of defined benefit obligation		297,609,788	272,908,701
Current service cost		111,669,746	114,761,140
Interest cost		20,079,725	33,732,419
Actuarial loss / (gain)		26,354,732	(51,412,524)
Benefits paid		(122,755,461)	(72,379,948)
		<b>332,958,530</b>	<b>297,609,788</b>

	2021	2020	2019	2018	2017
	Rupees				
Historical information					
Present value of defined benefit obligation	332,958,530	297,609,788	272,908,701	225,857,306	200,339,674
Experience adjustments on plan liabilities	(26,354,732)	51,412,524	(8,535,640)	(13,604,382)	7,398,992

- Expected gratuity expense charged to profit and loss for the year ending 30 June 2022 works out to Rs.145,336,660.
- The weighted average duration of defined benefit obligation is 5 years.

#### General description

The scheme provides for terminal benefits for all of its workers 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 2021.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	2021 %	2020 %
<b>Principal actuarial assumptions</b>		
Following are a few important actuarial assumption used in the valuation:		
Discount rate	10.00	8.50
Expected rate of increase in salary	9.00	7.50
Average age of employees	32.6 years	32.1 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	352,682	315,656
Increase in future salaries	353,836	314,270

	Note	2021 Rupees	2020 Rupees
<b>25 TRADE AND OTHER PAYABLES</b>			
Creditors	25.1	1,487,587,330	1,006,008,344
Accrued liabilities		1,398,995,609	1,202,511,808
Workers' profit participation fund	25.2	171,733,423	62,057,316
Workers' welfare fund		437,336,667	360,614,852
Infrastructure fee		350,021,254	276,097,189
Current portion of deferred government grant		39,111,477	-
Payable to provident fund		3,335,964	8,028,146
Unrealized loss on remeasurement of forward currency contracts		19,733,130	17,947,173
Others		2,000,000	800,000
		<b>3,909,854,854</b>	<b>2,934,064,828</b>

	Note	2021 Rupees	2020 Rupees
<b>25.1</b>	These balances include the following amounts due to related parties:		
	Amer Cotton Mills (Private) Limited	-	201,393
	Diamond Fabrics Limited	-	22,176
	Reliance Cotton Spinning Mills Limited	-	45,118,193
	Sapphire Fibres Limited	23,783,652	6,934,076
	Sapphire Finishing Mills Limited	218,697	91,493,188
		<b>24,002,349</b>	<b>143,769,026</b>
<b>25.2</b>	<b>Workers' profit participation fund</b>		
	Balance at the beginning of the year	62,057,316	99,005,254
	Allocation for the year	35 171,733,423	62,057,316
	Interest on funds utilized in the Company's business	37 2,083,596	2,402,298
		<b>173,817,019</b>	<b>64,459,614</b>
		<b>235,874,335</b>	<b>163,464,868</b>
	Less: Payments during the year	(64,140,912)	(101,407,552)
	Balance at the end the year	<b>171,733,423</b>	<b>62,057,316</b>
<b>26.</b>	<b>CONTRACT LIABILITIES</b>		
<b>26.1</b>	It includes advances received from Creadore A/S Denmark, a related party amounting Rs.51,709,003 (2020: Rs. 24,179,553).		
<b>26.2</b>	The contract liabilities outstanding at 30 June 2020 have been recognized as revenue during the year.		
<b>27</b>	<b>ACCRUED INTEREST / MARK-UP</b>		
	Accrued interest / mark-up on secured:		
	- long term financing	123,939,165	209,788,226
	- short term borrowings	110,386,773	151,434,062
		<b>234,325,938</b>	<b>361,222,288</b>
<b>27.1</b>	Accrued mark-up includes an amount of Rs. 15,475,800 (2020: Rs. 15,569,438) due to Bank Alfalah Limited - related party.		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>28 SHORT TERM BORROWINGS</b>			
Short term loans		4,445,000,000	3,682,792,190
Running finance under mark-up arrangements		3,233,998,536	4,353,842,308
	28.1	7,678,998,536	8,036,634,498
Book overdrafts	28.2	190,754	33,938,460
		7,679,189,290	8,070,572,958

**28.1** Aggregate facilities amounting to Rs.19,095 million (2020: Rs.19,495 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts and export bills under collection. These carry mark up ranging from 2.25% to 8.53% (2020: 2.25% to 14.81%) per annum payable monthly / quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes due to Bank Alfalah Limited (related party) amounting to Rs.843 million (2020: Rs.1,047 million).

Total unfunded facilities available to the Company aggregate to Rs.19,553 million (2020: Rs.18,964 million) out of which the amount which remained unutilized at the year-end was Rs.9,390 million (2020: Rs.14,120 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.

<b>29 CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	23.1	2,828,132,251	736,989,866
Current portion of Gas Infrastructure Development Cess payable	23.2	456,125,482	-
		3,284,257,733	736,989,866

## 30 CONTINGENCIES AND COMMITMENTS

### Contingencies

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

772,400,369 702,400,369

**30.2** Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at 30 June 2021 the value of these cheques amounted to Rs.1,962.781 million (2020: Rs.1,391.363 million).

**30.3** 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.

**30.4** Also refer to content of note 9.4.1 and 9.4.2.

	Note	2021 Rupees	2020 Rupees
<b>30.5 Commitments</b>			
Commitments in respect of confirmed letter of credit	30.5.1	4,525,108,280	2,306,194,325
Commitments in respect of capital expenditure	30.5.2	483,121,608	28,927,239
Commitments in respect of forward foreign currency contracts		3,473,424,296	352,443,189
		<b>8,481,654,184</b>	<b>2,687,564,754</b>
<b>30.5.1 Confirmed letter of credit in respect of:</b>			
- plant and machinery		2,259,031,028	470,885,640
- raw material		2,228,287,845	1,752,672,334
- stores and spares		37,789,407	82,636,351
		<b>4,525,108,280</b>	<b>2,306,194,325</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 31 NET TURNOVER

	Note	Export Sales		Local Sales		Total	
		2021	2020	2021	2020	2021	2020
				Rupees			
Yarn	31.2	16,361,888,378	11,954,237,418	4,932,918,330	4,012,514,180	21,294,806,708	15,966,751,598
Fabric	31.3	11,393,367,762	10,715,373,459	1,001,272,790	999,797,207	12,394,640,552	11,715,170,666
Home textile products		5,355,918,034	5,769,494,876	208,657,014	115,644,765	5,564,575,048	5,885,139,641
Raw material		3,182,738	-	152,586,732	100,024,559	155,769,470	100,024,559
Waste	31.4	227,685,146	199,973,684	347,196,903	317,259,594	574,882,049	517,233,278
Processing income		-	-	2,018,939,151	1,995,067,920	2,018,939,151	1,995,067,920
		33,342,042,058	28,639,079,437	8,661,570,920	7,540,308,225	42,003,612,978	36,179,387,662
Export rebate and duty drawback						130,204,253	507,580,498
Less: sales tax						(3,662,830,283)	(2,656,781,872)
						38,470,986,948	34,030,186,288

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

	2021 Rupees	2020 Rupees
<b>31.2 Export sales - Yarn</b>		
Direct export	4,393,673,063	4,559,377,181
In-direct export	11,968,215,315	7,394,860,237
	16,361,888,378	11,954,237,418
<b>31.3 Export sales - Fabric</b>		
Direct export	6,765,312,187	7,339,764,196
In-direct export	4,628,055,575	3,375,609,263
	11,393,367,762	10,715,373,459

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

**31.5** Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs. 49.472 million (2020: Loss of Rs. 79.253 million) has been included in export sales.

	Note	2021 Rupees	2020 Rupees
<b>32 COST OF SALES</b>			
Raw material consumed	32.1	22,882,757,665	20,411,274,110
Packing material consumed		596,144,096	475,654,063
Stores and spares consumed		1,107,147,041	958,791,245
Salaries, wages and benefits	32.2	3,828,491,937	3,714,363,587
Fuel, power and water		2,057,344,594	2,060,837,544
Other manufacturing expenses	32.3	460,609,882	526,734,110
Repair and maintenance		115,042,670	76,483,143
Vehicle running expenses		36,463,413	35,742,291
Travelling and conveyance		22,200,364	31,366,964
Insurance expenses		37,369,458	31,885,732
Rent, rates and taxes		2,172,378	2,204,133
Fees and subscription		27,609,423	18,290,801
Communication expenses		21,998,714	19,108,477
Printing and stationery		5,879,702	1,210,115
Legal and professional charges		4,321,049	1,281,277
Depreciation	6.3	1,248,653,817	1,218,364,009
Miscellaneous expenses		3,801,183	2,591,979
		<b>32,458,007,386</b>	<b>29,586,183,580</b>
<b>Work in process</b>			
Opening stock		638,708,853	589,256,549
Closing stock	13	(872,742,200)	(638,708,853)
		<b>(234,033,347)</b>	<b>(49,452,304)</b>
<b>Cost of goods manufactured</b>		<b>32,223,974,039</b>	<b>29,536,731,276</b>
<b>Finished goods</b>			
Opening stock		1,968,661,976	1,491,189,252
Closing stock	13	(2,224,766,537)	(1,968,661,976)
		<b>(256,104,561)</b>	<b>(477,472,724)</b>
<b>Cost of goods sold - manufactured</b>		<b>31,967,869,478</b>	<b>29,059,258,552</b>
Cost of raw material sold	32.4	153,003,975	136,236,602
		<b>32,120,873,453</b>	<b>29,195,495,154</b>
<b>32.1 Raw material consumed</b>			
Opening balance		6,208,117,180	5,132,990,550
Purchases		25,922,368,676	21,486,400,740
		<b>32,130,485,856</b>	<b>26,619,391,290</b>
Closing stock	13	(9,247,728,191)	(6,208,117,180)
		<b>22,882,757,665</b>	<b>20,411,274,110</b>

**32.2** Salaries, wages and benefits include Rs.131,749,471 (2020: Rs.148,493,559) in respect of post employment benefits - gratuity and Rs.31,907,992 (2020: Rs.32,307,658) in respect of provident fund contribution.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>32.3 Other manufacturing expenses</b>			
Cotton dyeing, bleaching and bale pressing charges		158,431,504	156,073,108
Yarn dyeing and bleaching charges		3,250,490	21,224,897
Fabric dyeing, bleaching, knitting and processing charges		77,683,512	60,883,124
Weaving and yarn doubling charges		203,601,153	103,764,645
Stitching, spinning and other charges		17,492,274	82,960,791
Embroidery charges		150,949	101,827,545
		<b>460,609,882</b>	<b>526,734,110</b>

**32.4** It includes salaries, wages and benefits, insurance and finance cost amounting Rs.1,384,651 (2020: Rs.1,205,457), Rs.2,769,303 (2020: Rs.2,410,913) and Rs.10,384,885 (2020: Rs.12,054,567) respectively.

## 33 DISTRIBUTION COST

### On export sales

Export development surcharge		42,482,390	43,537,687
Insurance		2,246,784	5,855,415
Commission		258,147,658	204,057,762
Ocean freight and forwarding		483,488,001	382,453,726
		<b>786,364,833</b>	<b>635,904,591</b>

### On local sales

Inland freight and handling		66,209,578	53,292,081
Commission		46,718,814	47,069,859
		<b>112,928,392</b>	<b>100,361,940</b>

### Other distribution cost

Salaries and benefits	33.1	213,254,710	203,223,297
Rent and utilities		7,269,317	344,937
Communication		18,959,212	14,619,634
Travelling, conveyance and entertainment		34,938,882	70,844,991
Repair and maintenance		37,591,659	3,982,151
Fees and subscription		7,503,572	3,503,893
Samples and advertising		4,000,740	3,484,940
Exhibition expenses		7,928,458	11,637,033
Printing and stationery		520,158	391,156
Depreciation	6.3	927,523	1,388,726
		<b>332,894,231</b>	<b>313,420,757</b>

**33.1** Salaries and benefits include Rs. 8,189,791 (2020: Rs. 8,055,912) in respect of provident fund contribution.

	Note	2021 Rupees	2020 Rupees
<b>34 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		57,600,000	50,520,000
Directors' meeting fee		1,300,000	450,000
Salaries and benefits	34.1	258,163,566	242,101,110
Rent, rates and utilities		15,728,102	19,371,517
Communication		7,349,366	7,892,705
Printing and stationery		4,773,551	3,407,087
Travelling, conveyance and entertainment		16,800,970	24,569,851
Motor vehicle expenses		19,080,368	15,949,864
Repair and maintenance		16,013,764	16,668,495
Insurance expense		1,044,750	2,367,929
Legal and professional charges		15,558,239	9,387,804
Fees and subscription		8,951,531	4,859,039
Computer expenses		9,910,823	9,990,867
Advertisement		575,760	240,815
Depreciation	6.3	39,343,653	39,225,730
Others		260,000	252,000
		<b>472,454,443</b>	<b>447,254,813</b>

**34.1** Salaries and benefits include Rs.9,488,760 (2020: Rs.8,638,857) in respect of provident fund contribution.

<b>35 OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund	25.2	171,733,423	62,057,316
Workers' welfare fund		76,721,813	26,716,027
Auditors' remuneration	35.1	3,148,350	2,568,900
Donations	35.2	33,731,800	31,590,176
Amortization of intangible assets	8.1	100,000	418,706
Provision for stores, spares and loose tools	12.1	13,657,642	-
Provision against doubtful sales tax refundable	19.2	47,601,473	36,440,779
Realized loss on forward currency contracts		1,348,344	18,331,482
Allowance for expected credit loss	14.4	325,713	267,352
Loss on sale of fixed assets	6.4	-	14,153,183
Loss on sale of TFC		4,868,766	-
Exchange loss on translation of receivable		47,315,044	-
Exchange loss on foreign currency accounts		580,443	329,561
		<b>401,132,811</b>	<b>192,873,482</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>35.1 Auditors' remuneration</b>			
Audit fee		1,698,900	1,698,900
Half yearly review fee		444,150	444,150
Special audit fee		849,450	-
Code of corporate governance review fee		85,850	85,850
Tax consultancy fee		-	200,000
Other certification / services		70,000	140,000
		<b>3,148,350</b>	<b>2,568,900</b>

**35.2** Donations to following organisations are greater than 10% of total donations of the Company i.e. Rs.3,373,180 (2020: Rs.3,159,018).

Abdullah Foundation	35.2.1	27,700,000	23,185,000
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**35.2.1** 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	2021 Rupees	2020 Rupees
<b>36 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income			
- from other companies		602,532,388	447,930,334
- from subsidiary and associated companies		278,344,382	167,546,540
		880,876,770	615,476,874
Exchange gain on translation of receivable		-	17,865,044
Interest income on saving account and TFC		2,078,737	10,398,801
		882,955,507	643,740,719
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets	6.4	82,879,513	-
Reversal of provision for stores, spares and loose tools	12.1	-	10,841,543
Rental income		30,600,000	600,000
Scrap sales [Net of sales tax aggregating to Rs.29.162 million (2020: Rs.14.752 million)]		101,127,735	66,004,411
		214,607,248	77,445,954
		1,097,562,755	721,186,673
<b>37 FINANCE COST</b>			
Interest / mark-up on :			
- short term finances		566,871,761	794,232,615
- long term loans		796,542,738	1,302,855,080
- Workers' Profit Participation Fund	25.2	2,083,596	2,402,298
		1,365,498,095	2,099,489,993
Bank charges, commission and others charges		220,357,604	324,082,933
Exchange (gain) / loss on foreign currency loans		(3,323,020)	133,403,953
		1,582,532,679	2,556,976,879

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

		2021 Rupees	2020 Rupees
<b>38</b>	<b>TAXATION</b>		
	Current tax		
	- for the year	496,841,931	421,583,240
	- prior years	(408,110)	(54,911,259)
		496,433,821	366,671,981
	Deferred tax	-	(236,675,636)
		496,433,821	129,996,345

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.

		2021	2020
<b>39</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Profit after taxation for the year	Rupees 3,262,935,040	1,179,089,000
	Weighted average number of ordinary shares	Number 21,689,791	21,427,664
	Earnings per share - basic and diluted	Rupees 150.44	55.03

	Note	2021 Rupees	2020 Rupees
<b>40 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		3,759,368,861	1,309,085,345
<b>Adjustments for non-cash items:</b>			
Depreciation on operating fixed assets		1,288,924,993	1,258,978,465
Amortization of intangible assets		100,000	418,706
Interest income		(2,078,737)	(10,398,801)
(Gain) / loss on sale of property, plant and equipment		(82,879,513)	14,153,183
Dividend income - others		(602,532,388)	(447,930,334)
Dividend income - subsidiary and associate		(278,344,382)	(167,546,540)
Loss on sale of TFCs		4,868,766	-
Provision for gratuity		131,749,471	148,493,559
Provision for expected credit loss		325,713	267,352
Provision for / (Reversal of provision for) stores, spares and loose tools		13,657,642	(10,841,543)
Provision against doubtful sales tax refundable		47,601,473	36,440,779
Provision for GIDC		(62,098,930)	-
Finance cost		1,585,855,699	2,423,572,926
Rental income		(30,600,000)	(600,000)
		<b>2,014,549,807</b>	<b>3,245,007,752</b>
Operating cash flow before changes in working capital		<b>5,773,918,668</b>	<b>4,554,093,097</b>
<b>Changes in working capital</b>			
<b>(Increase) / decrease in current assets</b>			
Stores, spare and loose tools		19,527,755	(66,719,811)
Stock-in-trade		(3,974,199,402)	(1,428,944,907)
Trade debts		148,662,215	(580,140,576)
Loans and advances		(1,912,492)	15,506,247
Trade deposits and short term prepayments		(82,799,657)	(11,408,790)
Other receivables		(93,566,292)	6,277,987
		<b>(3,984,287,873)</b>	<b>(2,065,429,851)</b>
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		970,027,033	438,088,846
Contract liabilities		181,604,160	(20,206,925)
		<b>2,941,261,988</b>	<b>2,906,545,167</b>
<b>41 CASH AND CASH EQUIVALENTS</b>			
Book overdrafts		(190,754)	(33,938,460)
Cash and bank balances	20	75,583,304	67,540,738
		<b>75,392,550</b>	<b>33,602,278</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 42 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 45. 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	2021	2020
		Rupees	Rupees
(i) Subsidiaries	Sales / processing	3,719,386,302	3,055,673,011
	Purchases	1,162,126	-
	Investment made	-	15,760,000
	Expenses charged to	401,874	547,555
	Rental income	30,600,000	600,000
	Dividend received	226,899,382	105,000,000
(ii) Associates	Sales / processing	2,427,087,591	2,188,385,995
	Purchases	134,573,241	272,867,255
	Expenses charged to	48,990,362	50,602,713
	Expenses charged by	8,191,076	10,862,700
	Mark-up charged by	62,821,593	60,937,811
	Dividend paid	-	146,203,902
	Dividend received	51,445,000	62,546,540
	Loans (repaid) / obtained net	(92,492,566)	662,522,688
(iii) Others	Right shares issued	-	200,158,000
	Contribution to provident fund	49,586,543	49,002,427
	Loans repaid to directors and related parties	-	(167,583,000)
	Right shares issued	-	394,444,400
	Donation	27,700,000	23,185,000
	Dividend	-	320,474,622

- 42.1** 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%
Tricon Boston Consulting Corporation (Private) Limited	Subsidiary	57.125%
Sapphire Retail Limited	Subsidiary	100%
Sapphire International ApS	Subsidiary	100%
Designtex (SMC-Private) Limited	Subsidiary of a subsidiary Company	100%
Creadore A/S	Associated Company	49%
Sapphire Power Generation Limited	Associated Company	26.43%
Sapphire Dairies (Private) Limited	Associated Company	12.95%
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
Amer Cotton Mills (Private) Limited	Common directorship	N/A
Diamond Fabrics 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
Fourth Strength (Private) Limited	Common directorship	N/A
Abdullah Foundation	Common directorship	N/A

	2021	2020
<b>43 NUMBER OF EMPLOYEES</b>		
Number of employees at year end	8,003	9,541
Average number of employees	8,696	9,862

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	2021	2020
<b>44 PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Spinning</b>		
Total number of spindles installed	142,105	141,576
Average number of spindles worked	141,692	138,431
Total number of rotors installed	-	1,032
Number of shifts worked per day	3	3
Total days worked	365	353
Installed capacity after conversion into 20/s lbs.	110,773,925	114,315,658
Actual production after conversion into 20/s lbs.	99,979,218	95,065,457
<b>Weaving</b>		
Total number of looms installed	357	362
Average number of looms worked	357	362
Number of shifts worked per day	3	3
Total days worked	365	360
Installed capacity(at 50 picks/inch of fabric square meters)	155,833,860	153,231,821
Actual production(at 50 picks/inch of fabric square meters)	136,246,122	137,858,353
<b>Finishing and Printing</b>		
Production capacity meters	43,200,000	43,200,000
Actual production meters	38,124,226	35,003,177
<b>Yarn dyeing</b>		
Production capacity (KGs)	1,080,000	1,080,000
Actual production (KGs)	893,636	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.

