SAPPHIRE TEXTILE MILLS LIMITED

Contents

Company Profile

BOARD OF DIRECTORS		
CHAIRMAN	:	MR. MOHAMMAD ABDULLAH
CHIEF EXECUTIVE	:	MR. NADEEM ABDULLAH
DIRECTOR	:	MR. AMER ABDULLAH MR. YOUSUF ABDULLAH MR. NABEEL ABDULLAH MR. SHAYAN ABDULLAH MR. MOHAMMAD YOUNUS MR. SHAHID ABDULLAH
AUDIT COMMITTEE		
CHAIRMAN	:	MR. YOUSUF ABDULLAH
MEMBER	:	MR. NABEEL ABDULLAH
MEMBER	:	MR. SHAYAN ABDULLAH
HUMAN RESOURCE & REMUNERATION COMMITTEE		
CHAIRMAN	:	MR. AMER ABDULLAH
MEMBER	:	MR. NABEEL ABDULLAH
MEMBER	:	MR. MOHAMMAD YOUNUS
CHIEF FINANCIAL OFFICER	:	MR. ABDUL SATTAR
SECRETARY	:	MR. ZEESHAN
AUDITORS	:	MUSHTAQ & COMPANY CHARTERED ACCOUNTANTS
MANAGEMENT CONSULTANT	:	M. YOUSUF ADIL SALEEM & COMPANY CHARTERED ACCOUNTANTS
TAX CONSULTANTS	:	MUSHTAQ & COMPANY CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	A. K. BROHI & COMPANY
BANKERS	:	ALLIED BANK LIMITED HABIB BANK LIMITED STANDARD CHARTERED BANK (PAKISTAN) LIMITED UNITED BANK LIMITED MCB BANK LIMITED CITIBANK N.A.
SHARE REGISTRAR	:	HAMEED MAJEED ASSOCIATES (PVT) LTD
REGISTERED OFFICE	:	212, COTTON EXCHANGE BUILDING, I.I.CHUNDRIGAR ROAD, KARACHI.
MILLS	:	S.I.T.E KOTRI, S.I.T.E NOORIABAD CHUNIAN, DISTRICT KASUR FEROZE WATWAN BHOPATTIAN, LAHORE.

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Vision

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

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

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

Mission

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

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

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

Notice of Annual General Meeting

Notice is hereby given that 45th Annual General Meeting of Sapphire Textile Mills Limited will be held on Tuesday 29th October, 2013 at 3.30 p.m at Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi to transact the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of last General Meeting.

2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended 30th June, 2013.

3. To approve and declare the final dividend of Rs.9 /- per share i.e 90% for the year ended June 30, 2013 as recommended by the Board of Directors and the Rs.12 (120%) per share interim dividend already announced and paid, making a total dividend of Rs.21(210%) per share for the year ended June 30, 2013.

4. To appoint auditors for the year ending 30th June, 2013 and fix their remuneration. The present Auditors, M/s Mushtaq & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, pass with or without modification(s) the following resolution under section 208 of the Companies Ordinance, 1984:

"Resolved that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, the Company be and is hereby authorized to acquire 100% Share Capital of an associated company, Sapphire Solar (Pvt) Limited, which is 1,000 shares at par Rs. 10 each, from its directors, Mr. Mohammad Abdullah and Mr. Nadeem Abdullah, making it a wholly owned subsidiary company of Sapphire Textile Mills Limited."

"Further resolved that the Chief Executive of the Company be and is hereby authorized to take necessary steps with regards to the acquisition of Sapphire Solar (Pvt) Limited."

A Statement under Section 160(1) (b) of the Companies Ordinance, 1984, read with S.R.O. 27 (1)/ 2012 dated January 16th, 2012 issued by the Securities and Exchange Commission of Pakistan is annexed to the Notice of the Meeting send to the shareholders.

OTHER BUSINESS:

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

By Order of the Board

Karachi.
Dated : 07th October, 2013

(ZEESHAN)
Secretary

NOTES

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 23rd October, 2013 to 29th October, 2013 (both days inclusive). Transfers received in order, by the Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, up to 22nd October, 2013, will be considered in time for the payment of dividend.

2. Participation in the annual general meeting:

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

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

4. Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road.

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

A. For attending the meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.

iii) Attested copies of CNIC or the passport.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2012 dated July 05, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

Accordingly, Members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with memebrs' folio no mentioned thereon for updating record.

7. As per the directions to all Listed Companies by SECP vide Letter No.SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.

Statement Under Section 160 (1) (b) Of The Companies Ordinance, 1984

Sapphire Solar (Pvt) Limited is an associated company of Sapphire Textile Mills Limited. The Authorized capital of the Company is Rs.1,00,000 divided into 10,000 ordinary shares of Rs. 10 each. The Paid-up capital is Rs. 10,000 divided into 1000 shares of Rs. 10 each. The company was incorporated on March 6, 2013. Two (2) Directors of Sapphire Solar (Pvt) Limited are also the Directors in Sapphire Textile Mills Limited (STML). Other information as required under S.R.O No. 27(1)/2012 dated January 16, 2012 Companies (Investment in Associated Companies Undertakings) Regulation 2012 is as under:

1. **Name of the Associated Company and criteria of associated relationship:**

   Sapphire Solar (Pvt) Limited is a private limited company formed for the purposes of generating solar energy. Associated relationship is due to common directorship.

2. **Purpose, benefits and period of investment;**

   The investment is a strategic decision in line with the Government policy to promote Renewable Energy in Pakistan, As Sapphire Solar (Pvt) Limited has a letter of intent (LOI) from the Government of Pakistan to build a Solar Power Project of 10MW. The site for the Solar Power Plant is close to the Sapphire Wind Power Project in Sindh. This investment will give steady stream of income in the shape of dividends to the Company and as such the shareholders will benefit from it. Acquisition of 1,000 shares having face value of Rs. 10,000 will make Sapphire Solar (Pvt) Limited a wholly owned subsidiary of Sapphire Textile Mills Limited; this will be a long-term investment.

3. **Maximum amount of investment**

   Rs. 10,000

4. **Maximum price at which securities will be acquired**

   The securities will be acquired at par value of Rs.10/- per share

5. **Maximum number of securities to be acquired.**

   Numbers of shares to be acquired are 1,000 Ordinary shares of Rs.10/- each

6. **Number of securities and percentage thereof held before and after the proposed investment;**

   Presently STML holds no shares of Sapphire Solar (Pvt) Limited. After the proposed acquisition STML's total shareholding will become 1,000 shares of Rs. 10 each, which comes to be 100 percent of the Paid-up Capital.

7. **Twelve weekly average price in case of listed security;**

   Not Applicable as Sapphire Solar (Pvt) Limited is a private limited company.

8. **Fair market value of securities intended to be acquired in case of unlisted securities:**

   The fair market value is Rs.10 Per share.

9. **Break-up Value of Shares Intended to be Purchased:**

   The Breakup value of shares of Sapphire Solar (Pvt) Limited as at June 30, 2013 was Rs. (532.35) per share because the company has incurred formation expenses of Rs. 542,355 against the Paid-up Capital of Rs. 10,000.

10. Earnings per share of last three years of associated company;

Sapphire Solar (Pvt) Limited was incorporated on March 06, 2013 and has not commenced operations yet.

11. Source of Funds from which Securities will be acquired:

It will be acquired from Company's own sources.

12. Salient features of the agreement(s) if any, regarding proposed investment:

There is no agreement.

13. Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in associated undertaking or transaction under consideration:

Mr. Mohammad Abdullah and Mr. Nadeem Abdullah are the common directors, who hold 500 shares each. The Directors interest in the Company is to the extent of their shareholding in the Company.

14. Any other important details necessary for the members to understand the transaction:

The proposed acquisition is being made to enter into the business of Solar Energy generation, which is expected to result in higher profits in future as there is a Shortage of Electric Power in the country.

By order of the Board

Karachi: Company Secretary

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, 2013.

FINANCIAL HIGHLIGHTS

	2013	2012
	Rupees in Thousand	
Sales & Services	**25,283,151**	21,490,830
Gross Profit	**4,204,863**	2,773,398
Profit from Operations	**3,030,121**	1,843,347
Other Income	**394,442**	407,848
Profit before taxation	**2,365,969**	1,129,942
Profit after taxation	**2,136,467**	1,073,679

REVIEW OF OPERATIONS

Sales during the year under review increased to Rs.25.283 billion representing growth of 17.64% over sales of previous year of Rs.21.491 billion. The Gross profit as a percentage of sales increased from 12.91% in the previous year to 16.63% in the current year. Financial cost decreased from Rs.713.405 million which was 3.32% of sales in the previous year to Rs.664.152 million which is 2.63% of sales in the current year. Other income during the year reduced to Rs.394.443 million as against Rs. 407.848 million in the previous year. Overall, the financial performance of the Company was good during the period under review. The main reason for the performance was the robust demand for the products produced by the Company which include yarns, fabrics as well as home textile products. In addition, raw cotton was also procured at reasonable prices. The management was also able to keep the expenses in control.

Appropriation of Profit

	Rupess In Thousand
Profit Before Taxation	**2,365,969**
Less: Taxation	
For the year	**(196,524)**
Deferred	**(32,977)**
	(229,501)
Profit after taxation	**2,136,468**
Add: Unappropriated profit brought forward	**5,266,231**
	7,402,699
Appopriations	
Final dividend for the year ended June 30, 2012	**100,416**
(50% i.e Rs.5 /- per share)	
Interm dividend for the year ended June 30, 2013	**240,998**
(120% i.e Rs.12/- per share)	**341,414**
Unappropriated Profit Carried Forward	**7,061,285**
Subsequent Effects	
Proposed Final cash dividend for the year ended June 30,2013	**180,748**
(90% i.e Rs. 9 per share)	
	6,880,537

Directors' Report
to the Shareholders

DIVIDEND

The Board of Directors of the company is pleased to recommend a cash dividend of 90% i.e. Rs.9 per share for the year ended June 30, 2013. (2012:50%). The final cash dividend is in addition of interim dividend of 120% i.e. Rs.12 per share.

EARNING PER SHARE

The earnings per share for the year ended June 30, 2013 is Rs.106.38 as compared to Rs.53.46 for last year ended June 30, 2012.

BMR AND EXPANSION

The company has planned to set up a fabric processing and printing project in continuation of its policy to expand and modernize production facilities. Construction of main factory building is in process. The company has opened letter of credits amounting to approximately Rs.1 billion for import of machinery for this project. The project is expected to start productivity in the first quarter of 2014.

FUTURE PROSPECTS

The Textile industry is facing a challenging environment. The increase in power tariffs and unreliable supplies of gas for power generation and frequent load shedding is a very big threat to the competiveness of industrial production in Pakistan. On the other side, the production of cotton is not increasing whereas the consumption has increased. Due to this gap, a substantial portion of its requirement will have to be imported. These are some of big challenges for the textile industry in Pakistan. However, the management will keep striving to overcome these challenges.

CHANGE IN THE BOARD OF DIRECTORS

During the year, casual vacancy occurred due to resignation of Mr.Hasan Abdullah from the Board and Mr.Shahid Abdullah, was appointed in his place with effect from 20th February, 2013.

REMUNERATION OF CHIEF EXECUTIVE

During the year ended June 30, 2013, the Board of Directors has revised the remuneration of Mr. Nadeem Abdullah, Chief Executive Officer from Rs.750,000 to 1,000,000 per month effective February 01, 2013. There was no change in other terms and conditions of his appointment.

SUBSIDIARIES OF SAPPHIRE TEXTILE MILLS LIMITED

There are two subsidiaries with 100% equity of Sapphire Textile Mills Limited.

1. SAPPHIRE WIND POWER COMPANY LIMITED

The Company obtained a LOI for developing a 50 MW wind farm at Jhumpir and was allocated 1372 acres of land for the purpose by AEDB. Wind resource assessment and detailed project feasibility were completed and approved by AEDB. The Company followed a tendering process following which GE wind turbines had been selected; SWPCL has signed an EPC contract with Hydrochina Corporation, China and a 10 years O&M contract with GE. The company has signed a Letter of Commitment with Overseas Private Investment Corporation (OPIC), USA under which OPIC has committed to finance 100% debt for the project up to US $ 95 million. The company has applied for Upfront Tariff and NEPRA's determination of the same is expected shortly; negotiations of the concession documents are also at an advanced stage. SWPCL team is actively engaged with all stakeholders and aim to achieve financial close shortly.

Directors' Report
to the Shareholders

2. SAPPHIRE HOME INCORPORATION

Sapphire Home Incorporation is incorporated under the laws of the State of New York in United States of America (USA). There are certain customers in the USA which need goods on landed duty paid basis. Sapphire Home Inc. provides this service for the home textile products for these customers.

SUBSIDIARY COMPANY

The company has planned to acquire 100% Share Capital of an associated company, Sapphire Solar (Pvt.) limited. The company has obtained an LOI from Alternative Energy Development Board to set up an IPP of 10 MW.

RELATED PARTIES

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

Corporate Environment, Health & Social Responsibility

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

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

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

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

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, its cash flows and its changes in equity.

2. The company has maintained proper books of accounts.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further.

6. 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 is disclosed as contingent liabilities in the notes to the accounts.

7. There is no doubt about the company's ability to continue as a going concern.

8. There has been no material departure from the best practice of corporate governance, as detailed in listing regulations

Directors' Report
to the Shareholders

9. The Board in compliance to the Code of Corporate Governance has formed a HR & R Committee and 4 meetings were held during the year.

10. Operating and financial data and key ratios of six years are annexed.

11. The Company established Management Staff Gratuity Fund from July 1, 2005 which is initially for the Head office and will gradually applicable to the other units/mills of the Company. The company has also introduced Employees' Provident Fund for the staff from July 1, 2006. The persons join the Provident Fund will not be eligible for gratuity fund. Provision has been made in the accounts accordingly. The value of investment of Gratuity and Provident Fund as on June 30, 2013 are Rs.19.838 million and Rs.88.391 million respectively.

12. Except as stated here under, 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.

Name	Relation	No of Shares Purchased
Mr.Shahid Abdullah	Director	3,000
Mr.Nadeem Abdullah	Chief Executive / Director	60,000
Mr.Amer Abdullah	Director	32,500
Mr.Yousuf Abdullah	Director	11,500
Mrs.Shamshad Begum	Spouse of Director	17,800
Mrs.Shireen Shahid	Spouse of Director	131,000
Mrs.Noshaba Nadeem	Spouse of Chief Executive /Director	201,500
Mrs.Ambareen Amer	Spouse of Director	174,500
Mrs.Usma Yousuf	Spouse of Director	107,500

13. During the Year 15 meetings of the Board of Directors were held. Attendance by each Directors is as follow:

Mr.Mohammad Abdullah	13
Mr.Nadeem Abdullah	12
Mr.Amer Abdullah	12
Mr.Yousuf Abdullah	10
Mr.Mohammad Younus	7
Mr.Nabeel Abdullah	11
Mr.Shayan Abdullah	9
Mr. Hasan Abdullah	7
Mr.Shahid Abdullah	4

14. The Audit Committee held 5 meetings during the year. Attendance by each member was as follows:

Mr.Yousuf Abdullah	5
Mr.Nabeel Abdullah	4
Mr.Shayan Abdullah	4

15. Code of conduct has been developed and are communicated and acknowledged by each Director and employee of the company.

PATTERN OF SHAREHOLDING

The Pattern of share holding of the company as at June 30, 2013 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

Directors' Report
to the Shareholders

AUDITORS

The present Auditors, M/s.Mushtaq & Company (Chartered Accountants) retire and being eligible, offers themselves for re-appointment for the year 2013-2014. Audit Committee and Board of Directors have also recommended their appointment as Auditor for the year ended June 30, 2014.

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

Karachi
Dated: October 07, 2013

Six Years Growth At A Glance

(Rupees in Million)

YEARS		2013	2012	2011	2010	2009	2008
Sales		25,283.15	21,490.83	22,937.18	14,428.08	11,744.25	9,769.32
Gross Profit		4,204.86	2,773.40	3,417.77	2,736.05	1,731.37	1,128.03
Profit Before Tax		2,365.97	1,129.94	1,774.04	1,115.61	274.06	670.60
Profit After Tax		2,136.47	1,073.68	1,607.41	1,015.54	179.84	617.73
Share Capital		200.83	200.83	200.83	200.83	200.83	200.83
Shareholder's Equity		11,411.81	8,327.12	7,520.94	5,992.07	4,459.86	5,577.49
Fixed Assets - Net		5,943.04	5,357.00	4,900.07	4,029.81	4,092.60	4,214.72
Total Assets		18,842.13	14,056.51	14,393.19	11,579.97	10,189.53	12,324.27
DIVIDEND - Cash	%	210.00	50.00	50.00	50.00	15.00	7.50
DIVIDEND - Specie	%	-	-	-	-	-	4.50
RATIOS:							
Profitability							
Gross Profit	%	16.63	12.91	14.90	18.96	14.74	11.55
Profit Before Tax	%	9.36	5.26	7.73	7.73	2.33	6.86
Profit After Tax	%	8.45	5.00	7.01	7.04	1.53	6.32
Return To Shareholders							
R.O.E-Before Tax	%	20.73	13.57	23.59	18.62	6.15	12.02
R.O.E After Tax	%	18.72	12.89	21.37	16.95	4.03	11.08
Basic E.P.S-After Tax	Rs.	106.38	53.46	80.04	50.57	8.95	30.76
Activity							
Sales To Total Assets	Times	1.34	1.53	1.59	1.25	1.15	0.79
Sales To Fixed Assets	Times	4.25	4.01	4.68	3.58	2.87	2.32
Liquidity/Leverage							
Current Ratio		1.49:1	1.44:1	1.27:1	1.09:1	1.91	1.28:1
Debt Equity Ratio	Times	0.09	0.13	0.13	0.09	0.16	0.08
Total Liabilities to Equity.	Times	0.65	0.69	0.91	0.93	1.28	1.21
Break up value per share	Rs.	568.23	414.63	374.49	298.36	222.07	277.72

Statement of Compliance
with the code of corporate governance

Name of Company **SAPPHIRE TEXTILE MILLS LIMITED** year ended June 30, 2013.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	Nil
Executive Directors	Mr. Mohammad Abdullah Mr. Nadeem Abdullah Mr. Nabeel Abdullah
Non-Executive Directors	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah Mr. Mohammad Younus

The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company in April 2014.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors is a member of a stock exchange.

4. During the year casual vacancy occurred due to resignation of Mr.Hassan Abdullah from directorship and in his place Mr.Shahid Abdullah was appointed as director of the company.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the power of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met at least once in every quarter. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of directors’ training program as prescribed by the Code of Corporate Governance. Director Mr.Nabeel Abdullah has attended the directors’ training program held on 24th of September, 2013 at Lahore.

Statement of Compliance
with the code of corporate governance

10. There was no new appointment of CFO/Company Secretary during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

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

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: 07th October, 2013

NADEEM ABDULLAH
Chief Executive

Review Report To The Members

On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of **Sapphire Textile Mills Limited** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited where the company is listed.

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

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of Karachi requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Mushtaq Ahmad Vohra
F.C.A

KARACHI:
Date: 07th October, 2013

Auditors' Report to the members

We have audited the annexed Balance Sheet of **Sapphire Textile Mills Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion;

 (i) the Balance Sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of the company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Mushtaq Ahmad Vohra
F.C.A

KARACHI:
Date: 07th October, 2013

Balance Sheet
As at June 30, 2013

	Note	2013	2012
		---------- Rupees ----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**5,773,038,211**	5,161,762,107
Investment property	7	**164,424,860**	186,904,254
Intangible assets	8	**5,572,830**	8,335,030
Long term investments	9	**3,593,058,918**	2,231,675,922
Long term loans and advances	10	**43,443,630**	36,223,204
Long term deposits	11	**58,874,594**	29,500,666
		9,638,413,043	7,654,401,183
CURRENT ASSETS			
Stores, spares and loose tools	12	**228,908,839**	250,799,409
Stock-in-trade	13	**4,908,046,675**	3,317,722,811
Trade debts	14	**1,710,499,789**	1,337,067,271
Loans and advances	15	**175,007,817**	117,723,889
Trade deposits and short term prepayments	16	**6,646,973**	14,815,702
Other receivables	17	**79,063,838**	43,639,601
Other financial assets	18	**1,457,039,126**	810,341,353
Tax refunds due from Government	19	**535,065,386**	434,008,678
Cash and bank balances	20	**103,436,686**	75,986,808
		9,203,715,129	6,402,105,522
TOTAL ASSETS		**18,842,128,172**	14,056,506,705
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 35,000,000 (2012: 35,000,000) ordinary shares of Rs.10 each		**350,000,000**	350,000,000
Issued, subscribed and paid-up capital	21	**200,831,400**	200,831,400
Reserves		**11,210,980,625**	8,126,289,918
		11,411,812,025	8,327,121,318
NON-CURRENT LIABILITIES			
Long term financing	22	**1,001,498,908**	1,094,621,651
Deferred liabilities	23	**240,331,249**	180,139,384
		1,241,830,157	1,274,761,035
CURRENT LIABILITIES			
Trade and other payables	24	**1,496,888,582**	1,099,692,715
Accrued Interest / mark-up	25	**68,192,565**	70,308,182
Short term borrowings	26	**4,057,673,933**	2,850,756,103
Current portion of long term financing	22	**369,206,566**	213,468,649
Provision for taxation	27	**196,524,344**	220,398,703
		6,188,485,990	4,454,624,352
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		**18,842,128,172**	14,056,506,705

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

Karachi:	**NADEEM ABDULLAH**	**NABEEL ABDULLAH**
Dated: October 07, 2013	CHIEF EXECUTIVE	DIRECTOR

Profit And Loss Account

For the year ended June 30, 2013

	Note	2013	2012
		---------------------- Rupees ----------------------	
Sales and services	29	**25,283,151,486**	21,490,830,237
Cost of sales and services	30	**(21,078,288,927)**	(18,717,432,281)
Gross profit		**4,204,862,559**	2,773,397,956
Distribution cost	31	**(1,075,341,922)**	(1,008,427,320)
Administrative expenses	32	**(207,978,602)**	(180,104,904)
Other operating expenses	33	**(285,862,499)**	(149,366,634)
Other income	34	**394,441,259**	407,848,389
		(1,174,741,764)	(930,050,469)
Profit from operations		**3,030,120,795**	1,843,347,487
Finance cost	35	**(664,151,644)**	(713,405,263)
Profit before taxation		**2,365,969,151**	1,129,942,224
Taxation			
Current			
- for the year		**(196,524,344)**	(220,398,703)
- prior year		**-**	28,743,065
Deferred		**(32,977,320)**	135,392,126
	36	**(229,501,664)**	(56,263,512)
Profit after taxation for the year		**2,136,467,487**	1,073,678,712
Earnings per share - basic and diluted	37	**106.38**	53.46

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

Karachi:	**NADEEM ABDULLAH**	**NABEEL ABDULLAH**
Dated: October 07, 2013	CHIEF EXECUTIVE	DIRECTOR

Statement of Comprehensive Income
For the year ended June 30, 2013

	2013	2012
	----------------- Rupees -----------------	
Profit after taxation for the year	**2,136,467,487**	1,073,678,712
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Available for sale investments		
Unrealized gain / (loss) on remeasurement of available for sale investments	**1,283,485,376**	(65,134,189)
Reclassification adjustments relating to gain realized on disposal of available for sale investments	**(23,093,695)**	(73,146,239)
	1,260,391,681	(138,280,428)
Forward foreign currency contracts		
Unrealized gain / (loss) on remeasurement of forward foreign currency contracts	**56,143,973**	(26,899,054)
Reclassification adjustments relating to loss realized on settlement of foreign currency contracts	**(26,899,054)**	(1,899,447)
	29,244,919	(28,798,501)
Other comprehensive income / (loss) for the year	**1,289,636,600**	(167,078,929)
Total comprehensive income for the year	**3,426,104,087**	906,599,783