### 44.1 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.

## 45 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives		Directors		Chief Executive	
	2021	2020	2021	2020	2021	2020
	Rupees					
Remuneration	401,840,353	303,960,968	21,600,000	14,520,000	36,000,000	36,000,000
Bonus	29,740,579	27,499,838	-	-	-	-
Medical	4,094,937	4,446,502	-	-	-	-
Contribution to provident fund	14,748,753	16,253,842	-	-	-	-
Leave encashment and other benefits	14,283,785	16,277,927	-	-	-	-
	464,708,407	368,439,077	21,600,000	14,520,000	36,000,000	36,000,000
Number of persons	87	83	2	2	1	1

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

45.2 Meeting fee of Rs. 1.3 million (2020: Rs. 0.45 million) has been paid to independent non-executive directors. No other remuneration has been paid to non-executive directors of the Company.

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

## 46 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.

## 47 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.

### 47.1 Credit risk

#### 47.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, trade deposits, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs. 11,556 million (2020: Rs. 10,363 million), financial assets which are subject to credit risk aggregate to Rs. 3,793 million (2020: Rs. 3,842 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 2021

	2021	2020
	Rupees	Rupees
Long term deposits	87,684,092	87,684,092
Trade debts	2,633,783,566	2,782,771,494
Loan to employees	54,584,579	76,001,303
Trade deposits	102,789,000	22,789,000
Other receivables	841,140,543	758,377,769
Short term investments	-	49,000,000
Bank balances	73,510,198	65,468,763
	<b>3,793,491,978</b>	<b>3,842,092,421</b>

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

Domestic	2,429,610,363	2,569,856,169
Export	241,272,133	249,688,542
	<b>2,670,882,496</b>	<b>2,819,544,711</b>

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

**47.1.3** 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 2021</u>							
Estimated total gross carrying amount at default	1,747,481,074	443,522,910	123,359,276	100,174,794	4,445,183	1,283,830	9,343,296
Expected credit loss	9,485,612	13,845,274	1,452,876	1,250,659	816,614	904,598	9,343,296
<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

**47.1.4** 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
The Bank of Punjab	PACRA	A1+	AA+
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-



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For the year ended 30 June 2021

## 47.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The 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:

2021					
	Carrying amount	Contractual cashflow	Up to 1 year	Between 1 to 5 years	5 years and above
Rupees					
Long term financing	16,702,412,599	21,803,752,656	3,559,176,760	12,793,555,950	5,451,019,945
Trade and other payables	2,911,652,033	2,911,652,033	2,911,652,033	-	-
Accrued interest / mark-up	234,325,938	234,325,938	234,325,938	-	-
Unclaimed dividend	1,629,755	1,629,755	1,629,755	-	-
Short term borrowings	7,679,189,290	7,926,663,700	7,926,663,700	-	-
GIDC Payable	902,772,683	995,182,870	476,858,459	518,324,411	-
	<u>28,431,982,298</u>	<u>33,873,206,951</u>	<u>15,110,306,645</u>	<u>13,311,880,361</u>	<u>5,451,019,945</u>

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>

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

## 47.3 Market risk

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

### 47.3.1 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, Swiss Frank, UAE Dirham and GBP is as follows:

2021							
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(241,272,133)	(1,407,513)	(101,069)	-	-	-	-
Bank balances	(23,858,953)	(151,197)	-	-	-	-	-
	(265,131,086)	(1,558,710)	(101,069)	-	-	-	-
Outstanding letters of credit	4,525,108,280	14,847,479	7,927,800	126,050,960	1,351,891	5,849,686	50,000
Foreign currency forward contracts	3,473,424,296	20,313,013	1,431,754	-	-	-	-
<b>Net Exposures</b>	<b>7,733,401,490</b>	<b>33,601,782</b>	<b>9,258,485</b>	<b>126,050,960</b>	<b>1,351,891</b>	<b>5,849,686</b>	<b>50,000</b>

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)	-	-	-	-	-
	(270,115,754)	(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>2,388,521,760</b>	<b>12,801,399</b>	<b>1,187,896</b>	<b>-</b>	<b>17,790</b>	<b>-</b>	<b>-</b>

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

	2021 Rupees	2020 Rupees
US \$ to Rupees (Buying/Selling)	157.80 / 158.30	168.25 / 168.75
Euro to Rupees (Buying/Selling)	188.12 / 188.71	189.11 / 189.73

### Sensitivity analysis

A 20 percent (2020: 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 particulars interest rates, remain constant.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2021</b>		
Effect in US Dollar	(49,192,888)	(49,192,888)
Effect in Euro	(3,802,620)	(3,802,620)
<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)

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20 percent (2020: 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.

## 47.3.2 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	
	2021	2020	2021	2020
	%	%	Rupees	Rupees
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing	0.6% to 6.5%	2.5% to 6.5%	8,568,464,768	5,457,318,288
Short term borrowings	2.25% to 3.00%	2.25% to 3.00%	3,245,000,000	3,486,784,000
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing	7.08% to 7.79%	7.97% to 14.20%	8,133,947,830	9,051,980,420
Short term borrowings - local currency	7.25% to 8.53%	8.36% to 14.81%	4,434,189,289	4,583,788,958

### 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 2021.

	Profit and loss 100 bps	
	Increase	(Decrease)
	Rupees	Rupees
<b>As at 30 June 2021</b>		
Cash flow sensitivity - variable rate instruments	125,681,371	(125,681,371)
<b>As at 30 June 2020</b>		
Cash flow sensitivity - variable rate instruments	136,357,694	(136,357,694)

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

#### 47.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the 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:

	2021 Rupees	2020 Rupees
Effect on equity	776,165,729	643,517,696
Effect on investments	776,165,729	643,517,696

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

#### 47.4 Fair value of financial instruments

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

#### 47.5 Financial instruments by Category

##### FINANCIAL ASSETS

##### Debt instruments at amortised cost

Long term deposits	87,684,092	87,684,092
Trade debts	2,633,783,566	2,782,771,494
Loan to employees	54,584,579	76,001,303
Trade deposits	102,789,000	22,789,000
Other receivables	841,140,543	758,377,769
Bank balances	73,510,198	65,468,763
	<b>3,793,491,978</b>	<b>3,793,092,421</b>

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

HBL Term Finance Certificates	-	49,000,000
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##### Equity instruments at fair value through OCI

Quoted equity shares	7,761,657,291	6,435,176,964
Unquoted equity shares	500,000	86,648,236
	<b>7,762,157,291</b>	<b>6,521,825,200</b>
<b>Total current</b>	<b>7,165,360,924</b>	<b>6,615,470,534</b>
<b>Total non current</b>	<b>4,390,288,344</b>	<b>3,748,447,087</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

	2021 Rupees	2020 Rupees
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized cost</b>		
Trade and other payables	2,911,652,033	2,235,295,471
Accrued interest / mark-up	234,325,938	361,222,288
Unclaimed dividend	1,629,755	1,696,118
Secured bank loan	16,702,412,599	14,509,298,708
Short term finances from banks	7,679,189,290	8,070,572,958
	<b>27,529,209,615</b>	<b>25,178,085,543</b>
<b>Total current</b>	<b>13,654,929,267</b>	<b>11,405,776,701</b>
<b>Total non current</b>	<b>13,874,280,348</b>	<b>13,772,308,842</b>

## 47.6 Fair value hierarchy

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

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

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

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 2021</b>			
<b>Assets carried at fair value</b>			
Equity instruments at fair value through OCI	<b>7,761,657,291</b>	<b>-</b>	<b>500,000</b>
<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>

#### 47.7 Capital risk management

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

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings (long term 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'.

	2021 Rupees	2020 Rupees
<b>Total borrowings</b>	24,381,601,889	22,579,871,666
Less: Cash and bank balances	75,583,304	67,540,738
<b>Net debt</b>	24,306,018,585	22,512,330,928
<b>Total equity</b>	21,018,585,789	16,476,547,947
<b>Total capital</b>	45,324,604,374	38,988,878,875

	2021 Percentage	2020 Percentage
<b>Gearing ratio</b>	53.63	57.74



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

	2021				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	Rupees				
Balance as at 01 July 2020	14,509,298,708	8,036,634,498	361,222,288	1,696,118	22,908,851,612
<u>Cash flows</u>					
Repayment of loans	(987,182,508)	-	-	-	(987,182,508)
Proceeds from loans	3,180,296,399	(357,635,962)	-	-	2,822,660,437
Finance cost paid	-	-	(1,712,752,049)	-	(1,712,752,049)
Dividends paid	-	-	-	(66,363)	(66,363)
Total changes from financing cash flows	2,193,113,891	(357,635,962)	(1,712,752,049)	(66,363)	122,659,517
<u>Other changes including non-cash</u>					
Finance cost	-	-	1,585,855,699	-	1,585,855,699
Total liability related other changes	-	-	1,585,855,699	-	1,585,855,699
Closing as at 30 June 2021	16,702,412,599	7,678,998,536	234,325,938	1,629,755	24,617,366,828
	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	-	-	2,423,572,925	-	2,423,572,925
Total liability related other changes	-	-	2,423,572,925	522,161,640	2,945,734,565
Closing as at 30 June 2020	14,509,298,708	8,036,634,498	361,222,288	1,696,118	22,908,851,612

#### 49 EVENTS AFTER REPORTING DATE

The board of directors in its meeting held on 23 September 2021 proposed cash dividend of Rs.15 (2020: Nil) per ordinary share of Rs. 10 each which is subject to approval by shareholders at the forthcoming Annual General Meeting and has not recognised in these financial statements.

#### 50 DATE OF AUTHRAIZATION FOR ISSUE

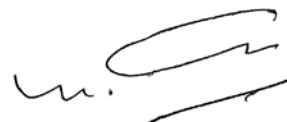
These financial statements were approved by the Board of Directors and authorized for issue on 23 September 2021.



Chief Executive



Chief Financial Officer



Director





# CONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended 30 June 2021



# 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, 2021.

#### **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 32 retail outlets throughout the country.

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

Tricon Boston Consulting Corporation (Private) Limited is 57.125% owned by Sapphire Textile Mills Limited. The Company was 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 wholly owned subsidiary of Sapphire Textile Mills Limited and a limited liability Company incorporated in Denmark formed to strengthen exports.

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

Designtex SMC-Private Limited (the company) was incorporated 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  
23 September 2021

# 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 2021 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 2021 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

Following are the key audit matters:

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.

Key audit matters	How our audit addressed the key audit matter
<b>1. Preparation of consolidated financial statements</b>	
<p>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.</p> <p>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.</p>	<p>We reviewed the consolidation schedules in relation to transactions and balances of the subsidiaries.</p> <p>We reviewed the computation of share of profit of associates.</p> <p>We cross-matched the inter-company transactions and balances with the respective financial statements of the entities for elimination of the same.</p> <p>We reviewed the arithmetic accuracy of the consolidation schedules.</p> <p>We reviewed the work performed by component auditors including reviewing reporting deliverables from the component audit teams.</p> <p>We reviewed the completeness of disclosures in the consolidated financial statements by comparing with the relevant disclosures in each entity's individual financial statements.</p>



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 2021 amounted to Rs. 16,158 million comprising 14% of the Group's total assets.</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 physical 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> </ul>

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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: 23 September 2021**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	64,883,879,222	68,330,966,394
Investment property	8	31,750,000	31,750,000
Intangible assets	9	458,391,119	458,860,485
Long term investments	10	5,601,367,556	4,910,371,492
Long term loans and advances	11	100,618,981	111,663,175
Long term deposits	12	90,390,779	90,434,779
Deferred tax asset	13	120,178,471	115,051,021
		71,286,576,128	74,049,097,346
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	14	719,273,164	725,190,008
Stock in trade	15	16,157,878,138	11,491,779,760
Trade debts	16	11,976,987,295	11,627,624,567
Loans and advances	17	99,866,944	132,174,057
Trade deposits and short term prepayments	18	185,174,492	86,972,105
Other receivables	19	1,223,200,901	985,815,910
Short term investments	20	3,487,399,522	2,956,225,380
Tax refunds due from Government	21	2,155,411,946	1,467,911,232
Cash and bank balances	22	8,769,723,211	6,264,545,239
		44,774,915,613	35,738,238,258
<b>TOTAL ASSETS</b>		<b>116,061,491,741</b>	<b>109,787,335,604</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	23	216,897,910	216,897,910
Reserves	24	30,335,198,774	22,198,232,942
Equity attributable to equityholders of the parent		30,552,096,684	22,415,130,852
Non-controlling interest		10,811,024,647	8,769,248,341
<b>Total Equity</b>		<b>41,363,121,331</b>	<b>31,184,379,193</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term liabilities	25	46,525,128,386	54,971,560,451
Deferred liabilities	26	363,557,599	310,342,296
Lease liabilities	27	2,369,612,563	2,016,766,709
		49,258,298,548	57,298,669,456
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	7,505,149,697	5,792,148,012
Contract liabilities	29	1,014,427,063	869,746,700
Accrued interest / mark-up	30	309,161,955	499,052,861
Unclaimed dividend		1,629,755	1,696,118
Short term borrowings	31	7,907,954,986	8,510,584,713
Current portion of long term liabilities	32	8,387,769,719	5,470,065,259
Current portion of lease liabilities	27	313,978,687	160,993,292
		25,440,071,862	21,304,286,955
<b>CONTINGENCIES AND COMMITMENTS</b>	33		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>116,061,491,741</b>	<b>109,787,335,604</b>

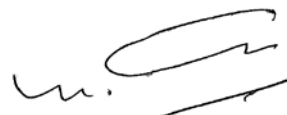
The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
Net turnover	34	58,162,790,748	52,967,395,731
Cost of sales	35	(41,373,517,524)	(36,161,494,725)
<b>Gross profit</b>		<b>16,789,273,224</b>	<b>16,805,901,006</b>
Distribution cost	36	(3,013,600,007)	(2,595,681,324)
Administrative expenses	37	(909,887,111)	(784,446,472)
Other operating expenses	38	(385,853,496)	(217,390,973)
Other income	39	1,056,452,108	702,357,546
		(3,252,888,506)	(2,895,161,223)
<b>Profit from operations</b>		<b>13,536,384,718</b>	<b>13,910,739,783</b>
Finance cost	40	(3,973,105,366)	(6,054,361,338)
Share of profit of associated companies		74,222,272	129,882,216
<b>Profit before taxation</b>		<b>9,637,501,624</b>	<b>7,986,260,661</b>
Taxation	41	(648,778,810)	(121,981,481)
<b>Profit after taxation for the year</b>		<b>8,988,722,814</b>	<b>7,864,279,180</b>
<b>Attributable to:</b>			
Equity holders of the parent		6,850,946,508	5,257,567,820
Non-controlling interest		2,137,776,306	2,606,711,360
		<b>8,988,722,814</b>	<b>7,864,279,180</b>
<b>Earnings per share - basic and diluted</b>	42	<b>315.86</b>	<b>245.36</b>

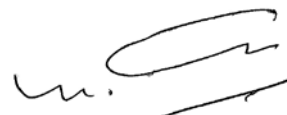
The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	2021 Rupees	2020 Rupees
Profit after taxation for the year	8,988,722,814	7,864,279,180
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent years:		
Forward foreign currency contracts		
Unrealized gain on remeasurement of forward foreign currency contracts	(5,576,935)	(12,941,707)
Unrealised gain on remeasurement of forward foreign currency contracts of associates	(20,641)	(51,980)
	(5,597,576)	(12,993,687)
Net loss on debt instruments at fair value through comprehensive income	-	(1,000,000)
Exchange difference on translation of foreign operations	(2,844,812)	2,406,857
Items not to be reclassified to profit or loss in subsequent years:		
Net gain / (loss) on equity instruments at fair value through other comprehensive income	1,311,034,469	(1,133,791,389)
Unrealised gain / (loss) on equity instruments at fair value through other comprehensive income - associates	10,926,264	(8,752,707)
(Loss) / gain on remeasurement of staff retirement benefits	(26,354,732)	51,412,524
Loss on remeasurement of staff retirement gratuity - associates	(210,946)	(181,347)
	(26,565,678)	51,231,177
Other comprehensive income / (loss) for the year	1,286,952,667	(1,102,899,749)
Total comprehensive income for the year	10,275,675,481	6,761,379,431
Attributable to:		
Equityholders of the parent	8,137,899,175	4,154,668,071
Non- controlling interest	2,137,776,306	2,606,711,360
	10,275,675,481	6,761,379,431

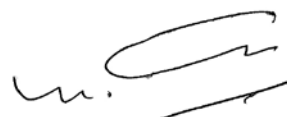
The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Capital Reserves				Revenue Reserves			Non-Controlling Interest	Total	Total Equity	
	Share Capital	Share Premium	Fixed Assets Replacement	Unrealized gain/(loss) on investments at fair value through OCI	Unrealized gain/(loss) on translation of foreign operation	Unrealized gain/(loss) on forward foreign exchange contracts	General reserves				
							Unappropriated profit				
Rupees											
Balance as at 01 July 2019	200,831,400	156,202,200	65,000,000	(1,281,758,979)	88,768,725	341,217	1,330,000,000	17,585,841,966	18,145,226,529	24,352,763,510	
Total comprehensive income for the year ended 30 June 2020											
Profit after taxation for the year	-	-	-	-	-	-	-	5,257,567,820	5,257,567,820	7,864,279,180	
Other comprehensive loss 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)	-	5,308,798,997	4,154,668,071	6,761,379,431	
Share of decrease in reserves of associated companies under equity method	-	-	-	(51,745,097)	-	-	-	51,745,097	-	-	
	-	-	-	-	-	-	-	(5,262,508)	(5,262,508)	(5,262,508)	
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	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 2019 @ 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	22,418,961,912	22,415,130,852	31,184,379,193	
Total comprehensive income for the year ended 30 June 2021											
Profit after taxation for the year	-	-	-	-	-	-	-	6,850,946,508	6,850,946,508	8,988,722,814	
Other comprehensive income / (loss) for the year	-	-	-	1,321,960,733	(2,844,812)	(5,597,576)	-	(26,565,678)	1,286,952,667	1,286,952,667	
Transfer of loss on sale of investments at fair value through OCI to un-appropriated profit	-	-	-	1,321,960,733	(2,844,812)	(5,597,576)	-	6,824,380,830	8,137,899,175	10,275,675,481	
Share of decrease in reserves of associated companies under equity method	-	-	-	152,401,442	-	-	-	(152,401,442)	-	-	
Transaction with owners	-	-	-	-	-	-	-	(933,343)	(933,343)	(933,343)	
Interim dividend for the year ended June 30, 2021 @ Rs.0.98 per share - SWPCL	-	-	-	-	-	-	-	-	(86,000,000)	(96,000,000)	
Balance as at 30 June 2021	216,897,910	782,796,090	65,000,000	(1,002,685,997)	88,330,770	(18,250,046)	1,330,000,000	29,090,007,957	30,552,096,684	41,363,121,331	

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



Chief Executive



Chief Financial Officer



Director



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	43	14,072,737,242	13,787,248,151
Long term loans, advances and deposits		11,088,194	188,809,526
Finance cost paid		(3,812,879,699)	(6,033,671,458)
Staff retirement benefits - gratuity paid		(122,755,461)	(72,379,948)
Taxes paid		(1,382,759,560)	(868,891,713)
		(5,307,306,526)	(6,786,133,593)
Net cash generated from operating activities		8,765,430,716	7,001,114,558
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,304,636,027)	(1,857,038,724)
Purchase of intangibles		(1,781,200)	(3,290,960)
Investments in equity instruments		(124,849,802)	(81,940,358)
Dividend received from associates		51,445,000	62,523,860
Investment in subsidiary		-	(15,860,000)
Proceeds from disposal of property, plant and equipment		304,971,809	185,421,375
Proceeds from disposal of right of use of assets		2,879,067	9,194,831
Proceeds from sale of investments		244,552,083	497,776,517
Dividend received		602,532,388	447,953,012
Interest received		82,581,034	106,814,900
Net cash used in investing activities		(2,142,305,648)	(648,445,547)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings - net		(568,882,020)	(381,594,890)
Proceeds from long term financing		3,180,296,339	2,066,476,724
Exchange (loss) / gain on translation of foreign subsidiary		(1,144,321)	2,406,857
Repayment of long term financing		(5,943,138,916)	(6,262,779,676)
Finance lease obligation - net		(655,264,108)	(43,688,579)
Issuance of shares - net		-	642,660,400
Dividend paid		(96,066,363)	(567,260,979)
Net cash used in financing activities		(4,084,199,389)	(4,543,780,143)
<b>Net increase in cash and cash equivalents</b>		<b>2,538,925,679</b>	<b>1,808,888,868</b>
Cash and cash equivalents at the beginning of the year		6,230,606,778	4,414,025,673
Transfer upon merger		-	7,692,237
<b>Cash and cash equivalents at the end of the year</b>	<b>44</b>	<b>8,769,532,457</b>	<b>6,230,606,778</b>


The annexed notes from 1 to 54 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 2021

## 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 Printing Processing and Home Textile	2-KM, Warburtan Road, Feroze Wattoan, Sheikhpura
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) (DTL)	100%
i) 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 to operate retail outlets to sell the same in Pakistan and abroad through E-store.	
ii) Sapphire Wind Power Company Limited (SWPCL) was incorporated in Pakistan as a 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 its wind power plant has been set up at Jhimpir, District Thatta, Sindh on land that is leased to the company by Alternative Energy Development Board ('AEDB'), Government of Pakistan.	

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 November 22, 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) Triconboston Consulting Corporation (Private) Limited (TBCL) was incorporated in Pakistan as a private Company limited 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 212, Cotton Exchange Building, I. I. Chundrigar Road, Karachi.

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 by 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. 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.

## 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 2021. 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.

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized 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 & equipment, intangible assets and investment property [notes 6.3, 6.4, 6.5, 7.1, 8 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]

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

- d) Provision for expected credit loss [note 6.8 and 16]
- e) Provision for employees' retirement benefits [note 6.11 and 26.3]
- f) Provision for taxation [note 6.13 and 41]

## 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 for new standards, interpretation and amendments to following standards as described below:

- IFRS 3 - Business Combinations - Definition of a Business (amendments)
- IFRS 7 & IFRS 9 - Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)
- 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)
- IFRS 16 - Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

The adoption of the above amendments and improvements to accounting standards did not have any material effect on the financial statements.

### 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:

	2021 Rupees	2020 Rupees
De-recognition of property, plant and equipment	(40,237,426,784)	(43,296,543,978)
De-recognition of trade debts	(2,029,176,658)	(2,589,320,201)
Recognition of lease debtor	42,925,951,902	45,555,837,666
	<b>659,348,460</b>	<b>(330,026,513)</b>
Decrease in un-appropriated profit at the beginning of the year	(330,026,513)	(1,249,086,819)
Increase in profit for the year	989,374,974	919,060,306
Increase / (decrease) in un-appropriated profit at the end of the year	<b>659,348,460</b>	<b>(330,026,513)</b>

- 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 approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation have not been adopted early by the Group:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 7 & IAS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021
IFRS 3	Business Combinations - 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 2022
IAS 16	Property, plant and equipment - Amendment 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 an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2023
IAS 1	Presentation of Financial Statements to require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy	01 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments) - Definition of Accounting Estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”	01 January 2023
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

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 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2022. 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 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.

### 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 (NCI) interests 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 recognized 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 recognized 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 recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized 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 recognized 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.

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

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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 outside operating profit 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 recognize 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 recognizes 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 recognizes 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 recognized 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

## **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 recognized and carried at original invoice amount less expected credit losses (ECL) as explained in note 6.22.1 (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 yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

## **6.11 Government grant**

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed

## **6.12 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 amounts 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.13 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.

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

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the subsidiary companies (SWPCL & 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.

## 6.15 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.

### 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 other income in the statement of profit or loss 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.

### **6.15.1 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.

### **6.16 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.

### **6.17 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.18 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 in co-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.

#### (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.

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.

## 6.19 Borrowing cost

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

## 6.20 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.

## **6.21 Impairment**

The carrying amount of the Group's non-financial 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.

## **6.22 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.

### **6.22.1 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 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 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 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 recognized 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 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Financial assets at amortised cost (debt instruments)

The Group 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.

## 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 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 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. Dividends are recognized 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 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 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 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 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 Group expects to receive,

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes 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.

## 6.22.2 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.

## 6.22.3 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 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 derecognised, the unamortized fair value is recognised 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.

**6.22.4 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, unclaimed dividend, accrued interest, loans and borrowings including bank overdrafts and lease liabilities.

**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 2021

Gains and losses are recognized in statement of profit or 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 50.5.

## 6.23 Earnings per share - basic and diluted

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

## 6.24 Segment reporting

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

## 6.25 Related party transactions

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

	Note	2021 Rupees	2020 Rupees
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	7.1	60,563,772,273	64,883,952,143
Capital work-in-progress	7.6	1,725,130,337	1,276,023,745
Major spare parts and stand-by equipment	7.7	69,216,256	69,216,256
Right of use asset	7.8	2,525,760,356	2,101,774,250
		<u>64,883,879,222</u>	<u>68,330,966,394</u>



### 7.1 Operating fixed assets

	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	Mills equipment	Furniture and fixtures	Vehicles	Total
Balance as at 1 July 2020																		
Cost	355,295,557	115,038,377	3,160,225,121	584,895,494	420,773,248	1,935,288,762	107,892,467	662,975,329	72,398,219,611	680,458,156	29,100,420	459,232,140	248,271,358	54,338,311	116,018,158	464,070,744	292,924,712	82,084,015,965
Accumulated depreciation	-	-	(1,379,222,976)	(184,516,143)	(91,749,424)	(401,061,238)	(39,448,003)	(328,471,126)	(13,808,432,273)	(257,020,510)	(8,824,174)	(142,936,424)	(158,373,307)	(42,286,290)	(56,497,442)	(119,836,298)	(151,395,194)	(17,200,063,822)
Net book value	355,295,557	115,038,377	1,781,002,145	400,376,351	329,023,824	1,534,225,524	68,444,464	334,504,203	59,599,787,388	393,437,646	20,276,246	315,295,716	89,898,051	12,052,021	59,521,716	344,244,446	141,529,518	64,883,952,143
For the year ended 30 June 2021																		
Additions during the year																		
-Direct Additions	357,010,658	21,974,800	170,269,209	12,250,071	-	8,000,000	-	61,040,068	1,990,799,623	3,701,889	1,009,620	57,655,930	53,794,781	4,061,262	7,714,423	67,884,549	34,107,200	2,841,274,283
-Net exchange gain capitalised (Note 7.3)	-	-	-	-	-	(69,344,934)	-	-	(2,457,188,490)	-	-	-	-	-	-	-	-	(2,526,533,424)
Deposals:																		
- Cost	80,392,936	-	-	-	-	-	-	83,390,546	474,639,173	1,037,671	200,200	15,727,841	26,846,349	6,217,415	2,740,077	17,776,523	19,837,208	728,997,941
- Depreciation	-	-	-	-	-	-	-	(51,409,889)	(369,005,302)	(626,494)	(135,653)	(6,211,120)	(23,601,686)	(4,403,970)	(2,120,550)	(10,196,968)	(11,844,671)	(479,556,303)
	80,392,936	-	-	-	-	-	-	31,970,659	105,633,871	411,177	64,547	9,516,721	3,244,663	1,813,445	619,527	7,581,555	7,992,537	249,441,638
Depreciation for the year	-	-	(188,650,053)	20,507,704	(16,451,191)	(90,603,801)	(3,096,179)	(68,733,826)	(3,808,652,327)	(27,095,002)	(2,033,670)	(43,940,849)	(35,248,863)	(2,479,791)	(6,400,741)	(39,511,776)	(32,673,519)	(4,385,479,091)
	631,913,479	137,013,177	1,762,621,301	392,118,718	312,572,633	1,382,276,989	65,348,286	294,839,786	54,199,512,273	369,633,356	19,187,649	319,494,076	105,199,306	11,820,047	60,214,871	365,035,664	134,970,682	60,563,772,273
Balance as at 30 June 2021																		
Cost	631,913,479	137,013,177	3,330,494,330	597,145,565	420,773,248	1,873,941,828	107,892,467	640,634,849	71,446,991,571	683,122,374	29,909,840	500,160,229	275,219,790	52,182,158	120,992,504	514,176,770	307,194,704	81,669,758,883
Accumulated depreciation	-	-	(1,567,673,029)	(205,026,847)	(108,200,619)	(491,664,839)	(42,544,181)	(345,795,063)	(17,247,479,298)	(313,489,018)	(10,722,191)	(180,666,153)	(170,020,484)	(40,382,111)	(60,777,633)	(149,141,106)	(172,224,042)	(21,105,986,610)
Net book value - 30 June 2021	631,913,479	137,013,177	1,762,621,301	392,118,718	312,572,633	1,382,276,989	65,348,286	294,839,786	54,199,512,273	369,633,356	19,187,649	319,494,076	105,199,306	11,820,047	60,214,871	365,035,664	134,970,682	60,563,772,273
Depreciation rate % per annum	-	-	10	5	5	5 & 10	5	20	5 & 10	10	10	10 & 33.33	30	10 & 33.33	10	10 & 15	20	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2020																	
Land		Buildings on free - hold land			Buildings on lease - hold land			Rupees									
Free - hold	Lease - hold	Factory building	Labour, staff colony and others	Office building	Factory building	Labour, staff colony and others	Leased building improvements	Plant and machinery	Electric installation	Fire fighting equipment	Electric equipment	Computer	Office equipment	Mills equipment	Furniture and fixtures	Vehicles	Total
324,259,058	115,038,377	2,975,527,412	511,126,592	420,773,248	1,904,139,017	107,892,467	658,975,329	70,703,452,549	647,103,167	26,470,720	396,809,254	225,896,427	54,582,096	107,109,148	400,060,092	301,461,511	79,880,656,464
-	-	(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)	(6,719,398)	(98,388,443)	(122,252,370)	(93,182,765)	(50,027,929)	(84,424,494)	(139,509,944)	(13,019,466,706)
324,259,058	115,038,377	1,799,036,443	346,677,556	346,340,867	1,592,785,751	71,703,598	412,723,376	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	66,861,189,758

**7.2** Free hold lands of the Group are located at Sheikhpura, Kasur and Lahore with an area of 1,228,215 (2020:1,099,016) square yards and leasehold lands of the Group are located at Kotri, Nooriabad and Karachi with an area of 440,840 (2020:435,964) square yards.

**7.3** This represents exchange difference capitalised in accordance with SRO 24(I)/2012 dated January 16, 2012 of the SECP (as fully explained fully in note 6.20 to these 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	2021 Rupees	2020 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		(10,914,947,674)	(13,181,207,906)
<b>Statement of profit or loss:</b>			
(Decrease) / Increase in cost of sales		(260,273,192)	691,596,123
Increase in other income		2,526,533,424	-
Increase in other expenses		-	(1,017,217,317)
Increase / (decrease) in profit for the year		2,266,260,232	(325,621,194)

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

Cost of sales	35	4,185,720,333	4,124,720,399
Distribution cost	36	134,321,511	145,323,853
Administrative expenses	37	65,437,247	67,995,790
		4,385,479,091	4,338,040,042

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7.5 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	Gain / (loss)	Mode of disposal	Particulars of Buyers / Relationship (if any)
	Rupees						
<a href="#">Freehold Land</a>	80,392,936	-	80,392,936	181,224,967	100,832,031	Negotiation	Sitara Heights (Private) Limited
<a href="#">Leased Building Improvement</a>	39,372,177	26,491,251	12,880,926	-	(12,880,926)	Written off	Written off during the year
<a href="#">Plant and Machinery</a>							
Gas generator	13,635,020	11,537,132	2,097,888	2,100,000	2,112	Negotiation	Mr. Faisal Javed
Gas generator	17,818,808	16,303,737	1,515,071	1,550,000	34,929	--- - do --- -	Mr. Muhammad Saleem
Chute feed tandam crosrol machine	22,246,142	21,218,388	1,027,754	10,474,948	9,447,194	--- - do --- -	Ideal Trading Company
Auto coro open end machine	33,560,812	28,016,680	5,544,132	9,500,000	3,955,868	--- - do --- -	A.R.Textile
Chute feed tandam crosrol machine	8,523,923	7,825,932	697,991	2,171,796	1,473,805	--- - do --- -	Gausar Textile Mills (Private) Limited
Chute feed tandam crosrol machine	4,128,808	3,443,277	685,531	910,000	224,469	--- - do --- -	Mubashar Brothers
Gas generator	16,163,644	12,708,583	3,455,061	6,000,000	2,544,939	--- - do --- -	Orient Rental Modaraba
Loptex sortor machine	18,515,213	13,307,766	5,207,447	1,800,002	(3,407,445)	--- - do --- -	Zaitoon Textile Mills Faisalabad
Auto coro open end machine	9,667,507	7,583,366	2,084,141	683,761	(1,400,380)	--- - do --- -	Mr. Khalid Pervaiz
Gas generator	16,158,324	12,454,116	3,704,208	6,000,000	2,295,792	--- - do --- -	Orient Rental Modaraba
Murata Coner Machine	16,517,302	15,478,756	1,038,546	2,250,000	1,211,454	--- - do --- -	Ideal Trading Company
Gas generator	46,135,530	34,070,078	12,065,452	12,000,000	(65,452)	--- - do --- -	Orient Energy System (Pvt) Ltd
Auto compact machine	24,168,766	19,094,338	5,074,428	1,169,230	(3,905,198)	--- - do --- -	VJ Textile Traders
Compact spinning machine	39,403,481	31,265,025	8,138,456	-	(8,138,456)	Written off	Written off during the year
Power Looms	60,152,428	40,042,773	20,109,655	20,000,000	(109,655)	Negotiation	Shabbir Textile Mills (Private) Limited
Power Looms	76,099,449	62,362,195	13,737,254	16,011,111	2,273,857	--- - do --- -	Bismillah Industries
Power Looms	622,597	112,534	510,063	510,070	7	--- - do --- -	Sajal Textile
Lock stitch machine	5,270,897	2,351,729	2,919,168	1,299,145	(1,620,023)	--- - do --- -	Paracha Systems (Private) Limited
Chain Grate Boiler - Thermal Oil Heater	24,051,543	11,234,061	12,817,482	10,900,000	(1,917,482)	--- - do --- -	Opera Textile (Private) Limited
	452,840,192	350,410,466	102,429,726	105,330,063	2,900,337		
<a href="#">Furniture and Fixture</a>	14,724,216	9,221,733	5,502,483	-	(5,502,483)	Written off	Written off during the year
<a href="#">Vehicles</a>							
Honda Civic	2,382,500	1,726,714	655,786	1,225,000	569,214	Negotiation	Mr. Asif Gul Mohammad
Suzuki Swift	1,463,000	750,981	712,019	712,019	-	As per Company Policy	Mr. Shakeel Ahmad
Suzuki Cultus	1,250,000	626,000	624,000	636,000	12,000	--- - do --- -	Mr. Wail Muhammad Arian
Toyota Corolla	1,987,000	842,488	1,144,512	1,144,512	-	--- - do --- -	Mr. Murad Sarwar
Suzuki Cultus	1,250,000	602,000	648,000	660,000	12,000	--- - do --- -	Mr. Fayyaz Abrar
Suzuki Cultus	1,250,000	616,666	633,334	633,334	-	--- - do --- -	Mr. Naveed Mubashar
Suzuki WagonR	1,029,000	525,019	503,981	500,780	(3,201)	--- - do --- -	Mr. Zeeshan Saleem
Suzuki Cultus	1,250,000	528,221	721,779	1,200,000	478,221	Insurance claim	Adamjee Insurance Company Limited
	11,861,500	6,218,089	5,643,411	6,711,645	1,068,234		
<a href="#">Other assets having book value less than Rs.500,000</a>	129,806,920	87,214,764	42,592,156	11,705,134	(30,887,022)		
30 June 2021	728,997,941	479,556,303	249,441,638	304,971,809	55,530,171		
30 June 2020	346,791,669	219,323,234	127,468,435	115,377,339	(12,091,096)		

	Note	2021 Rupees	2020 Rupees
<b>7.6 Capital work-in-progress</b>			
Freehold land and building	7.6.1	443,373,511	443,173,511
Civil works and buildings		296,416,131	167,976,421
Plant and machinery	7.6.2	978,153,620	660,175,499
Electric installations		3,032,075	543,314
Mills Equipment		4,155,000	4,155,000
	7.6.3	<b>1,725,130,337</b>	<b>1,276,023,745</b>

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

**7.6.2** Additions to capital work in progress include borrowing cost amounting to Rs.7,369,884 (2020: Rs. 11,199,800) at the borrowing rate of 1.75% to 8.49% (2020: 2.75% to 14.65%) pertaining to the Holding Company.

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

	30 June 2020	Additions during the year	Transferred to operating fixed assets	30 June 2021
	Rupees			
<b>Particulars</b>				
Freehold land & building	443,173,511	200,000	-	<b>443,373,511</b>
Civil works and buildings	167,976,421	321,509,526	(193,069,816)	<b>296,416,131</b>
Plant and machinery	660,175,499	2,314,180,817	(1,996,202,696)	<b>978,153,620</b>
Electric installations	543,314	4,472,554	(1,983,793)	<b>3,032,075</b>
Mills Equipment	4,155,000	368,000	(368,000)	<b>4,155,000</b>
	<b>1,276,023,745</b>	<b>2,640,730,897</b>	<b>(2,191,624,305)</b>	<b>1,725,130,337</b>

**7.7** 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. As per the terms of the above mentioned O&M Agreement, O&M contractor will replenish and hand over these items to the Subsidiary Company on the expiry of the O&M Agreement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7.8 Right of use asset

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

	Note	Land	Rented premises	Vehicles	Total
Rupees					
As at 1 July 2020		62,302,227	2,030,074,549	9,397,474	2,101,774,250
Additions during the year		-	607,836,224	2,030,000	609,866,224
Modifications during the year		26,919,937	267,037,578	-	293,957,515
Depreciation expense	7.8.5	(5,160,256)	(396,141,129)	(1,345,625)	(402,647,010)
Disposals		-	(73,007,454)	(2,583,419)	(75,590,873)
Transfers during the year		-	-	(1,599,750)	(1,599,750)
As at 30 June 2021		84,061,908	2,435,799,768	5,898,680	2,525,760,356
As at 1 July 2019		65,946,318	1,979,344,096	16,987,661	2,062,278,075
Additions during the year		-	393,201,598	3,950,000	397,151,598
Depreciation expense	7.8.5	(3,644,091)	(342,471,145)	(2,257,670)	(348,372,906)
Disposals during the year		-	-	(9,282,517)	(9,282,517)
As at 30 June 2020		62,302,227	2,030,074,549	9,397,474	2,101,774,250
		7.8.1	7.8.2	7.8.3	

**7.8.1** 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 twenty years .

**7.8.2** SRL (subsidiary) has lease contracts for rented premises (retail outlets). Leases of rented premises generally have lease terms between 2 and 12 years.