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

Karachi:
Dated: October 07, 2013

NADEEM ABDULLAH
CHIEF EXECUTIVE

NABEEL ABDULLAH
DIRECTOR

Cash Flow Statement

For the year ended June 30, 2013

	Note	2013	2012
		---- Rupees ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	1,646,894,589	2,900,500,912
Long term loans and deposits		(41,955,919)	(3,137,097)
Finance cost paid		(666,267,261)	(714,178,935)
Staff retirement benefits - gratuity paid		(35,221,375)	(36,525,855)
Taxes paid		(321,455,411)	(275,619,489)
		(1,064,899,966)	(1,029,461,376)
Net cash generated from operating activities		581,994,623	1,871,039,536
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,175,367,939)	(963,638,584)
Purchase of intangible assets		-	(5,983,770)
Investment in associated undertakings / subsidiaries		(205,800,000)	(122,660,679)
Investment others		(638,022,822)	(254,158,149)
Proceeds from disposal of property, plant and equipment		59,627,313	124,145,557
Proceeds from disposal of investment property		21,000,000	13,300,000
Proceeds from sale of investments		168,048,719	357,295,214
Proceeds from derivative financial instruments		(1,780,768)	2,081,475
Dividend received		273,565,156	228,504,056
Profit received on saving account		201,938	169,998
Rental income received		12,804,000	12,720,000
Net cash used in investing activities		(1,485,724,403)	(608,224,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		1,197,941,751	(1,351,870,309)
Proceeds from long term financing		628,158,674	352,821,000
Repayment of long term financing		(565,543,500)	(193,360,592)
Dividend paid		(338,353,346)	(99,751,393)
Net cash generated from / (used in) financing activities		922,203,579	(1,292,161,294)
Net increase / (decrease) in cash and cash equivalents		18,473,799	(29,346,640)
Cash and cash equivalents at the beginning of the year		75,487,220	104,833,860
Cash and cash equivalents at the end of the year		93,961,019	75,487,220
Cash and cash equivalents			
Cash and bank balances		103,436,686	75,986,808
Book overdrafts - unsecured		(9,475,667)	(499,588)
Cash and cash equivalents at the end of the year		93,961,019	75,487,220

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

Karachi:
Dated: October 07, 2013

NADEEM ABDULLAH
CHIEF EXECUTIVE

NABEEL ABDULLAH
DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2013

	Share Capital	Reserves					Other Components of equity			Total Equity
		Capital		Revenue			Unrealized gain / (loss)			
		Share Premium	Fixed Assets Replacement	General Reserves	Unappropriated Profit	SUB TOTAL	On available for sale investments	On forward foreign exchange contracts	SUB TOTAL	
	Rupees									
Balance as at July 01, 2011	200,831,400	156,202,200	65,000,000	1,330,000,000	4,292,967,576	5,844,169,776	1,474,036,612	1,899,447	1,475,936,059	7,520,937,235
Total comprehensive income for the year ended June 30, 2012										
Profit after taxation for the year	-	-	-	-	1,073,678,712	1,073,678,712	-	-	-	1,073,678,712
Other comprehensive loss	-	-	-	-	-	-	(138,280,428)	(28,798,501)	(167,078,929)	(167,078,929)
	-	-	-	-	1,073,678,712	1,073,678,712	(138,280,428)	(28,798,501)	(167,078,929)	906,599,783
Transaction with owners										
Final dividend for the year ended June 30, 2011 @ Rs. 5 per share	-	-	-	-	(100,415,700)	(100,415,700)	-	-	-	(100,415,700)
Balance as at June 30, 2012	200,831,400	156,202,200	65,000,000	1,330,000,000	5,266,230,588	6,817,432,788	1,335,756,184	(26,899,054)	1,308,857,130	8,327,121,318
Balance as at July 01, 2012	200,831,400	156,202,200	65,000,000	1,330,000,000	5,266,230,588	6,817,432,788	1,335,756,184	(26,899,054)	1,308,857,130	8,327,121,318
Total comprehensive income for the year ended June 30, 2013										
Profit after taxation for the year	-	-	-	-	2,136,467,487	2,136,467,487	-	-	-	2,136,467,487
Other comprehensive income	-	-	-	-	-	-	1,260,391,681	29,244,919	1,289,636,600	1,289,636,600
	-	-	-	-	2,136,467,487	2,136,467,487	1,260,391,681	29,244,919	1,289,636,600	3,426,104,087
Transaction with owners										
Final dividend for the year ended June 30, 2012 @ Rs. 5 per share					(100,415,700)	(100,415,700)				(100,415,700)
Interim dividend for the year ended June 30, 2013 @ Rs. 12 per share					(240,997,680)	(240,997,680)				(240,997,680)
	-	-	-	-	(341,413,380)	(341,413,380)	-	-	-	(341,413,380)
Balance as at June 30, 2013	200,831,400	156,202,200	65,000,000	1,330,000,000	7,061,284,695	8,612,486,895	2,596,147,865	2,345,865	2,598,493,730	11,411,812,025

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

Karachi:
Dated: October 07, 2013

NADEEM ABDULLAH
CHIEF EXECUTIVE

NABEEL ABDULLAH
DIRECTOR

Notes To The Financial Statements
For the year ended June 30, 2013

1 LEGAL STATUS AND OPERATIONS

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited company under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The registered office of the Company is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and its mills are located at Kotri, Nooriabad, Chunian, Feroze Watwan and Bhopattian Lahore.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 and the requirements of the said directives prevail.

2.2 Basis of preparation

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

2.3 Functional and presentation currency

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

3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Property, Plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Stock-in-trade and stores, spares and loose tools

The Company reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

Notes To The Financial Statements

For the year ended June 30, 2013

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 23 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Trade debts and other receivables

The Company's management reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2012:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1), (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

IAS 12, 'Income Taxes' (Amendments), These are applicable on accounting periods beginning on or after January 1, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

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

IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for periods beginning on or after January 1, 2013). This amendment is on offsetting financial assets and financial liabilities. This include new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

Notes To The Financial Statements
For the year ended June 30, 2013

IAS 27 Separate Financial Statements (2011)' (effective for annual periods beginning on or after January 1, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no major impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011)' (effective for annual periods beginning on or after January 1, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.

IAS 39 Financial Instruments' Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 1, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

IAS 19 (Revised), ‘Employee benefits’ (effective for the periods beginning on or after January 1, 2013). The amendments will make significant changes to the recognition and measurement of defined benefit plan expense. The amendments requires actuarial gains and losses to be recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognise all changes in defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19, and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company is in process of reviewing the implications of the revised standard on its financial statements.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

IAS 32, ‘Financial Instruments: Presentation’ (effective for the periods beginning on or after January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Company is in the process of assessing the impact of this amendment on the Company's financial statements.

4.3 Standards, interpretations issued by the IASB that are applicable to the company but are not yet notified by the SECP

IFRS 9, ‘Financial Instruments’ (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

IFRS 10, 'Consolidated Financial Statements', applicable from January 1, 2013, build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

Notes To The Financial Statements

For the year ended June 30, 2013

IFRS 11, 'Joint Arrangements', applicable from January 1, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence entity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12, 'Disclosure of interests in other entities' (effective for the periods beginning on or after January 1, 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13, 'Fair value measurement', this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until April 1, 2013 but is available for early adoption.

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

4.5 The Securities and Exchange Commission of Pakistan through SRO 183(I)/2013 dated March 4, 2013 has amended the requirements of 4th Schedule of the Companies Ordinance 1984. The amendments require some additional disclosure and modification of existing disclosure.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

Owned assets

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

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

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

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

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

Notes To The Financial Statements
For the year ended June 30, 2013

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements is allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Capital work-in-progress

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

5.2 Investment property

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

5.3 Intangible assets

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

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

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

5.4 Investments

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

Investment in subsidiary and associated companies

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

Notes To The Financial Statements

For the year ended June 30, 2013

Investment - available for sale

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

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

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

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

5.5 Stores, spares and loose tools

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

5.6 Stock in trade

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

Provision for obsolete and slow moving stock in trade is determined based on management estimate regarding their future usability.

5.7 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

5.8 Cash and cash equivalents

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

Notes To The Financial Statements

For the year ended June 30, 2013

5.10 Borrowings

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

5.11 Employee benefits

Compensated absences

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

Defined benefits plans

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

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the company's obligation are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

Defined Contribution Plan

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

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

5.12 Trade and other payables

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

5.13 Taxation

Current year

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

Deferred tax

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regards, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Notes To The Financial Statements

For the year ended June 30, 2013

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the each reporting date.

5.14 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised 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 balance sheet date and adjusted to reflect the current best estimate.

5.16 Revenue recognition

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

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

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

All other incomes are recognised on accrual basis.

5.17 Government grant

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

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

5.18 Borrowing cost

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

5.19 Foreign currency transactions and translation

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

Notes To The Financial Statements
For the year ended June 30, 2013

5.20 Impairment

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

5.21 Financial instruments

Financial assets

5.21.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

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

5.21.2 Recognition

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

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

Notes To The Financial Statements
For the year ended June 30, 2013

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

5.21.3 Measurement

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

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

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

5.21.4 Impairment

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

5.21.5 Off-setting of financial assets and liabilities

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

5.21.6 Derivative financial instruments

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

a) Cash flow Hedges

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

b) Fair value hedge and other non-trading derivatives

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

Notes To The Financial Statements

For the year ended June 30, 2013

5.21.7 Financial liabilities

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

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

5.22 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 price using the method prescribed under the Companies Ordinance 1984.

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

	Note	**2013**	2012
		------------- **Rupees** -------------	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**6.1**	**5,416,477,867**	4,736,656,581
Capital work-in-progress	**6.4**	**356,560,344**	425,105,526
		5,773,038,211	5,161,762,107

Notes To The Financial Statements
For the year ended June 30, 2013

6.1 Operating fixed assets

	Land		On free - hold			On lease - hold												
2013	Free - hold	Lease - hold	Factory building	Labour, staff colony and others	Office building	Factory building	Labour, staff colony and others	Leased building improvements	Plant & machinery	Electric installations	Fire fighting equipment	Electric equipments	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Total
	Rupees																	
At July 01, 2012																		
Cost	120,593,283	9,180,416	1,101,797,134	261,941,308	-	232,238,984	30,153,574	48,174,914	6,713,463,358	195,460,123	1,919,340	43,961,451	19,094,473	35,610,412	44,366,610	23,655,450	184,970,801	9,066,581,631
Accumulated depreciation	-	-	(479,817,487)	(85,889,370)	-	(140,121,343)	(14,577,683)	(23,134,885)	(3,376,454,920)	(50,545,957)	(602,276)	(10,298,835)	(11,924,177)	(22,444,461)	(23,007,844)	(9,625,742)	(81,480,070)	(4,329,925,050)
Net book value	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,662,616	7,170,296	13,165,951	21,358,766	14,029,708	103,490,731	4,736,656,581
Year ended June 30, 2013																		
Additions	-	52,314,759	47,710,080	-	184,200,855	-	7,956,241	1,889,722	774,122,750	122,764,521	286,910	639,000	8,441,222	801,250	4,360,525	2,797,703	35,627,583	1,243,913,121
Disposals:																		
- Cost	20,907,438	-	-	-	-	-	-	-	96,863,975	-	-	311,850	113,793	-	-	255,674	18,435,894	136,888,624
- Depreciation	-	-	-	-	-	-	-	-	(77,598,618)	-	-	(177,743)	(84,812)	-	-	(129,864)	(13,648,558)	(91,639,595)
	20,907,438	-	-	-	-	-	-	-	19,265,357	-	-	134,107	28,981	-	-	125,810	4,787,336	45,249,029
Depreciation charge for the year	-	-	(64,663,076)	(8,534,710)	(6,907,532)	(9,211,764)	(1,303,494)	(5,234,836)	(366,376,481)	(20,554,692)	(139,932)	(3,394,544)	(2,928,640)	(1,359,480)	(2,336,538)	(1,552,475)	(24,344,612)	(518,842,806)
Closing net book value - 2013	99,685,845	61,495,175	605,026,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,607,721	23,382,753	15,149,126	109,986,366	5,416,477,867
At June 30, 2013																		
Cost	99,685,845	61,495,175	1,149,507,214	261,941,308	184,200,855	232,238,984	38,109,815	50,064,636	7,390,722,133	318,224,644	2,206,250	44,288,601	27,421,902	36,411,662	48,727,135	26,197,479	202,162,490	10,173,606,128
Accumulated depreciation	-	-	(544,480,563)	(94,424,080)	(6,907,532)	(149,333,107)	(15,881,177)	(28,369,721)	(3,665,232,783)	(71,100,649)	(742,208)	(13,515,636)	(14,768,005)	(23,803,941)	(25,344,382)	(11,048,353)	(92,176,124)	(4,757,128,261)
Net book value - 2013	99,685,845	61,495,175	605,026,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,607,721	23,382,753	15,149,126	109,986,366	5,416,477,867
Depreciation rate % per annum	-	-	10	5	5	10	5	20	10	10	10	10	30	10	10	10	20	

	Land		On free - hold			On lease - hold												
2012	Free - hold	Lease - hold	Factory building	Labour, staff colony and others	Office building	Factory building	Labour, staff colony and others	Leased building improvements	Plant & machinery	Electric installations	Fire fighting equipment	Electric equipments	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	**Total**
	Rupees																	
At July 01, 2011																		
Cost	138,705,782	9,180,416	858,353,165	243,214,833	-	220,982,998	30,153,574	32,867,062	5,849,658,343	101,888,288	1,704,940	27,982,351	16,343,104	35,292,705	34,527,715	18,193,604	160,710,768	7,779,759,648
Accumulated depreciation	-	-	(424,973,549)	(76,972,359)	-	(130,033,273)	(13,414,959)	(20,188,749)	(3,117,849,675)	(40,631,028)	(472,945)	(7,622,332)	(9,255,972)	(21,044,583)	(21,126,579)	(8,437,115)	(72,676,437)	(3,964,699,555)
Net book value	138,705,782	9,180,416	433,379,616	166,242,474	-	90,949,725	16,738,615	12,678,313	2,731,808,668	61,257,260	1,231,995	20,360,019	7,087,132	14,248,122	13,401,136	9,756,489	88,034,331	3,815,060,093
Year ended June 30, 2012																		
Additions	15,029,632	-	243,443,969	18,726,475	-	11,255,986	-	15,307,852	941,365,082	93,571,835	214,400	15,979,100	2,751,369	393,707	9,838,895	5,461,846	45,361,036	1,418,701,184
Disposals:																		
- Cost	33,142,131	-	-	-	-	-	-	-	77,560,067	-	-	-	-	76,000	-	-	21,101,003	131,879,201
- Depreciation	-	-	-	-	-	-	-	-	(67,575,558)	-	-	-	-	(35,149)	-	-	(12,894,653)	(80,505,360)
	33,142,131	-	-	-	-	-	-	-	9,984,509	-	-	-	-	40,851	-	-	8,206,350	51,373,841
Depreciation charge for the year	-	-	(54,843,938)	(8,917,011)	-	(10,088,070)	(1,162,724)	(2,946,136)	(326,180,803)	(9,914,929)	(129,331)	(2,676,503)	(2,668,205)	(1,435,027)	(1,881,265)	(1,188,627)	(21,698,286)	(445,730,855)
Closing net book value - 2012	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,662,616	7,170,296	13,165,951	21,358,766	14,029,708	103,490,731	4,736,656,581
At June 30, 2012																		
Cost	120,593,283	9,180,416	1,101,797,134	261,941,308	-	232,238,984	30,153,574	48,174,914	6,713,463,358	195,460,123	1,919,340	43,961,451	19,094,473	35,610,412	44,366,610	23,655,450	184,970,801	9,066,581,631
Accumulated depreciation	-	-	(479,817,487)	(85,889,370)	-	(140,121,343)	(14,577,683)	(23,134,885)	(3,376,454,920)	(50,545,957)	(602,276)	(10,298,835)	(11,924,177)	(22,444,461)	(23,007,844)	(9,625,742)	(81,480,070)	(4,329,925,050)
Net book value - 2012	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,662,616	7,170,296	13,165,951	21,358,766	14,029,708	103,490,731	4,736,656,581
	-	-	10	5	-	10	5	20	10	10	10	10	30	10	10	10	20	

Notes To The Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
6.2	**The depreciation charge for the year has been allocated as follows:**			
	Cost of sales	30	504,008,415	440,199,940
	Administrative expenses	32	14,834,391	5,530,915
			518,842,806	445,730,855

6.3 Particular of Disposal of operating fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal	Particulars of Buyers
			Rupees				
Free hold land	4,868,063	-	4,868,063	5,439,500	571,437	Negotiation	Niamat Ali, Kasur.
Free hold land	16,039,375	-	16,039,375	16,039,375	-	Negotiation - DC rate	Sapphire Fibres Limited, Lahore.
	20,907,438	-	20,907,438	21,478,875	571,437		
Plant and Machinery							
Auto cone	5,471,539	5,034,249	437,290	689,655	252,365	Negotiation	S A Traders, Karachi.
Ring spinning frames	4,923,931	4,669,528	254,403	1,163,796	909,393	Negotiation	International Textile Machinery, Karachi.
Ring spinning frames	4,923,931	4,673,914	250,017	1,163,793	913,776	Negotiation	International Textile Machinery, Karachi.
Bale press	165,800	125,013	40,787	43,103	2,316	Negotiation	Wahab Engineering Industry, Faisalabad.
Ring spinning frames	5,310,957	4,859,427	451,530	741,380	289,850	Negotiation	S.B.Textile Mills Limited, Hyderabad.
Ring spinning frames	9,315,207	8,291,271	1,023,936	1,482,760	458,824	Negotiation	S.B.Textile Mills Limited, Hyderabad.
Ring spinning frames	3,908,998	3,542,537	366,461	689,655	323,194	Negotiation	Habib ur Rehman, Faisalabad.
Murata manual winder	340,090	104,561	235,529	159,483	(76,046)	Negotiation	S A Traders, Faisalabad.
6 Sets Air Jet Looms	12,189,876	9,029,384	3,160,492	5,250,000	2,089,508	Negotiation	ICC Textile Mills Limited, Lahore.
20 Sets Air Jet Looms	50,313,646	37,268,734	13,044,912	15,863,248	2,818,336	Negotiation	Gagan Textile Mills Limited, Karachi.
	96,863,975	77,598,618	19,265,357	27,246,874	7,981,517		
Computers							
Laptop	113,793	84,812	28,981	10,345	(18,636)	Negotiation	Muddassar Hussain, Lahore
Furniture and Fixtures							
Various items	255,674	129,864	125,810	121,121	(4,689)	Negotiation	Various parties
Electric equipment							
Various items	311,850	177,743	134,107	96,509	(37,598)	Negotiation	Various parties
Vehicles							
Suzuki cultus	636,231	400,341	235,890	235,000	(890)	Negotiation	Javaid Nazir, Karachi.
Suzuki alto	469,000	351,273	117,727	325,000	207,273	Negotiation	Humayon, Lahore.
Suzuki alto	404,000	374,025	29,975	190,000	160,025	Negotiation	Muhammad Amir Jalal, Sargodha.
Honda civic	1,038,860	881,997	156,863	375,000	218,137	Negotiation	Zaheem Tariq, Hyderabad.
Suzuki mehran	379,000	347,099	31,901	125,000	93,099	Negotiation	Zaheem Tariq, Hyderabad.
Suzuki cultus	609,000	546,470	62,530	175,000	112,470	Negotiation	Jahanzaib Tariq, Bhawalpur.
Suzuki mehran	246,154	242,050	4,104	100,000	95,896	Negotiation	Muhammad Imran, Khanewal.
Honda citi	795,000	671,566	123,434	500,000	376,566	Negotiation	Muhammad Javaid Attari, Karachi.
Suzuki cultus	600,000	446,435	153,565	475,000	321,435	Negotiation	Muhammad Zubair, Karachi.
Toyota hilux	799,000	661,320	137,680	542,000	404,320	Negotiation	Muhammad Afzal, Nankana Sb.
Suzuki alto	503,325	330,607	172,718	415,000	242,282	Negotiation	Ghulam Yaseen, Jamshoro.
Honda citi	846,000	617,296	228,704	585,000	356,296	Negotiation	Sajid Ali Shahzad, Rahim Yar Khan.
Suzuki cultus	600,000	403,392	196,608	460,000	263,392	Negotiation	Syeda Arif, Multan.
Daihatsu coure	474,000	355,353	118,647	300,000	181,353	Negotiation	Kanwal Amir. Lahore.
Daihatsu coure	474,000	331,623	142,377	410,000	267,623	Negotiation	Taufeeque Ahmed, Lahore.
Suzuki cultus	600,000	447,913	152,087	380,000	227,913	Negotiation	Ali Sher, Vehari.
Daihatsu coure	457,972	347,722	110,250	355,000	244,750	Negotiation	Naveed Ahmed Butt, Lahore.
Honda citi	847,000	587,958	259,042	400,000	140,958	Negotiation	Arshad Kamal, Sheikhupura.
Toyota altas	1,309,000	1,020,662	288,338	900,000	611,662	Insurance claim	Adamjee Insurance Company Ltd, Karachi.
Suzuki cultus	600,000	471,113	128,887	330,000	201,113	Negotiation	Muhammad Shahbaz, Lahore.
Suzuki cultus	595,000	461,640	133,360	390,000	256,640	Negotiation	Amir Saleem. Lahore.
Suzuki cultus	912,370	385,385	526,985	840,000	313,015	Insurance claim	Adamjee Insurance Company Ltd, Karachi.
Honda citi	830,500	692,325	138,175	200,000	61,825	Negotiation	Atif Maqbool, Lahore.
Daihatsu coure	474,000	370,410	103,590	300,000	196,410	Negotiation	Eraj Mahmood. Lahore.
Honda citi	925,840	642,686	283,154	500,000	216,846	Negotiation	Rab Nawaz Khan, Lahore
Daihatsu coure	593,922	356,732	237,190	237,190	-	Negotiation	Shaukat Nawaz,Noshehra Feroze.
Daihatsu coure	1,416,720	903,165	513,555	700,000	186,445	Negotiation	Muhammad Ilyas Khan, Lahore.
	18,435,894	13,648,558	4,787,336	10,744,190	5,956,854		
	136,888,624	91,639,595	45,249,029	59,697,914	14,448,885		

Notes To The Financial Statements
For the year ended June 30, 2013

	2013	2012
	------------- Rupees	-------------
6.4 Capital work-in-progress		
Advance for Land	**24,619,802**	-
Civil works and Buildings	**230,850,196**	247,521,068
Plant and machinery	**93,004,666**	78,228,765
Electric installations	**3,518,800**	99,008,103
Fire fighting equipment	**1,994,720**	-
Office equipments	**217,760**	100,000
Mills equipments	**30,000**	247,590
Furniture & Fixtures	**2,324,400**	-
	356,560,344	425,105,526

6.5 During the year, the borrowing cost amounting Rs.1.079 million (2012: Rs.8.05 million) has been capitalized in the cost of operating fixed assets and Capital work in progress which was charged at rate 8.90%(2012: 11.20% to 15.01%) per annum.

7 INVESTMENT PROPERTY

	Land		Building on		Total
	Leasehold	Freehold	Leasehold land	Freehold land	
	------------------	------------------	Rupees	------------------	------------------
Net carrying value as at July 01, 2012					
Opening net book value (NBV)	**142,360,317**	**31,750,000**	**12,793,937**	**-**	**186,904,254**
Additions	**-**	**-**	**-**	**-**	**-**
Disposal	**(21,200,000)**	**-**	**-**	**-**	**(21,200,000)**
Depreciation charged	**-**	**-**	**(1,279,394)**	**-**	**(1,279,394)**
Balance as at June 30, 2013 (NBV)	**121,160,317**	**31,750,000**	**11,514,543**	**-**	**164,424,860**
Gross carrying value as at June 30, 2013					
Cost	**121,160,317**	**31,750,000**	**19,999,980**	**-**	**172,910,297**
Accumulated depreciation	**-**	**-**	**(8,485,437)**	**-**	**(8,485,437)**
Net book value - June 30, 2013	**121,160,317**	**31,750,000**	**11,514,543**	**-**	**164,424,860**
Net carrying value as at July 01, 2011					
Opening net book value (NBV)	142,360,317	37,890,000	14,215,486	6,017,250	200,483,053
Additions	-	-	-	-	-
Disposal	-	(6,140,000)	-	(5,866,819)	(12,006,819)
Depreciation charged	-	-	(1,421,549)	(150,431)	(1,571,980)
Balance as at June 30, 2012 (NBV)	142,360,317	31,750,000	12,793,937	-	186,904,254
Depreciation rate % per annum	-	-	10	10	

7.1 The investment property includes company's 50% share valuing Rs.141,160,297 represents cost of jointly controlled leasehold land measuring 8,888.88 square yards with building thereon located at sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of Company and Sapphire Fibres Limited (related party).

7.2 In the opinion of the Directors the market value on investment property as on June 30, 2013 is not materially different from the book value.