**7.8.3** SRL(subsidiary) has lease contracts for vehicles. Leases of vehicles have lease terms between 4 and 5 years.

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

Particulars of assets / sold to	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal
Rupees						
Suzuki Swift / Mr. Ahsan Ali (Ex-Employee)	1,375,000	706,200	668,800	696,667	27,867	Company Policy
Suzuki Swift / Mr. Ali Abbas (Employee)	1,375,000	654,520	720,480	752,400	31,920	--- do ---
Honda City / Mr. Shozab Zaka (Ex-Employee)	2,033,000	838,861	1,194,139	1,430,000	235,861	--- do ---
2021	4,783,000	2,199,581	2,583,419	2,879,067	295,648	
2020	12,995,900	3,713,383	9,282,517	9,194,831	(87,686)	

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

	Note	2021 Rupees	2020 Rupees
Cost of sales	35	5,709,333	4,630,536
Selling and distribution expenses	36	396,708,212	343,011,487
Administrative expenses	37	229,465	730,883
		<b>402,647,010</b>	<b>348,372,906</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 the estimation was Rs.75 million (2020: Rs.70 million).

## **9 INTANGIBLE ASSETS**

Computer software	9.1	2,850,809	3,320,175
Goodwill	9.2	455,540,310	455,540,310
		<b>458,391,119</b>	<b>458,860,485</b>
<b>9.1 Computer software</b>			
<b>Net carrying value as at 01 July 2020</b>			
Net book value as at July 01		3,320,175	2,382,417
Addition during the year		1,781,200	3,290,960
Amortization during the year	9.1.2	(2,250,566)	(2,353,202)
<b>Net book value as at 30 June 2021</b>		<b>2,850,809</b>	<b>3,320,175</b>
<b>Gross carrying value as at 30 June 2021</b>			
Cost		40,441,933	38,660,733
Accumulated amortization		(37,591,124)	(35,340,558)
<b>Net book value as at 30 June 2021</b>		<b>2,850,809</b>	<b>3,320,175</b>
Amortization rate % per annum		<b>20 &amp; 33.33</b>	<b>20 &amp; 33.33</b>

**9.1.1** This represents inventory, point of sale (POS) software and Econnect license which are being amortized over 3 years on straight line basis of SRL (Subsidiary Company).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2014. TBCL is considered a separate cash generating unit of the Group and there is no indicator of its impairment.

	Note	2021 Rupees	2020 Rupees
<b>10 LONG TERM INVESTMENTS</b>			
<b>Related parties - under equity method</b>			
Associates - listed	10.1	135,004,487	93,345,238
- unlisted	10.2	1,191,605,300	1,202,426,434
		1,326,609,787	1,295,771,672
<b>Other companies - Fair value through other comprehensive income</b>	10.3	4,274,757,769	3,614,599,820
		5,601,367,556	4,910,371,492

## 10.1 Investments in associates - listed

2021	2020		2021	2020
No. of Shares		Name of Company	Rupees	Rupees
313,295	313,295	<b>Reliance Cotton Spinning Mills Limited (RCSM)</b>	135,004,487	93,345,238
		Equity Interest Held 3.04% (2020: 3.04%)		
		Fair value of the ordinary shares as at 30 June 2021 amounted to Rs.60.685 million (2020: Rs.40.102 million).		

### 10.1.1 The breakup of equity investment is as follows:

Cost	8,461,851	8,461,851
Dividend received	-	(2,506,360)
Accumulated profit	126,542,636	87,389,747
	135,004,487	93,345,238

Investment in RCSM represents 313,295 fully paid ordinary shares of Rs.10 each representing 3.04% (2020: 3.04%) of RCSM's issued, subscribed and paid-up capital as at 30 June 2021. 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 due to common directorship.

## 10.2 Investments in associates - unlisted

2021	2020		Note	2021	2020
No. of Shares		Name of Company		Rupees	Rupees
4,234,500	4,234,500	<b>Sapphire Power Generation Limited (SPGL)</b> Equity Interest Held 26.43% (2020: 26.43%)	10.2.1	366,952,768	369,108,608
6,000,000	6,000,000	<b>Sapphire Electric Company Limited (SECL)</b> Equity Interest Held 1.42% (2020: 1.42%)	10.2.2	260,632,661	233,878,141
10,000	10,000	<b>Sapphire Holding Limited (SHL)</b> Equity Interest Held 0.05% (2020: 0.05%)	10.2.3	5,091,274	4,322,127
23,500,000	23,500,000	<b>Sapphire Dairies (Private) Limited (SDL)</b> Equity Interest Held 12.95% (2020: 18.80%)	10.2.4	277,065,409	273,136,997
3,675	3,675	<b>Foreign Company - Creadore A/S Denmark (Creadore A/S)</b> Beneficial ownership: Sapphire Textile Mills Limited - 49% (2020: 49%) and Beirholm Holding A/S Nordager 20, 6000 Kolding, Denmark- 51% (2020: 51%)	10.2.5	281,863,188	321,980,561
			10.2.6	<b>1,191,605,300</b>	<b>1,202,426,434</b>

**10.2.1** Investment in SPGL represents 4,234,500 fully paid ordinary shares of Rs.10 each representing 26.43% (2020: 26.43%) of SPGL's issued, subscribed and paid-up capital as at 30 June 2021. 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% (2020: 1.42%) of SECL's issued, subscribed and paid-up capital as at 30 June 2021. 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% (2020: 0.05%) of SHL's issued, subscribed and paid-up capital as at 30 June 2021. 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 12.95% (2020: 18.80%) of SDL's issued, subscribed and paid-up capital as at 30 June 2021. SDL was incorporated as a private limited company and is principally engaged in production of milk and milk products. During the year, SDL has issued right shares. However, Holding company has not subscribed its portion.

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**10.2.5** Investment in Creadore represents 3,675 fully paid ordinary shares of DKK1000 each representing 49% (2020: 49%) of Creadore's share capital as at 30 April 2021. 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>30 June 2021</b>					
Cost	113,705,500	60,000,000	100,000	235,000,000	58,708,925
Dividend received	(42,345,000)	(9,000,000)	(100,000)	-	-
Accumulated profit	295,592,268	209,632,661	5,091,274	42,065,409	223,154,263
	<u>366,952,768</u>	<u>260,632,661</u>	<u>5,091,274</u>	<u>277,065,409</u>	<u>281,863,188</u>
<b>30 June 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>

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

	30 June 2021					30 April 2021
	RCSML	SPGL	SECL	SHL	SDL	Creadore A/S
Rupees						
<b>Summarized Statement of Financial Position</b>						
Non-current assets	3,237,606,119	1,432,456,174	11,594,528,223	10,964,014,602	4,003,096,319	-
Current assets	4,457,376,641	134,830,966	14,560,447,011	127,996,875	601,346,368	770,428,935
	<u>7,694,982,760</u>	<u>1,567,287,140</u>	<u>26,154,975,234</u>	<u>11,092,011,477</u>	<u>4,604,442,687</u>	<u>770,428,935</u>
Non-current and current liabilities	3,259,973,649	178,660,654	7,736,006,105	862,047,477	2,464,259,775	195,197,940
<b>Net assets</b>	<u>4,435,009,111</u>	<u>1,388,626,486</u>	<u>18,418,969,129</u>	<u>10,229,964,000</u>	<u>2,140,182,912</u>	<u>575,230,995</u>
<b>Reconciliation to carrying amount</b>						
Opening net assets	3,066,468,311	1,396,784,637	16,528,221,113	8,684,510,412	1,452,856,368	657,103,186
Right shares issued	-	-	-	-	650,037,500	-
Profit / (loss) for the year	1,330,697,754	116,088,778	2,526,780,052	1,496,229,282	38,279,017	(78,401,800)
Other comprehensive (loss) / income	38,893,615	36,004,412	-	250,184,598	(989,973)	-
Other adjustments	(1,050,569)	(8,951)	-	(28,892)	-	(3,470,391)
Dividend paid during the year	-	(160,242,390)	(636,032,036)	(200,931,400)	-	-
Closing net assets	<u>4,435,009,111</u>	<u>1,388,626,486</u>	<u>18,418,969,129</u>	<u>10,229,964,000</u>	<u>2,140,182,912</u>	<u>575,230,995</u>
Group's share (%)	3.04%	26.43%	1.42%	0.05%	12.95%	49.00%
Carrying amount of investment	<u>135,004,487</u>	<u>366,952,768</u>	<u>260,632,661</u>	<u>5,091,274</u>	<u>277,065,409</u>	<u>281,863,188</u>

30 June 2021						30 April 2021
RCSML	SPGL	SECL	SHL	SDL		Creadore A/S
Rupees						
<b>Summarized Statement of Profit or Loss</b>						
Revenue	7,681,902,021	-	12,183,853,121	6,528,229	1,875,536,135	308,313,360
Profit / (loss) before tax	1,432,453,958	148,611,704	2,526,861,242	1,646,102,515	68,324,591	(101,072,200)
Profit / (loss) after tax	1,330,697,754	116,088,778	2,526,780,052	1,496,229,282	38,279,017	(78,401,800)
30 June 2020						30 April 2020
RCSML	SPGL	SECL	SHL	SDL		Creadore A/S
Rupees						
<b>Summarized Statement of Financial Position</b>						
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	832,884,946
	7,210,709,279	1,620,090,821	24,272,352,017	9,386,691,654	3,213,907,962	832,884,946
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
<b>Reconciliation to carrying amount</b>						
Opening net assets	2,798,535,314	1,387,124,794	14,205,540,890	7,641,151,557	1,305,757,496	625,759,306
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	(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)
<b>Closing net assets</b>	<b>3,066,468,311</b>	<b>1,396,784,637</b>	<b>16,528,221,113</b>	<b>8,684,510,412</b>	<b>1,452,856,369</b>	<b>657,103,186</b>
Group's share (percentage)	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
<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

**10.2.7** The share of profit or loss after acquisition is recognized based on financial statements as at 30 June 2021 except Creadore A/S, Denmark whose financial year ended on 30 April 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

2021	2020	Note	2021	2020
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	431,323,737	440,422,259
			649,203,887	658,302,409
29,623,714	29,623,714	Habib Bank Limited	5,926,153,798	5,926,153,798
		Fair value adjustment	(2,301,099,916)	(3,056,504,623)
			3,625,053,882	2,869,649,175
<b>Unquoted</b>				
-	7,055,985	Novelty Enterprises (Private) Limited	-	86,148,236
50,000	50,000	TCC Management Services (Private) Limited	500,000	500,000
			4,274,757,769	3,614,599,820

**10.3.1** The Holding Company has pledged 3.332 million (2020: 3.332 million) shares of MCB Bank Limited, Nil (2020: 0.150 million) shares of Engro Corporation Limited, 12.906 million (2020: 12.906 million) shares of Bank Al-Habib Limited and 24.177 million (2020: 27.177 million) shares of Habib Bank Limited with various financial institutions for arrangement of finance facilities.

**10.3.2** The Holding Company has pledged 3.736 million (2020: 4.407 million) shares of Engro Corporation Limited, 7.200 million (2020: 7.200 million) shares of Bank Al-Habib Limited, 0.730 million (2020: 0.730 million) shares of MCB Bank Limited and 2.447 million (2020: 2.447 million) shares of Habib Bank 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 Triconboston Consulting Corporation (Private) Limited (2020: US \$ 8.791 million).

## 11 LONG TERM LOANS AND ADVANCES

Loan to employees	11.1	27,846,483	46,163,175
Advances for land		66,072,498	65,500,000
Advances for vehicles		6,700,000	-
		100,618,981	111,663,175
<b>11.1 Loan to employees - unsecured (considered good)</b>			
Loans to employees	11.1.1	47,723,771	70,855,954
Current portion of loans shown under current assets	17	(19,877,288)	(24,692,779)
		27,846,483	46,163,175

- 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.

	Note	2021 Rupees	2020 Rupees
<b>12 LONG TERM DEPOSITS</b>			
<b>Security deposits</b>			
Water and Power Development Authority		85,830,588	85,830,588
Sui Northern Gas Pipelines Limited		1,097,000	1,097,000
Others	12.1	3,463,191	3,507,191
		<b>90,390,779</b>	<b>90,434,779</b>

- 12.1** It includes an amount of Rs.36,000 (2020: Rs.36,000) deposited with Yousuf Agencies (Private) Limited - related party by the Holding Company.

<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		(51,724,735)	(47,289,824)
Leases - net		43,994,624	25,723,893
Provision for net realizable value		8,598,821	-
Provision for staff retirements benefits - gratuity		1,698,202	-
Provision for leave encashment		4,451,389	4,055,075
Minimum tax available for carry forward		69,350,256	-
Business loss carry forward		43,809,914	132,561,877
		<b>120,178,471</b>	<b>115,051,021</b>

The aggregate unused tax losses, minimum tax credits and alternate corporate tax credit available to the SRL (Subsidiary Company) for set off against future taxable profit as at 30 June 2021 amount to Rs. 151.069 million (Rs. 1,056.6 million) and Rs. 164.755 million (Rs. 132.83 million) and Rs.84.177 million (Rs. Nil) respectively. Of these, deferred tax assets on unused tax losses arising from depreciation amounting to Rs. 151.069 million (Rs. 457.11 million) and on minimum tax credit amounting to Rs.69.350 (Rs. Nil) have been recognized as shown above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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	2021 Rupees	2020 Rupees
2024	Business loss	-	599,494,500
2021	Minimum tax credit	-	13,211,118
2022	Minimum tax credit	-	17,140,632
2023	Minimum tax credit	-	28,631,627
2024	Minimum tax credit	17,102,465	40,680,462
2025	Minimum tax credit	33,169,305	33,169,305
2026	Minimum tax credit	45,132,718	-
		95,404,488	132,833,144
2032	Alternate corporate tax	64,177,450	-
		159,581,938	732,327,644

	Note	2021 Rupees	2020 Rupees
<b>14 STORES, SPARES AND LOOSE TOOLS</b>			
Stores	14.1	484,859,804	486,822,258
Spares - in hand		230,909,041	215,245,013
Stores and spares - in transit		71,235,873	77,157,422
Loose tools		554,486	593,714
		787,559,204	779,818,407
Less: Provision for slow moving stores, spares and loose tools	14.2	(68,286,040)	(54,628,399)
		719,273,164	725,190,008

**14.1** This includes stores and spares amounting of Rs.111.051 million (2020: 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. 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 O & M Agreement.

This also includes spare parts and stand-by equipment of Rs.122.975 million (2020: Rs.122.975 million) of TBCL (Subsidiary Company) which are in the possession and control of TBCL's (subsidiary company) O & M contractor, Hydro China, for smooth and uninterrupted operation and maintenance of the Company's plant as per the terms of the O & M Agreement dated 26 September 2016 amended through supplement Agreement dated 06 May 2017 for a period of two years from the taking over date. Furthermore, TBCL 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 Hydro China's WP O&M Agreement, and these items will be handed over to the GE on expiry of Hydro China's WP O&M Agreements. As per the terms of the WP O&M Agreements, Hydro China and subsequently GE will replenish and hand over these items to the subsidiary company on the expiry of their respective Agreements.



	Note	2021 Rupees	2020 Rupees
<b>14.2 Provision for slow moving stores, spares and loose tools</b>			
Balance at the beginning of the year		54,628,399	65,469,942
Provision for / (reversal of provision) made during the year - net	38 / 39	13,657,641	(10,841,543)
Balance at the end of the year		68,286,040	54,628,399
<b>15 STOCK IN TRADE</b>			
Raw material - in hand	35.1	9,657,609,903	6,477,674,302
Raw material - in transit		539,874,635	95,424,152
		10,197,484,538	6,573,098,454
Work in process		2,198,860,677	1,894,315,328
Provision for obsolete stock	15.1	-	(1,200,000)
	35	2,198,860,677	1,893,115,328
Finished goods - manufactured		3,193,219,061	2,852,494,380
Provision for obsolete stock	15.2	(31,211,692)	-
	35	3,162,007,369	2,852,494,380
Finished goods - purchase for resale		515,681,721	123,324,179
Waste	35	83,843,833	49,747,419
		16,157,878,138	11,491,779,760
<b>15.1 Provision for obsolete stock - (work-in-process)</b>			
Opening balance		1,200,000	1,200,000
Less: Reversal made during the year		(1,200,000)	-
Closing balance		-	1,200,000
<b>15.2 Provision for obsolete stock - (Finished goods - manufactured)</b>			
Opening balance		-	-
Add: Provision for the year		31,211,692	-
Closing balance		31,211,692	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

		2021 Rupees	2020 Rupees
<b>16 TRADE DEBTS</b>			
Considered good			
Foreign debts		579,205,816	824,555,141
CPPA-G	16.1	9,397,061,951	9,013,939,918
Other domestic debts	16.2 & 16.3	2,005,442,270	1,779,811,458
Waste		22,475,466	28,043,192
Others		9,900,722	18,048,075
		12,014,086,225	11,664,397,784
Less: Provision for expected credit loss	16.6	(37,098,930)	(36,773,217)
		<b>11,976,987,295</b>	<b>11,627,624,567</b>

**16.1** These include amount of Rs.2,660.754 million (2020: Rs.2,643.092 million) receivable from CPPA-G by SWPC (Subsidiary Company) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment markup at the rate of three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 4.5% is charged in case the amounts are not paid within due dates. The rate of delayed payment markup charged during the year on outstanding amounts ranges from 11.43% to 18.08% (2020: 11.43% to 18.41%) per annum. These include unbilled receivables aggregating to Rs.623.88 million (2020: Rs.551.75 million).

These also include amount of Rs.6,736.308 million (2020: Rs.6,370.748 million) receivable from CPPA-G by TBCL (Subsidiary Company) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment markup at the rate of three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 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 9.03% to 15.85% (2020: 10.97% to 15.90%) per annum. These include unbilled receivables aggregating to Rs.72.770 million (2020: Rs.187.200 million).

**16.2** Domestic debts include amount of Rs.930,365,653 (2020: Rs.567,469,863) receivable against indirect export sales.

## 16.3 Due from related parties- Domestic debts

Diamond Fabrics Limited	12,483,026	6,013,426
Sapphire Fibres Limited	30,326	620,024
Reliance Cotton Mills Limited	45,630	-
Sapphire Finishing Mills Limited	231,815,855	203,140,815
	<b>244,374,837</b>	<b>209,774,265</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					
30 June 2021	244,374,837	231,897,771	12,241,820	70,335	57,994	106,917
30 June 2020	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.579,498,801 (2020: Rs.324,281,641).

	Note	2021 Rupees	2020 Rupees
<b>16.6 Provision for expected credit loss</b>			
Balance at the beginning of the year		36,773,217	36,505,865
Charge during the year	38	325,713	267,352
Balance at the end of the year		37,098,930	36,773,217
<b>17 LOANS AND ADVANCES</b>			
- Unsecured-Considered good			
Advances to suppliers		68,529,666	102,049,829
<b>Loans</b>			
Current portion of long term loans to employees	11.1	19,877,288	24,692,779
Short term loans to employees		11,459,990	5,431,449
		99,866,944	132,174,057
<b>18 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		137,946,295	49,784,895
Prepayments		47,228,197	37,187,210
		185,174,492	86,972,105

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>19 OTHER RECEIVABLES</b>			
Claims receivable		2,378,235	8,143,153
Deposits with High Court		19,430,291	19,430,291
Export rebate receivable		124,613,112	67,859,558
Dividend receivable		54,888,084	-
Receivable against sale of fixed assets		1,949,225	10,797,271
Claims recoverable from NTDC against WPPF for pass through items	19.1	758,210,305	498,906,164
Receivables from CPPA-G	19.2	261,628,569	373,708,145
Other receivables - considered good		103,080	6,971,328
		<b>1,223,200,901</b>	<b>985,815,910</b>

**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 item amounting to Rs. 211.667 million (2020: Rs.151.354 million) and 339.200 million (2020: Rs. 347.552 million). Movement of WPPF is as follows:

Opening balance		498,906,164	224,346,175
Accrued for the year	28.2	269,111,186	329,335,299
Received during the year		(8,351,751)	(47,565,978)
Written off during the year		(1,455,294)	(7,209,332)
Closing balance		<b>758,210,305</b>	<b>498,906,164</b>

## **19.2 Receivables from CPPA-G by TBCL (Subsidiary Company)**

Import duty		-	96,789,463
Insurance	19.2.1	261,628,569	276,918,682
		<b>261,628,569</b>	<b>373,708,145</b>

**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.

## **20 SHORT TERM INVESTMENTS**

Investments at fair value through other comprehensive income (FVOCI)	20.1	<b>3,487,399,522</b>	<b>2,956,225,380</b>
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20.1 Investments at fair value through other comprehensive income (FVOCI) comprises of:

	Note	2021 Rupees	2020 Rupees
Debt instruments at fair value through other comprehensive income (FVOCI)	20.1.1	-	49,000,000
Equity instruments at fair value through other comprehensive income (FVOCI)	20.1.2	3,487,399,522	2,907,225,380
		<u>3,487,399,522</u>	<u>2,956,225,380</u>

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

2021	2020		2021	2020	2021	2020
Number of Certificates		Particulars	Cost		Carrying value	
			Rupees			
-	500	HBL Term Finance Certificates	-	50,000,000	-	49,000,000

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

2021	2020		2021	2021	2020
No. of Shares		Name of Company	Cost	Fair value	
			Rupees		
26,985,346	26,985,346	Bank Al-Habib Limited (Refer to note 10.3.1 and 10.3.2)	1,105,332,382	1,892,212,462	1,411,333,596
4,574,007	4,574,007	Engro Corporation (Pakistan) Limited (Refer to note 10.3.1 and 10.3.2)	1,293,345,025	1,347,548,202	1,339,818,130
597,500	113,000	Engro Fertilizer Limited	38,557,255	41,986,324	6,811,640
-	30,183,000	K Electric Limited	-	-	90,850,830
197,000	-	Oil and Gas Development Company Limited	20,490,173	18,720,910	-
288,000	-	Fauji Fertilizer Company Limited	31,509,883	30,556,797	-
888,800	808,800	Meezan Bank Limited	70,864,860	102,576,407	55,630,800
58,500	-	Lucky Cement Limited	41,274,019	50,511,240	-
26,900	26,900	United Bank Limited	4,093,970	3,287,180	2,780,384
			2,605,467,567	3,487,399,522	2,907,225,380
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	-	-
			2,622,908,937	3,487,399,522	2,907,225,380

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>21 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax	21.1	900,324,572	1,121,439,170
Sales tax receivable		1,627,657,974	671,441,189
Less: provision against doubtful sales tax refunds	21.2	(372,570,600)	(324,969,127)
		1,255,087,374	346,472,062
		2,155,411,946	1,467,911,232
<b>21.1 Income tax - net</b>			
Advance income tax / refundable		1,475,670,211	1,553,183,264
Provision for taxation	21.1.1	(575,345,639)	(431,744,094)
		900,324,572	1,121,439,170
<b>21.1.1 Provision for taxation</b>			
Balance at the beginning of the year		431,744,094	676,061,946
Provision for the year	41	647,657,372	465,021,555
		1,079,401,466	1,141,083,501
Less: Advance tax adjusted during the year against completed assessments		(504,055,827)	(709,339,407)
		575,345,639	431,744,094
<b>21.2 Provision against doubtful sales tax refunds</b>			
Balance at the beginning of the year		324,969,127	288,528,348
Provision made during the year	38	47,601,473	36,440,779
Balance at the end of the year		372,570,600	324,969,127
<b>22 CASH AND BANK BALANCES</b>			
Cash in hand		46,579,764	99,012,801
<b>Bank balances</b>			
<b>Local Currency</b>			
Current accounts		4,733,040,718	1,900,281,474
Saving account	22.1	39,326,371	37,643,605
		4,772,367,089	1,937,925,079
<b>Foreign currency-current accounts</b>			
Sapphire Textile Mills Limited (USD)	22.2	41,777,872	59,504,819
<b>Foreign currency-saving accounts (USD)</b>			
Sapphire Wind Power Company Limited (SWPCL)	22.3	1,594,155,306	1,699,725,159
Tricon Boston Consulting Corporation (Private) Limited (TBCL)	22.4	2,314,843,180	2,468,377,381
		3,908,998,486	4,168,102,540
		8,769,723,211	6,264,545,239

22.1 Balances with banks carry profit at the rate ranging from 5.50% to 6.50% (2020: 6.5% to 11.25%) per annum.

22.2 Cash at bank in USD account includes US \$ 151,197 (2020: US \$ 121,410) related to Holding Company and amount of US \$ 113,375 (2020: US \$ 231,915) pertaining to Sapphire International Aps (Subsidiary Company).

22.3 This includes the following balances as at 30 June 2021 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 OPIC and the Accounts Agreement dated 07 May 2014 entered into by the subsidiary company with OPIC and various branches of CitiBank, N.A.:

USD \$ 9.462 million equivalent to Rs 1,493.16 million (2020: USD 9.462 million equivalent to Rs 1,592.045 million) in Debt Service Reserve account for repayment of long term finance and payment of interest accrued and other related costs thereon to IDFC; and

USD \$ 0.640 million equivalent to Rs 100.99 million (2020: USD 0.640 million equivalent to Rs 107.680 million) in Dollar Maintenance Reserve account for payments against O & M Agreements.

Profit on balances on these accounts was Nil (2020: ranging from 0.051% to 2.360%) per annum.

22.4 This represents balances as at 30 June 2021 held in various accounts, established and maintained by the Company pursuant to the Accounts Agreement dated 21 April 2017 entered into by the Company with Citibank, N.A. USD \$ 14.390 million equivalent to Rs 2,270.89 million (2020: USD 14.390 million equivalent to Rs 2,421.27 million) 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 was Nil (2020: ranging from 0.08% to 1.91288%) per annum.

## 23 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021		2020	2021		2020
No. of Shares			Rupees		Rupees
7,813,391	7,813,391	Ordinary shares of Rs.10 each allotted for consideration paid in cash	78,133,910		78,133,910
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	21,689,791		216,897,910		216,897,910

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

23.2 6,716,694 (2020: 6,716,144) shares of the Holding Company are held by associated companies as at the reporting date.

		Note	2021	2020
			Rupees	Rupees
24	RESERVES			
	Capital reserves	24.1	(84,809,183)	(1,550,728,970)
	Revenue reserves	24.2	30,420,007,957	23,748,961,912
			30,335,198,774	22,198,232,942



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>24.1 Composition of capital reserves is as follows:</b>			
Share Premium	24.1.1	782,796,090	782,796,090
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	(1,002,685,997)	(2,477,048,172)
Unrealized gain on translation of foreign operation		88,330,770	91,175,582
Unrealized gain on forward foreign exchange contracts		(18,250,046)	(12,652,470)
		<b>(84,809,183)</b>	<b>(1,550,728,970)</b>

**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	29,090,007,957	22,418,961,912
		<b>30,420,007,957</b>	<b>23,748,961,912</b>

**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.

## 25 LONG TERM LIABILITIES

Long term financing	25.1	46,078,481,186	54,006,688,838
Gas Infrastructure Development Cess Payable	25.2	446,647,200	964,871,613
		<b>46,525,128,386</b>	<b>54,971,560,451</b>

	Note	2021 Rupees	2020 Rupees
<b>25.1 Long term financing</b>			
Loans from banking companies - secured	25.1.1	17,286,528,139	15,274,253,121
Loans from International Development Finance Corporation	25.1.2	7,105,883,919	9,241,209,462
Loans from International Finance Corporation, Asian Development Bank, Islamic Development Bank and DEG	25.1.3	29,617,713,365	34,961,291,514
		54,010,125,423	59,476,754,097
<b>Less: Current portion of long term financing</b>			
Loans from banking companies - secured	25.1.1	3,046,237,331	815,875,792
Loans from International Development Finance Corporation	25.1.2	1,555,648,891	1,682,479,688
Loans from International Finance Corporation, Asian Development Bank, Islamic Development Bank and DEG	25.1.3	3,329,758,015	2,971,709,779
	32	7,931,644,237	5,470,065,259
		46,078,481,186	54,006,688,838
<b>25.1.1 Loans from banking companies - secured</b>			
Allied Bank Limited	25.1.1.1	4,290,951,628	3,382,887,785
Bank Alfalah Limited - Related Party	25.1.1.2	1,109,534,310	999,147,248
Bank Al Habib Limited	25.1.1.3	1,552,860,238	1,716,922,462
Faysal Bank Limited	25.1.1.4	65,378,000	71,285,000
Habib Bank Limited	25.1.1.5	7,381,105,049	7,335,590,333
Diminishing musharakah from Meezan Bank	25.1.1.6	267,187,500	277,875,000
MCB Bank Limited	25.1.1.7	1,133,964,936	23,716,000
United Bank Limited	25.1.1.8	1,023,847,054	1,166,829,293
The Bank of Punjab	25.1.1.9	461,699,424	300,000,000
		17,286,528,139	15,274,253,121
Less: Current portion shown under current liabilities		(3,046,237,331)	(815,875,792)
		14,240,290,808	14,458,377,329

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

**25.1.1.1** For the Holding Company, these loans carry mark-up ranging from 1.00% to 8.49% (2020: 2.50% to 14.20%) per annum 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.5,027 million (2020: Rs.2,965 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 10.3.1 having market value of Rs.1,057.375 million (2020: Rs.1,171.583 million) as on reporting date.

SRL (Subsidiary Company) obtained the long term loan from Allied Bank to pay salaries and wages of employees for months affected by COVID-19. The facility is for 2.5 years tenure and principal will be repaid in 8 equal quarterly installments after 31 January 2021. The markup rate is ranging from 0.60% to 1.00% per annum. The loan is secured against the current assets of the Company. The loan was converted to State Bank of Pakistan's refinance scheme for payment of wages and salaries subsequent to year end.

**25.1.1.2** These loans carry mark-up of 1.75% to 2.75% (2020: 2.50% to 2.75%) per annum 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.1352.95 million (2020: Rs.1,352.95 million) over specific plant and machinery.

**25.1.1.3** For the Holding Company, these loans carry mark-up ranging from 2.50% to 11.19% (2020: 2.50% to 13.87%) per annum obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.328 million (2020: Rs.328 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 10.3.1 having market value Rs.2,433.638 million (2020: Rs.2,044.940 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 the next 3 years from the date of initiation. 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. The loan had been fully paid during the year.

**25.1.1.4** These loans carry mark-up ranging from 2.50% to 6.50% (2020: 2.50% to 6.50%) per annum obtained in different tranches and are repayable in 24 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs. 228.033 million (2020: Rs.228.033 million) over specific plant and machinery.

**25.1.1.5** These loans carry mark-up ranging from 0.6% to 11.51% (2020: 2.50% to 14.04%) per annum 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 (2020: Rs.9,211.730 million) over specific plant and machinery and pledge of shares of various companies held by the Company as disclosed in note 10.3.1 having market value Rs. 904.957 million (2020: Rs.674.976 million) as on reporting date.

**25.1.1.6** 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 (SRL).

**25.1.1.7** These loans carry mark-up at the rate of 1.5% to 2.50% (2020: 2.50%) per annum obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs. 1,318.901 million (2020: 27.901 million) over specific plant and machinery.

**25.1.1.8** These loans carry mark-up at the rate of 2.50% (2020: 2.50%) per annum obtained in different tranches and are repayable in 32 quarterly instalments. These loans are secured against exclusive hypothecation charge of Rs.1,463 million (2020: Rs. 1,463 million) over specific plant and machinery.

**25.1.1.9** For the Holding Company, it includes interest free loan amounting to Rs. 1,020 million measured at the present value of all future cash payments discounted using the prevailing market rate of interest. It is repayable in quarterly installments over a period of 12 years including a 2 year grace period. This loan is

secured against exclusive mortgage charge amounting to Rs. 521 million over specific lands and a charge of Rs. 679 million over plant and machinery owned by the Holding Company.

It includes long term loan from The Bank of Punjab by SRL (Subsidiary Company) outstanding amounting Rs.128.57 million (2020:300 million) to meet its long term capital requirements. The facility is for 4 years tenure including 6 months grace period after which principal is repayable in equal quarterly installments. The markup rate is 3 months KIBOR + 1.25% per annum. The loan is secured against the first charge of Rs. 400 million over present and future moveable fixed assets of the subsidiary Company.

	2021 Rupees	2020 Rupees
<b>25.1.2 Loans from International Development Finance Corporation (IDFC)</b>		
Opening balance	9,241,209,462	10,607,855,809
Exchange (gain) / loss	(568,297,619)	208,156,257
Amortization of transaction cost	22,641,684	22,703,716
	8,695,553,527	10,838,715,782
Repaid during the year	(1,589,669,608)	(1,597,506,320)
	7,105,883,919	9,241,209,462
Less: Current portion shown under current liabilities	(1,555,648,891)	(1,682,479,688)
	5,550,235,028	7,558,729,774

This represents long term finance facility of USD 95 million obtained from IDFC for the construction of the wind power project at Jhimpir in accordance with the Finance Agreement dated 31 March 2014. The security for the loan includes all the current and future assets of the SWPCL (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. The mark up rate charged during the year on the outstanding balance ranged from 3.90% to 5.02% (2020: 5.02% to 6.27%). As of 30 June 2021, the principal amount of USD \$ 45.501 million is repayable in nine unequal semi annual installments ending on 10 October 2025 in accordance with the amortization schedule provided by IDFC.

**25.1.3 Loans from International Finance Corporation,  
Asian Development Bank, Islamic Development Bank  
and DEG**

Opening balance	34,961,291,514	37,191,634,878
Amortization of transaction cost	38,914,836	38,914,836
Exchange (gain) / loss	(2,142,860,632)	860,494,536
	32,857,345,718	38,091,044,250
Repaid during the year	(3,239,632,353)	(3,129,752,736)
	29,617,713,365	34,961,291,514
Less: Current portion shown under current liabilities	(3,329,758,015)	(2,971,709,779)
	26,287,955,350	31,989,581,735

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

This represents long term finance facility of USD \$ 237.60 million obtained from IFC, ADB, ISDB and 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 TBCL (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	2021 Rupees	2020 Rupees
<b>25.2 GAS INFRASTRUCTURE DEVELOPMENT CESS PAYABLE</b>			
Gas Infrastructure Development Cess payable		902,772,683	964,871,613
Less: current portion shown under current liabilities	32	(456,125,483)	-
		<b>446,647,200</b>	<b>964,871,613</b>
<b>25.2.1 Movement in Gas Infrastructure Development Cess payable</b>			
Balance at the beginning of the year		964,871,613	869,363,548
Provision during the year		30,311,257	95,508,065
Effect of discounting		(147,193,002)	-
Unwinding of interest		54,782,815	-
		<b>902,772,683</b>	<b>964,871,613</b>

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

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

The Holding Company has already recorded a provision for GIDC (included in trade and other payables in the preceding year). The amount has now been classified as long term liabilities at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs. 147.193 million which has been netted off against cost of sales.

<b>26 DEFERRED LIABILITIES</b>			
Deferred taxation	26.1	18,981,395	12,732,508
Deferred Government grant	26.2	5,761,806	-
Staff retirement benefits - gratuity	26.3	338,814,398	297,609,788
		<b>363,557,599</b>	<b>310,342,296</b>
<b>26.1 Deferred taxation</b>			
Deferred tax liability as at year end comprises of temporary differences relating to:			
Investment in associates		18,981,395	12,732,508

**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. 93.566 million (2020: Rs. 97.196 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 2021 or 2020 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.

There are no taxable or deductible temporary differences in case of Sapphire International ApS assets or liabilities.

	Note	2021 Rupees	2020 Rupees
<b>26.2 GOVERNMENT GRANT</b>			
Government grant		54,184,366	-
Less: current portion shown under trade and other payables	28	(48,422,560)	-
		<u>5,761,806</u>	<u>-</u>

Government grant has been recognized against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

### 26.3 Staff retirement benefits

#### Movement in the net liability recognized in the statement of financial position

Opening net liability		297,609,788	272,908,701
Expense for the year in profit or loss	26.3.1	137,605,339	148,493,559
Remeasurement recognized in other other comprehensive income		26,354,732	(51,412,524)
		<u>461,569,859</u>	<u>369,989,736</u>
Benefits paid during the year		(122,755,461)	(72,379,948)
Closing net liability		<u>338,814,398</u>	<u>297,609,788</u>

#### 26.3.1 Expense recognized in the statement of profit or loss

Current service cost	117,525,614	114,761,140
Interest cost	20,079,725	33,732,419
	<u>137,605,339</u>	<u>148,493,559</u>

#### Movement in the present value of defined benefit obligation

Opening balance	297,609,788	272,908,701
Current service cost	117,525,614	114,761,140
Interest cost	20,079,725	33,732,419
Actuarial gain / (loss)	26,354,732	(51,412,524)
Benefits paid	(122,755,461)	(72,379,948)
	<u>338,814,398</u>	<u>297,609,788</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	2021	2020	2019	2018	2017
	Rupees				
<b>Historical information</b>					
Present value of defined benefit obligation	338,814,398	297,609,788	272,908,701	225,857,306	204,111,474
Experience adjustments on plan liabilities	(26,354,732)	51,412,524	(8,535,640)	(13,604,382)	7,398,992

- Expected gratuity expenses charged to profit and loss for the year ending 30 June 2022 works out to Rs.145,336,660.
- The weighted average duration of defined benefit obligation is 5 years.

## General description

The scheme provides for terminal benefits for its eligible 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 2021.

## Principal actuarial assumptions

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

	2021	2020
	%	%
Discount rate	10.00	8.50
Expected rate of increase in salary	9.00	7.50
Average age of employees	32.6 years	32.1 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 as a result of change in respective assumptions by 100 basis point.

	Increase in assumptions	Decrease in assumptions
	Rupees in '000	
Discount rate	352,682	315,656
Increase in future salaries	353,836	314,270



## 27 LEASE LIABILITIES

	Note	2021 Rupees	2020 Rupees
Land	27.1	82,202,699	49,584,897
Rented premises	27.2	2,597,387,258	2,120,540,012
Vehicles	27.2	4,001,293	7,635,092
		2,683,591,250	2,177,760,001
<b>Current portion shown under current liabilities</b>			
Land		(41,264,000)	(2,744,000)
Rented premises		(271,228,164)	(155,671,132)
Vehicles		(1,486,523)	(2,578,160)
		(313,978,687)	(160,993,292)
		2,369,612,563	2,016,766,709

**27.1** Set out below are the carrying amounts of lease liabilities recognized in respect of land and the movements during the year:

	SWPCL	TBCL	Total
	Rupees		
Balance as on 01 July 2020	23,905,409	25,679,488	49,584,897
Payments made during the year	(2,744,000)	-	(2,744,000)
Lease modification	-	26,919,937	26,919,937
Unwinding of lease liability	3,471,218	4,970,647	8,441,865
	24,632,627	57,570,072	82,202,699
Current portion shown under current liabilities	(2,744,000)	(38,520,000)	(41,264,000)
Balance as at 30 June 2021	21,888,627	19,050,072	40,938,699
<i>Note reference</i>	27.1.1	27.1.2	
Balance as 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

**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 SWPL (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

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**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.