Notes To The Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
7.3	**The depreciation charge for the year has been allocated as follows:**			
	Other operating expenses	33	**1,279,394**	1,571,980

7.4 Particular of Disposal of investment property during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Loss	Mode of disposal	Particulars of Buyers
	Rupees						
Land							
Lease hold Land	21,200,000	-	21,200,000	21,000,000	(200,000)	Negotiation	Fakhra Jabeen, Karachi.

8 INTANGIBLE ASSETS
(Computer software)

	Note	2013	2012
		------------- Rupees -------------	
Net carrying value as at July 01, 2012			
Net book value as at July 01, 2012		**8,335,030**	4,354,967
Additions during the year		**-**	5,983,770
Amortization		**(2,762,200)**	(2,003,707)
Net book value at June 30, 2013		**5,572,830**	8,335,030
Gross carrying value at June 30, 2013			
Cost		**17,951,617**	17,951,617
Accumulated amortization		**(12,378,787)**	(9,616,587)
Net book value as at June 30, 2013		**5,572,830**	8,335,030
Amortization rate % per annum		**20**	20

8.1 Amortization charge for the year has been allocated as follows:

	Note	2013	2012
Other operating expenses	33	**2,762,200**	2,003,707

9 LONG TERM INVESTMENTS

		Note	2013	2012
Related parties - at cost:				
Subsidiaries	- unlisted	9.1	**147,020,000**	86,220,000
	- foreign	9.2	**986,000**	940,000
			148,006,000	87,160,000
Associates	- listed	9.3	**8,461,851**	8,461,851
	- unlisted	9.4	**355,439,791**	184,096,566
			363,901,642	192,558,417
Other companies - Available for sale		9.5	**3,081,151,276**	1,951,957,505
			3,593,058,918	2,231,675,922

Notes To The Financial Statements
For the year ended June 30, 2013

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

	2013	2012	Name of Company	2013	2012
	Number of Shares			**------------- Rupees -------------**	
9.1	**Investments in subsidiary company - unlisted**				
	10,000,000	8,600,000	**Sapphire Wind Power Company Limited** Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs.9.31 (2012: Rs.8.52) per share.	**100,000,000**	86,000,000
			Share deposit money	**47,020,000**	220,000
				147,020,000	86,220,000
9.2	**Investments in subsidiary company - foreign**				
	200	200	**Sapphire Home Inc. - USA** Equity Interest Held 100%(200 shares of USD$50 per share) Break up value on the basis of un-audited accounts for the year ended June 30, 2013 Rs.23,110 (2012: Rs.44,531) per share.	**986,000**	940,000
9.3	**Investments in associates - listed**				
	313,295	313,295	**Reliance Cotton Spinning Mills Limited** Equity Interest Held 3.04% Fair value of the ordinary shares as at June 30, 2013 amounted to Rs.16.388 million (2012: Rs. 7.174 million).	**8,461,851**	8,461,851
9.4	**Investments in associates - unlisted**				
	1,550,000	1,550,000	**Sapphire Power Generation Limited** Equity Interest Held 16.54% Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs. 85.67 (2012: Rs.70.22) per share.	**19,748,000**	19,748,000
	6,000,000	6,000,000	**Sapphire Electric Company Limited** Equity Interest Held 1.42% Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs. 16.11 (2012: Rs.12.63) per share.	**60,000,000**	60,000,000
	10,000	10,000	**Sapphire Holding Limited** Equity Interest Held 0.05% Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs. 21.88 (2012: Rs.19.36) per share.	**100,000**	100,000
	23,500,000	5,000,000	**Sapphire Dairies (Pvt) Ltd** Equity Interest Held 22.38% (June 30, 2012: 7.14%) Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs. 10.16 (2012: Rs.10.50) per share.	**235,000,000**	50,000,000
			Share deposit money	**-**	40,000,000

Notes To The Financial Statements
For the year ended June 30, 2013

2013 Number of Shares	2012	Name of Company	2013 Rupees	2012 Rupees
3,675	3,675	**Creadore A/S Denmark**	**63,467,250**	60,017,650
		3,675 shares of Danish Krone (DKK) 1000 per share		
		Impairment loss on equity investments	**(22,875,459)**	(45,769,084)
		Equity Interest Held 49%	**40,591,791**	14,248,566
		Break up value on the basis of audited accounts for the year ended April 30, 2013 DKK 639.17 (2012: DKK 244) equivalent to Rs.11,038 (2012: Rs.3,875) per share.		
			355,439,791	184,096,566

9.5 Other companies - Available for sale

		Quoted		
12,345,946	11,223,588	MCB Bank Limited	**728,470,245**	728,470,245
		Add: Adjustment arising from measurement at fair value	**2,266,532,795**	1,137,339,024
			2,995,003,040	1,865,809,269
		Unquoted		
7,055,985	7,055,985	Novelty Enterprises (Pvt) Limited	**86,148,236**	86,148,236
			3,081,151,276	1,951,957,505

10 Long term loans and advances

Loan to employees - unsecured (considered good)	Note	2013 Rupees	2012 Rupees
Executives	10.3	**50,389,866**	35,147,515
Other employees		**17,316,355**	18,874,436
		67,706,221	54,021,951
Current portion of loans shown under current assets	15	**24,262,591**	17,798,747
		43,443,630	36,223,204

10.1 All the loans are granted to the employees, free of interest in accordance with their terms of employment.

10.2 Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs.57,511,181 (2012: Rs.38,277,183).

10.3 Movement in loans to executives

	2013 Rupees	2012 Rupees
Balance at the beginning of the year	**35,147,515**	31,754,772
Amount disbursed during the year	**28,615,000**	14,476,593
	63,762,515	46,231,365
Amount recovered during the year	**13,372,649**	11,083,850
Balance at the end of the year	**50,389,866**	35,147,515

11 Long term deposits

Security deposits	Note	2013	2012
- WAPDA		**56,898,846**	27,825,846
- SNGPL		**1,097,000**	545,000
- PTCL		**179,843**	242,415
- Others	11.1	**698,905**	887,405
		58,874,594	29,500,666

Notes To The Financial Statements
For the year ended June 30, 2013

11.1 It includes an amount of Rs.36,000 (2012: Rs. 36,000) deposit with Yousuf Agencies (Private) Limited - related party.

		Note	2013	2012
			------------- Rupees -------------	
12	**Stores, spares and loose tools**			
	Stores		**107,976,327**	116,299,435
	Spares - in hand		**116,440,786**	109,927,926
	Spares - in transit		**25,275,591**	24,231,227
			141,716,377	134,159,153
	Loose tools		**294,554**	340,821
			249,987,258	250,799,409
	Provision for slow moving stores, spares and loose tools	**12.1**	**(21,078,419)**	-
			228,908,839	250,799,409
12.1	**Provision for slow moving stores, spares and loose tools**			
	Balance at the beginning of the year		**-**	-
	Provision made during the year	**33**	**21,078,419**	-
	Balance at the end of the Year		**21,078,419**	-
13	**Stock-in-trade**			
	Raw material - in hand		**3,687,487,096**	2,384,449,421
	Raw material - in transit		**9,327,825**	12,385,469
			3,696,814,921	2,396,834,890
	Work in process		**347,731,791**	325,046,975
	Finished goods		**851,296,208**	574,476,197
	Waste		**12,203,755**	21,364,749
			863,499,963	595,840,946
			4,908,046,675	3,317,722,811

13.1 During the preceding year, the stock of raw material of Rs. 464,979,633 has been valued at net realizable value. The resultant amount of written down of Rs.133,080,328 had been recognised as expense in cost of goods sold.

		Note	2013	2012
14	**Trade debts**			
	Secured - considered good			
	Foreign debts - against export	**14.2**	**1,066,142,844**	657,895,342
	Provision for doubtful debts	**14.4**	**(3,878,456)**	(3,878,456)
			1,062,264,388	654,016,886
	Unsecured - considered good			
	Domestic debts	**14.1 & 14.2**	**770,678,976**	783,260,859
	Waste		**29,693,818**	23,233,437
	Others		**4,543,921**	2,654,302
			804,916,715	809,148,598
	Provision for doubtful debts	**14.4**	**(156,681,314)**	(126,098,213)
			648,235,401	683,050,385
	Balance at the end of the year		**1,710,499,789**	1,337,067,271

14.1 Domestic debts include amount of Rs.70,086,203 (2012: Rs.89,316,554) receivable against indirect export sales.

Notes To The Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
14.2	**Trade debts include the following amounts due from related parties:**		------------- Rupees -------------	
	Domestic debts			
	Amer Cotton Mills (Pvt) Limited		-	65,608
	Diamond Fabrics Limited		930,035	1,977,600
	Sapphire Fibres Limited		765,830	10,000
	Sapphire Finishing Mills Limited		38,672,155	37,415,163
	Reliance Cotton Spinning Mills Limited		236,028	-
			40,604,048	39,468,371
	Foreign debts			
	Creadore A/S		-	44,953,350
	Sapphire Home Inc.		-	37,513,031
			-	82,466,381
14.3	**The aging of trade debts receivable from related parties as at balance sheet date are as under:**			
	Not past due		30,875,283	39,402,763
	Past due 0 - 30 days		9,369,848	36,119,489
	Past due 31 - 60 days		358,916	-
	Past due 61 - 90 days		-	14,352,955
	Past due 91 - 1 year		-	30,291,353
	More than one year		-	1,768,192
			40,604,048	121,934,752
14.4	**Provision for doubtful debts**			
	Balance at the beginning of the year		129,976,669	131,304,865
	Provision made during the year		30,583,101	12,000,000
	Reversal made during the year		-	(13,328,196)
			30,583,101	(1,328,196)
	Balance at the end of the year		160,559,770	129,976,669
15	**Loans and advances**			
	Considered good			
	Advances - unsecured			
	- to suppliers		100,612,903	56,330,645
	- to contractors		743,197	1,063,693
	- to excise and taxation	15.1	44,930,416	36,835,450
	- to others		2,247,800	5,125,500
			148,534,316	99,355,288
	Current portion of long term loans			
	- due from executives		15,153,260	10,320,135
	- due from other employees		9,109,331	7,478,612
		10	24,262,591	17,798,747
	Short term loans to employees		2,210,910	569,854
			175,007,817	117,723,889

15.1 This represents 50% payment made to Excise and Taxation Department of Government of Sindh against levy of Infrastructure Fee. (refer note 24.5)

Notes To The Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			---- Rupees ----	
16	**Trade deposits and short term prepayments**			
	Security deposits		**631,445**	923,133
	Prepayments	**16.1**	**6,015,528**	13,892,569
			6,646,973	14,815,702

16.1 It includes Rs. Nil (2012: Rs.1,393,686) prepaid rent with Yousuf Agencies (Private) Limited, related party.

		Note	2013	2012
17	**Other receivables**			
	Claims receivable from insurance companies		**15,568,063**	776,000
	Receivable from related parties against shared expenses	**17.1**	**19,150,602**	11,376,013
	Export rebate receivable		**41,096,658**	31,487,588
	Receivable against sales of fixed assets		**168,000**	-
	Dividend receivable		**734,650**	-
	Unrealized gain on measurement of forward foreign currency contracts		**2,345,865**	-
			79,063,838	43,639,601
17.1	**Receivable from related parties against shared expenses**			
	Amer Cotton Mills (Pvt) Limited		**382,033**	196,757
	Diamond Fabrics Limited		**-**	81,270
	Reliance Cotton Spinning Mills Limited		**2,224,175**	227,234
	Sapphire Dairies (Pvt) Limited		**26,584**	24,816
	Sapphire Fibres Limited		**1,763,120**	3,523,121
	Sapphire Finishing Mills Limited		**1,664,544**	828,880
	Sapphire Power Generation Limited		**102,028**	89,952
	Sapphire Wind Power Company Limited		**12,988,118**	6,403,983
			19,150,602	11,376,013

18 Other financial assets - available for sale

2013	2012	Name of Company	2013 Cost	2013 Fair value	2012 Fair value
Number of shares			---- Rupees ----		
74,800	-	Aisha Steel Limited	**748,748**	**676,192**	-
590,000	-	Bank Al-Falah Limited	**11,353,299**	**10,749,800**	-
2,416,497	2,416,497	Bank Al-Habib Limited	**58,951,594**	**65,704,553**	68,797,670
9,385,000	8,832,626	Fatima Fertilizer Company Limited	**164,317,556**	**233,029,550**	217,900,883
2,670,017	3,023,017	Fauji Fertilizer Company Limited	**224,860,648**	**286,839,926**	335,706,038
972,295	972,295	Gulshan Spinning Mills Limited	**17,441,370**	**4,326,713**	4,861,475
6,090,944	2,448,944	Hub Power Company Limited	**278,703,776**	**375,506,698**	102,586,264
419,800	-	Oil and Gas Development Co Limited	**91,768,106**	**96,029,250**	-
244,252	219,352	Pakistan Oilfields Limited	**73,955,640**	**121,483,620**	80,489,023
549,000	-	Pakistan Petroleum Limited	**110,977,863**	**116,157,420**	-
457,380	-	Pakistan State Oil Limited	**94,345,350**	**146,535,404**	-
			1,127,423,950	**1,457,039,126**	810,341,353

		2013	2012
		---- Rupees ----	
19	**Tax refunds due from Government**		
	Income tax	**410,342,575**	347,554,401
	Sales tax receivable	**120,917,116**	75,118,521
	Excise duty receivable	**3,805,695**	11,335,756
		535,065,386	434,008,678

Notes To The Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
20	**Cash and bank balances**			
	With banks on:			
	- current accounts		**63,125,322**	66,305,229
	- current accounts - USD	**20.1**	**5,969,111**	2,983,612
	- current accounts - Euro	**20.2**	**31,525,854**	2,530,514
	- deposit account	**20.3**	**-**	3,285
			100,620,287	71,822,640
	Cash in hand		**2,816,399**	4,164,168
			103,436,686	75,986,808

20.1 Cash at bank on USD account of US $ 60,539 (2012: US$ 31,742).

20.2 Cash at bank on EURO account of EURO 244,671 (2012: EURO 21,400).

20.3 Cash at bank on deposit account and cash at bank on margin account under lien of a bank / financial institution against guarantee issued on behalf of the Company.

21 Issued, subscribed and paid-up capital

2013	2012		2013	2012
Number of shares			------------- Rupees -------------	
6,206,740	6,206,740	Ordinary shares of Rs. 10 each allotted for consideration paid in cash	**62,067,400**	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	**138,764,000**	138,764,000
20,083,140	20,083,140		**200,831,400**	200,831,400

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

21.2 6,200,849 (2012: 5,445,612) shares of the Company are held by associated companies as at the balance sheet date.

		Note	2013	2012
22	**Long term financing**			
	Loans from banking companies - secured		------------- Rupees -------------	
	Habib Bank Limited	**22.1**	**25,000,300**	41,666,300
	Habib Bank Limited	**22.2**	**14,872,000**	21,124,000
	Habib Bank Limited	**22.3**	**-**	34,375,000
	Habib Bank Limited	**22.4**	**34,375,000**	46,875,000
	Habib Bank Limited	**22.5**	**140,625,000**	150,000,000
	Habib Metropolitan Bank Limited	**22.6**	**-**	2,125,000
	Habib Metropolitan Bank Limited	**22.7**	**2,125,000**	6,375,000
	MCB Bank Limited	**22.8**	**15,382,000**	24,170,000
	Meezan Bank Limited	**22.9**	**100,000,000**	200,000,000
	Meezan Bank Limited	**22.10**	**174,000,000**	-
	Samba Bank Limited	**22.11**	**16,875,000**	24,375,000
	United Bank Limited	**22.12**	**40,186,000**	181,996,000
	United Bank Limited	**22.13**	**131,316,000**	131,316,000
	United Bank Limited	**22.14**	**-**	211,818,000
	United Bank Limited	**22.15**	**-**	2,821,000

Notes To The Financial Statements
For the year ended June 30, 2013

	Note	2013	2012
		------------- Rupees -------------	
United Bank Limited	22.16	**21,790,500**	29,054,000
United Bank Limited	22.17	**24,000,000**	-
Allied Bank Limited	22.18	**100,000,000**	100,000,000
Allied Bank Limited	22.19	**100,000,000**	100,000,000
Allied Bank Limited	22.20	**100,000,000**	-
Allied Bank Limited	22.21	**100,000,000**	-
Allied Bank Limited	22.22	**130,158,674**	-
Allied Bank Limited	22.23	**100,000,000**	-
		1,370,705,474	1,308,090,300
Less: Current portion shown under current liabilities		**(369,206,566)**	(213,468,649)
		1,001,498,908	1,094,621,651

	Lenders	Security	Mark-up rate p.a (%)	No. of instalments outstanding	Date of final repayment
22.1	HBL - LTF-EOP	The term loan is secured against hypothecation of plant and machinery at unit no. 6 of the Company.	7%	3 Semi-annually	Sep 2014
22.2	HBL - LTF-EOP	The loan is secured against first specific hypothecation charge on plant and machinery of Rs. 53.2 million of Unit No. 5 of the Company.	7%	5 Semi-annually	Dec 2015
22.3	HBL - Non-LTF	The loan is secured against 1st Specific and exclusive hypothecation charge of Rs. 67 million over imported plant and machinery of Unit No.1 of the Company.	3 Months KIBOR plus 150 bps	Paid during the year	Nov 2012
22.4	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Company.	3 Months KIBOR plus 150 bps	11 Quarterly	Jan 2016
22.5	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Company.	3 Months KIBOR plus 100 bps	15 Quarterly	Jan 2017
22.6	HMBL - LTF-EOP	The loan is secured against exclusive charge on specific plant and machinery of Rs. 23 million of Unit No. 6 of the Company.	7%	Paid during the year	Aug 2012
22.7	HMBL - LTF-EOP	The loan is secured against exclusive charge on specific plant and machinery of Rs. 23 million of Unit No. 6 of the Company.	7%	1 Semi-annually	Aug 2013
22.8	MCB - Non-LTF	The loan is secured against 1st registered hypothecation charge for Rs. 54 million over present & future plant & machinery of Unit No.1 of the Company.	9.7%	7 Quarterly	Jan 2015
22.9	MBL - Non-LTF	The loan is secured against first pari passu charge over fixed assets of amounting to Rs. 534 million of Unit No. 6 of the Company.	3 Months KIBOR plus 150 bps	4 Quarterly	Jun 2014

Notes To The Financial Statements
For the year ended June 30, 2013

	Lenders	Security	Mark-up rate p.a (%)	No. of instalments outstanding	Date of final repayment
22.10	MBL - Musharka	The loan is secured against first pari passu charge over fixed assets of amounting to Rs.174 million of Unit No. 6 of the Company.	3 Months KIBOR plus 50 bps	16 Quarterly	May 2018
22.11	SAMBA - Non-LTF	The term loan is secured against exclusive hypothecation charge over plant and machinery at Unit No. 4 of the Company.	3 Months KIBOR plus 150 bps	9 Quarterly	Jul 2015
22.12	UBL-LTFF	The loan is secured against first exclusive hypothecation charge of Rs.185 million on imported machinery of Unit No.6 of the Company.	10.50%	18 Quarterly	Dec 2017
22.13	UBL-LTFF	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported machinery of Unit No.6 of the Company.	11.20%	20 Quarterly	Jun 2018
22.14	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported compressor Unit No.6 of the Company.	11.20%	Paid during the year	Oct 2012
22.15	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported compressor Unit No.6 of the Company.	12.70%	Paid during the year	Sep 2012
22.16	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs. 200 million over plant and machinery of Unit No.5 of the Company.	3 Months KIBOR plus 1.5%	12 Quarterly	Jun 2016
22.17	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs. 375 million over plant and machinery of Unit No.6 of the Company.	9.40%	12 Quarterly	Jan 2017
22.18	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.75%	16 Quarterly	Jun 2017
22.19	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.75%	16 Quarterly	Apr 2017
22.20	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.50%	16 Quarterly	Apr 2017
22.21	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.50%	16 Quarterly	Apr 2017
22.22	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.158 million on the specific plant & machinery of the Company.	8.90%	16 Quarterly	Mar 2018
22.23	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.50%	16 Quarterly	May 2017

		Note	**2013**	2012
23	**Deferred liabilities**		------------- **Rupees** -------------	
	Deferred taxation	**23.1**	**62,987,207**	30,009,887
	Staff retirement benefits - gratuity	**23.2**	**177,344,042**	150,129,497
			240,331,249	180,139,384

Notes To The Financial Statements
For the year ended June 30, 2013

		2013	2012
		------------- Rupees -------------	
23.1	**Deferred taxation**		
	Deferred tax credits / (debits) arising in respect of:		
	Taxable temporary differences (deferred tax liabilities)		
	Accelerated tax depreciation allowances	**154,434,026**	198,148,003
	Deductible temporary differences (deferred tax assets)		
	Staff retirement benefits - gratuity	**(11,100,673)**	(10,960,955)
	Provision for doubtful debts and advances	**(53,271,647)**	(44,134,375)
	Provision for repair and maintenances (Generator overhauling)	**(4,259,522)**	(4,913,573)
	Provision for stores, spares and loose tools	**(1,319,383)**	-
	Tax credit	**(16,452,932)**	(64,394,033)
	Tax under section 113	**(5,042,662)**	(43,735,180)
		(91,446,819)	(168,138,116)
		62,987,207	30,009,887

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

23.2 Staff retirement benefits

	2013	2012
Movement in the net liability recognized in the Balance sheet		
Opening net liability	**150,129,497**	121,433,339
Expense for the year	**62,435,920**	65,222,013
	212,565,417	186,655,352
Benefits paid during the year	**(35,221,375)**	(36,525,855)
Closing net liability	**177,344,042**	150,129,497
Expense recognized in the profit and loss account		
Current service cost	**43,448,645**	46,777,905
Interest cost	**18,987,275**	18,444,108
	62,435,920	65,222,013
Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation	**146,055,958**	131,743,627
Current service cost	**43,448,645**	46,777,905
Interest cost	**18,987,275**	18,444,108
Actuarial loss / (gain)	**18,461,246**	(14,383,827)
Benefits paid	**(35,221,375)**	(36,525,855)
	191,731,749	146,055,958

Historical information

	2013	2012	2011	2010	2009
	-----------------	-----------------	RUPEES	-----------------	-----------------
Present value of defined benefit obligation	**191,731,749**	146,055,958	131,743,627	98,840,720	95,723,513
Experience adjustments on plan liabilities	**(18,461,246)**	14,383,827	(8,172,015)	6,390,954	(2,262,586)

	2013	2012
Reconciliation	------------- Rupees -------------	
Present value of defined benefit obligation	**191,731,749**	146,055,958
Unrecognized actuarial (loss) / gain	**(14,387,707)**	4,073,539
	177,344,042	150,129,497

Notes To The Financial Statements
For the year ended June 30, 2013

General description

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

Principal actuarial assumption

	2013	2012
Following are a few important actuarial assumption used in the valuation.	**%**	%
Discount rate	**10.50**	13
Expected rate of increase in salary	**9.50**	12

Expected gratuity expenses for the year ending June 30, 2014 works out Rs.84,811,832.

		Note	2013	2012
24	**Trade and other payables**		------------- Rupees	-------------
	Trade creditors	**24.1**	**268,063,137**	201,462,317
	Accrued liabilities	**24.2**	**758,137,048**	537,634,912
	Advances from customers	**24.3**	**106,543,346**	103,530,497
	Custom duty payable		**3,262,068**	3,262,068
	Workers' profit participation fund	**24.4**	**124,669,920**	57,506,205
	Workers' welfare fund		**107,549,926**	59,264,841
	Sindh development and maintenance infrastructure fee	**24.5**	**117,840,366**	101,585,948
	Unclaimed dividend		**4,796,146**	1,736,112
	Unrealized loss on measurement of forward foreign currency contracts		**-**	26,899,054
	Others		**6,026,625**	6,810,761
			1,496,888,582	1,099,692,715
24.1	**These balances include the following amounts due to related parties:**			
	Amer Cotton Mills (Private) Limited		**83,312**	-
	Diamond Fabric Limited		**66,243**	-
	Neelum Textile Mills (Private) Limited		**-**	17,500
	Reliance Cotton Spinning Mills Limited		**28,681,565**	7,581,913
	Sapphire Fibres Limited		**29,198,133**	10,342,119
	Sapphire Finishing Mills Limited		**80,400**	2,141,571
			58,109,653	20,083,103
24.2	**These balances include the following amounts due to related parties:**			
	Sapphire Power Generation Limited		**21,906,864**	35,295,533
	Sapphire Fibres Limited		**-**	32,763
			21,906,864	35,328,296
24.3	**These balances include the following amounts received from related parties:**			
	Creadore A/S Denmark		**21,017,791**	8,645,108
24.4	**Workers' profit participation fund**			
	Balance at the beginning of the year		**57,506,205**	92,260,290
	Allocation for the year	33	**124,669,920**	57,506,205
	Interest on fund utilized in the Company's business	35	**3,476,296**	6,526,568
			128,146,216	64,032,773
			185,652,421	156,293,063
	Less: Payments during the year		**(60,982,501)**	(98,786,858)
	Balance at the end of the year		**124,669,920**	57,506,205

Notes To The Financial Statements
For the year ended June 30, 2013

24.5 The Company had filed a suit against levy of Infrastructure fee, decision of the Honourable Sindh High Court dated 17 September 2008 in which the imposition of levy of infrastructure cess before 28 December 2006 had been declared as void and invalid. However, the Excise and Taxation Department had filed an appeal before the Honourable Supreme Court of Pakistan against the order of the Honourable Sindh High Court. During the preceding year, the Honourable Supreme Court of Pakistan had disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On May 31, 2011, the High Court of Sindh had granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released up to December 27, 2006 and any bank guarantee / security furnished on consignment released after December 27, 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. In the light of interim relief the Company has paid 50% of the amount of Infrastructure cess payable from December 27, 2006 to May 31, 2011. Subsequent imports of the Company be released against 50% payment of Infrastructure cess to Excise and Taxation Department and furnishing of bank guarantee of balance amount. However the full amount of Infrastructure Cess form component of cost of imported items and provision recorded in books. Bank guarantees amounting to Rs.49.823 million (2012: Rs.39.823 million) have been provided to the department.

		Note	2013	2012
25	**Accrued interest / mark-up**		------------- Rupees	-------------
	Accrued interest / mark-up on secured:			
	- long term financing		**21,459,679**	25,897,007
	- short term borrowings		**46,732,886**	44,411,175
			68,192,565	70,308,182
26	**Short term borrowings**			
	Short term loans		**3,090,000,000**	2,272,000,000
	Running finance under mark-up arrangements		**958,198,266**	578,256,515
			4,048,198,266	2,850,256,515
	Book overdrafts	**26.2**	**9,475,667**	499,588
			4,057,673,933	2,850,756,103

26.1 Aggregate facilities amounting to Rs.16,245 million (2012: Rs.13,440 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts, plant & machinery and export bills under collection. These carry mark up ranging from 8.70% to 11.41% (2012: 11% to 14.01%) per annum payable quarterly. These facilities are renewable on expiry dates.

26.2 This represents cheques issued by the Company in excess of balance at banks which remained unpresented till June 30, 2013.

		2013	2012
27	**Provision for taxation**		
	Balance at the beginning of the year	**220,398,703**	266,504,864
	Provision made for current year - net	**196,524,344**	191,655,638
		416,923,047	458,160,502
	Less: Adjusted advance tax during the year against completed assessments	**(220,398,703)**	(237,761,799)
		196,524,344	220,398,703
28	**Contingencies and commitments**		
	Contingencies		
28.1	Guarantees issued by banks on behalf of the Company	**234,237,767**	231,707,767

Notes To The Financial Statements

For the year ended June 30, 2013

28.2 Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2013 the value of these cheques amounted to Rs.50.139 million (2012: Rs.92.227 million)

28.3 The Company has filed a suit No.204 of 2011 against Enshaa NLC Development (Pvt) Limited before the Honourable Sindh High Court, Sindh seeking declarations, possession, permanent injunction and/or recession and damage in respect of the reservation contract followed by an agreement executed between parties whereby the defendants are liable to construct the project. The matter is pending for hearing and opinion of the legal advisor of the company is favorable and there is no likelihood of unfavorable outcome or any potential loss.

28.4 The Company has filed a petition against Mohammad Farooq Textile Mills Limited for recovery of Rs. 9.135 million under section 305 of Companies Ordinance, 1984 in the Honourable Sindh High Court, Sindh, praying that the honorable court may be pleased to pass the orders regarding winding up the liquidation of the company, to appoint provisional manager or official liquidator, to restrain the officers of the company from disposing of the assets of the company till final adjudication, to grant any other relief deemed to be appropriate and to grant cost.

28.5 The Company has filed a suit No. RA 233 of 2011 against Indus Steel Pipe Factory (Pvt) Limited before the Honourable Sindh High Court, Sindh to review the decision regarding dispute of title of land, As a result the court has issued order to remand the case for deciding the controversy strictly in accordance with law after considering the report of the revenue authorities which has been placed on record and after deciding the objection of either parties if pending.

28.6 The Company has filed a suit in Honourable Sindh High Court against the levy of GIDC. The Sindh High Court has granted an interim stay and restraining the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13 per MMBTU. The Honourable Islamabad High Court in a case declared the GIDC as unconstitutional and asked the distribution companies to return the amount already collected. The matter is still pending in honorable courts and company has provided the provision of GIDC amounted to Rs. 35.145 million.

28.7 The Company has obtained stay order from Honourable Lahore High Court, Lahore against levy of 2% additional EQL Surcharge and electric duty on self power generation amounted to Rs. 3.351 million and Rs. 12.760 million respectively.

		2013	2012
		------------- **Rupees**	-------------
	Commitments		
28.8	Confirmed letter of credit in respect of:		
	- plant and machinery	**1,030,756,555**	197,159,004
	- raw material	**51,660,249**	17,577,061
	- stores and spares	**16,782,566**	9,268,077
		1,099,199,370	224,004,142

Notes To The Financial Statements

For the year ended June 30, 2013

29 Sales and services - net

	Note	Export Sales 2013	Export Sales 2012	Local Sales 2013	Local Sales 2012	Total 2013	Total 2012
		Rupees					
Yarn	29.1	**11,823,884,345**	10,157,688,187	**3,261,494,297**	2,796,170,622	**15,085,378,642**	12,953,858,809
Fabric	29.2	**5,403,534,317**	4,849,893,553	**1,833,729,800**	825,437,707	**7,237,264,117**	5,675,331,260
Home textile products		**2,558,885,115**	2,307,682,974	**12,616,999**	6,473,424	**2,571,502,114**	2,314,156,398
Raw material		**-**	-	**70,801,568**	69,938,017	**70,801,568**	69,938,017
Waste	29.3	**132,094,294**	206,971,976	**188,049,662**	220,798,160	**320,143,956**	427,770,136
Services		**8,646,226**	7,723,271	**-**	-	**8,646,226**	7,723,271
		19,927,044,297	17,529,959,961	**5,366,692,326**	3,918,817,930	**25,293,736,623**	21,448,777,891
Export rebate						**37,082,120**	30,502,852
Duty drawback	29.5					**1,537,984**	9,588,232
Processing income						**17,379,533**	9,773,460
Less: Sales tax						**(66,584,774)**	(7,812,198)
						25,283,151,486	21,490,830,237

29.1 Export sales - Yarn

	2013	2012
Direct export	**9,681,347,002**	7,251,795,449
In-direct export	**2,142,537,343**	2,905,892,738
	11,823,884,345	10,157,688,187

29.2 Export sales - Fabric

	2013	2012
Direct export	**4,268,520,704**	4,241,760,942
In-direct export	**1,135,013,613**	608,132,611
	5,403,534,317	4,849,893,553

29.2.1 Local sales of Fabric includes sales of Lawn Rs.111,132,352.

29.3 Waste sales includes comber noil sales Rs.132,025,430 (2012:Rs.207,108,461).

29.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.11.538 million (2012: Rs.46.585 million) has been included in export sales.

29.5 The duty drawback has been given by Ministry of Textile Industries from government of Pakistan vide S.R.O 3(1)TID/09-P-I Dated 1st September 2009 in order to encourage the exporters.

Notes To The Financial Statements

For the year ended June 30, 2013

30	Cost of sales and services	Note	2013	2012
			------------- Rupees	-------------
	Raw material consumed	30.1	**16,044,009,088**	14,091,186,804
	Cost of raw material sold	30.2	**78,348,633**	79,429,239
	Packing material consumed		**293,464,725**	273,374,025
	Stores and spares consumed		**614,393,903**	447,813,954
	Salaries, wages and benefits	30.3 & 30.4	**1,351,245,154**	1,072,376,566
	Fuel, power and water		**1,573,353,093**	1,423,972,408
	Other manufacturing expenses	30.5	**681,752,419**	445,484,722
	Repair and maintenance		**81,930,258**	55,392,030
	Vehicle running expenses		**27,268,964**	23,031,505
	Travelling and conveyance		**21,994,967**	24,768,756
	Insurance expenses		**68,520,186**	44,198,064
	Rent, rates and taxes		**6,136,766**	5,275,457
	Fees and subscription		**4,780,450**	2,735,528
	Communication expenses		**6,428,166**	6,576,965
	Printing and stationery		**1,804,744**	1,976,047
	Legal and professional charges		**4,417,016**	2,729,674
	Depreciation	6.2	**504,008,415**	440,199,940
	Miscellaneous expenses		**4,775,813**	5,034,539
			21,368,632,760	18,445,556,223
	Work in process			
	Opening stock		**325,046,975**	311,539,529
	Closing stock	13	**(347,731,791)**	(325,046,975)
			(22,684,816)	(13,507,446)
	Cost of goods manufactured		**21,345,947,944**	18,432,048,777
	Finished goods			
	Opening balance		**595,840,946**	881,224,450
	Closing stock	13	**(863,499,963)**	(595,840,946)
			21,078,288,927	18,717,432,281

30.1	Raw material consumed	Note	2013	2012
	Opening balance		**2,384,449,421**	2,056,531,692
	Purchases		**17,347,046,763**	14,419,104,533
			19,731,496,184	16,475,636,225
	Closing stock	13	**(3,687,487,096)**	(2,384,449,421)
			16,044,009,088	14,091,186,804

30.2 It includes Salaries, wages & benefits, Insurance and Finance cost amounting Rs.693,351 (2012:Rs.63,000) Rs.1,386,701 (2012: Rs.53,771) and Rs.6,933,507 (2012: Rs.2,496,518) respectively.

30.3 Salaries, wages and benefits include Rs.62,435,920 (2012:Rs.65,222,013) in respect of post employment benefits - gratuity.

30.4 Salaries, wages and benefits include Rs.3,905,873 (2012:Rs.3,122,456) in respect of provident fund contribution.

Notes To The Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees	-------------
30.5	**Other manufacturing expenses**			
	Cotton dyeing, bleaching and bale pressing charges		**159,289,964**	137,418,805
	Yarn dyeing and bleaching charges		**32,316,518**	24,091,814
	Fabric dyeing, bleaching, knitting and processing charges		**418,825,442**	231,828,541
	Yarn doubling charges		**5,977,159**	6,715,155
	Stitching and other charges		**43,817,195**	45,430,407
	Designer and Embroidery charges		**21,526,141**	-
			681,752,419	445,484,722
31	**Distribution cost**			
	On export sales			
	Export development surcharge		**37,988,892**	36,776,352
	Insurance		**10,246,496**	5,576,109
	Commission		**403,953,701**	360,280,996
	Ocean freight and forwarding		**394,719,766**	402,312,979
			846,908,855	804,946,436
	On local sales			
	Inland freight and handling		**36,913,267**	35,936,211
	Commission		**23,241,595**	18,673,741
			60,154,862	54,609,952
	Other distribution cost			
	Salaries and benefits	31.1	**73,391,461**	64,122,456
	Rent and utilities		**2,458,928**	2,063,935
	Communication		**11,495,522**	14,755,450
	Travelling, conveyance and entertainment		**47,393,369**	46,795,815
	Repair and maintenance		**1,838,141**	743,341
	Fees and subscription		**3,234,705**	2,736,317
	Samples and advertising		**22,689,898**	9,132,332
	Exhibition expenses		**12,157,412**	6,893,072
	Printing and stationery		**2,789,485**	1,453,362
	Others		**927,284**	174,852
			178,376,205	148,870,932
	Grant received from TDAP	31.2	**(10,098,000)**	-
			1,075,341,922	1,008,427,320

31.1 Salaries and benefits include Rs.3,168,869 (2012:Rs.2,578,721) in respect of provident fund contribution.

31.2 This represents amount received from Trade Development Authority of Pakistan under Trade Policy 2009-2010 to provide assistance to socially and environmentally compliant and ISO Certified companies for setting up business office abroad.

Notes To The Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			------------ Rupees ------------	
32	**Administrative expenses**			
	Directors' remuneration		**21,050,000**	19,800,000
	Salaries and benefits	**32.1**	**95,097,638**	88,442,878
	Rent, rates and utilities		**10,209,036**	8,698,236
	Communication		**4,134,870**	6,289,397
	Printing and stationery		**2,203,042**	1,662,037
	Travelling, conveyance and entertainment		**20,156,163**	15,259,033
	Motor vehicle expenses		**9,857,100**	10,203,688
	Repair and maintenance		**5,360,564**	3,074,693
	Insurance Expense		**2,275,443**	1,488,827
	Legal and professional charges		**14,010,772**	14,700,737
	Fees and subscription		**3,674,921**	2,387,600
	Computer expenses		**4,399,724**	2,123,226
	Advertisement		**172,100**	120,500
	Depreciation	**6.2**	**14,834,391**	5,530,915
	Others		**542,838**	323,137
			207,978,602	180,104,904

32.1 Salaries and benefits include Rs.3,649,666 (2012:Rs.3,338,629) in respect of provident fund contribution.

		Note	2013	2012
33	**Other operating expenses**			
	Workers' profit participation fund	**24.4**	**124,669,920**	57,506,205
	Workers' welfare fund		**48,285,085**	23,060,045
	Auditors' remuneration	**33.1**	**2,427,020**	2,241,371
	Donations	**33.2**	**40,345,194**	16,600,452
	Depreciation on investment property	**7.3**	**1,279,394**	1,571,980
	Amortization of intangible asset	**8.1**	**2,762,200**	2,003,707
	Provision for doubtful debts	**14.4**	**30,583,101**	12,000,000
	Provision for stores, spares and loose tools	**12.1**	**21,078,419**	-
	Loss on disposal of investment property		**200,000**	-
	Loan to employee written off due to demise		**5,361,565**	-
	Sales tax on zero rated under amnesty scheme		**7,089,833**	-
	Impairment loss on an associated company		**-**	13,037,084
	Realized loss on measurement of derivative financial instruments - net		**1,780,768**	-
	Exchange loss on			
	- short term foreign currency loan		**-**	20,072,440
	- monetary assets		**-**	1,273,350
			285,862,499	149,366,634

		2013	2012
33.1	**Auditors' remuneration**		
	Audit fee	**1,270,500**	1,155,000
	Half yearly review fee	**366,025**	332,750
	Code of corporate governance review fee	**78,045**	78,045
	Other certification / services	**660,769**	661,826
	Out of pocket expenses	**51,681**	13,750
		2,427,020	2,241,371

Notes To The Financial Statements
For the year ended June 30, 2013

33.2 Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of donee	2013 Rupees	2012 Rupees
Mr. Mohammad Abdullah	Director	**Abdullah Foundation**	**36,500,000**	13,550,000
Mr. Shahid Abdullah	Director	312, Cotton Exchange Building,		
Mr. Yousuf Abdullah	Director	I.I. Chundrigar Road, Karachi.		
Mr. Nadeem Abdullah	Director			
Mr. Amer Abdullah	Director			
Mr. Mohammad Abdullah	Trustee	**Jamal-ud-din Fatima Charitable Trust**	**380,000**	900,000
Mr. Shahid Abdullah	Trustee	149, Cotton Exchange Building,		
Mr. Nadeem Abdullah	Trustee	I.I. Chundrigar Road, Karachi.		

34 Other income

	Note	2013 Rupees	2012 Rupees
Income from financial assets			
Dividend income:			
- from other companies		**273,900,851**	227,708,613
- from associated companies	**34.1**	**398,955**	795,443
Gain on sale of investments		**45,525,760**	60,384,379
Profit on saving account		**201,938**	169,998
Reversal of provision for doubtful debts		**-**	13,328,196
Reversal of impairment of investment in an associated company		**22,893,625**	-
Realized gain on measurement of derivative financial instruments - net		**-**	217,532
Exchange gain on:			
- foreign currency account		**855,053**	68,528
- monetary assets		**3,495,600**	-
Income from non-financial assets			
Gain on sale of property, plant and equipment - net		**14,378,284**	72,771,716
Rental income		**13,854,000**	12,720,000
Gain on sale of investment property		**-**	1,293,181
Scrap sales (Net of Sale Tax aggregating Rs. 3.119 million (2012: Rs. 3.690 million)		**18,937,193**	18,390,803
		394,441,259	407,848,389

34.1 Dividend income from associated companies

	Note	2013	2012
Reliance Cotton Spinning Mills Limited	**34.2**	**397,215**	794,718
Sapphire Fibres Limited	**34.3**	**1,740**	725
		398,955	795,443

34.2 Sapphire Textile Mills Limited distributed shares of Reliance Cotton Spinning Mills Limited as Stock dividend @ 4.50% for the year ended June 30, 2008. The dividend of amounting Rs. 5,596 representing number of shares 4,477 which were not transferred by shareholders at that time.

Notes To The Financial Statements
For the year ended June 30, 2013

34.3 Sapphire Textile Mills Limited distributed shares of Sapphire Fibres Limited as Stock dividend @ 10% for the year ended September 30,1991. This amount represents dividend of 145 shares which were not transferred by shareholders at that time.

		Note	2013	2012
			Rupees	Rupees
35	**Finance cost**			
	Interest / mark-up on :			
	- short term finances		**436,717,146**	451,698,827
	- long term loans		**126,553,078**	132,128,025
	- workers' profit participation fund	**24.4**	**3,476,296**	6,526,568
	Bank charges, commission and others charges		**97,405,124**	123,051,843
			664,151,644	713,405,263
36	**Taxation**			
	Current			
	- for the year		**196,524,344**	220,398,703
	- prior year		**-**	(28,743,065)
	Deferred		**32,977,320**	(135,392,126)
			229,501,664	56,263,512
36.1	**Relationship between taxation expense and accounting profit**			
	Profit before taxation		**2,365,969,151**	1,129,942,224
	Tax at the applicable rate of 35%		**828,089,203**	395,479,778
	Tax effect of inadmissible expenses		**(46,479,189)**	-
	Tax effect of income taxed at a lower rate		**(440,495,833)**	(288,714,006)
	Reduction in rate		**(3,946,831)**	-
	Prior year tax effect		**-**	(28,743,065)
	Tax credit effect		**(107,665,686)**	(22,458,377)
	Excess of minimum tax over normal tax		**-**	699,182
			229,501,664	56,263,512

			2013	2012
37	**Earnings per shares**			
	Profit after taxation for the year	**Rupees**	**2,136,467,487**	1,073,678,712
	Weighted average number of ordinary shares	**Number**	**20,083,140**	20,083,140
	Earnings per share - basic and diluted	**Rupees**	**106.38**	53.46

37.1 There is no dilutive effect on basic earnings per share.

Notes To The Financial Statements

For the year ended June 30, 2013

38 Cash generated from operations

	2013	2012
	------------- Rupees -------------	
Profit before taxation	**2,365,969,151**	1,129,942,224
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	**518,842,806**	445,730,855
Depreciation on investment property	**1,279,394**	1,571,980
Gain on sale of investments	**(45,525,760)**	(60,384,379)
Amortization of intangible assets	**2,762,200**	2,003,707
Gain on sale of property, plant and equipment	**(14,378,284)**	(72,771,716)
Loss on sale of investment property	**200,000**	(1,293,181)
Dividend income - others	**(273,900,851)**	(227,709,338)
Dividend income - associates	**(398,955)**	(794,718)
Provision for gratuity	**62,435,920**	65,222,013
Provision for doubtful debts and advances	**30,583,101**	12,000,000
Reversal of provision for doubtful debts	**-**	(13,328,196)
Provision for stores, spares and loose tools	**21,078,419**	-
Reversal of impairment on investment in an associated company	**(22,893,625)**	-
Loan to employee written-off due to demise	**5,361,565**	-
Exchange differences	**(3,495,600)**	21,345,790
Realized loss / (gain) on measurement of derivative financial instrument	**1,780,768**	(217,532)
Finance cost	**664,151,644**	713,405,263
Profit on saving account	**(201,938)**	(169,998)
Impairment loss on an associated company	**-**	13,037,084
Rental income	**(13,854,000)**	(12,720,000)
	933,826,804	884,927,634
Operating cash flow before changes in working capital	**3,299,795,955**	2,014,869,858
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spare and loose tools	**812,151**	(41,688,063)
Stock-in-trade	**(1,590,323,864)**	339,622,186
Trade debts	**(404,015,619)**	446,171,343
Loans and advances	**(57,283,928)**	(395,129)
Trade deposits and short term prepayments	**8,168,729**	2,343,357
Other receivables	**(32,343,722)**	(16,355,056)
	(2,074,986,253)	729,698,638
Increase in current liabilities		
Trade and other payables	**422,084,887**	155,932,416
	1,646,894,589	2,900,500,912

39 Related party disclosures

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

Nature of transaction	**Relationship with the Company**	**2013**	2012
		------------- Rupees -------------	
Sales, services provided, rental income and reimbursement of expenses			
Amer Cotton Mills (Private) Limited	Related party	**266,475**	763,559
Creadore A/S, Denmark	Associate	**570,904,714**	248,515,610
Diamond Fabrics Limited	Related party	**63,867,464**	16,892,516
Reliance Cotton Spinning Mills Limited	Associate	**484,579**	278,552
Sapphire Fibres Limited	Related party	**54,201,280**	32,284,583
Sapphire Finishing Mills Limited	Related party	**718,033,245**	341,598,152
Sapphire Home Inc.	Subsidiary	**28,796,602**	105,695,523
		1,436,554,359	746,028,495

Notes To The Financial Statements
For the year ended June 30, 2013

Nature of transaction	Relationship with the Company	2013	2012
		------------ Rupees ------------	
Purchases, services received and reimbursement of expenses			
Amer Cotton Mills (Private) Limited	Related party	**294,000**	-
Diamond Fabrics Limited	Related party	**1,426,600**	136,000
Neelum Textile Mills (Private) Limited	Related party	**-**	17,500
Reliance Cotton Spinning Mills Limited	Associate	**156,221,111**	91,353,223
Sapphire Fibres Limited	Related party	**214,235,811**	189,869,493
Sapphire Finishing Mills Limited	Related party	**6,754,550**	15,101,525
Sapphire Power Generation Limited	Associate	**419,059,990**	497,370,998
		797,992,062	793,848,739
Sale of property, plant and equipment			
Sapphire Fibres Limited	Related party	**16,039,375**	-
Sapphire Finishing Mills Limited	Related party	**-**	97,387,500
		16,039,375	97,387,500
Purchase of property, plant and equipment			
Sapphire Fibres Limited	Related party	**-**	870,500
Rent and other expenses			
Yousuf Agencies (Private) Limited	Related party	**2,822,214**	2,234,835
Contribution to provident fund			
Sapphire Textile Mills Limited - Employees Provident Fund	Retirement benefit fund	**10,724,408**	9,039,806
Expenses charged to			
Amer Cotton Mills (Private) Limited	Related party	**3,034,837**	196,757
Diamond Fabrics Limited	Related party	**290,651**	
Reliance Cotton Spinning Mills Limited	Associate	**2,224,175**	1,185,826
Sapphire Dairies (Private) Limited	Associate	**26,584**	41,719
Sapphire Fibres Limited	Related party	**8,303,771**	8,442,800
Sapphire Finishing Mills Limited	Related party	**1,664,543**	1,114,580
Sapphire Power Generation Limited	Associate	**102,028**	89,952
Sapphire Wind Power Company Limited	Subsidiary	**16,184,135**	5,524,987
		31,830,724	16,596,621
Expenses charged by			
Sapphire Fibres Limited	Related party	**134,260**	1,116,780
Share deposit money			
Sapphire Wind Power Company Limited	Subsidiary	**60,800,000**	32,900,000
Sapphire Dairies (Private) Ltd	Associate	**145,000,000**	90,000,000
		205,800,000	122,900,000
Shares received			
Sapphire Wind Power Company Limited	Subsidiary	**14,000,000**	69,130,000
Sapphire Dairies (Private) Ltd	Associate	**185,000,000**	50,000,000
		199,000,000	119,130,000
Dividend paid			
Amer Tex (Private) Limited	Related party	**13,390,411**	3,375,415
Diamond Limited	Related party	**2,274,345**	668,925
Galaxy Agencies (Private) Limited	Related party	**8,578,387**	2,523,055
Nadeem Enterprises (Private) Limited	Related party	**9,966,114**	2,931,210
Neelum Textile Mills (Private) Limited	Related party	**6,392,098**	1,362,970
Reliance Cotton Spinning Mills Limited	Associate	**1,703,791**	501,115
Sapphire Agencies (Private) Limited	Related party	**38,483,766**	11,608,340
Sapphire Power Generation Limited	Associate	**4,821,914**	1,418,210
		85,610,826	24,389,240
Donations			
Abdullah Foundation	Related party	**36,500,000**	13,550,000
Jamal-ud-din Fatima Charitable Trust	Related party	**380,000**	900,000
		36,880,000	14,450,000
Dividend received			
Reliance Cotton Spinning Mills Limited	Associate	**397,215**	794,718
Sapphire Fibres Limited	Related party	**1,740**	725
		398,955	795,443

Notes To The Financial Statements
For the year ended June 30, 2013

40 Number of employees

	2013	2012
Number of employees at June 30		
- Permanent	**5,685**	5,428
- Contractual	**683**	282
Average number of employees during the year		
- Permanent	**5,579**	5,358
- Contractual	**487**	393

41 Plant capacity and actual production

	2013	2012
Spinning units		
Total number of spindles installed	**122,410**	122,328
Average number of spindles worked	**119,201**	114,911
Total number of rotors installed	**3,111**	3,120
Average number of rotors worked	**3,041**	3,057
Number of shifts worked per day	**3**	3
Total days worked	**360**	360
Installed capacity after conversion into 20/s lbs.	**87,648,336**	86,040,250
Actual production after conversion into 20/s lbs	**89,079,562**	89,641,405
Weaving unit		
Total number of looms installed	**300**	292
Average number of looms worked	**290**	287
Number of shifts worked per day	**3**	3
Total days worked	**360**	360
Installed capacity at 50 picks per inch of fabric square meters	**102,273,135**	98,269,741
Actual production converted at 50 picks per inch of fabric square meters	**98,573,323**	93,024,466

Home Textile Product unit

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

42 Remuneration of chief executive, director and executives

	2013	2012
	------------- Rupees	-------------
Chief Executive		
Remuneration	**6,833,500**	6,000,000
Rent and utilities	**3,416,500**	3,000,000
	10,250,000	9,000,000
Number of person	**1**	1
Director		
Remuneration	**7,200,000**	7,200,000
Rent and utilities	**3,600,000**	3,600,000
	10,800,000	10,800,000
Number of persons	**2**	2
Executives		
Managerial remuneration	**94,934,991**	75,004,501
House rent	**43,260,797**	35,092,446
Cost of living allowance	**88,900**	71,400
Bonus	**15,921,150**	13,357,400
Medical	**2,198,547**	1,700,913
Utilities	**5,600,942**	4,616,785
Leave encashment and other benefits	**11,421,448**	7,295,345
	173,426,776	137,138,790
Number of persons	**87**	75
Number of executives provided with the Company maintained cars	**86**	75

The Chief Executive and two Directors were also provided with cars maintained by the Company and telephones at residence.