	2021 Rupees	2020 Rupees
<b>27.1.3 Maturity analysis as at 30 June 2021</b>		
Not later than 1 year	41,264,000	2,744,000
Later than 1 year but not later than 5 years	10,976,000	29,128,000
Later than 5 years	108,584,814	131,696,814
	160,824,814	163,568,814
Future finance charge	(78,622,115)	(113,983,917)
	82,202,699	49,584,897
Present value of finance lease liabilities	(41,264,000)	(2,744,000)
	40,938,699	46,840,897

**27.2** Set out below are the carrying amounts of lease liabilities recognized and the movements during the year.

	2021		
	Rented premises	Vehicles	Total
	Rupees	Rupees	Rupees
As at 1 July 2020	2,120,540,012	7,635,092	2,128,175,104
Additions during the year	591,981,224	2,030,000	594,011,224
Modification	150,695,989	-	150,695,989
Accretion of interest	282,947,892	493,315	283,441,207
Disposals	(83,509,176)	(3,530,516)	(87,039,692)
Rental payments	(465,268,683)	(2,626,598)	(467,895,281)
As at 30 June 2021	2,597,387,258	4,001,293	2,601,388,552
Current portion shown under current liabilities	(271,228,164)	(1,486,523)	(272,714,687)
Balance as at 30 June 2021	2,326,159,094	2,514,770	2,328,673,865

	2020		
	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 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 ranged from 8.33% to 8.51% (2020:8.02% - 15.92%). Residual value of the leased assets has already been paid at the inception of the lease in the form of 15% security deposit.

**27.2.2** The maturity analysis of lease liabilities is as follows:

	SRL (Subsidiary Company)	
	2021	2020
	Rupees	Rupees
Not later than 1 year	518,347,948	451,738,098
Later than 1 year but not later than 5 years	2,070,053,244	1,974,302,114
Later than 5 years	1,084,708,071	1,049,395,936
	3,673,109,263	3,475,436,148
Future finance charge	(1,071,720,711)	(1,347,261,044)
	2,601,388,552	2,128,175,104
Present value of finance lease liabilities	(272,714,688)	(158,249,292)
	2,328,673,864	1,969,925,812

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>28 TRADE AND OTHER PAYABLES</b>			
Creditors	28.1	4,061,734,457	2,835,227,463
Accrued liabilities		1,738,470,982	1,483,473,158
Workers' Profit Participation Fund	28.2	440,911,243	391,952,394
Workers' Welfare Fund		437,336,667	360,614,852
Infrastructure fee		396,678,897	322,754,833
Current portion of government grant	26.2	48,422,560	-
Lender fees and charges payable		47,711,380	52,010,682
Tax deducted at source		280,361,729	237,269,057
Unrealized loss on measurement of forward foreign currency contracts		19,733,130	17,947,173
Provision against accumulating compensated absences		16,157,493	13,983,018
Payable to provident fund		10,190,175	11,890,730
Others		7,440,984	65,024,653
		<b>7,505,149,697</b>	<b>5,792,148,012</b>

## 28.1 These balances include the following amounts due to related parties:

Amer Cotton Mills (Private) Limited	-	201,393
Diamond Fabrics Limited	-	22,176
Reliance Cotton Spinning Mills Limited	-	45,118,193
Sapphire Fibres Limited	23,783,652	6,934,076
Sapphire Finishing Mills Limited	218,697	91,493,188
	<b>24,002,349</b>	<b>143,769,026</b>

## 28.2 Workers' profit participation fund

Balance at the beginning of the year		391,952,394	268,576,118
Allocation for the year	38	171,800,058	62,617,095
Receivable from CPPA-G	19.1	269,111,186	329,335,299
Interest on funds utilized in the Group's business		2,083,596	2,402,298
		<b>442,994,840</b>	<b>394,354,692</b>
		<b>834,947,234</b>	<b>662,930,810</b>
Less: Payments during the year		<b>(394,035,991)</b>	<b>(270,978,416)</b>
Balance at the end the year		<b>440,911,243</b>	<b>391,952,394</b>

## 29 CONTRACT LIABILITIES

**29.1** It includes advances received from Creadore A/S Denmark, a related party amounting Rs.51,709,003 (2020: Rs. 24,179,553).

**29.2** The contract liabilities outstanding at 30 June 2020 have been recognized as revenue during the year.

	Note	2021 Rupees	2020 Rupees
<b>30 ACCRUED INTEREST / MARK-UP</b>			
Accrued interest / mark-up on secured:			
- long term financing		198,775,182	335,932,004
- short term borrowings		110,386,773	163,120,857
		<b>309,161,955</b>	<b>499,052,861</b>
<b>30.1</b>	Accrued mark-up includes an amount of Rs. 15,475,800 (2020: Rs. 15,569,438) due to Bank Alfalah Limited - related party.		
<b>31 SHORT TERM BORROWINGS</b>			
Short term loans	31.1	4,445,000,000	3,682,792,190
Running finance under mark-up arrangements	31.1	3,302,838,847	4,550,134,241
Running Musharakah facility	31.2	159,925,385	243,719,821
		<b>7,907,764,232</b>	<b>8,476,646,252</b>
Book overdrafts	31.3	190,754	33,938,461
		<b>7,907,954,986</b>	<b>8,510,584,713</b>
<b>31.1</b>	Aggregate facilities amounting to Rs.20,395 million (2020: Rs.20,795 million) were available to the Group from banking companies. These are secured against hypothecation charge on stock in trade, book debts and export bills under collection. These carry mark up ranging 2.25% to 9.25% (2020: 2.25% to 15.10%) on local currency loans per annum payable monthly / quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs.843 million (2020: Rs.1,047.344 million) due to Bank Alfalah Limited (related party).		
	Facilities available for opening letters of credit and guarantees aggregate to Rs.20,553 million (2020: Rs.19,614 million) out of which the amount remaining unutilised at the year-end was Rs.10,321 million (2020: Rs.14,542 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Group, cash margins and pledge of shares.		
<b>31.2</b>	Running Musharakah facility available from commercial bank aggregates to Rs 300 million (2020: Rs 300 million) at profit rate of 1 month KIBOR plus 0.30% and 0.35% (2020: 1 month KIBOR plus 0.30% and 0.35%) per annum. The amount utilized as at 30 June 2021, for Musharakah was Rs. 159.9 million (2020: Rs 243.7 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 8.22% to 9.25% (2020: 8.68% to 14.15%) per annum.		
<b>31.3</b>	This represents issuance of cheques in excess of balance at bank accounts.		
<b>32 CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	25.1	7,931,644,237	5,470,065,259
Current portion of Gas Infrastructure Development Cess Payable	25.2	456,125,482	-
		<b>8,387,769,719</b>	<b>5,470,065,259</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 33 CONTINGENCIES AND COMMITMENTS

### Contingencies

	Note	2021 Rupees	2020 Rupees
33.1	Guarantees issued by banks on behalf of the Group	772,400,369	702,400,369
33.2	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 2021 the value of these cheques amounted to Rs.1,962.781 million (30 June 2020: Rs.1,391.363 million).		
33.3	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.		
33.4	Irrevocable letter of credit of amounting to Rs Nil (2020: USD \$ 0.5 million equivalent to Rs 84.375 million) in favour of CitiBank, N.A. as per the terms of the Finance Agreement dated 31 March 2014.		
33.5	Also refer to content of note 10.3.1 and 10.3.2.		

### 33.6 Commitments

Commitments in respect of confirmed letter of credit	33.6.1	4,594,137,753	2,534,194,325
Commitments in respect of capital expenditure	33.6.2	483,181,608	28,927,239
Commitments in respect of forward foreign currency contracts		3,473,424,296	352,443,189
Commitments in respect of short term lease		4,857,540	11,440,000
		8,555,601,197	2,927,004,753

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

- plant and machinery	2,259,031,028	470,885,640
- raw material	2,297,317,318	1,980,672,334
- stores and spares	37,789,407	82,636,351
	4,594,137,753	2,534,194,325

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

## 34 NET TURNOVER

	Note	Export Sales		Local Sales		Total	
		2021	2020	2021	2020	2021	2020
		Rupees					
Yarn	34.2	16,322,812,315	11,921,011,153	4,929,711,916	4,012,514,180	21,252,524,231	15,933,525,333
Fabric	34.3	11,602,088,103	9,797,777,893	658,039,686	2,002,902,661	12,260,127,789	11,800,680,554
Clothing items		502,944,634	-	11,296,265,315	8,507,095,555	11,799,209,949	8,507,095,555
Home textile products		5,023,444,173	5,672,930,525	309,786,612	187,796,206	5,333,230,785	5,860,726,731
Raw material		3,182,738	-	152,586,732	100,024,559	155,769,470	100,024,559
Accessories		-	-	353,183,437	224,436,365	353,183,437	224,436,365
Waste	34.4	227,685,146	199,973,684	347,196,903	317,259,594	574,882,049	517,233,278
Processing income		-	-	905,610,887	476,761,360	905,610,887	476,761,360
Power Generation		-	-	14,105,331,159	15,868,339,924	14,105,331,159	15,868,339,924
		33,682,157,109	27,591,693,255	33,057,712,647	31,697,130,404	66,739,869,756	59,288,823,659
Export rebate and duty drawback						130,204,253	507,580,498
Less: sales tax						(6,773,618,160)	(5,202,112,347)
Less: Discounts to customers						(1,933,665,101)	(1,626,896,079)
						58,162,790,748	52,967,395,731

34.1 Revenue is recognized at point in time as per the terms and conditions of underlying contracts with customers.

	2021 Rupees	2020 Rupees
<b>34.2 Export sales - Yarn</b>		
Direct export	4,354,597,000	4,526,150,916
In-direct export	11,968,215,315	7,394,860,237
	16,322,812,315	11,921,011,153
<b>34.3 Export sales - Fabric</b>		
Direct export	6,974,032,528	6,422,168,630
In-direct export	4,628,055,575	3,375,609,263
	11,602,088,103	9,797,777,893

34.4 Export waste sales represent comber noil sales.

34.5 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs. 49.472 million (2020: Loss of Rs. 79.253 million) has been included in export sales.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>35 COST OF SALES</b>			
Raw material consumed	35.1	21,827,294,482	19,044,556,928
Packing material consumed		679,373,856	520,392,782
Stores and spares consumed		1,221,741,891	958,791,245
Salaries, wages and benefits	35.2	4,698,215,022	4,152,801,733
Fuel, power and water		2,140,520,942	2,136,141,501
Other manufacturing expenses	35.3	2,759,589,528	2,619,868,646
Repair and maintenance		1,428,620,526	1,315,540,836
Vehicle running expenses		48,328,788	50,034,925
Travelling and conveyance		60,851,894	59,496,955
Site management expenses		59,314,589	18,947,313
Insurance expenses		82,498,562	68,899,152
Rent, rates and taxes		28,319,417	14,920,715
Fees and subscription		32,231,192	22,855,599
Communication expenses		39,884,822	28,498,879
Printing and stationery		6,630,940	2,404,740
Legal and professional charges		10,344,059	22,228,405
Security		24,871,406	6,031,960
Depreciation on right of use asset	7.8.5	5,709,333	4,630,536
Depreciation on operating fixed asset	7.4	4,185,720,333	4,124,720,399
Miscellaneous expenses		7,053,804	23,148,862
		<b>39,347,115,386</b>	<b>35,194,912,111</b>
<b>Work in process</b>			
Opening stock		1,893,115,328	1,705,135,329
Closing stock	15	(2,198,860,677)	(1,893,115,328)
		<b>(305,745,349)</b>	<b>(187,979,999)</b>
<b>Cost of goods manufactured</b>		<b>39,041,370,037</b>	<b>35,006,932,112</b>
<b>Finished goods</b>			
Opening stock		2,902,241,799	2,230,290,145
Closing stock	15	(3,245,851,202)	(2,902,241,799)
		<b>(343,609,403)</b>	<b>(671,951,654)</b>
<b>Cost of goods sold - manufactured</b>		<b>38,697,760,634</b>	<b>34,334,980,458</b>
Cost of raw material sold	35.4	153,003,976	136,236,602
Cost of sales - purchased for resale		2,522,752,914	1,690,277,665
		<b>41,373,517,524</b>	<b>36,161,494,725</b>

	Note	2021 Rupees	2020 Rupees
<b>35.1 Raw material consumed</b>			
Opening balance		6,477,674,302	5,484,996,977
Purchases		25,007,230,083	20,037,234,253
		31,484,904,385	25,522,231,230
Closing stock	15	(9,657,609,903)	(6,477,674,302)
		21,827,294,482	19,044,556,928
<b>35.2</b>	Salaries, wages and benefits include Rs.137,605,339 (2020: Rs.148,493,559) in respect of post employment benefits - gratuity and Rs.49,364,082 (2020: Rs.48,467,337) in respect of provident fund contribution.		
<b>35.3 Other manufacturing expenses</b>			
Cotton dyeing, bleaching and bale pressing charges		158,431,504	156,073,108
Yarn dyeing and bleaching charges		3,250,490	21,224,897
Fabric dyeing, bleaching, knitting and processing charges		2,314,217,771	2,154,017,660
Weaving and yarn doubling charges		203,601,153	103,764,645
Stitching, spinning and other charges		65,039,907	82,960,791
Embroidery charges		15,048,703	101,827,545
		2,759,589,528	2,619,868,646
<b>35.4</b>	It includes salaries, wages and benefits, insurance and finance cost amounting Rs.1,384,651 (2020: Rs.1,205,457), Rs.2,769,303 (2020: Rs.2,410,913) and Rs.10,384,885 (2020: Rs.12,054,567) respectively.		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>36 DISTRIBUTION COST</b>			
<b>On export sales</b>			
Export development surcharge		42,482,390	43,537,687
Insurance		2,246,784	5,855,415
Commission		258,147,658	204,057,762
Ocean freight and forwarding		483,488,001	382,453,726
		<b>786,364,833</b>	<b>635,904,590</b>
<b>On local sales</b>			
Inland freight and handling		232,435,906	177,184,037
Commission		46,718,814	47,069,859
		<b>279,154,720</b>	<b>224,253,896</b>
<b>Other distribution cost</b>			
Salaries and benefits	36.1	524,326,294	442,020,088
Rent and utilities		52,188,136	54,349,307
Communication		27,799,342	21,310,080
Travelling, conveyance and entertainment		47,495,066	84,493,029
Fuel, power and water		84,401,662	76,175,685
Repair and maintenance		245,351,402	183,081,883
Fees and subscription		7,503,572	3,503,893
Samples and advertising		291,175,398	294,841,941
Packing material		74,353,359	32,046,816
Exhibition expenses		7,928,458	11,637,033
Retail outlet expenses		36,069,694	30,045,902
Depreciation on operating fixed asset	7.4	134,321,511	145,323,853
Depreciation on right of use asset	7.8.5	396,708,212	343,011,487
Computer, printing and stationery		10,189,027	4,205,537
Insurance		4,022,005	6,865,891
Others		4,247,316	2,610,413
		<b>1,948,080,454</b>	<b>1,735,522,838</b>
		<b>3,013,600,007</b>	<b>2,595,681,324</b>

**36.1** Salaries and benefits include Rs.19,240,013 (2020: Rs.17,463,640) in respect of provident fund contribution.

	Note	2021 Rupees	2020 Rupees
<b>37 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		57,600,000	50,520,000
Directors' meeting fee		2,650,000	1,650,000
Salaries and benefits	37.1	417,303,150	380,697,606
Rent, rates and utilities		53,983,545	44,359,108
Communication		15,786,560	16,705,329
Printing and stationery		12,756,781	9,018,145
Travelling, conveyance and entertainment		47,019,884	45,616,117
Motor vehicle expenses		22,110,370	19,419,539
Repair and maintenance		43,299,995	31,209,011
Insurance expense		3,628,248	9,151,206
Legal and professional charges		74,800,806	38,367,193
Fees and subscription		41,162,785	39,265,407
Computer expenses		15,515,903	15,301,553
Advertisement		575,760	240,815
Depreciation on right of use asset	7.8.5	229,466	730,883
Depreciation on operating fixed asset	7.4	65,437,247	67,995,790
Monitoring charges		19,225,245	-
Others		16,801,366	14,198,770
		<b>909,887,111</b>	<b>784,446,472</b>

**37.1** Salaries and benefits include Rs.13,942,124 (2020: Rs.13,117,770) in respect of provident fund contribution.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>38 OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund	28.2	171,800,058	62,617,095
Workers' Welfare Fund		76,721,813	26,716,027
Auditors' remuneration	38.1	9,166,625	13,435,258
Donations	38.2	48,365,741	37,512,103
Amortization of intangible assets	9.1	2,250,566	2,353,202
Provision for stores, spares and loose tools	14.2	13,657,642	-
Balance written off during the year		9,166,313	7,209,332
Provision against doubtful sales tax refundable	21.2	47,601,473	36,440,779
Loss on sale of operating fixed assets and right of use assets - net		-	12,178,782
Loss on sale of TFCs		4,868,766	-
Provision for expected credit loss	16.6	325,712	267,353
Exchange loss on foreign currency accounts		580,443	329,560
Realized loss on forward currency contracts		1,348,344	18,331,482
		<b>385,853,496</b>	<b>217,390,973</b>
<b>38.1 Auditors' remuneration</b>			
Audit fee		5,547,100	4,960,900
Half yearly review fee		444,150	444,150
Special audit fee		849,450	-
Code of corporate governance review fee		85,850	85,850
Group reporting		165,000	165,000
Other certification / services		1,293,426	2,654,300
Taxation services		300,000	4,520,750
Out of pocket expenses		481,649	604,308
		<b>9,166,625</b>	<b>13,435,258</b>
<b>A.F Ferguson &amp; Company</b>			
Audit fee		1,113,200	1,012,000
Group reporting		165,000	165,000
Other assurance services		480,000	1,136,800
Taxation services		300,000	4,320,750
Out of pocket expenses		219,149	431,063
		<b>2,277,349</b>	<b>7,065,613</b>

	Note	2021 Rupees	2020 Rupees
<b>EY Ford Rhodes</b>			
Audit fee		2,948,900	2,598,900
Half yearly review fee		444,150	444,150
Special Audit fee		849,450	-
Code of corporate governance review		85,850	85,850
Other certification		70,000	140,000
Out of pocket expenses		95,000	63,245
Taxation consultancy		-	200,000
		<b>4,493,350</b>	<b>3,532,145</b>
<b>Yousuf Adil Chartered Accountants</b>			
Audit fee		1,485,000	1,350,000
Other assurance services		743,426	1,377,500
Out of pocket		167,500	110,000
		<b>2,395,926</b>	<b>2,837,500</b>

**38.2** Donation to following organizations are greater than 10% of total donation Rs.4,836,574 (2020: Rs.3,751,210) of the Group.