Notes To The Financial Statements
For the year ended June 30, 2013

		2013	2012
43	**Provident fund related disclosures**	------------- Rupees '000 -------------	
43.1	The following information is based on audited financial statements of the Fund as at June 30, 2013		
	Size of the fund - Total assets	**91,094**	71,415
	Cost of investments made	**85,009**	66,589
	Fair value of investments	**88,391**	68,330
	Percentage of Investments made	**93%**	93%

43.2 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	------------- Percentage -------------		------------- Rupees '000 -------------	
National Saving Schemes	**20%**	0%	**17,999**	-
Government Securities	**80%**	100%	**70,392**	68,330
	100%	100%	**88,391**	68,330

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

44 FINANCIAL INSTRUMENTS

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

44.1 - Credit risk

44.2 - Liquidity risk

44.3 - Market risk

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

44.1 Credit risk

44.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.6,665.706 million (2012:Rs.4,371.876 million), financial assets which are subject to credit risk aggregate to Rs.6,562.269 million (2012:Rs.4,295.889 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.

	2013	2012
	------------- Rupees -------------	
Long term investments	**3,081,151,276**	1,951,957,505
Long term loans and advances	**67,706,221**	54,021,951
Long term deposits	**58,874,594**	29,500,666
Trade debts	**1,710,499,789**	1,337,067,271
Loans and advances	**150,745,226**	99,925,142
Trade deposits and short term prepayments	**631,445**	923,133
Other receivables	**35,621,315**	12,152,013
Short term investments	**1,457,039,126**	810,341,353
Cash and bank balances	**103,436,686**	75,986,808
	6,665,705,678	4,371,875,842

Notes To The Financial Statements

For the year ended June 30, 2013

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

	2013	2012
	------------ Rupees ------------	
Domestic	**648,235,401**	683,050,385
Export	**1,062,264,388**	654,016,886
	1,710,499,789	1,337,067,271

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

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

	2013	2012
Yarn	**955,568,332**	731,810,667
Fabric	**558,483,137**	385,609,675
Home textile product	**144,160,161**	178,459,704
Raw material	**-**	21,924
Waste	**43,103,585**	29,001,429
Processing services	**3,179,170**	9,557,818
Others	**6,005,404**	2,606,054
	1,710,499,789	1,337,067,271

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

	2013	2012
Not past due	**1,442,595,893**	1,102,174,641
Past due 0 - 30 days	**207,726,559**	186,447,357
Past due 31 - 60 days	**31,789,795**	8,943,587
Past due 61 - 90 days	**2,484,890**	7,447,290
Past due 91 - 1 year	**20,263,127**	15,768,909
More than one year	**5,639,525**	16,285,487
	1,710,499,789	1,337,067,271

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

44.2 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:

	2 0 1 3				
	Carrying amount	**Contractual cash flow**	**Up to 1 year**	**Between 1 to 5 years**	**5 years and above**
	Rupees				
Long term financing	**1,370,705,474**	**1,616,663,413**	**480,296,540**	**1,136,366,872**	
Trade and other payables	**1,161,692,876**	**1,161,692,876**	**1,161,692,876**	**-**	**-**
Accrued interest / mark-up	**68,192,565**	**68,192,565**	**68,192,565**	**-**	**-**
Short term borrowings	**4,048,198,266**	**4,060,543,694**	**4,060,543,694**	**-**	**-**
	6,648,789,181	**6,907,092,548**	**5,770,725,675**	**1,136,366,872**	**-**

	2 0 12				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,308,090,300	1,687,335,134	362,180,222	1,325,012,831	142,081
Trade and other payables	832,049,361	832,049,361	832,049,361	-	-
Accrued interest / mark-up	70,308,182	70,308,182	70,308,182	-	-
Short term borrowings	2,850,256,515	2,869,398,021	2,869,398,021	-	-
	5,060,704,358	5,459,090,698	4,133,935,786	1,325,012,831	142,081

Notes To The Financial Statements
For the year ended June 30, 2013

44.2.1 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.

44.3 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.

44.3.1 Currency risk

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

	2013				
	Rupees	**US $**	**EURO**	**JPY**	**CHF**
Trade debts	**(1,062,264,388)**	**(9,436,579)**	**(833,643)**	**-**	**-**
Bank balances	**(37,494,965)**	**(60,539)**	**(244,671)**	**-**	**-**
Gross Balance sheet exposure	**(1,099,759,353)**	**(9,497,118)**	**(1,078,314)**	**-**	**-**
Outstanding letters of credit	**1,099,199,370**	**1,350,114**	**3,609,501**	**127,805,116**	**3,553,214**
Forward exchange contracts	**701,654,635**	**5,100,000**	**1,550,000**	**-**	**-**
Net Exposures	**701,094,652**	**(3,047,004)**	**4,081,187**	**127,805,116**	**3,553,214**

	2012				
	Rupees	US $	EURO	JPY	CHF
Trade debts	(654,016,886)	(5,905,535)	(830,908)	-	-
Bank balances	(5,514,126)	(31,742)	(21,400)	-	-
Gross Balance sheet exposure	(659,531,012)	(5,937,277)	(852,308)	-	-
Outstanding letters of credit	231,707,767	1,423,213	722,154	2,870,000	9,692
Forward exchange contracts	1,262,550,790	10,565,420	2,482,593	-	-
Net Exposures	834,727,545	6,051,356	2,352,439	2,870,000	9,692

The following significant exchange rates have been applied:

	Reporting date rate	
	2013	2012
US $ to Rupees	**98.60 / 98.80**	94 / 94.20
Euro to Rupees	**128.85 / 129.11**	118.25 / 118.50

Sensitivity Analysis

A 10 percent strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particulars interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity	**Profit & loss**
	Rupees	
As at June 30, 2013		
Effect in US Dollar	**-**	**(93,641,583)**
Effect in Euro	**-**	**(13,894,076)**
As at June 30, 2012		
Effect in US Dollar	-	(55,810,404)
Effect in Euro	-	(10,099,850)

Notes To The Financial Statements
For the year ended June 30, 2013

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

44.3.2 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:

	2013	2012	2013	2012
	Effective rate		Carrying Amount	
			------------- Rupees -------------	
Fixed rate instruments				
Financial liabilities				
Long term financing	**7.00% to 10.20%**	7.00% to 12.70%	**383,039,974**	723,411,302
Short term borrowings	**8.70% to 8.90%**	0%	**800,000,000**	-
Variable rate instruments				
Financial liabilities				
Long term financing	**9.58% to 10.58%**	12.70% to 13.45%	**987,665,500**	584,678,998
Short term borrowings	**9.52 % to 11.41%**	2.00 % to 15.57%	**3,248,198,266**	2,850,256,515

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit and loss 100 bps	
	Increase	Decrease
	------------- Rupees -------------	
As at June 30, 2013		
Cash flow sensitivity - variable rate instruments	**42,358,638**	**(42,358,638)**
As at June 30, 2012		
Cash flow sensitivity - variable rate instruments	34,349,355	(34,349,355)

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

44.3.3 Other price risk

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

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

Notes To The Financial Statements
For the year ended June 30, 2013

	2013	2012
	------------ Rupees ------------	
Effect on equity	**445,204,217**	267,615,062
Effect on investments	**445,204,217**	267,615,062

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

44.4 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.

44.5 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 level have been defined as follows:

Level 1. Quoted market price (unadjusted) in an active market for identical instrument.

Level 2. Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	----------	Rupees	----------
As at June 30, 2013			
Assets carried at fair value			
Available for sale investments	**4,452,042,166**	**-**	**86,148,236.00**
Forward exchange contracts used for hedging	**-**	**2,345,865**	**-**
	4,452,042,166	**2,345,865**	**86,148,236**
As at June 30, 2012			
Assets carried at fair value			
Available for sale investments	2,676,150,622	-	86,148,236
Forward exchange contracts used for hedging	-	-	-
	2,676,150,622	-	86,148,236
As at June 30, 2013			
Liabilities carried at fair value	**-**	**-**	**-**
Forward exchange contracts used for hedging			
As at June 30, 2012			
Liabilities carried at fair value			
Forward exchange contracts used for hedging	-	26,899,054.00	-

44.6 Capital risk management

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

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

	2013	2012
	------------- Rupees	**-------------**
Total borrowings	**5,428,379,407**	4,158,846,403
Less: Cash and bank balances	**103,436,686**	75,986,808
Net debt	**5,324,942,721**	4,082,859,595
Total equity	**11,411,812,025**	8,327,121,318
Total capital	**16,736,754,746**	12,409,980,913
	Percentage	
Gearing ratio	**31.82**	32.90

45 Non adjusting event after balance sheet date

The board of directors in its meeting held on October 07, 2013 proposed final cash dividend of Rs.180,748,260 (2012: Rs. 100,415,700) at the rate of Rs.9 (2012: Rs. 5) per ordinary share of Rs.10 each. The final cash dividend is in addition of interim dividend of Rs.240,997,680 at the rate of Rs. 12 per ordinary share of Rs. 10 each. Proposed dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

46 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and comparison. Significant reclassification includes the following:

Re-classification from component	Re-classification to component	Note	Rupees
Current portion of loans to employees	Short term loan to employees	15	569,854
Goods purchased: Cotton purchases	Raw material sold	30	79,429,239
Samples and advertising	Exhibition expenses	31	3,038,421
Finance cost	Other Income	34	217,532
Local sales	Sales tax	29	7,812,198

47 Date of authorization for issue

These financial statements were approved by the Board of Directors and authorized for issue on October 07, 2013.

Karachi:
Dated: October 07, 2013

NADEEM ABDULLAH
CHIEF EXECUTIVE

NABEEL ABDULLAH
DIRECTOR

Pattern of Shareholding
As at June 30, 2013

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
355	1	100	5,437
46	101	500	12,566
34	501	1,000	25,066
35	1,001	5,000	77,046
11	5,001	10,000	80,992
3	10,001	15,000	39,638
1	15,001	20,000	18,000
2	20,001	25,000	41,623
3	25,001	30,000	81,500
1	30,001	35,000	32,500
2	35,001	40,000	75,283
1	40,001	45,000	42,500
1	45,001	50,000	46,617
1	60,001	65,000	62,167
1	65,001	70,000	65,920
2	70,001	75,000	143,942
1	75,001	80,000	75,400
1	90,001	95,000	93,241
3	100,000	105,000	300,931
1	105,001	110,000	107,500
1	115,001	120,000	118,109
1	130,001	135,000	131,000
1	145,001	150,000	146,500
1	175,001	180,000	175,500
1	200,001	205,000	201,800
1	210,001	215,000	211,100
1	260,001	265,000	264,638
1	270,001	275,000	272,594
1	375,001	380,000	378,057
1	495,001	500,000	496,183
1	505,001	510,000	504,611
1	560,001	565,000	564,522
1	585,001	590,000	586,242
1	600,000	605,000	600,000
1	605,001	610,000	609,063
1	620,001	625,000	622,185
1	635,001	640,000	635,506
1	740,001	745,000	743,123
1	920,001	925,000	924,088
1	1,870,001	1,875,000	1,873,289
1	2,075,001	2,080,000	2,077,128
1	2,105,001	2,110,000	2,106,659
1	2,175,001	2,180,000	2,175,106
1	2,235,001	2,240,000	2,238,268
529			20,083,140

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

Pattern of Shareholding
As at June 30, 2013

CATEGORIES OF SHAREHOLDERS

Particulars	No. of Shares Held	Percentage
Directors, their spouse and minor children	12,201,252	60.75
Associated Companies, Undertakings and Related Parties	6,200,849	30.88
NIT & ICP	929,970	4.63
Banks, Development Finance Institutions, Non-Banking Finance Institutions	355	0.01
Others Companies	126,493	0.63
Modarabas & Mutual Funds	8,890	0.04
General Public (Local)	615,331	3.06
	20,083,140	**100.00**

Pattern of Shareholding

As at June 30, 2013

		NO OF SHARES
A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**	
	Reliance Cotton Spinning Mills Limited	100,223
	Sapphire Agencies (Pvt.) Limited	2,331,509
	Amer Tex (Pvt.) Limited	1,118,368
	Sapphire Power Generation Limited	283,642
	Neelum Textile Mills (Pvt.) Limited	419,094
	Galaxy Agencies (Pvt.) Limited	504,611
	Salman Ismail (SMC-PRIVATE) Limited	592,522
	Nadeem Enterprise (Pvt.) Limited	586,242
	Sapphire Holding Limited	264,638
B)	**NIT & ICP**	
	National Bank of Pakistan - Trustee Department NI(U)T Fund	924,088
	National Investment Trust Limited	5,882
C)	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN**	
	DIRECTORS & THEIR SPOUSE	
	Mr. Yousuf Abdullah	2,120,042
	Mr. Shahid Abdullah	396,057
	Mr. Mohammad Younus	20,738
	Mr. Nabeel Abdullah	100,000
	Mr. Shayan Abdullah	100,000
	Mr. Mohammad Abdullah	600,000
	Mr. Amer Abdullah	2,109,628
	Mrs. Ambareen Amer	811,006
	Mrs. Usma Yousuf	107,500
	Mrs. Shireen Shahid	2,306,106
	Mrs. Shamshad Begum	636,563
	CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
	Mr. Nadeem Abdullah	1,948,689
	Mrs. Noshaba Nadeem	944,923
D)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**	
	BANKS	
	National Bank of Pakistan	355
	MODARABAS	
	M/s Guardian Leasing Modaraba	8,890
E)	**SHAREHOLDERS HOLDING 05% OR MORE**	
	Sapphire Agencies (Pvt.) Limited	2,331,509
	Mrs. Shireen Shahid	2,306,106
	Mr. Yousuf Abdullah	2,120,042
	Mr. Amer Abdullah	2,109,628
	Mr. Nadeem Abdullah	1,948,689
	Amer Tex (Pvt.) Limited	1,118,368
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**	
	Shares Purchased by Mr. Yousuf Abdullah	11,500
	Shares Purchased by Mr. Shahid Abdullah	3,000
	Shares Purchased by Mr. Amer Abdullah	32,500
	Shares Purchased by Mrs. Ambareen Amer	174,500
	Shares Purchased by Mrs. Shireen Shahid	131,000
	Shares Purchased by Mrs. Shamshad Begum	17,800
	Shares Purchased by Mrs. Usma Yousuf	107,500
	Shares Purchased by Mr. Nadeem Abdullah	60,000
	Shares Purchased by Mrs. Noshaba Nadeem	201,500

Consolidated Accounts

Sapphire Textile Mills Limited and its subsidiaries

Contents

Directors' Report
to the Shareholders

On behalf of Board of Directors of Holding Company of **Sapphire Wind Power Company Limited** and **Sapphire Home Incorporation**, it is my pleasure to present Directors' report with Audited Consolidated Financial Statements and Auditor's report thereon for the year ended June 30, 2013.

SAPPHIRE WIND POWER COMPANY LIMITED

The Company obtained a LOI for developing a 50 MW wind farm at Jhumpir and was allocated 1372 acres of land for the purpose by AEDB. Wind resource assessment and detailed project feasibility were completed and approved by AEDB. The Company followed a tendering process following which GE wind turbines had been selected; SWPCL has signed an EPC contract with Hydrochina Corporation, China and a 10 years O&M contract with GE. The company has signed a Letter of Commitment with Overseas Private Investment Corporation (OPIC), USA under which OPIC has committed to finance 100% debt for the project up to US$ 95 million. The company has applied for Upfront Tariff and NEPRA's determination of the same is expected shortly; negotiations of the concession documents are also at an advanced stage. SWPCL team is actively engaged with all stakeholders and aim to achieve financial close shortly.

SAPPHIRE HOME INCORPORATION

Sapphire Home Incorporation is incorporated under the laws of the State of New York in United States of America (USA). There are certain customers in the USA which need goods on landed duty paid basis. Sapphire Home Inc. provides this service for the home textile products for these customers.

CLARIFICATION TO QUALIFICATION IN AUDIT REPORT

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

On behalf of the Board

NADEEM ABDULLAH
CHIEF EXECUTIVE

Karachi
Dated: October 07, 2013

Auditors' Report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Sapphire Textile Mills Limited** (the holding company) and its subsidiary companies (together referred to as group) as at June 30, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of **Sapphire Textile Mills Limited**. The financial statements of Sapphire Wind Power Company Limited were audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements of Sapphire Home, Inc. (subsidiary company) for the year ended June 30, 2013 were un audited. Hence, total assets and total liabilities of Rs. 4,621,991 and Rs. Nil respectively as at June 30, 2013 and net loss of Rs. 4,610,025 for the year ended June 30, 2013 relating to such subsidiary company have been incorporated in these consolidated financial statements by the management using the un audited financial statements.

In our opinion, except for the effect of any adjustments that may have been required due to the un-audited figures in respect of Sapphire Home, Inc. (subsidiary company) as referred in previous paragraph of the report, the consolidated financial statements present fairly the financial position of **Sapphire Textile Mills Limited** and its subsidiary companies as at June 30, 2013 and the results of their operations for the year then ended.

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Mushtaq Ahmad Vohra
FCA

KARACHI:
Date: October 07, 2013

Consolidated Balance Sheet

As at June 30, 2013

	Note	2013	2012
		---------- Rupees ----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**5,873,220,775**	5,237,750,406
Investment property	7	**164,424,860**	186,904,254
Intangible assets	8	**5,572,830**	8,335,030
Long term investments	9	**3,696,798,731**	2,337,996,885
Long term loans and advances	10	**43,443,630**	36,223,204
Long term deposits	11	**58,874,594**	29,500,666
		9,842,335,420	7,836,710,445
CURRENT ASSETS			
Stores, spares and loose tools	12	**228,908,839**	250,799,409
Stock-in-trade	13	**4,908,046,675**	3,328,915,934
Trade debts	14	**1,710,499,789**	1,309,908,251
Loans and advances	15	**182,730,917**	125,446,989
Trade deposits and short term prepayments	16	**6,646,973**	14,845,702
Other receivables	17	**66,075,720**	37,235,618
Other financial assets	18	**1,457,039,126**	810,341,353
Tax refunds due from Government	19	**535,114,113**	434,008,968
Cash and bank balances	20	**109,763,176**	101,542,626
		9,204,825,328	6,413,044,850
TOTAL ASSETS		**19,047,160,748**	14,249,755,295
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 35,000,000 (2012: 35,000,000) ordinary shares of Rs.10 each		**350,000,000**	350,000,000
Issued, subscribed and paid-up capital	21	**200,831,400**	200,831,400
Reserves		**11,408,323,227**	8,313,635,196
		11,609,154,627	8,514,466,596
NON-CURRENT LIABILITIES			
Long term financing	22	**1,001,498,908**	1,094,621,651
Deferred liabilities	23	**244,466,199**	183,243,590
		1,245,965,107	1,277,865,241
CURRENT LIABILITIES			
Trade and other payables	24	**1,500,443,606**	1,102,268,513
Accrued Interest / mark-up	25	**68,192,565**	70,308,182
Short term borrowings	26	**4,057,673,933**	2,850,979,411
Current portion of long term financing	22	**369,206,566**	213,468,649
Provision for taxation	27	**196,524,344**	220,398,703
		6,192,041,014	4,457,423,458
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		**19,047,160,748**	14,249,755,295

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:	**NADEEM ABDULLAH**	**NABEEL ABDULLAH**
Dated: October 07, 2013	CHIEF EXECUTIVE	DIRECTOR

Consolidated Profit And Loss Account

For the year ended June 30, 2013

	Note	2013	2012
		---------- Rupees ----------	
Sales and services	29	**25,296,639,461**	21,592,423,719
Cost of sales and services	30	**(21,090,324,992)**	(18,791,121,797)
Gross profit		**4,206,314,469**	2,801,301,922
Distribution cost	31	**(1,076,926,506)**	(1,012,717,269)
Administrative expenses	32	**(254,581,529)**	(184,960,278)
Other operating expenses	33	**(286,584,430)**	(136,461,050)
Other income	34	**371,110,015**	407,053,671
		(1,246,982,450)	(927,084,926)
Profit from operations		**2,959,332,019**	1,874,216,996
Finance cost	35	**(664,169,700)**	(713,494,294)
		2,295,162,319	1,160,722,702
Share of profit of Associated Companies		**64,183,909**	20,941,928
Profit before taxation		**2,359,346,228**	1,181,664,630
Taxation			
Current			
- for the year		**(196,565,272)**	(221,144,762)
- prior year		**-**	28,743,065
Deferred		**(34,008,064)**	135,293,878
	36	**(230,573,336)**	(57,107,819)
Profit after taxation for the year		**2,128,772,892**	1,124,556,811
Earnings per share - basic and diluted	37	**106.00**	56.00

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:
Dated: October 07, 2013

NADEEM ABDULLAH
CHIEF EXECUTIVE

NABEEL ABDULLAH
DIRECTOR

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2013

	2013	2012
	----------------- Rupees -----------------	
Profit after taxation for the year	**2,128,772,892**	1,124,556,811
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Available for sale investments		
Unrealized gain / (loss) on remeasurement of available for sale investments	**1,283,485,376**	(65,134,189)
Reclassification adjustments relating to gain realized on disposal of available for sale investments	**(23,093,695)**	(73,146,239)
Unrealized gain on remeasurement of available for sale investments - associates	**236,639**	906,404
	1,260,628,320	(137,374,024)
Forward foreign currency contracts		
Unrealized gain / (loss) on remeasurement of forward foreign currency contracts	**56,143,973**	(26,899,054)
Reclassification adjustments relating to loss realized on settlement of foreign currency contracts	**(26,899,054)**	(1,899,447)
Unrealized gain / (loss) on remeasurement of forward foreign currency contracts - associates	**71,548**	(69,633)
	29,316,467	(28,868,134)
Exchange difference on translation of foreign operation	**325,734**	435,064
Items that may not be reclassified subsequently to profit and loss		
Shares of increase in reserves of associated companies under equity method	**17,057,998**	6,771,749
Other comprehensive income / (loss) for the year	**1,307,328,519**	(159,035,345)
Total comprehensive income for the year	**3,436,101,411**	965,521,466

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:	**NADEEM ABDULLAH**	**NABEEL ABDULLAH**
Dated: October 07, 2013	CHIEF EXECUTIVE	DIRECTOR

Consolidated Cash Flow Statement

For the year ended June 30, 2013

	Note	2013	2012
		---------------- Rupees ----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	**1,591,083,540**	2,931,070,219
Long term loans and deposits		**(41,955,919)**	(3,137,097)
Finance cost paid		**(666,285,317)**	(714,267,966)
Staff retirement benefits - gratuity paid		**(35,221,375)**	(36,525,855)
Taxes paid		**(321,544,776)**	(276,365,548)
		(1,065,007,387)	(1,030,296,466)
Net cash generated from operating activities		**526,076,153**	1,900,773,753
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,199,581,223)**	(1,002,047,430)
Purchase of intangible assets		**-**	(5,983,770)
Investment in associated undertakings		**(144,608,381)**	(89,205,282)
Investment others		**(638,022,822)**	(254,158,149)
Proceeds from disposal of property, plant and equipment		**59,627,313**	124,145,557
Proceeds from disposal of investment property		**21,000,000**	13,300,000
Proceeds from sale of investments		**168,048,719**	357,295,214
Proceeds from derivative financial instruments		**(1,780,768)**	2,081,475
Dividend received		**273,173,537**	227,709,338
Profit received on saving accounts		**201,938**	169,998
Rental income received		**12,804,000**	12,720,000
Net cash used in investing activities		**(1,449,137,687)**	(613,973,049)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		**1,197,941,751**	(1,351,870,309)
Proceeds from long term financing		**628,158,674**	352,821,000
Repayment of long term financing		**(565,543,500)**	(193,360,592)
Exchange difference on translating foreign operation		**325,734**	435,064
Dividend paid		**(338,353,346)**	(99,751,393)
Net cash generated from / (used in) financing activities		**922,529,313**	(1,291,726,230)
Net decrease in cash and cash equivalents		**(532,221)**	(4,925,526)
Cash and cash equivalents at the beginning of the year		**100,819,730**	105,745,256
Cash and cash equivalents at the end of the year		**100,287,509**	100,819,730
Cash and cash equivalents			
Cash and bank balances		**109,763,176**	101,542,626
Book overdrafts - unsecured		**(9,475,667)**	(722,896)
Cash and cash equivalents at the end of the year		**100,287,509**	100,819,730

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:	**NADEEM ABDULLAH**	**NABEEL ABDULLAH**
Dated: October 07, 2013	CHIEF EXECUTIVE	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2013

	Share Capital	Reserves						Other Components of equity				Total Equity
		Capital	Revenue					Unrealized gain / (loss)				
		Share Premium	Fixed Assets Replacement	General Reserves	Unappropriated Profit	SUB TOTAL		On available for sale investments	On forward foreign exchange contracts	Exchange difference on translating foreign operation	SUB TOTAL	
	Rupees											
Balance as at July 01, 2011	200,831,400	156,202,200	65,000,000	1,330,000,000	4,414,960,301	5,966,162,501		1,480,462,709	1,899,447	4,773	1,482,366,929	7,649,360,830
Total comprehensive income for the year ended June 30, 2012												
Profit after taxation for the year	-	-	-	-	1,124,556,811	1,124,556,811		-	-	-	-	1,124,556,811
Other comprehensive loss	-	-	-	-	-	-		(137,374,024)	(28,868,134)	435,064	(165,807,094)	(165,807,094)
	-	-	-	-	1,124,556,811	1,124,556,811		(137,374,024)	(28,868,134)	435,064	(165,807,094)	958,749,717
Shares of increase in reserves of associated companies under equity method					6,771,749	6,771,749					-	6,771,749
Transaction with owners												
Final dividend for the year ended June 30, 2011 @ Rs. 5 per share	-	-	-	-	(100,415,700)	(100,415,700)		-	-		-	(100,415,700)
Balance as at June 30, 2012	200,831,400	156,202,200	65,000,000	1,330,000,000	5,445,873,161	6,997,075,361		1,343,088,685	(26,968,687)	439,837	1,316,559,835	8,514,466,596
Balance as at July 01, 2012	200,831,400	156,202,200	65,000,000	1,330,000,000	5,445,873,161	6,997,075,361		1,343,088,685	(26,968,687)	439,837	1,316,559,835	8,514,466,596
Total comprehensive income for the year ended June 30, 2013												
Profit after taxation for the year	-	-	-	-	2,128,772,892	2,128,772,892		-	-	-	-	2,128,772,892
Other comprehensive income	-	-	-	-	-	-		1,260,628,320	29,316,467	325,734	1,290,270,521	1,290,270,521
	-	-	-	-	2,128,772,892	2,128,772,892		1,260,628,320	29,316,467	325,734	1,290,270,521	3,419,043,413
Shares of increase in reserves of associated companies under equity method	-	-	-	-	17,057,998	17,057,998		-	-	-	-	17,057,998
Transaction with owners												
Final dividend for the year ended June 30, 2012 @ Rs. 5 per share	-	-	-	-	(100,415,700)	(100,415,700)		-	-	-	-	(100,415,700)
Interim dividend for the year ended June 30, 2013 @ Rs. 12 per share	-	-	-	-	(240,997,680)	(240,997,680)		-	-	-	-	(240,997,680)
	-	-	-	-	(341,413,380)	(341,413,380)		-	-	-	-	(341,413,380)
Balance as at June 30, 2013	200,831,400	156,202,200	65,000,000	1,330,000,000	7,250,290,671	8,801,492,871		2,603,717,005	2,347,780	765,571	2,606,830,356	11,609,154,627

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

Karachi:
Dated: October 07, 2013

NADEEM ABDULLAH
CHIEF EXECUTIVE

NABEEL ABDULLAH
DIRECTOR

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

1 THE GROUP AND ITS OPERATIONS

The Group comprises of:

Sapphire Textile Mills Limited - the Holding Company

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited company under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The registered office of the Company is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and its mills are located at Kotri, Nooriabad, Chunian, Feroze Watwan and Bhopattian Lahore.

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

Sapphire Wind Power Company Limited - the subsidiary company

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

The company’s principal objective is to carry on the business of supplying general electric power and to setup and operate wind power generation projects to generate, accumulate, distribute and supply electricity. In this regard, the company has agreed to lease land as fully explained in note 15.2.

The company is currently is in the process of setting up an approximately 50 MW wind power station at the above mentioned location. The company's tariff has been determined by National Electric Power Regulatory Authority (NEPRA) through order dated July 17, 2012. Further, NEPRA has issued a Generation License to the company on July 27, 2012 for a term of twenty years..

The company has entered into the Engineering, Procurement & Construction ('EPC') and Warranty Period Operations and Maintenance ('WP O&M') Contracts on September 20, 2012, aggregating to USD 107.289 million for the execution of the EPC works necessary for the Project. The execution of these contracts is dependent on the Financial Close. The Company has signed a Letter of Commitment with Overseas Private Investment Corporation (OPIC), USA under which OPIC has committed to finance 100% debt for the project up to US $ 95 million. SWPCL team is actively engaged with all stakeholders and aim to achieve financial close shortly.

Sapphire Home Inc - USA - the subsidiary

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

2.2 Basis of preparation

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

2.3 Functional and presentation currency

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

3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Property, Plant and equipment

The Group reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Stock-in-trade and stores, spares and loose tools

The Group reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 23 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Trade debts and other receivables

The Group's management reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2012:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1), (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

IAS 12, 'Income Taxes' (Amendments), These are applicable on accounting periods beginning on or after January 1, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

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

IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for periods beginning on or after January 1, 2013). This amendment is on offsetting financial assets and financial liabilities. This include new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IAS 27 Separate Financial Statements (2011)' (effective for annual periods beginning on or after January 1, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no major impact on financial statements of the Group.

IAS 28 Investments in Associates and Joint Ventures (2011)' (effective for annual periods beginning on or after January 1, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.

IAS 39 Financial Instruments' Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 1, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

IAS 19 (Revised), 'Employee benefits' (effective for the periods beginning on or after January 1, 2013). The amendments will make significant changes to the recognition and measurement of defined benefit plan expense. The amendments requires actuarial gains and losses to be recognised immediately in other

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognise all changes in defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19, and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Group is in process of reviewing the implications of the revised standard on its financial statements.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 32, 'Financial Instruments: Presentation' (effective for the periods beginning on or after January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

4.3 Standards, interpretations issued by the IASB that are applicable to the Group but are not yet notified by the SECP

IFRS 9, 'Financial Instruments' (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

IFRS 10, 'Consolidated Financial Statements', applicable from January 1, 2013, build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint Arrangements', applicable from January 1, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence entity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12, 'Disclosure of interests in other entities' (effective for the periods beginning on or after January 1, 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13, 'Fair value measurement', this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until April 1, 2013 but is available for early adoption.

4.4 Exemption from applicability of certain interpretations to standards

SECP has exempted the application of International Financial Reporting Interpretation Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' and IFRIC 12 'Service Concession Arrangements' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 or IFRIC 12 on the results of the companies.

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

Since the Energy Purchase Agreement with National Transmission and Despatch Company Limited and Implementation Agreement with Government of Pakistan has not been finalised yet, it is impracticable to assess the impact on the Group's financial statements if the Group were to follow IFRIC 4 or IFRIC 12.

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

4.6 The Securities and Exchange Commission of Pakistan through SRO 183(I)/2013 dated March 4, 2013 has amended the requirements of 4th Schedule of the Companies Ordinance 1984. The amendments require some additional disclosure and modification of existing disclosure.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of Consolidation

Subsidiaries

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

Subsidiaries are those entities in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from date of control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

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

Investments in associates

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

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

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

Translation of the financial statements of foreign subsidiary

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

5.2 Property, plant and equipment

Owned assets

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

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

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

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

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

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements is allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Capital work-in-progress

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

5.3 Investment property

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

5.4 Intangible assets

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

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

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

5.5 Investments

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

Investment - available for sale

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

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

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

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

5.6 Stores, spares and loose tools

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

5.7 Stock in trade

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

Provision for obsolete and slow moving stock in trade is determined based on management estimate regarding their future usability.

5.8 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

5.9 Cash and cash equivalents

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

5.10 Borrowings

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

5.11 Employee benefits

Compensated absences

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

Defined benefits plans

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

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the company's obligation are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

Defined Contribution Plan

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

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

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

5.12 Trade and other payables

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

5.13 Taxation

Current year

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

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

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the subsidiary company (SWPCL) is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account 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 provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regards, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the each reporting date.

5.14 Dividend and appropriation to reserves

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

5.16 Revenue recognition

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

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

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

All other incomes are recognised on accrual basis.

5.17 Government grant

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

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

5.18 Borrowing cost

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

5.19 Foreign currency transactions and translation

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

5.20 Impairment

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

5.21 Financial instruments

Financial assets

5.21.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

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

5.21.2 Recognition

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

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

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

5.21.3 Measurement

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

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

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

5.21.4 Impairment

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

5.21.5 Off-setting of financial assets and liabilities

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

5.21.6 Derivative financial instruments

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

a) Cash flow Hedges

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

b) Fair value hedge and other non-trading derivatives

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

5.21.7 Financial liabilities

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

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

5.22 Earnings per share - basic and diluted

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

Segment reporting

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

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

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

5.23 Related party transactions

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

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

	Note	**2013**	2012
		------------- Rupees -------------	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**6.1**	**5,416,553,075**	4,736,750,808
Capital work-in-progress	**6.4**	**456,667,700**	500,999,598
		5,873,220,775	5,237,750,406

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

6.1 Operating fixed assets

2013

	Land: Free - hold	Land: Lease - hold	On free - hold: Factory building	On free - hold: Labour, staff colony and others	On free - hold: Office building	On lease - hold: Factory building	On lease - hold: Labour, staff colony and others	On lease - hold: Leased building improvements	Plant & machinery	Electric installations	Fire fighting equipment	Electric equipments	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Total
	Rupees																	
At July 01, 2012																		
Cost	120,593,283	9,180,416	1,101,797,134	261,941,308	-	232,238,984	30,153,574	48,174,914	6,713,463,358	195,460,123	1,919,340	43,961,451	19,094,473	35,714,812	44,366,610	23,777,730	184,970,801	9,066,808,311
Accumulated depreciation	-	-	(479,817,487)	(85,889,370)	-	(140,121,343)	(14,577,683)	(23,134,885)	(3,376,454,920)	(50,545,957)	(602,276)	(10,298,835)	(11,924,177)	(22,538,727)	(23,007,844)	(9,663,929)	(81,480,070)	(4,330,057,503)
Net book value	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,662,616	7,170,296	13,176,085	21,358,766	14,113,801	103,490,731	4,736,750,808
Year ended June 30, 2013																		
Additions	-	52,314,759	47,710,080	-	184,200,855	-	7,956,241	1,889,722	774,122,750	122,764,521	286,910	639,000	8,441,222	801,250	4,360,525	2,797,703	35,627,583	1,243,913,121
Disposals:																		
- Cost	20,907,438	-	-	-	-	-	-	-	96,863,975	-	-	311,850	113,793	-	-	255,674	18,435,894	136,888,624
- Depreciation	-	-	-	-	-	-	-	-	(77,598,618)	-	-	(177,743)	(84,812)	-	-	(129,864)	(13,648,558)	(91,639,595)
	20,907,438	-	-	-	-	-	-	-	19,265,357	-	-	134,107	28,981	-	-	125,810	4,787,336	45,249,029
Depreciation charge for the year	-	-	(64,663,076)	(8,534,710)	(6,907,532)	(9,211,764)	(1,303,494)	(5,234,836)	(366,376,481)	(20,554,692)	(139,932)	(3,394,544)	(2,928,640)	(1,368,360)	(2,336,538)	(1,562,614)	(24,344,612)	(518,861,825)
Closing net book value - 2013	99,685,845	61,495,175	605,026,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,608,975	23,382,753	15,223,080	109,986,366	5,416,553,075
At June 30, 2013																		
Cost	99,685,845	61,495,175	1,149,507,214	261,941,308	184,200,855	232,238,984	38,109,815	50,064,636	7,390,722,133	318,224,644	2,206,250	44,288,601	27,421,902	36,516,062	48,727,135	26,319,759	202,162,490	10,173,832,808
Accumulated depreciation	-	-	(544,480,563)	(94,424,080)	(6,907,532)	(149,333,107)	(15,881,177)	(28,369,721)	(3,665,232,783)	(71,100,649)	(742,208)	(13,515,636)	(14,768,005)	(23,907,087)	(25,344,382)	(11,096,679)	(92,176,124)	(4,757,279,733)
Net book value - 2013	99,685,845	61,495,175	605,026,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,608,975	23,382,753	15,223,080	109,986,366	5,416,553,075
Depreciation rate % per annum	-	-	10	5	5	10	5	20	10	10	10	10	30	10 & 33.33	10	10 & 15	20	

2012

	Land: Free - hold	Land: Lease - hold	On free - hold: Factory building	On free - hold: Labour, staff colony and others	On free - hold: Office building	On lease - hold: Factory building	On lease - hold: Labour, staff colony and others	On lease - hold: Leased building improvements	Plant & machinery	Electric installations	Fire fighting equipment	Electric equipments	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Total
	Rupees																	
At July 01, 2011																		
Cost	138,705,782	9,180,416	858,353,165	243,214,833	-	220,982,998	30,153,574	32,867,062	5,849,658,343	101,888,288	1,704,940	27,982,351	16,343,104	35,397,105	34,527,715	18,315,884	160,710,768	7,779,986,328
Accumulated depreciation	-	-	(424,973,549)	(76,972,359)	-	(130,033,273)	(13,414,959)	(20,188,749)	(3,117,849,675)	(40,631,028)	(472,945)	(7,622,332)	(9,255,972)	(21,125,531)	(21,126,579)	(8,463,375)	(72,676,437)	(3,964,806,763)
Net book value	138,705,782	9,180,416	433,379,616	166,242,474	-	90,949,725	16,738,615	12,678,313	2,731,808,668	61,257,260	1,231,995	20,360,019	7,087,132	14,271,574	13,401,136	9,852,509	88,034,331	3,815,179,565
Year ended June 30, 2012																		
Additions	15,029,632	-	243,443,969	18,726,475	-	11,255,986	-	15,307,852	941,365,082	93,571,835	214,400	15,979,100	2,751,369	393,707	9,838,895	5,461,846	45,361,036	1,418,701,184
Disposals:																		
- Cost	33,142,131	-	-	-	-	-	-	-	77,560,067	-	-	-	-	76,000	-	-	21,101,003	131,879,201
- Depreciation	-	-	-	-	-	-	-	-	(67,575,558)	-	-	-	-	(35,149)	-	-	(12,894,653)	(80,505,360)
	33,142,131	-	-	-	-	-	-	-	9,984,509	-	-	-	-	40,851	-	-	8,206,350	51,373,841
Depreciation charge for the year	-	-	(54,843,938)	(8,917,011)	-	(10,088,070)	(1,162,724)	(2,946,136)	(326,180,803)	(9,914,929)	(129,331)	(2,676,503)	(2,668,205)	(1,448,345)	(1,881,265)	(1,200,554)	(21,698,286)	(445,756,100)
Closing net book value - 2012	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,662,616	7,170,296	13,176,085	21,358,766	14,113,801	103,490,731	4,736,750,808
At June 30, 2012																		
Cost	120,593,283	9,180,416	1,101,797,134	261,941,308	-	232,238,984	30,153,574	48,174,914	6,713,463,358	195,460,123	1,919,340	43,961,451	19,094,473	35,714,812	44,366,610	23,777,730	184,970,801	9,066,808,311
Accumulated depreciation	-	-	(479,817,487)	(85,889,370)	-	(140,121,343)	(14,577,683)	(23,134,885)	(3,376,454,920)	(50,545,957)	(602,276)	(10,298,835)	(11,924,177)	(22,538,727)	(23,007,844)	(9,663,929)	(81,480,070)	(4,330,057,503)
Net book value - 2012	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,662,616	7,170,296	13,176,085	21,358,766	14,113,801	103,490,731	4,736,750,808
	-	-	10	5	-	10	5	20	10	10	10	10	30	10 & 33.33	10	10 & 15	20	

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

6.2		Note	2013	2012
	The depreciation charge for the year has been allocated as follows:		------------- Rupees -------------	
	Cost of sales	30	**504,008,415**	440,199,940
	Administrative expenses	32	**14,853,410**	5,556,160
			518,861,825	445,756,100

6.3 Particular of Disposal of operating fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal	Particulars of Buyers
	Rupees						
Land							
Free hold land	4,868,063	-	4,868,063	5,439,500	571,437	Negotiation	Niamat Ali, Kasur.
Free hold land	16,039,375	-	16,039,375	16,039,375	-	Negotiation - DC rate	Sapphire Fibres Limited, Lahore.
	20,907,438	-	20,907,438	21,478,875	571,437		
Plant and Machinery							
Auto cone	5,471,539	5,034,249	437,290	689,655	252,365	Negotiation	S A Traders, Karachi.
Ring spinning frames	4,923,931	4,669,528	254,403	1,163,796	909,393	Negotiation	International Textile Machinery, Karachi.
Ring spinning frames	4,923,931	4,673,914	250,017	1,163,793	913,776	Negotiation	International Textile Machinery, Karachi.
Bale press	165,800	125,013	40,787	43,103	2,316	Negotiation	Wahab Engineering Industry, Faisalabad.
Ring spinning frames	5,310,957	4,859,427	451,530	741,380	289,850	Negotiation	S.B.Textile Mills Limited, Hyderabad.
Ring spinning frames	9,315,207	8,291,271	1,023,936	1,482,760	458,824	Negotiation	S.B.Textile Mills Limited, Hyderabad.
Ring spinning frames	3,908,998	3,542,537	366,461	689,655	323,194	Negotiation	Habib ur Rehman, Faisalabad.
Murata manual winder	340,090	104,561	235,529	159,483	(76,046)	Negotiation	S A Traders, Faisalabad.
6 Sets Air Jet Looms	12,189,876	9,029,384	3,160,492	5,250,000	2,089,508	Negotiation	ICC Textile Mills Limited, Lahore.
20 Sets Air Jet Looms	50,313,646	37,268,734	13,044,912	15,863,248	2,818,336	Negotiation	Gagan Textile Mills Limited, Karachi.
	96,863,975	77,598,618	19,265,357	27,246,874	7,981,517		
Computers							
Laptop	113,793	84,812	28,981	10,345	(18,636)	Negotiation	Muddassar Hussain, Lahore
Furniture and Fixtures							
Various items	255,674	129,864	125,810	121,121	(4,689)	Negotiation	Various parties
Electric equipment							
Various items	311,850	177,743	134,107	96,509	(37,598)	Negotiation	Various parties
Vehicles							
Suzuki cultus	636,231	400,341	235,890	235,000	(890)	Negotiation	Javaid Nazir, Karachi.
Suzuki alto	469,000	351,273	117,727	325,000	207,273	Negotiation	Humayon, Lahore.
Suzuki alto	404,000	374,025	29,975	190,000	160,025	Negotiation	Muhammad Amir Jalal, Sargodha.
Honda civic	1,038,860	881,997	156,863	375,000	218,137	Negotiation	Zaheem Tariq, Hyderabad.
Suzuki mehran	379,000	347,099	31,901	125,000	93,099	Negotiation	Zaheem Tariq, Hyderabad.
Suzuki cultus	609,000	546,470	62,530	175,000	112,470	Negotiation	Jahanzaib Tariq, Bhawalpur.
Suzuki mehran	246,154	242,050	4,104	100,000	95,896	Negotiation	Muhammad Imran, Khanewal.
Honda citi	795,000	671,566	123,434	500,000	376,566	Negotiation	Muhammad Javaid Attari, Karachi.
Suzuki cultus	600,000	446,435	153,565	475,000	321,435	Negotiation	Muhammad Zubair, Karachi.
Toyota hilux	799,000	661,320	137,680	542,000	404,320	Negotiation	Muhammad Afzal, Nankana Sb.
Suzuki alto	503,325	330,607	172,718	415,000	242,282	Negotiation	Ghulam Yaseen, Jamshoro.
Honda citi	846,000	617,296	228,704	585,000	356,296	Negotiation	Sajid Ali Shahzad, Rahim Yar Khan.
Suzuki cultus	600,000	403,392	196,608	460,000	263,392	Negotiation	Syeda Arif, Multan.
Daihatsu coure	474,000	355,353	118,647	300,000	181,353	Negotiation	Kanwal Amir. Lahore.
Daihatsu coure	474,000	331,623	142,377	410,000	267,623	Negotiation	Taufeeque Ahmed, Lahore.
Suzuki cultus	600,000	447,913	152,087	380,000	227,913	Negotiation	Ali Sher, Vehari.
Daihatsu coure	457,972	347,722	110,250	355,000	244,750	Negotiation	Naveed Ahmed Butt, Lahore.
Honda citi	847,000	587,958	259,042	400,000	140,958	Negotiation	Arshad Kamal, Sheikhupura.
Toyota altas	1,309,000	1,020,662	288,338	900,000	611,662	Insurance claim	Adamjee Insurance Company Ltd, Karachi.
Suzuki cultus	600,000	471,113	128,887	330,000	201,113	Negotiation	Muhammad Shahbaz, Lahore.
Suzuki cultus	595,000	461,640	133,360	390,000	256,640	Negotiation	Amir Saleem. Lahore.
Suzuki cultus	912,370	385,385	526,985	840,000	313,015	Insurance claim	Adamjee Insurance Company Ltd, Karachi.
Honda citi	830,500	692,325	138,175	200,000	61,825	Negotiation	Atif Maqbool, Lahore.
Daihatsu coure	474,000	370,410	103,590	300,000	196,410	Negotiation	Eraj Mahmood. Lahore.
Honda citi	925,840	642,686	283,154	500,000	216,846	Negotiation	Rab Nawaz Khan, Lahore
Daihatsu coure	593,922	356,732	237,190	237,190	-	Negotiation	Shaukat Nawaz,Noshehra Feroze.
Daihatsu coure	1,416,720	903,165	513,555	700,000	186,445	Negotiation	Muhammad Ilyas Khan, Lahore.
	18,435,894	13,648,558	4,787,336	10,744,190	5,956,854		
	136,888,624	91,639,595	45,249,029	59,697,914	14,448,885		

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
6.4	**Capital work-in-progress**			
	Advance for Land		**24,619,802**	-
	Civil works and Buildings		**236,548,570**	253,191,642
	Plant and machinery		**93,004,666**	78,228,765
	Electric installations		**3,518,800**	99,008,103
	Fire fighting equipment		**1,994,720**	-
	Office equipments		**217,760**	100,000
	Mills equipments		**30,000**	247,590
	Furniture & Fixtures		**2,324,400**	-
	Unallocated expenditure	6.5	**94,408,982**	70,223,498
			456,667,700	500,999,598
6.5	**Unallocated expenditure**			
	Salaries, wages and other benefits		**12,679,627**	5,812,485
	Travelling and conveyance		**11,187,132**	7,669,435
	Telephone and communication		**100,019**	100,019
	Consultancy charges		**44,871,859**	39,020,714
	Legal and professional charges		**17,733,086**	15,280,586
	Fee and subscription		**5,957,718**	661,296
	Vehicle running expenses		**698,300**	698,300
	Bank guarantee commission		**189,380**	-
	Others		**991,861**	980,663
			94,408,982	70,223,498

6.6 During the year, the borrowing cost amounting Rs.1.079 million (2012: Rs.8.05 million) has been capitalized in the cost of operating fixed assets and Capital work in progress which was charged at rate 8.90%(2012: 11.20% to 15.01%) per annum.