Women Empowerment Group		6,500,000	4,000,000
Abdullah Foundation	38.2.1	27,700,000	23,185,000
		<b>34,200,000</b>	<b>27,185,000</b>

**38.2.1** 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 2021

	Note	2021 Rupees	2020 Rupees
<b>39 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		602,532,388	447,953,012
Interest income on saving accounts, TFCs and term deposit certificates		82,581,034	106,320,105
		<b>685,113,422</b>	<b>554,273,117</b>
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment - net	7.5	55,530,171	-
Reversal of provision for stores, spares and loose tools	14.2	-	10,841,543
Gain on sale of right of use asset		10,797,369	-
Scrap sales [Net of sales tax aggregating Rs. 29.162 million (2020: Rs. 14.752 million)]		132,246,417	60,429,951
Waiver on lease payments	39.1	172,764,729	76,812,935
		<b>371,338,686</b>	<b>148,084,429</b>
		<b>1,056,452,108</b>	<b>702,357,546</b>

**39.1** This represents concessions provided (rentals not charged) by landlords Rs. 63,273,881 and increments waived by landlords Rs.109,490,848 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>40 FINANCE COST</b>			
Interest / mark-up on :			
- short term finances		574,537,131	880,145,383
- long term loans		1,177,446,049	4,209,707,941
- Workers' Profit Participation Fund	28.2	2,083,596	2,402,298
- lease liabilities		291,883,072	307,265,092
		<b>2,045,949,848</b>	<b>5,399,520,714</b>
Bank charges, commission and others charges		301,287,430	407,396,325
Amortization of loan transaction cost		61,556,520	61,618,552
Lender's fees and charges		1,567,634,587	52,421,794
Exchange (gain) / loss on foreign currency loans		(3,323,019)	133,403,953
		<b>3,973,105,366</b>	<b>6,054,361,338</b>



	Note	2021 Rupees	2020 Rupees
<b>41 TAXATION</b>			
Current tax			
- for the year		648,065,482	463,961,999
- prior years		(408,110)	(73,123,295)
	21.1.1	647,657,372	390,838,704
Deferred tax		1,121,438	(268,857,223)
		<b>648,778,810</b>	<b>121,981,481</b>

- 41.1** 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 (subsidiary company) current tax represents alternate corporate tax and DTL's (subsidiary company) represents minimum tax under Income Tax Ordinance, 2001 and for the subsidiary companies (TBCL and SWPCL), income taxes are exempt as explained in Note 6.13. Accordingly, no numerical reconciliation has been presented.

		2021	2020
<b>42 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year attributable to equity holders of the parent	Rupees	6,850,946,508	5,257,567,820
Weighted average number of ordinary shares	Number	21,689,791	21,427,664
Earnings per share - basic and diluted	Rupees	<b>315.86</b>	245.36

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

	2021 Rupees	2020 Rupees
<b>43 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation and share of profit of associates	9,563,279,352	7,856,378,445
<b>Adjustments for non-cash items:</b>		
Depreciation on operating fixed assets	4,385,479,091	4,338,040,042
Depreciation on right of use fixed assets	402,647,010	348,372,906
Amortization of intangible assets	2,250,566	2,353,202
Interest income	(82,581,034)	(106,320,105)
(Gain) / loss on sale of property, plant and equipment	(55,530,171)	12,178,782
Gain on sale of ROU asset	(10,797,369)	-
Dividend income	(602,532,388)	(447,953,012)
Provision for gratuity	137,605,339	148,493,559
Debit balances written off	9,166,313	7,209,332
Provision for expected credit loss	325,712	267,353
Amortization of transaction cost	61,556,520	61,618,552
Provision for / (Reversal of provision) for stores, spares and loose tools	13,657,642	(10,841,543)
Provision against doubtful sales tax refundable	47,601,473	36,440,779
Provision for GIDC	(62,098,931)	-
Waiver on lease payments	(172,764,729)	(76,812,935)
Finance cost	3,914,871,865	5,859,338,833
	7,988,856,909	10,172,385,745
Operating cash flow before changes in working capital	17,552,136,261	18,028,764,190
<b>Changes in working capital</b>		
<b>(Increase) / Decrease in current assets</b>		
Stores, spare and loose tools	(7,740,798)	(63,630,608)
Stock-in-trade	(4,666,098,378)	(1,754,576,135)
Trade debts	(349,688,440)	(6,034,836,386)
Loans and advances	32,307,113	5,531,259
Trade deposits and short term prepayments	(98,202,387)	(21,367,239)
Other receivables	(246,551,304)	1,882,618,168
	(5,335,974,194)	(5,986,260,941)
<b>Increase in current liabilities</b>		
Trade and other payables	1,711,894,812	1,725,601,014
Contract liabilities	144,680,363	19,143,888
	14,072,737,242	13,787,248,151

	Note	2021 Rupees	2020 Rupees
<b>44 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		8,769,723,211	6,264,545,239
Bank overdrafts	22	(190,754)	(33,938,461)
		<b>8,769,532,457</b>	<b>6,230,606,778</b>

#### 45 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 49. 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 Group	Nature of transactions	2021 Rupees	2020 Rupees
(i)	<b>Associates</b>	Sales / processing	2,424,243,916	2,188,385,995
		Purchases	134,573,241	291,855,139
		Expenses charged to	48,990,362	50,602,713
		Expenses charged by	8,191,076	10,862,700
		Markup charged by	62,821,593	60,937,811
		Dividend paid	96,000,000	146,203,902
		Dividend received	51,445,000	62,546,540
		Loans obtained- net	(92,492,566)	662,522,688
		Right shares issued	-	200,158,000
(ii)	<b>Others</b>	Contribution to provident fund	80,243,548	79,048,747
		Loans repaid to directors and related parties	-	(167,583,000)
		Sale of vehicle to key management personnel	-	1,457,226
		Donation	27,700,000	23,185,000
		Dividend paid	-	320,474,622
		Right shares issued	-	394,444,400

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45.1 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	12.95%
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
Green Field Enterprises (Private) Limited	Subsidiary of an associated Group	N/A
Abdullah Foundation	Common Directorship	N/A

## 46 SEGMENT ANALYSIS

### 46.1 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 2021</b>						
Net turnover	23,581,273,903	14,256,445,062	16,532,892,744	12,216,217,335	(8,424,038,295)	58,162,790,748
Cost of sales	(19,545,583,832)	(12,626,301,083)	(12,969,235,415)	(4,656,435,489)	8,424,038,295	(41,373,517,524)
Gross Profit	4,035,690,071	1,630,143,979	3,563,657,329	7,559,781,846	-	16,789,273,224
Distribution cost	(435,769,909)	(419,945,876)	(2,157,884,222)	-	-	(3,013,600,007)
Administrative expenses	(216,710,523)	(139,467,986)	(321,676,791)	(232,031,811)	-	(909,887,111)
	(652,480,432)	(559,413,862)	(2,479,561,013)	(232,031,811)	-	(3,923,487,118)
Profit before taxation and unallocated income and expenses	3,383,209,639	1,070,730,117	1,084,096,316	7,327,750,035	-	12,865,786,106
Depreciation on operating fixed assets	570,418,365	242,095,088	571,972,915	3,000,992,723	-	4,385,479,091
Depreciation on right-to-use assets	-	-	397,486,754	5,160,256	-	402,647,010
<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	813,117,085	1,626,834,025	1,477,422,071	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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

	2021 Rupees	2020 Rupees
Total results for reportable segments	12,865,786,106	13,425,773,210
Other operating expenses	(385,853,496)	(217,390,973)
Other income	1,056,452,108	702,357,546
Finance cost	(3,973,105,366)	(6,054,361,338)
Share of profit of associated companies	74,222,272	129,882,216
Profit before taxation	9,637,501,624	7,986,260,661
Taxation	(648,778,810)	(121,981,481)
Profit for the year	8,988,722,814	7,864,279,180

## 46.2 SEGMENT ASSETS AND LIABILITIES

	Spinning	Weaving	Processing, printing, Home Textile and Textile Retail	Power Generation	Total
	Rupees				
As at 30 June 2021					
Segment assets	15,071,810,688	5,603,964,840	17,758,457,416	64,549,559,281	102,983,792,225
Segment Liabilities	21,503,655,491	3,810,791,783	11,282,854,948	37,221,190,524	73,818,492,746
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

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

	2021 Rupees	2020 Rupees
Total for reportable segments assets	102,983,792,225	98,861,350,083
Unallocated assets	13,077,699,516	10,925,985,521
Total assets as per statement of financial position	116,061,491,741	109,787,335,604
Total for reportable segments liabilities	73,818,492,746	77,835,960,540
Unallocated liabilities	879,877,664	766,995,871
Total liabilities as per statement of financial position	74,698,370,410	78,602,956,411

	2021 Numbers	2020 Numbers
<b>46 NUMBER OF EMPLOYEES</b>		
Number of employees at year end	11,555	10,472
Average number of employees	11,387	10,790
<b>47 PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Spinning</b>		
Total number of spindles installed	142,105	141,576
Average number of spindles worked	141,692	138,431
Total number of rotors installed	-	1,032
Number of shifts worked per day	3	3
Total days worked	365	353
Installed capacity after conversion into 20/s lbs.	110,773,925	114,315,658
Actual production after conversion into 20/s lbs	99,979,218	95,065,457
<b>Weaving</b>		
Total number of looms installed	357	362
Average number of looms worked	357	362
Number of shifts worked per day	3	3
Total days worked	365	360
Installed capacity (at 50 picks/inch of fabric square meters)	155,833,860	153,231,821
Actual production (at 50 picks/inch of fabric square meters)	136,246,122	137,858,353
<b>Finishing and Printing</b>		
Production capacity meters	43,200,000	43,200,000
Actual production meters	38,124,226	35,003,177
<b>Yarn dyeing</b>		
Production capacity KGs	1,080,000	1,080,000
Actual production KGs	893,636	713,467
<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>Power Generation</b>		
Installed capacity (MWh)	600,847	600,847
Actual energy delivered (MWh)	541,590	449,760



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 48.1 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.

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.

## 49 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives		Director		Chief Executive	
	2021	2020	2021	2020	2021	2020
	Rupees					
Remuneration	683,217,796	520,390,999	21,600,000	14,520,000	36,000,000	36,000,000
Bonus	55,319,847	43,849,964	-	-	-	-
Medical	9,720,323	7,074,765	-	-	-	-
Contribution to provident fund	22,773,531	24,100,194	-	-	-	-
Leave encashment and other benefits	17,585,590	34,756,739	-	-	-	-
	788,617,087	630,172,661	21,600,000	14,520,000	36,000,000	36,000,000
Number of persons	145	131	2	2	1	1

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

49.2 Meeting fee of Rs.2.650 million (2020: Rs.1.650 million) has been paid to independent non-executive directors. No other remuneration has been paid to non-executive directors of the Group.

49.3 The Chief Executive and Executive Director were also provided with the telephones at residence.

## 50 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.

## 51 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.

## 51.1 Credit risk

### 51.1.1 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 the trade debts, loans, trade deposits, other receivables and bank balances. Out of total financial assets of Rs. 29,876 million (2020: Rs.25,578 million), financial assets which are subject to credit risk aggregate to Rs.22,066 million (2020: Rs.18,957 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:

	2021 Rupees	2020 Rupees
Long term deposits	90,390,779	90,434,779
Trade debts	11,976,987,295	11,627,624,567
Loan to employees	59,183,761	76,287,403
Trade deposits	137,946,295	49,784,895
Other receivables	1,079,157,498	898,526,061
Short term investments	-	49,000,000
Bank balances	8,723,143,447	6,165,532,438
	<b>22,066,809,075</b>	<b>18,957,190,143</b>

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

Domestic	11,397,781,479	11,080,211,872
Export	579,205,816	547,412,695
	<b>11,976,987,295</b>	<b>11,627,624,567</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 Group'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 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. 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.

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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 2021</b>							
Estimated total gross carrying amount at default	5,483,812,090	1,521,234,205	1,505,042,080	100,174,794	1,456,701,274	850,888,504	447,343,733
Expected credit loss	9,485,612	13,845,274	1,452,876	1,250,659	816,614	904,598	9,343,296
<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

**51.1.4** 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 or credit lines available:

Name of bank	Rating Agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA+
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Citibank N.A.	Moody's	P-1	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
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	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-
Citibank N.A. London	Moody's	P-1	A1

## 51.2 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:

	2021				
	Carrying amount	Contractual cashflow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	54,010,125,423	58,601,672,054	7,762,649,227	35,240,378,353	15,598,644,474
Lease liabilities	2,683,591,250	3,743,118,852	521,091,948	2,081,029,244	1,140,997,660
Trade and other payables	5,901,438,601	5,901,438,601	5,901,438,601	-	-
Accrued interest / mark-up	309,161,955	309,161,955	309,161,955	-	-
Unclaimed dividend	1,629,755	1,629,755	1,629,755	-	-
Short term borrowings	7,907,954,986	8,155,429,396	8,155,429,396	-	-
GIDC payable	902,772,683	995,182,870	476,858,459	518,324,411	-
	70,813,901,970	76,712,450,613	22,651,400,882	37,839,732,008	16,739,642,134
	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	4,479,556,876	4,479,556,876	4,479,556,876	-	-
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	-	-
	75,145,404,666	81,308,507,207	20,775,496,904	42,836,843,285	17,696,167,018

**51.2.1** 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.

## 51.3 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.

### 51.3.1 Currency risk

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

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	2021						
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(579,205,816)	(3,547,581)	(101,069)	-	-	-	-
Bank balances	(3,950,776,358)	(24,756,872)	-	-	-	-	-
Long term finance - secured	36,723,597,284	231,987,349	-	-	-	-	-
	32,193,615,110	203,682,896	(101,069)	-	-	-	-
Outstanding letters of credit	4,594,137,753	15,283,546	7,927,800	126,050,960	1,351,891	5,849,686	50,000
Foreign currency forward contracts	3,473,424,296	20,313,013	1,431,754	-	-	-	-
<b>Net Exposures</b>	<b>40,261,177,159</b>	<b>239,279,454</b>	<b>9,258,485</b>	<b>126,050,960</b>	<b>1,351,891</b>	<b>5,849,686</b>	<b>50,000</b>

	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	-	-
Forward exchange 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>

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

	2021 Rupees	2020 Rupees
US \$ to Rupees (Buying/Selling)	157.80 / 158.30	168.25 / 168.75
Euro to Rupees (Buying/Selling)	188.12 / 188.71	189.11 / 189.73

## Sensitivity analysis

A 20 percent (2020: 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 2020.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2021</b>		
Effect in US Dollar	7,575,587,524	7,575,587,524
Effect in Euro	349,433,741	349,433,741
<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

20 percent (2020: 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.

### 51.3.2 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	
	2021	2020	2021	2020
	Percentage per annum		Rupees	
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing	0.60% to 6.50%	2.50% to 6.50%	8,568,464,768	5,457,318,288
Short term borrowings	2.25% to 3.00%	2.25% to 3.00%	3,245,000,000	3,486,784,000
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term financing				
- foreign currency loan	3.90% to 5.02%	5.15% to 6.83%	36,723,597,284	44,202,500,976
- local currency loan	7.08% to 7.79%	7.97% to 14.20%	8,718,063,371	9,816,934,833
Short term borrowings - local currency loan	7.25% to 8.53%	8.36% to 15.10%	4,662,954,986	5,023,800,713

#### 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 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 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 2020.

	Profit and loss 100 bps	
	Increase Rupees	(Decrease) Rupees
<b>As at 30 June 2021</b>		
Cash flow sensitivity - variable rate instruments	501,046,156	(501,046,156)
<b>As at 30 June 2020</b>		
Cash flow sensitivity - variable rate instruments	590,432,365	(590,432,365)

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 2021

## 51.3.3 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:

	2021 Rupees	2020 Rupees
Effect on equity	776,165,729	643,517,696
Effect on investments	776,165,729	643,517,696

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

## 51.4 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.

## 51.5 Financial instruments by Category

### FINANCIAL ASSETS

#### At amortized cost

Long term deposits	90,390,779	90,434,779
Trade debts	11,976,987,295	11,627,624,567
Loan to employees	59,183,761	76,287,403
Trade deposits	137,946,295	49,784,895
Other receivables	1,079,157,498	898,526,061
Bank balances	8,769,723,211	6,264,545,239
	22,113,388,839	19,007,202,944

#### Debt instruments at fair value through OCI

HBL Term Finance Certificates	-	49,000,000
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#### Equity instruments at fair value through OCI

Quoted equity shares	7,761,657,291	6,435,176,964
Unquoted equity shares	500,000	86,648,236
	7,762,157,291	6,521,825,200

<b>Total current</b>	<b>25,510,397,582</b>	<b>21,823,993,545</b>
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<b>Total non current</b>	<b>4,392,995,031</b>	<b>3,751,197,774</b>
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	2021 Rupees	2020 Rupees
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized cost</b>		
Trade and other payables	5,901,438,601	4,479,556,876
Accrued Interest / mark-up	309,161,955	499,052,861
Unclaimed dividend	1,629,755	1,696,118
Secured bank loan	54,010,125,423	60,441,625,710
Lease liabilities	2,683,591,250	2,177,760,001
Short term borrowings	7,907,954,986	8,510,584,713
	<b>70,813,901,970</b>	<b>76,110,276,279</b>
<b>Total current</b>	<b>21,919,161,021</b>	<b>19,121,949,119</b>
<b>Total non current</b>	<b>48,894,740,949</b>	<b>56,988,327,160</b>

#### 51.6 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 2021</b>			
<b>Assets carried at fair value</b>			
Equity instruments at fair value through OCI	7,761,657,291	-	500,000
<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>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 51.7 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 'Liabilities against assets subject to finance lease' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2021 Rupees	2020 Rupees
<b>Total borrowings</b>	<b>61,918,080,409</b>	67,987,338,810
Less: Cash and bank balances	<b>8,769,723,211</b>	6,264,545,239
<b>Net debt</b>	<b>53,148,357,198</b>	61,722,793,571
 <b>Total equity</b>	 <b>30,552,096,684</b>	 22,415,130,852
 <b>Total capital</b>	 <b>83,700,453,882</b>	 84,137,924,423

	2021 Percentage	2020 Percentage
<b>Gearing ratio</b>	<b>63.50</b>	73.36

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

	2021				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
	Rupees				
<b>Balance as at 01 July 2020</b>	59,476,754,097	8,510,584,713	499,052,861	1,696,118	68,488,087,789
<b><u>Cash flows</u></b>					
Repayment of loans-net	3,180,296,339	(568,882,020)	-	-	2,611,414,319
Proceeds from loans	(5,943,138,916)	-	-	-	(5,943,138,916)
Finance cost paid	-	-	(3,812,879,699)	-	(3,812,879,699)
Dividends paid	-	-	-	(96,066,363)	(96,066,363)
	(2,762,842,577)	(568,882,020)	(3,812,879,699)	(96,066,363)	(7,240,670,659)
<b><u>Other changes including non-cash</u></b>					
Dividend declared	-	-	-	96,000,000	96,000,000
Amortization of transaction cost	61,556,520	-	-	-	61,556,520
Deferred grant	(54,184,366)	-	-	-	(54,184,366)
Exchange gain	(2,711,158,251)	-	-	-	(2,711,158,251)
Changing in running finance	-	(33,747,707)	-	-	(33,747,707)
Finance cost	-	-	3,914,871,865	-	3,914,871,865
<b>Total liability related other changes</b>	(2,703,786,097)	(33,747,707)	3,914,871,865	96,000,000	1,273,338,061
<b>Closing as at 30 June 2021</b>	<b>54,010,125,423</b>	<b>7,907,954,986</b>	<b>601,045,027</b>	<b>1,629,755</b>	<b>62,520,755,191</b>
	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-net	(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)
	(4,196,302,952)	(381,594,890)	(6,033,671,458)	(567,260,979)	(11,178,830,279)
<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>	1,130,269,341	33,938,461	5,993,476,821	567,161,640	7,724,846,263
<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>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 53 EVENTS AFTER REPORTING DATE

The board of directors in its meeting held on 23 September 2021 proposed cash dividend of Rs.15 (2020: Nil) per ordinary share of Rs. 10 each which is subject to approval by shareholders at the forthcoming Annual General Meeting and has not recognised in these financial statements.