7 INVESTMENT PROPERTY

	Land		Building on		Total
	Leasehold	Freehold	Leasehold land	Freehold land	
	------ Rupees ------				
Net carrying value as at July 01, 2012					
Opening net book value (NBV)	**142,360,317**	**31,750,000**	**12,793,937**	**-**	**186,904,254**
Additions	**-**	**-**	**-**	**-**	**-**
Disposal	**(21,200,000)**	**-**	**-**	**-**	**(21,200,000)**
Depreciation charged	**-**	**-**	**(1,279,394)**	**-**	**(1,279,394)**
Balance as at June 30, 2013 (NBV)	**121,160,317**	**31,750,000**	**11,514,543**	**-**	**164,424,860**
Gross carrying value as at June 30, 2013					
Cost	**121,160,317**	**31,750,000**	**19,999,980**	**-**	**172,910,297**
Accumulated depreciation	**-**	**-**	**(8,485,437)**	**-**	**(8,485,437)**
Net book value - June 30, 2013	**121,160,317**	**31,750,000**	**11,514,543**	**-**	**164,424,860**
Net carrying value as at July 01, 2011					
Opening net book value (NBV)	142,360,317	37,890,000	14,215,486	6,017,250	200,483,053
Additions	-	-	-	-	-
Disposal	-	(6,140,000)	-	(5,866,819)	(12,006,819)
Depreciation charged	-	-	(1,421,549)	(150,431)	(1,571,980)
Balance as at June 30, 2012 (NBV)	142,360,317	31,750,000	12,793,937	-	186,904,254
Depreciation rate % per annum	-	-	10	10	

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

7.1 The investment property includes Holding Company's 50% share valuing Rs.141,160,297 represents cost of jointly controlled leasehold land measuring 8,888.88 square yards with building thereon located at sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of Holding Company and Sapphire Fibres Limited (related party).

7.2 In the opinion of the Directors the market value on investment property as on June 30, 2013 is not materially different from the book value.

	Note	2013	2012
		------------- Rupees -------------	
7.3 The depreciation charge for the year has been allocated as follows:			
Other operating expenses	33	**1,279,394**	1,571,980

7.4 Particular of Disposal of investment property during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Loss	Mode of disposal	Particulars of Buyers
	Rupees						
Land							
Lease hold Land	21,200,000	-	21,200,000	21,000,000	(200,000)	Negotiation	Fakhra Jabeen, Karachi.

8 INTANGIBLE ASSETS (Computer software)	Note	2013	2012
		------------ Rupees ------------	
Net carrying value as at July 01, 2012			
Net book value as at July 01, 2012		**8,335,030**	4,354,967
Additions during the year		**-**	5,983,770
Amortization		**(2,762,200)**	(2,003,707)
Net book value at June 30, 2013		**5,572,830**	8,335,030
Gross carrying value at June 30, 2013			
Cost		**17,951,617**	17,951,617
Accumulated amortization		**(12,378,787)**	(9,616,587)
Net book value as at June 30, 2013		**5,572,830**	8,335,030
Amortization rate % per annum		**20**	20
8.1 Amortization charge for the year has been allocated as follows:			
Other operating expenses	33	**2,762,200**	2,003,707

9 LONG TERM INVESTMENTS

Related parties		Note	2013	2012
Associates	- listed	9.1	**49,811,354**	39,503,915
	- unlisted	9.2	**565,836,101**	346,535,465
			615,647,455	386,039,380
Other companies - Available for sale		9.5	**3,081,151,276**	1,951,957,505
			3,696,798,731	2,337,996,885

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

	2013	2012	Name of Company	2013	2012
	Number of Shares			------------- Rupees -------------	
9.1	**Investments in associates - listed**				
	313,295	313,295	**Reliance Cotton Spinning Mills Limited (RCML)**	**8,461,851**	8,461,851
			Equity Interest Held 3.04%		
			Share of post acquisition profit	**41,741,122**	31,836,782
			Less: Dividend received during the year	**(391,619)**	(794,718)
			Fair value of the ordinary shares as at June 30, 2013 amounted to Rs.16.388 million (2012: Rs. 7.174 million).		
				49,811,354	39,503,915
9.2	**Investments in associates - unlisted**				
	1,550,000	1,550,000	**Sapphire Power Generation Limited (SPGL)**	**19,748,000**	19,748,000
			Equity Interest Held 16.54%		
			Share of post acquisition profit	**167,865,773**	142,189,406
			Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs.121.04 (2012: Rs.70.22) per share.		
				187,613,773	161,937,406
	6,000,000	6,000,000	**Sapphire Electric Company Limited (SECL)**	**60,000,000**	60,000,000
			Equity Interest Held 1.42%		
			Share of post acquisition profit	**36,632,203**	16,108,036
			Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs. 16.11 (2012: Rs.12.63) per share.		
				96,632,203	76,108,036
				284,245,976	238,045,442
	10,000	10,000	**Sapphire Holding Limited (SHL)**	**100,000**	100,000
			Equity Interest Held 0.05%		
			Share of post acquisition profit	**2,199,738**	1,664,020
			Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs.229.97 (2012: Rs.176.40) per share.		
				2,299,738	1,764,020
	23,500,000	5,000,000	**Sapphire Dairies (Pvt) Limited (SDL)**	**235,000,000**	50,000,000
			Equity Interest Held 22.38% (June 30, 2012: 7.14%)		
			Share of post acquisition profit	**3,698,596**	2,477,437
			Break up value on the basis of audited accounts for the year ended June 30, 2013 Rs. 10.16 (2012: Rs.10.50) per share.		
			Share deposit money	**-**	40,000,000
				238,698,596	92,477,437
	3,675	3,675	**Creadore A/S Denmark (CD)**	**63,467,250**	60,017,650
			3,675 shares of Danish Krone (DKK) 1000 per share		
			Share of Post acquisition loss	**(22,875,459)**	(45,769,084)
			Equity Interest Held 49%	**40,591,791**	14,248,566
			Break up value on the basis of audited accounts for the year ended April 30, 2013 DKK 639.17 (2012: DKK 244) equivalent to Rs.11,038 (2012: Rs.3,875) per share.		
				565,836,101	346,535,465

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

9.3 Summarised financial information of equity accounted Investee

	JUNE 30, 2013					APRIL 30, 2013
	RCML	**SPGL**	**SECL**	**SHL**	**SDL**	**CD**
	---------- Rupees in thousand ----------					
Assets	**3,281,305**	**1,227,627**	**21,523,829**	**4,866,086**	**1,281,882**	**461,999**
Liabilities	**1,644,961**	**93,363**	**14,694,809**	**245,189**	**215,959**	**379,159**
Revenue	**3,853,608**	**867,768**	**16,867,439**	**2,238**	**555,478**	**1,026,386**
Profit / (loss) after tax	**308,875**	**88,913**	**1,474,870**	**754,523**	**(18,761)**	**49,970**

	JUNE 30, 2012					APRIL 30, 2012
	RCML	SPGL	SECL	SHL	SDL	CD
	---------- Rupees in thousand ----------					
Assets	2,601,956	1,047,115	24,151,539	3,692,025	1,154,143	244,261
Liabilities	1,304,219	68,110	18,796,145	147,555	419,458	215,182
Revenue	2,557,935	854,225	14,640,448	1,085	363,383	284,734
Profit / (loss) after tax	71,803	76,813	922,556	407,398	84,103	(22,076)

9.4 The share of profit / loss after acquisition is recognised based on financial statements as at June 30, 2013 except Creadore A/S whose financial year ended on April 30, 2013.

2013	2012	**Name of Company**	**2013**	2012
Number of Shares			------ Rupees ------	
9.5 Other companies - Available for sale				
		Quoted		
12,345,946	11,223,588	MCB Bank Limited	**728,470,245**	728,470,245
		Add: Adjustment arising from measurement at fair value	**2,266,532,795**	1,137,339,024
			2,995,003,040	1,865,809,269
		Unquoted		
7,055,985	7,055,985	Novelty Enterprises (Pvt) Limited	**86,148,236**	86,148,236
			3,081,151,276	1,951,957,505

	Note	**2013**	2012
		------ Rupees ------	
10 Long term loans and advances			
Loan to employees - unsecured (considered good)			
Executives	**10.3**	**50,389,866**	35,147,515
Other employees		**17,316,355**	18,874,436
		67,706,221	54,021,951
Current portion of loans shown under current assets	**15**	**24,262,591**	17,798,747
		43,443,630	36,223,204

10.1 All the loans are granted to the employees, free of interest in accordance with their terms of employment.

10.2 Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs.57,511,181 (2012: Rs.38,277,183).

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
10.3	**Movement in loans to executives**			
	Balance at the beginning of the year		**35,147,515**	31,754,772
	Amount disbursed during the year		**28,615,000**	14,476,593
			63,762,515	46,231,365
	Amount recovered during the year		**13,372,649**	11,083,850
	Balance at the end of the year		**50,389,866**	35,147,515
11	**Long term deposits**			
	Security deposits			
	- WAPDA		**56,898,846**	27,825,846
	- SNGPL		**1,097,000**	545,000
	- PTCL		**179,843**	242,415
	- Others	**11.1**	**698,905**	887,405
			58,874,594	29,500,666

11.1 It includes an amount of Rs.36,000 (2012: Rs. 36,000) deposit with Yousuf Agencies (Private) Limited - related party.

		Note	2013	2012
12	**Stores, spares and loose tools**			
	Stores		**107,976,327**	116,299,435
	Spares - in hand		**116,440,786**	109,927,926
	Spares - in transit		**25,275,591**	24,231,227
			141,716,377	134,159,153
	Loose tools		**294,554**	340,821
			249,987,258	250,799,409
	Provision for slow moving stores, spares and loose tools	**12.1**	**(21,078,419)**	-
			228,908,839	250,799,409
12.1	**Provision for slow moving stores, spares and loose tools**			
	Balance at the beginning of the year		**-**	-
	Provision made during the year	**33**	**21,078,419**	-
	Balance at the end of the Year		**21,078,419**	-
13	**Stock-in-trade**			
	Raw material - in hand		**3,687,487,096**	2,392,839,065
	Raw material - in transit		**9,327,825**	15,188,948
			3,696,814,921	2,408,028,013
	Work in process		**347,731,791**	325,046,975
	Finished goods		**851,296,208**	574,476,197
	Waste		**12,203,755**	21,364,749
			863,499,963	595,840,946
			4,908,046,675	3,328,915,934

13.1 During the preceding year, the stock of raw material of Rs. 464,979,633 has been valued at net realizable value. The resultant amount of written down of Rs.133,080,328 had been recognised as expense in cost of goods sold.

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

		Note	2013	2012
			------------ Rupees ------------	
14	**Trade debts**			
	Secured - considered good			
	Foreign debts - against export	**14.2**	**1,066,142,844**	630,736,322
	Provision for doubtful debts	**14.4**	**(3,878,456)**	(3,878,456)
			1,062,264,388	626,857,866
	Unsecured - considered good			
	Domestic debts	**14.1 & 14.2**	**770,678,976**	783,260,859
	Waste		**29,693,818**	23,233,437
	Others		**4,543,921**	2,654,302
			804,916,715	809,148,598
	Provision for doubtful debts	**14.4**	**(156,681,314)**	(126,098,213)
			648,235,401	683,050,385
	Balance at the end of the year		**1,710,499,789**	1,309,908,251

14.1 Domestic debts include amount of Rs.70,086,203 (2012: Rs.89,316,554) receivable against indirect export sales.

14.2 Trade debts include the following amounts due from related parties:

	2013	2012
Domestic debts		
Amer Cotton Mills (Pvt) Limited	**-**	65,608
Diamond Fabrics Limited	**930,035**	1,977,600
Sapphire Fibres Limited	**765,830**	10,000
Sapphire Finishing Mills Limited	**38,672,155**	37,415,163
Reliance Cotton Spinning Mills Limited	**236,028**	-
	40,604,048	39,468,371
Foreign debts		
Creadore A/S	**-**	44,953,350

14.3 The aging of trade debts receivable from related parties as at balance sheet date are as under:

	2013	2012
Not past due	**30,875,283**	39,402,763
Past due 0 - 30 days	**9,369,848**	36,119,489
Past due 31 - 60 days	**358,916**	-
Past due 61 - 90 days	**-**	14,352,955
Past due 91 - 1 year	**-**	30,291,353
More than one year	**-**	1,768,192
	40,604,048	121,934,752

14.4 Provision for doubtful debts

	2013	2012
Balance at the beginning of the year	**129,976,669**	131,304,865
Provision made during the year	**30,583,101**	12,000,000
Reversal made during the year	**-**	(13,328,196)
	30,583,101	(1,328,196)
Balance at the end of the year	**160,559,770**	129,976,669

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
15	**Loans and advances**			
	Considered good			
	Advances - unsecured			
	- to suppliers		**100,612,903**	56,330,645
	- to contractors		**743,197**	1,063,693
	- to excise and taxation	15.1	**44,930,416**	36,835,450
	- lease land	15.2	**7,723,100**	7,723,100
	- to others		**2,247,800**	5,125,500
			156,257,416	107,078,388
	Current portion of long term loans			
	- due from executives		**15,153,260**	10,320,135
	- due from other employees		**9,109,331**	7,478,612
		10	**24,262,591**	17,798,747
	Short term loans to employees		**2,210,910**	569,854
			182,730,917	125,446,989

15.1 This represents 50% payment made to Excise and Taxation Department of Government of Sindh against levy of Infrastructure Fee. (refer note 24.5)

15.2 This includes an advance payment of rentals to Alternative Energy Development Board (AEDB) for the first ten years, amounting to Rs 6.860 million, of the 30 year proposed lease of 1,372 acres of land aggregating Rs 48.020 million, situated in Jhimpir, District Thatta and demarcation/other charges of Rs 0.863 million. The aforementioned land has been allocated to the SWPCL by AEDB out of the total land leased for a period of thirty years from Government of Pakistan ('GoP') for Wind Power Generation Projects under the Master Lease Deed dated February 13, 2008. SWPCL, in order to gain access to the land for conducting feasibility/other associated studies has signed an Agreement to Lease with AEDB dated September 21, 2008. However, the formal sub-lease agreement (draft included in the Agreement) would be signed/effective upon fulfilment of certain conditions, prior to cut-off date (to be agreed), which include execution of agreements related to the Project. If such conditions are not fulfilled by the subsidiary company(SWPCL), the aforementioned advance payment would be refunded by AEDB.

		Note	2013	2012
			------------- Rupees -------------	
16	**Trade deposits and short term prepayments**			
	Security deposits		**631,445**	923,133
	Prepayments	16.1	**6,015,528**	13,922,569
			6,646,973	14,845,702

16.1 It includes Rs. Nil (2012: Rs.1,393,686) prepaid rent with Yousuf Agencies (Private) Limited, related party.

		Note	2013	2012
17	**Other receivables**			
	Claims receivable from insurance companies		**15,568,063**	776,000
	Receivable from related parties against shared expenses	17.1	**6,162,484**	4,972,030
	Export rebate receivable		**41,096,658**	31,487,588
	Receivable against sales of fixed assets		**168,000**	-
	Dividend receivable		**734,650**	-
	Unrealized gain on measurement of forward foreign currency contracts		**2,345,865**	-
			66,075,720	37,235,618

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		2013	2012
		------------- Rupees -------------	
17.1	**Receivable from related parties against shared expenses**		
	Amer Cotton Mills (Pvt) Limited	**382,033**	196,757
	Diamond Fabrics Limited	**-**	81,270
	Reliance Cotton Spinning Mills Limited	**2,224,175**	227,234
	Sapphire Dairies (Pvt) Limited	**26,584**	24,816
	Sapphire Fibres Limited	**1,763,120**	3,523,121
	Sapphire Finishing Mills Limited	**1,664,544**	828,880
	Sapphire Power Generation Limited	**102,028**	89,952
		6,162,484	4,972,030

18 Other financial assets - available for sale

2013	2012	Name of Company	---------- 2013 ---------- Cost	Fair value	2012
Number of shares			----------------------- Rupees-----------------------		
74,800	-	Aisha Steel Limited	**748,748**	**676,192**	-
590,000	-	Bank Al-Falah Limited	**11,353,299**	**10,749,800**	-
2,416,497	2,416,497	Bank Al-Habib Limited	**58,951,594**	**65,704,553**	68,797,670
9,385,000	8,832,626	Fatima Fertilizer Company Limited	**164,317,556**	**233,029,550**	217,900,883
2,670,017	3,023,017	Fauji Fertilizer Company Limited	**224,860,648**	**286,839,926**	335,706,038
972,295	972,295	Gulshan Spinning Mills Limited	**17,441,370**	**4,326,713**	4,861,475
6,090,944	2,448,944	Hub Power Company Limited	**278,703,776**	**375,506,698**	102,586,264
419,800	-	Oil and Gas Development Co Limited	**91,768,106**	**96,029,250**	-
244,252	219,352	Pakistan Oilfields Limited	**73,955,640**	**121,483,620**	80,489,023
549,000	-	Pakistan Petroleum Limited	**110,977,863**	**116,157,420**	-
457,380	-	Pakistan State Oil Limited	**94,345,350**	**146,535,404**	-
			1,127,423,950	**1,457,039,126**	810,341,353

		Note	2013	2012
			------------- Rupees -------------	
19	**Tax refunds due from Government**			
	Income tax		**410,386,315**	347,554,691
	Sales tax receivable		**120,922,103**	75,118,521
	Excise duty receivable		**3,805,695**	11,335,756
			535,114,113	434,008,968
20	**Cash and bank balances**			
	With banks on:			
	- current accounts		**64,829,821**	66,305,229
	- current accounts - USD	**20.1**	**10,591,102**	28,539,430
	- current accounts - Euro	**20.2**	**31,525,854**	2,530,514
	- deposit account	**20.3**	**-**	3,285
			106,946,777	97,378,458
	Cash in hand		**2,816,399**	4,164,168
			109,763,176	101,542,626

20.1 Cash at bank on USD account of US $ 107,415 (2012: US$ 303,612).

20.2 Cash at bank on EURO account of EURO 244,671 (2012: EURO 21,400).

20.3 Cash at bank on deposit account and cash at bank on margin account under lien of a bank / financial institution against guarantee issued on behalf of the Group.

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

21 Issued, subscribed and paid-up capital

2013	2012		2013	2012
Number of shares			------------- Rupees -------------	
6,206,740	6,206,740	Ordinary shares of Rs. 10 each allotted for consideration paid in cash	**62,067,400**	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	**138,764,000**	138,764,000
20,083,140	20,083,140		**200,831,400**	200,831,400

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

21.2 6,200,849 (2012: 5,445,612) shares of the Holding Company are held by associated companies as at the balance sheet date.

	Note	2013	2012
		------------- Rupees -------------	
22 Long term financing			
Loans from banking companies - secured			
Habib Bank Limited	**22.1**	**25,000,300**	41,666,300
Habib Bank Limited	**22.2**	**14,872,000**	21,124,000
Habib Bank Limited	**22.3**	**-**	34,375,000
Habib Bank Limited	**22.4**	**34,375,000**	46,875,000
Habib Bank Limited	**22.5**	**140,625,000**	150,000,000
Habib Metropolitan Bank Limited	**22.6**	**-**	2,125,000
Habib Metropolitan Bank Limited	**22.7**	**2,125,000**	6,375,000
MCB Bank Limited	**22.8**	**15,382,000**	24,170,000
Meezan Bank Limited	**22.9**	**100,000,000**	200,000,000
Meezan Bank Limited	**22.10**	**174,000,000**	-
Samba Bank Limited	**22.11**	**16,875,000**	24,375,000
United Bank Limited	**22.12**	**40,186,000**	181,996,000
United Bank Limited	**22.13**	**131,316,000**	131,316,000
United Bank Limited	**22.14**	**-**	211,818,000
United Bank Limited	**22.15**	**-**	2,821,000
United Bank Limited	**22.16**	**21,790,500**	29,054,000
United Bank Limited	**22.17**	**24,000,000**	-
Allied Bank Limited	**22.18**	**100,000,000**	100,000,000
Allied Bank Limited	**22.19**	**100,000,000**	100,000,000
Allied Bank Limited	**22.20**	**100,000,000**	-
Allied Bank Limited	**22.21**	**100,000,000**	-
Allied Bank Limited	**22.22**	**130,158,674**	-
Allied Bank Limited	**22.23**	**100,000,000**	-
		1,370,705,474	1,308,090,300
Less: Current portion shown under current liabilities		**(369,206,566)**	(213,468,649)
		1,001,498,908	1,094,621,651

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

	Lenders	Security	Mark-up rate p.a (%)	No. of instalments outstanding	Date of final repayment
22.1	HBL - LTF-EOP	The term loan is secured against hypothecation of plant and machinery at unit no. 6 of the Holding Company.	7%	3 Semi-annually	Sep 2014
22.2	HBL - LTF-EOP	The loan is secured against first specific hypothecation charge on plant and machinery of Rs. 53.2 million of Unit No. 5 of the Holding Company.	7%	5 Semi-annually	Dec 2015
22.3	HBL - Non-LTF	The loan is secured against 1st Specific and exclusive hypothecation charge of Rs. 67 million over imported plant and machinery of Unit No.1 of the Holding Company.	3 Months KIBOR plus 150 bps	Paid during the year	Nov 2012
22.4	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Holding Company.	3 Months KIBOR plus 150 bps	11 Quarterly	Jan 2016
22.5	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Holding Company.	3 Months KIBOR plus 100 bps	15 Quarterly	Jan 2017
22.6	HMBL - LTF-EOP	The loan is secured against exclusive charge on specific plant and machinery of Rs. 23 million of Unit No. 6 of the Holding Company.	7%	Paid during the year	Aug 2012
22.7	HMBL - LTF-EOP	The loan is secured against exclusive charge on specific plant and machinery of Rs. 23 million of Unit No. 6 of the Holding Company.	7%	1 Semi-annually	Aug 2013
22.8	MCB - Non-LTF	The loan is secured against 1st registered hypothecation charge for Rs. 54 million over present & future plant & machinery of Unit No.1 of the Holding Company.	9.7%	7 Quarterly	Jan 2015
22.9	MBL - Non-LTF	The loan is secured against first pari passu charge over fixed assets of amounting to Rs. 534 million of Unit No. 6 of the Holding Company.	3 Months KIBOR plus 150 bps	4 Quarterly	Jun 2014
22.10	MBL - Musharka	The loan is secured against first pari passu charge over fixed assets of amounting to Rs.174 million of Unit No. 6 of the Holding Company.	3 Months KIBOR plus 50 bps	16 Quarterly	May 2018
22.11	SAMBA - Non-LTF	The term loan is secured against exclusive hypothecation charge over plant and machinery at Unit No. 4 of the Holding Company.	3 Months KIBOR plus 150 bps	9 Quarterly	Jul 2015
22.12	UBL-LTFF	The loan is secured against first exclusive hypothecation charge of Rs.185 million on imported machinery of Unit No.6 of the Holding Company.	10.50%	18 Quarterly	Dec 2017
22.13	UBL-LTFF	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported machinery of Unit No.6 of the Holding Company.	11.20%	20 Quarterly	Jun 2018
22.14	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported compressor Unit No.6 of the Holding Company.	11.20%	Paid during the year	Oct 2012
22.15	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported compressor Unit No.6 of the Holding Company.	12.70%	Paid during the year	Sep 2012
22.16	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs. 200 million over plant and machinery of Unit No.5 of the Holding Company.	3 Months KIBOR plus 1.5%	12 Quarterly	Jun 2016