## 54 DATE OF AUTHORIZATION FOR ISSUE

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



Chief Executive



Chief Financial Officer



Director



# PATTERN OF SHAREHOLDING

As at 30 June 2021

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
308	1	100	6,365
51	101	500	12,236
26	501	1,000	19,493
27	1,001	5,000	55,914
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
2	30,001	35,000	61,236
3	35,001	40,000	108,383
1	40,001	45,000	40,500
1	45,001	50,000	46,617
1	55,001	60,000	60,000
1	60,001	65,000	62,167
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
1	135,001	140,000	135,358
3	140,001	145,000	425,853
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	285,001	290,000	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>469</b>			<b>21,689,791</b>

\* Note: The slabs representing nil holding have been omitted.

## CATEGORIES OF SHAREHOLDERS

As at 30 June 2021

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	6,716,694	30.97
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	306,341	1.41
General Public (Local)	4,899,681	22.59
	<b>21,689,791</b>	<b>100.00</b>



# PATTERN OF SHAREHOLDING

As at 30 June 2021

A)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	NO OF SHARES
	Amer Tex (Pvt.) Limited	419,689
	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 2021

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>	
	NIL

## ڈائریکٹرز رپورٹ برائے حصص یافتگان

سیفائز ونڈ پاور کمپنی لمیٹڈ، سیفائز ریٹیل لمیٹڈ، ٹرانسکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ، سیفائز 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 2021ء کو مکمل ہونے والے سال کے لیے ڈائریکٹرز رپورٹ معہ گروپ کے آڈٹ شدہ کنسولیدیشنڈ اسٹیٹمنٹس اور آڈیٹرز رپورٹ پیش کر رہے ہیں۔

### سیفائز ونڈ پاور کمپنی لمیٹڈ

کمپنی 70 فیصد سیفائز ٹیکسٹائل ملز لمیٹڈ کی ملکیت اور 30 فیصد بینک الافلاح لمیٹڈ کی ملکیت ہے۔ کمپنی نے چھمپیر میں 52.80 میگا واٹ گنجائش کے ونڈ 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۔

### سیفائز ریٹیل لمیٹڈ

سیفائز ریٹیل لمیٹڈ، سیفائز ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبڈیری ہے۔ اس سبڈیری کا اہم کاروبار ٹیکسٹائل اور دیگر مصنوعات کی فروخت کیلئے ”سیفائز برانڈ“ ریٹیل 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 ریٹیل اسٹورز اور بیرون ملک آن لائن اسٹورز کے ذریعے ٹیکسٹائل کی مصنوعات کی فروخت میں مصروف ہے۔ ایس آر ایل پورے ملک میں تیس ریٹیل اسٹورز چلا رہا ہے۔

### ٹرانسکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ

ٹرانسکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ سیفائز ٹیکسٹائل ملز لمیٹڈ کی 57.125% ملکیت کی سبڈیری ہے۔ یہ کمپنی چھمپیر سندھ میں پاکستانی قوانین کے تحت تشکیل پائی ہے اور 3X50 میگا واٹ ونڈ انرجی کے (3) پروجیکٹس چلا رہی ہے۔ تینوں پروجیکٹس کی تجارتی سرگرمیاں ستمبر 2018ء سے کامیابی کے ساتھ شروع ہو گئی ہیں۔

### سیفائز انٹرنیشنل اے پی ایس

سیفائز انٹرنیشنل اے پی ایس سیفائز ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبڈیری ہے اور یہ لمیٹڈ انٹیلیجیٹ کمپنی ڈنمارک میں وجود میں آئی، جس کا مقصد کمپنی کی برآمد کو استحکام دینا ہے۔

### ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ

ڈیزائن ٹیکس ایس ایم سی پرائیویٹ لمیٹڈ کو کمپنی ایکٹ 2017ء کے تحت ایس ایم سی پرائیویٹ لمیٹڈ کے طور پر قائم ہوئی۔ یہ کمپنی سیفائز ریٹیل لمیٹڈ کی ملکیت کی مکمل سبڈیری ہے اور سیفائز ریٹیل لمیٹڈ، سیفائز ٹیکسٹائل ملز لمیٹڈ کی مکمل سبڈیری 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 23 ستمبر 2021ء

## حصص داری کی ساخت

30 جون 2021 کو کمپنی کی حصص داری کی ساخت منسلک ہے۔ یہ گوشوارہ کمپنیز ایکٹ 2017 کی دفعہ (f) 227(2) کے مطابق تیار کیا گیا ہے۔

## بورڈ کی تشکیص

بورڈ آف ڈائریکٹرز کے پاس اپنی کارکردگی کا از خود تشکیصی بنیاد پر ایک موثر نظام موجود ہے۔ بورڈ باضابطہ طور پر قابل قدر رہنمائی فراہم کرتا ہے اور موثر ادارتی نظم و ضبط کو یقینی بناتا ہے۔

## 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



ندیم عبداللہ  
چیف ایگزیکٹو

محمد عبداللہ  
ڈائریکٹر

کراچی  
مورخہ 23 ستمبر 2021ء

- جاتا ہے کہ گرفت کو مزید مستحکم اور نظام کو بہتر بنایا جاسکے۔
- (f) 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۔
- (g) کمپنی کی بڑھتی ہوئی کاروباری صلاحیت کے تسلسل میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- (h) ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی بڑا انحراف نہیں ہوا۔
- (i) اہم کاروباری اور مالیاتی اعداد و شمار کا اختصار یہ منسلک ہے۔
- (j) کمپنی اپنے اہل ملازمین کے لئے ایمپلائز پروویڈنٹ فنڈ چلاتی ہے۔ 30 جون 2021 کو فنڈ سے کی گئی سرمایہ کاری 381.100 ملین روپے ہے۔
- (k) ڈائریکٹران، چیف ایگزیکٹو آفیسر، چیف فنانسئل آفیسر، کمپنی سیکریٹری، ان کے شریک حیات اور چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

### ضابطہ اخلاق

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 تحت انجام پائے۔

سال کے دوران کمپنی نے ملحقہ پارٹیوں کے ساتھ سودے کئے۔ ان سودوں کی تفصیلات غیر مجموعی مالیاتی گوشواروں کے نوٹ 42 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۔

کمپنی یونائیٹڈ نیشنز گلوبل کمپیکٹ پروگرام کی محرکات کا نہ طور پر شرکت کرتی ہے۔ ہم اقوام متحدہ کے نصب العین 2030 پر کام کرتے ہوئے پائیدار عالمی ترقیاتی اہداف (SDGs) پر عمل کر رہے ہیں۔

کمپنی نے صحت، تعلیم اور سماجی بہبود کے پروجیکٹس میں عطیات دیئے ہیں جنہیں مالیاتی گوشواروں کے نوٹ نمبر 35 میں رپورٹ کیا گیا ہے۔

### 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 ترقی 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 2022 کے لئے ترقی کی تجویز دی ہے۔

## آڈٹ کمیٹی

سال کے دوران آڈٹ کمیٹی کے چار (4) اجلاس ہوئے۔ ہر ممبر کی حاضری درج ذیل رہی:

نام	حاضر اجلاسوں کی تعداد
جناب ندیم کرامت	4
جناب عامر عبداللہ	4
جناب یوسف عبداللہ	4
جناب شاہد شفیق	4

## انسانی وسائل و معاوضہ کمیٹی

سال کے دوران انسانی وسائل و معاوضہ کمیٹی کے دو (2) اجلاس ہوئے۔ ہر ممبر کی حاضری درج ذیل رہی:

نام	حاضر اجلاسوں کی تعداد
جناب ندیم کرامت	2
جناب ندیم عبداللہ	2
جناب عمر عبداللہ	2
مس ماشومہ زہرہ مجید	2
جناب شاہد شفیق	2

## 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 ڈائریکٹران کو کوئی معاوضہ ادا نہیں کرتی اور آزاد ڈائریکٹران کو اجلاس میں حاضر ہونے کی فیس ادا کی جاتی ہے۔ چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹران کے معاوضے کا پیکیج مالیاتی گوشواروں کے نوٹ نمبر 45 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

## 2- سیفائر ٹیکسٹائل لمیٹڈ

سیفائر ٹیکسٹائل لمیٹڈ، سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبسیڈیری ہے۔ اس سبسیڈیری کا اہم کاروبار ٹیکسٹائل اور دیگر مصنوعات کی فروخت کیلئے ’سیفائر برانڈ‘، ’ریٹیل آؤٹ لیٹس‘ چلاتا ہے۔ ایس آر ایل بنیادی طور پر بیرون زرالع 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 تیس ریٹیل اسٹورز چلا رہا ہے۔

## 3- ٹرانکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ

ٹرانکون بوسٹن کنسلٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ سیفائر ٹیکسٹائل ملز لمیٹڈ کی 57.125% ملکیت کی سبسیڈیری ہے۔ کمپنی کی تشکیل پاکستانی قوانین کے تحت ہوئی ہے اور اس وقت 50 میگا واٹ کے تین پروڈیکٹس تھمپرسندھ میں چلا رہی ہے۔ ان تمام پروڈیکٹس نے ستمبر 2018 میں اپنی تجارتی آپریشنز کا آغاز کر دیا تھا۔

## 4- سیفائر انٹرنیشنل اے پی ایس

سیفائر انٹرنیشنل اے پی ایس سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل ملکیت کی سبسیڈیری ہے اور یہ لمیٹڈ لائیو کمپنی ڈنمارک میں وجود میں آئی، جس کا مقصد کمپنی کی برآمد 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 ٹیکسٹائل لمیٹڈ کی ملکیت کی مکمل سبسیڈیری ہے اور سیفائر ٹیکسٹائل لمیٹڈ سیفائر ٹیکسٹائل ملز لمیٹڈ کی مکمل سبسیڈیری ہے۔ اس کمپنی کا بنیادی مقصد ٹیکسٹائل اور ذیلی مصنوعات کی تیاری ہے۔

## بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز تین آزاد ڈائریکٹران، چار نان ایگزیکٹو ڈائریکٹران اور تین ایگزیکٹو ڈائریکٹران پر مشتمل ہے۔

سال کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کے حاضر اجلاسوں کی تعداد درج ذیل ہے:

نام	قسم	حاضر اجلاسوں کی تعداد
جناب ندیم عبداللہ	ایگزیکٹو ڈائریکٹر	4
جناب نبیل عبداللہ	ایگزیکٹو ڈائریکٹر	4
جناب عمر عبداللہ	ایگزیکٹو ڈائریکٹر	4
جناب محمد عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب شاہد عبداللہ	نان ایگزیکٹو ڈائریکٹر	2
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب ندیم کرامت	آزاد ڈائریکٹر	4
جناب شاد شفیق	آزاد ڈائریکٹر	4
مس ماشومہ زہرہ مجید	آزاد ڈائریکٹر	4



## مصارف منافع

روپے ہزاروں میں

3,759,369

(496,434)

3,262,935

(26,355)

(152,401)

16,546,076

19,630,255

منافع قبل از ٹیکس

منہا: ٹیکس

منافع بعد از ٹیکس

ملازمین کے ریٹائرمنٹ کے فوائد پر نقصان کی از سر نو پیمائش

سرمایہ کاروں کی فروخت پر نقصان - ٹیکس نکالنے کے بعد

جمع: غیر مصرف شدہ منافع پیچھے سے لایا گیا

## بعد از اثرات

(325,347)

19,304,908

حتمی منافع منقسمہ برائے سال ختمہ 30 جون 2021 (150 فیصد یعنی 15 روپے فی حصص)

غیر مصرف شدہ منافع آگے لے جایا گیا

## فی حصص آمدن

سال ختمہ 30 جون 2021 میں فی حصص آمدن روپے 150.44 روپے رہی جبکہ گزشتہ سال ختمہ 30 جون 2020 کو 55.03 روپے تھی۔

## منافع منقسمہ

کمپنی کے بورڈ آف ڈائریکٹرز نے سال ختمہ 30 جون 2021 (30 جون 2020 میں: کوئی نہیں) کے لئے نقد منافع منقسمہ 150 فیصد یعنی 15 روپے فی حصص کے حساب سے سفارش کرتے ہوئے اظہار مسرت کیا ہے۔

## مستقبل کے امکانات

عالمی مارکیٹ میں بہترین طلب کی وجہ سے اس وقت پاکستان کے ٹیکسٹائل شعبہ کی کارکردگی بہت اچھی ہے۔ اسٹیٹ بینک کی جانب سے رعایتی نرخوں پر طویل مدتی قرضوں کے اجراء کی شکل میں فراہم کردہ معاونت نے اس شعبہ کی شاندار حوصلہ افزائی کی ہے۔ کمپنی توسیعی پروگرام کے کوشاں ہے خاص طور پر قیمتی مالیت کی حامل اشیاء کے شعبہ میں جس سے مستقبل میں کمپنی کے منافع میں پائیدار سطح کا اضافہ ہوگا۔

ٹیکسٹائل صنعت کا بڑا چیلنج مقامی کپاس کی فصل کا حجم ہے۔ اس سال بہتر موسمی حالات کی وجہ سے توقع ہے کہ کپاس کی فصل گزشتہ سال کی بنسبت زیادہ رہے گی لیکن اب بھی مقامی ضرورت سے کم ہے۔ ہمیں امید ہے کہ حکومت اور صنعت کی مشترکہ کوششوں سے کپاس کی فصل میں آنے والے سالوں میں اضافہ ہوگا۔

## 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 وٹڈ 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 وٹڈ 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۔

**سیفائر ٹیکسٹائل ملز لمیٹڈ**  
**سال ختمہ 30 جون 2021ء**

**حصص یافتگان کے لئے ڈائریکٹر رپورٹ**

آپ کی کمپنی کے ڈائریکٹر ان اپنی رپورٹ کے ساتھ کمپنی کے آڈٹ شدہ مالیاتی گوشوارے برائے ختمہ سال 30 جون 2021ء پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

**مالیاتی جائزہ**

آپ کی کمپنی کے مالیاتی نتائج حوصلہ افزا رہے۔ درج ذیل میں اہم مالیاتی اعداد و شمار پیش کئے گئے ہیں:

2020	2021	
روپے ہزاروں میں		
34,030,186	38,470,987	خالص فروخت
4,834,691	6,350,113	خام منافع
3,866,062	5,341,902	کاروباری منافع
721,187	1,097,563	دیگر آمدن
(2,556,977)	(1,582,533)	مالیاتی لاگت
1,309,085	3,759,369	منافع قبل از ٹیکس
1,179,089	3,262,935	منافع بعد از ٹیکس

کمپنی کی خالص فروخت گزشتہ سال کے 34.030 بلین روپے کے مقابلے میں بڑھ کر 38.471 بلین روپے ہو گئی۔ فروخت میں اضافہ کی وجہ قیمت فروخت کے ساتھ ساتھ فروخت کے حجم میں اضافہ تھی۔

موجودہ مالیاتی سال کے دوران بلحاظ فروخت خام منافع کی شرح بڑھ کر 16.51 فیصد ہو گئی جو کہ گزشتہ سال 14.21 فیصد تھی۔ موجودہ سال کے دوران عالمی مارکیٹ میں ٹیکسٹائل مصنوعات کی طلب میں قابل ذکر اضافہ ہوا۔ اس مدت کے دوران، جس میں Covid کی وباء کا پھیلاؤ عالمی سطح پر چھایا رہا، تاہم ٹیکسٹائل مصنوعات پیدا کرنے والے دیگر ممالک کی بہ نسبت پاکستان میں پیداوار کسی حد تک بلا رکاوٹ جاری رہی۔ اس کی وجہ سے عالمی منڈیوں میں طلب کار، تاجران بڑی حد تک پاکستان کی طرف ہو گیا۔ حکومت کی Covid کی صورتحال سے نمٹنے کی حکمت عملی کے ساتھ ساتھ اسٹیٹ بینک کی جانب سے معاونت عمومی طور پر پیداواری شعبہ کے لئے مددگار رہی۔ مدت کے دوران کمپنی نے خام مال پر کٹش قیمتوں پر خرید جس کے نتیجے میں منافع کی سطح بلند رہی۔

دیگر آمدن کا بڑا حصہ ذیلی کمپنیوں اور لسٹڈ کمپنیوں میں سرمایہ کاریوں سے حاصل ہونے والا منافع منقسم تھا جو کہ گزشتہ سال کے 721 ملین روپے کے مقابلے میں بڑھ کر 1,098 ملین روپے ہو گیا۔ سال کے دوران مالیاتی لاگت قابل ذکر کمی کے ساتھ 1.583 بلین رہا جو کہ فروخت کا 4.11 فیصد ہے جبکہ گزشتہ سال 2.557 بلین تھا جو کہ فروخت کا 7.51 فیصد تھا، جس میں کمی کی وجہ قرضوں پر شرح سود میں کمی تھی۔

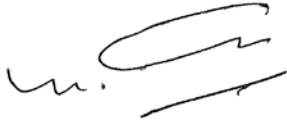
## چیرمین کی جائزہ رپورٹ

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۔

Covid-19 کے چیلنجوں کے باوجود، مالی سال برائے ۲۰۲۱ء کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ یہ کارکردگی لازمی اجزاء کی تشخیص پر مبنی ہے جن میں دوراندیشی، نصب العین اور اقتدار، 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 انداز سے پورا کرنا شامل ہیں۔ میں بورڈ کی جانب سے ان کی مثبت شراکت اور مسلسل وابستگی کے لئے اپنے اعتراف اور شکرگزاری کو بھی بڑھانا چاہتا ہوں۔

سیفائر ٹیکسٹائل ملز بورڈ کی تشکیل، طریقہ کار اور بورڈ اور اس کی کمیٹی کی میٹنگز 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 قانونی اور ریگولیشن کے مطابق کیا ہے اور نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

بورڈ کی جانب سے



محمد عبداللہ  
چیرمین

کراچی۔

23 ستمبر 2021ء



## سفارت ٹیکسٹائل ملز لمیٹڈ

اجلاس عام یا ملتوی ہونے کی صورت میں دیگر تارنخ پر اپنی اہماری غیر موجودگی میں شرکت اور ووٹ دینے کے لئے اپنا/ہمارا پر کسی مقرر کرتا/کرتے کرتی ہوں۔

اور یا / CDC \_\_\_\_\_ اور سب اکاؤنٹ نمبر \_\_\_\_\_

## نوٹس

- کروائے جائیں گے (اگر یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

\_\_\_\_\_ CNIC نمبر: \_\_\_\_\_ CNIC 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 2021

I/we \_\_\_\_\_ of \_\_\_\_\_  
a member(s) of Sapphire Textile Mills Limited and a holder of \_\_\_\_\_ Ordinary  
Shares, do hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
who is also a member of Sapphire Textile Mills Limited, vide registered Folio No / CDC and or  
Sub Account No \_\_\_\_\_ to act as Proxy on my/ our behalf at 53rd Annual General  
Meeting of the Company to be held Virtually on Wednesday, 27th October, 2021 at 12:00 noon through Video  
Conferencing (VC) and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Signature of shareholder \_\_\_\_\_

CNIC No: \_\_\_\_\_

Folio No/ CDC and/or Sub Account No: \_\_\_\_\_

Email: \_\_\_\_\_

Signature of proxy: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Folio No/ CDC and/or Sub Account No: \_\_\_\_\_

Email: \_\_\_\_\_

REVENUE  
STAMP PF  
RS.5/-

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

## NOTICE

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

Witness:

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_





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The Company Secretary

**SAPPHIRE TEXTILE MILLS LIMITED**

212, Cotton Exchange Buidling,  
I.I. Chundrigar Road,  
Karachi.

[illegible]

[illegible]





**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)