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

	Lenders	Security	Mark-up rate p.a (%)	No. of instalments outstanding	Date of final repayment
22.17	UBL-LTL	The loan is secured against first exclusive hypothecation charge of Rs. 375 million over plant and machinery of Unit No.6 of the Holding Company.	9.40%	12 Quarterly	Jan 2017
22.18	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.75%	16 Quarterly	Jun 2017
22.19	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.75%	16 Quarterly	Apr 2017
22.20	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.50%	16 Quarterly	Apr 2017
22.21	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.50%	16 Quarterly	Apr 2017
22.22	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.158 million on the specific plant & machinery of the Holding Company.	8.90%	16 Quarterly	Mar 2018
22.23	ABL-LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.50%	16 Quarterly	May 2017

		Note	2013	2012
23	**Deferred liabilities**		------------- Rupees	-------------
	Deferred taxation	**23.1**	**67,122,157**	33,114,093
	Staff retirement benefits - gratuity	**23.2**	**177,344,042**	150,129,497
			244,466,199	183,243,590

		2013	2012
23.1	**Deferred taxation**		
	Deferred tax credits / (debits) arising in respect of:		
	Taxable temporary differences (deferred tax liabilities)		
	Accelerated tax depreciation allowances	**154,434,026**	198,148,003
	Investment in associates	**4,134,950**	3,104,206
		158,568,976	201,252,209
	Deductible temporary differences (deferred tax assets)		
	Staff retirement benefits - gratuity	**(11,100,673)**	(10,960,955)
	Provision for doubtful debts and advances	**(53,271,647)**	(44,134,375)
	Provision for repair and maintenances (Generator overhauling)	**(4,259,522)**	(4,913,573)
	Provision for stores, spares and loose tools	**(1,319,383)**	-
	Tax credit	**(16,452,932)**	(64,394,033)
	Tax under section 113	**(5,042,662)**	(43,735,180)
		(91,446,819)	(168,138,116)
		67,122,157	33,114,093

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		2013	2012
		------------- Rupees -------------	
23.2	**Staff retirement benefits**		
	Movement in the net liability recognized in the Balance sheet		
	Opening net liability	**150,129,497**	121,433,339
	Expense for the year	**62,435,920**	65,222,013
		212,565,417	186,655,352
	Benefits paid during the year	**(35,221,375)**	(36,525,855)
	Closing net liability	**177,344,042**	150,129,497
	Expense recognized in the profit and loss account		
	Current service cost	**43,448,645**	46,777,905
	Interest cost	**18,987,275**	18,444,108
		62,435,920	65,222,013
	Movement in the present value of defined benefit obligation		
	Present value of defined benefit obligation	**146,055,958**	131,743,627
	Current service cost	**43,448,645**	46,777,905
	Interest cost	**18,987,275**	18,444,108
	Actuarial loss / (gain)	**18,461,246**	(14,383,827)
	Benefits paid	**(35,221,375)**	(36,525,855)
		191,731,749	146,055,958

Historical information

	2013	2012	2011	2010	2009
	RUPEES				
Present value of defined benefit obligation	**191,731,749**	146,055,958	131,743,627	98,840,720	95,723,513
Experience adjustments on plan liabilities	**(18,461,246)**	14,383,827	(8,172,015)	6,390,954	(2,262,586)

	2013	2012
Reconciliation	------------ Rupees ------------	
Present value of defined benefit obligation	**191,731,749**	146,055,958
Unrecognized actuarial (loss) / gain	**(14,387,707)**	4,073,539
	177,344,042	150,129,497

General description

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

Principal actuarial assumption

Following are a few important actuarial assumption used in the valuation.	%	%
Discount rate	**10.50**	13
Expected rate of increase in salary	**9.50**	12

Expected gratuity expenses for the year ending June 30, 2014 works out Rs.84,811,832.

		Note	------------ Rupees ------------	
24	**Trade and other payables**			
	Trade creditors	**24.1**	**270,056,887**	201,462,318
	Accrued liabilities	**24.2**	**758,761,071**	540,210,709
	Advances from customers	**24.3**	**106,543,346**	103,530,497
	Custom duty payable		**3,262,068**	3,262,068
	Workers' profit participation fund	**24.4**	**124,669,920**	57,506,205
	Workers' welfare fund		**107,549,926**	59,264,841
	Sindh development and maintenance infrastructure fee	**24.5**	**117,840,366**	101,585,948
	Unclaimed dividend		**4,796,146**	1,736,112
	Unrealized loss on measurement of forward foreign currency contracts		**-**	26,899,054
	Others		**6,963,876**	6,810,761
			1,500,443,606	1,102,268,513

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
24.1	**These balances include the following amounts due to related parties:**			
	Amer Cotton Mills (Private) Limited		**83,312**	-
	Diamond Fabric Limited		**66,243**	-
	Neelum Textile Mills (Private) Limited		**-**	17,500
	Reliance Cotton Spinning Mills Limited		**28,681,565**	7,581,913
	Sapphire Fibres Limited		**29,198,133**	10,342,119
	Sapphire Finishing Mills Limited		**80,400**	2,141,571
			58,109,653	20,083,103
24.2	**These balances include the following amounts due to related parties:**			
	Sapphire Power Generation Limited		**21,906,864**	35,295,533
	Sapphire Fibres Limited		**-**	32,763
			21,906,864	35,328,296
24.3	**These balances include the following amounts received from related parties:**			
	Creadore A/S Denmark		**21,017,791**	8,645,108
24.4	**Workers' profit participation fund**			
	Balance at the beginning of the year		**57,506,205**	92,260,290
	Allocation for the year	33	**124,669,920**	57,506,205
	Interest on fund utilized in the Group's business	35	**3,476,296**	6,526,568
			128,146,216	64,032,773
			185,652,421	156,293,063
	Less: Payments during the year		**(60,982,501)**	(98,786,858)
	Balance at the end of the year		**124,669,920**	57,506,205

24.5 The Holding Company had filed a suit against levy of Infrastructure fee, decision of the Honourable Sindh High Court dated 17 September 2008 in which the imposition of levy of infrastructure cess before 28 December 2006 had been declared as void and invalid. However, the Excise and Taxation Department had filed an appeal before the Honourable Supreme Court of Pakistan against the order of the Honourable Sindh High Court. During the preceding year, the Honourable Supreme Court of Pakistan had disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On May 31, 2011, the High Court of Sindh had granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released up to December 27, 2006 and any bank guarantee / security furnished on consignment released after December 27, 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. In the light of interim relief the Company has paid 50% of the amount of Infrastructure cess payable from December 27, 2006 to May 31, 2011. Subsequent imports of the Company be released against 50% payment of Infrastructure cess to Excise and Taxation Department and furnishing of bank guarantee of balance amount. However the full amount of Infrastructure Cess form component of cost of imported items and provision recorded in books. Bank guarantees amounting to Rs.49.823 million (2012: Rs.39.823 million) have been provided to the department.

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
25	**Accrued interest / mark-up**			
	Accrued interest / mark-up on secured:			
	- long term financing		**21,459,679**	25,897,007
	- short term borrowings		**46,732,886**	44,411,175
			68,192,565	70,308,182
26	**Short term borrowings**			
	Short term loans		**3,090,000,000**	2,272,000,000
	Running finance under mark-up arrangements		**958,198,266**	578,256,515
			4,048,198,266	2,850,256,515
	Book overdrafts	26.2	**9,475,667**	722,896
			4,057,673,933	2,850,979,411

26.1 Aggregate facilities amounting to Rs.16,245 million (2012: Rs.13,440 million) were available to the Group from banking companies. These are secured against hypothecation charge on stock in trade, book debts, plant & machinery and export bills under collection. These carry mark up ranging from 8.70% to 11.41% (2012: 11% to 14.01%) per annum payable quarterly. These facilities are renewable on expiry dates.

26.2 This represents cheques issued by the Group in excess of balance at banks which remained unpresented till June 30, 2013.

		2013	2012
		------------- Rupees -------------	
27	**Provision for taxation**		
	Balance at the beginning of the year	**220,398,703**	266,504,864
	Provision made for current year - net	**196,565,272**	192,401,697
		416,963,975	458,906,561
	Less: Adjusted advance tax during the year against completed assessments	**(220,439,631)**	(238,507,858)
		196,524,344	220,398,703
28	**Contingencies and commitments**		
	Contingencies		
28.1	Guarantees issued by banks on behalf of the Group	**234,237,767**	231,707,767

28.2 SWPCL has provided a guarantee amounting to USD 125,000 (2012: USD 250,000) to AEDB, under the requirements of Policy for Development of Renewable Energy 2006, in respect of the Project referred to in note 15.2.

28.3 Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2013 the value of these cheques amounted to Rs.50.139 million (2012: Rs.92.227 million)

28.4 The Holding Company has filed a suit No.204 of 2011 against Enshaa NLC Development (Pvt) Limited before the Honourable Sindh High Court, Sindh seeking declarations, possession, permanent injunction and/or recession and damage in respect of the reservation contract followed by an agreement executed between parties whereby the defendants are liable to construct the project. The matter is pending for hearing and opinion of the legal advisor of the company is favorable and there is no likelihood of unfavorable outcome or any potential loss.

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

28.5 The Holding Company has filed a petition against Mohammad Farooq Textile Mills Limited for recovery of Rs. 9.135 million under section 305 of Companies Ordinance, 1984 in the Honourable Sindh High Court, Sindh, praying that the honourable court may be pleased to pass the orders regarding winding up the liquidation of the company, to appoint provisional manager or official liquidator, to restrain the officers of the company from disposing of the assets of the company till final adjudication, to grant any other relief deemed to be appropriate and to grant cost.

28.6 The Holding Company has filed a suit No. RA 233 of 2011 against Indus Steel Pipe Factory (Pvt) Limited before the Honourable Sindh High Court, Sindh to review the decision regarding dispute of title of land, As a result the court has issued order to remand the case for deciding the controversy strictly in accordance with law after considering the report of the revenue authorities which has been placed on record and after deciding the objection of either parties if pending.

28.7 The Holding Company has filed a suit in Honourable Sindh High Court against the levy of GIDC. The Sindh High Court has granted an interim stay and restraining the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13 per MMBTU. The Honourable Islamabad High Court in a case declared the GIDC as unconstitutional and asked the distribution companies to return the amount already collected. The matter is still pending in honourable courts and company has provided the provision of GIDC amounted to Rs. 35.145 million.

28.8 The Holding Company has obtained stay order from Honourable Lahore High Court, Lahore against levy of 2% additional EQL Surcharge and electric duty on self power generation amounted to Rs. 3.351 million and Rs. 12.760 million respectively.

		2013	2012
		------------- Rupees -------------	
	Commitments		
28.9	Confirmed letter of credit in respect of:		
	- plant and machinery	**1,030,756,555**	197,159,004
	- raw material	**51,660,249**	17,577,061
	- stores and spares	**16,782,566**	9,268,077
		1,099,199,370	224,004,142

28.10 Commitments in respect of expenditure contracted by SWPCL but not incurred as at June 30, 2013 amounts to Rs 13.103 million (2012: Rs 4.3 million).

29 Sales and services - net

	Note	Export Sales		Local Sales		Total	
		2013	2012	**2013**	2012	**2013**	2012
		Rupees					
Yarn	29.1	**11,823,884,345**	10,157,688,187	**3,261,494,297**	2,796,170,622	**15,085,378,642**	12,953,858,809
Fabric	29.2	**5,403,534,317**	4,849,893,553	**1,833,729,800**	825,437,707	**7,237,264,117**	5,675,331,260
Home textile products		**2,572,373,090**	2,409,276,456	**12,616,999**	6,473,424	**2,584,990,089**	2,415,749,880
Raw material		**-**	-	**70,801,568**	69,938,017	**70,801,568**	69,938,017
Waste	29.3	**132,094,294**	206,971,976	**188,049,662**	220,798,160	**320,143,956**	427,770,136
Services		**8,646,226**	7,723,271	**-**	-	**8,646,226**	7,723,271
		19,940,532,272	17,631,553,443	**5,366,692,326**	3,918,817,930	**25,307,224,598**	21,550,371,373
Export rebate						**37,082,120**	30,502,852
Duty drawback	29.5					**1,537,984**	9,588,232
Processing income						**17,379,533**	9,773,460
Less: Sales tax						**(66,584,774)**	(7,812,198)
						25,296,639,461	21,592,423,719

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		2013	2012
		------------ Rupees ------------	
29.1	**Export sales - Yarn**		
	Direct export	**9,681,347,002**	7,251,795,449
	In-direct export	**2,142,537,343**	2,905,892,738
		11,823,884,345	10,157,688,187
29.2	**Export sales - Fabric**		
	Direct export	**4,268,520,704**	4,241,760,942
	In-direct export	**1,135,013,613**	608,132,611
		5,403,534,317	4,849,893,553

29.2.1 Local sales of Fabric includes sales of Lawn Rs.111,132,352.

29.3 Waste sales includes comber noil sales Rs.132,025,430 (2012:Rs.207,108,461).

29.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.11.538 million (2012: Rs.46.585 million) has been included in export sales.

29.5 The duty drawback has been given by Ministry of Textile Industries from government of Pakistan vide S.R.O 3(1)TID/09-P-I Dated 1st September 2009 in order to encourage the exporters.

		Note	2013	2012
			------------ Rupees ------------	
30	**Cost of sales and services**			
	Raw material consumed	**30.1**	**16,056,045,153**	14,164,876,320
	Cost of raw material sold	**30.2**	**78,348,633**	79,429,239
	Packing material consumed		**293,464,725**	273,374,025
	Stores and spares consumed		**614,393,903**	447,813,954
	Salaries, wages and benefits	**30.3 & 30.4**	**1,351,245,154**	1,072,376,566
	Fuel, power and water		**1,573,353,093**	1,423,972,408
	Other manufacturing expenses	**30.5**	**681,752,419**	445,484,722
	Repair and maintenance		**81,930,258**	55,392,030
	Vehicle running expenses		**27,268,964**	23,031,505
	Travelling and conveyance		**21,994,967**	24,768,756
	Insurance expenses		**68,520,186**	44,198,064
	Rent, rates and taxes		**6,136,766**	5,275,457
	Fees and subscription		**4,780,450**	2,735,528
	Communication expenses		**6,428,166**	6,576,965
	Printing and stationery		**1,804,744**	1,976,047
	Legal and professional charges		**4,417,016**	2,729,674
	Depreciation	**6.2**	**504,008,415**	440,199,940
	Miscellaneous expenses		**4,775,813**	5,034,539
			21,380,668,825	18,519,245,739
	Work in process			
	Opening stock		**325,046,975**	311,539,529
	Closing stock	**13**	**(347,731,791)**	(325,046,975)
			(22,684,816)	(13,507,446)
	Cost of goods manufactured		**21,357,984,009**	18,505,738,293
	Finished goods			
	Opening balance		**595,840,946**	881,224,450
	Closing stock	**13**	**(863,499,963)**	(595,840,946)
			21,090,324,992	18,791,121,797

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
30.1	**Raw material consumed**			
	Opening balance		**2,392,839,065**	2,114,971,920
	Purchases		**17,350,693,184**	14,442,743,465
			19,743,532,249	16,557,715,385
	Closing stock	**13**	**(3,687,487,096)**	(2,392,839,065)
			16,056,045,153	14,164,876,320

30.2 It includes Salaries, wages & benefits, Insurance and Finance cost amounting Rs.693,351 (2012:Rs.63,000) Rs.1,386,701 (2012: Rs.53,771) and Rs.6,933,507 (2012: Rs.2,496,518) respectively.

30.3 Salaries, wages and benefits include Rs.62,435,920 (2012:Rs.65,222,013) in respect of post employment benefits - gratuity.

30.4 Salaries, wages and benefits include Rs.3,905,873 (2012:Rs.3,122,456) in respect of provident fund contribution.

		Note	2013	2012
30.5	**Other manufacturing expenses**			
	Cotton dyeing, bleaching and bale pressing charges		**159,289,964**	137,418,805
	Yarn dyeing and bleaching charges		**32,316,518**	24,091,814
	Fabric dyeing, bleaching, knitting and processing charges		**418,825,442**	231,828,541
	Yarn doubling charges		**5,977,159**	6,715,155
	Stitching and other charges		**43,817,195**	45,430,407
	Designer and Embroidery charges		**21,526,141**	-
			681,752,419	445,484,722
31	**Distribution cost**			
	On export sales			
	Export development surcharge		**37,988,892**	36,776,352
	Insurance		**10,246,496**	5,576,109
	Commission		**403,953,701**	360,280,996
	Ocean freight and forwarding		**394,719,766**	402,312,979
			846,908,855	804,946,436
	On local sales			
	Inland freight and handling		**36,913,267**	35,936,211
	Commission		**23,241,595**	18,673,741
			60,154,862	54,609,952
	Other distribution cost			
	Salaries and benefits	**31.1**	**73,391,461**	64,122,456
	Rent and utilities		**4,043,512**	6,306,671
	Communication		**11,495,522**	14,755,450
	Travelling, conveyance and entertainment		**47,393,369**	46,843,028
	Repair and maintenance		**1,838,141**	743,341
	Fees and subscription		**3,234,705**	2,736,317
	Samples and advertising		**22,689,898**	12,170,754
	Exhibition expenses		**12,157,412**	3,854,650
	Printing and stationery		**2,789,485**	1,453,362
	Others		**927,284**	174,852
			179,960,789	153,160,881
	Grant received from TDAP	**31.2**	**(10,098,000)**	-
			1,076,926,506	1,012,717,269

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

31.1 Salaries and benefits include Rs.3,168,869 (2012:Rs.2,578,721) in respect of provident fund contribution.

31.2 This represents amount received from Trade Development Authority of Pakistan under Trade Policy 2009-2010 to provide assistance to socially and environmentally compliant and ISO Certified companies for setting up business office abroad.

		Note	2013	2012
			------------- Rupees -------------	
32	**Administrative expenses**			
	Directors' remuneration		**21,050,000**	19,800,000
	Salaries and benefits	**32.1**	**96,459,538**	88,852,776
	Rent, rates and utilities		**12,968,436**	8,698,236
	Communication		**4,134,870**	6,289,397
	Printing and stationery		**2,203,042**	1,662,037
	Travelling, conveyance and entertainment		**28,575,150**	17,143,134
	Motor vehicle expenses		**10,309,237**	10,203,688
	Repair and maintenance		**6,591,874**	3,074,693
	Insurance Expense		**2,651,880**	1,680,279
	Legal and professional charges		**43,144,095**	15,541,859
	Fees and subscription		**3,674,921**	2,491,739
	Computer expenses		**4,399,724**	2,123,226
	Advertisement		**172,100**	120,500
	Security expenses		**2,251,200**	836,467
	Depreciation	**6.2**	**14,853,410**	5,556,160
	Others		**1,142,052**	886,087
			254,581,529	184,960,278

32.1 Salaries and benefits include Rs.3,649,666 (2012:Rs.3,338,629) in respect of provident fund contribution.

		Note	2013	2012
33	**Other operating expenses**			
	Workers' profit participation fund	**24.4**	**124,669,920**	57,506,205
	Workers' welfare fund		**48,285,085**	23,060,045
	Auditors' remuneration	**33.1**	**3,123,951**	2,291,371
	Donations	**33.2**	**40,370,194**	16,600,452
	Depreciation on investment property	**7.3**	**1,279,394**	1,571,980
	Amortization of intangible asset	**8.1**	**2,762,200**	2,003,707
	Provision for doubtful debts	**14.4**	**30,583,101**	12,000,000
	Provision for stores, spares and loose tools	**12.1**	**21,078,419**	-
	Loss on disposal of investment property		**200,000**	-
	Loan to employee written off due to demise		**5,361,565**	-
	Sales tax on zero rated under amnesty scheme		**7,089,833**	-
	Realized loss on measurement of derivative financial instruments - net		**1,780,768**	-
	Exchange loss on			
	- short term foreign currency loan		**-**	20,072,440
	- monetary assets		**-**	1,354,850
			286,584,430	136,461,050

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

			2013	2012
33.1	**Auditors' remuneration**	Note	------------- Rupees	-------------
	Mushtaq & Co.			
	Audit fee		1,270,500	1,155,000
	Half yearly review fee		366,025	332,750
	Code of corporate governance review fee		78,045	78,045
	Other certification / services		660,769	661,826
	Out of pocket expenses		51,681	13,750
			2,427,020	2,241,371
	A.F.Ferguson & Co.			
	Audit fee		125,000	50,000
	Other assurance services		100,000	-
	Taxation services		425,000	-
	Out of pocket expenses		46,931	-
			696,931	50,000
			3,123,951	2,291,371

33.2 Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of donee	2013	2012
Mr. Mohammad Abdullah	Director	**Abdullah Foundation**	36,500,000	13,550,000
Mr. Shahid Abdullah	Director	312, Cotton Exchange Building,		
Mr. Yousuf Abdullah	Director	I.I. Chundrigar Road, Karachi.		
Mr. Nadeem Abdullah	Director			
Mr. Amer Abdullah	Director			
Mr. Mohammad Abdullah	Trustee	**Jamal-ud-din Fatima Charitable Trust**	380,000	900,000
Mr. Shahid Abdullah	Trustee	149, Cotton Exchange Building,		
Mr. Nadeem Abdullah	Trustee	I.I. Chundrigar Road, Karachi.		

		Note	2013	2012
34	**Other income**			
	Income from financial assets			
	Dividend income:			
	- from other companies		273,900,851	227,697,133
	- from associated companies	34.1	7,336	12,205
	Gain on sale of investments		45,525,760	60,384,379
	Profit on saving account		201,938	169,998
	Reversal of provision for doubtful debts		-	13,328,196
	Realized gain on measurement of derivative financial instruments - net		-	217,532
	Exchange gain on:			
	- foreign currency account		855,053	68,528
	- monetary assets		3,449,600	-
	Income from non-financial assets			
	Gain on sale of property, plant and equipment - net		14,378,284	72,771,716
	Rental income		13,854,000	12,720,000
	Gain on sale of investment property		-	1,293,181
	Scrap sales [Net of sales tax aggregating Rs.3.119 million (2012: Rs.3.690 million)]		18,937,193	18,390,803
			371,110,015	407,053,671

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

		Note	2013	2012
			------------- Rupees -------------	
34.1	**Dividend income from associated companies**			
	Reliance Cotton Spinning Mills Limited	**34.2**	**5,596**	11,480
	Sapphire Fibres Limited	**34.3**	**1,740**	725
			7,336	12,205

34.2 Sapphire Textile Mills Limited distributed shares of Reliance Cotton Spinning Mills Limited as Stock dividend @ 4.50% for the year ended June 30, 2008. The dividend of amounting Rs.5,596 (2012: Rs.11,480) representing number of shares 4,477 (2012: 4,592) which were not transferred by shareholders at that time.

34.3 Sapphire Textile Mills Limited distributed shares of Sapphire Fibres Limited as Stock dividend @ 10% for the year ended September 30,1991. This amount represents dividend of 145 shares which were not transferred by shareholders at that time.

		Note	2013	2012
			------------- Rupees -------------	
35	**Finance cost**			
	Interest / mark-up on :			
	- short term finances		**436,717,146**	451,698,827
	- long term loans		**126,553,078**	132,128,025
	- workers' profit participation fund	**24.4**	**3,476,296**	6,526,568
	Bank charges, commission and others charges		**97,423,180**	123,140,874
			664,169,700	713,494,294
36	**Taxation**			
	Current			
	- for the year		**196,565,272**	221,144,762
	- prior year		**-**	(28,743,065)
	Deferred		**34,008,064**	(135,293,878)
			230,573,336	57,107,819
36.1	**Relationship between taxation expense and accounting profit**			
	Profit before taxation		**2,359,346,228**	1,181,664,630
	Tax at the applicable rate of 35%		**825,771,180**	413,582,621
	Tax effect of inadmissible expenses		**(43,089,494)**	(17,258,536)
	Tax effect of income taxed at a lower rate		**(440,495,833)**	(288,714,006)
	Reduction in rate		**(3,946,831)**	-
	Prior year tax effect		**-**	(28,743,065)
	Tax credit effect		**(107,665,686)**	(22,458,377)
	Excess of minimum tax over normal tax		**-**	699,182
			230,573,336	57,107,819.00
37	**Earnings per shares**		**2013**	2012
	Profit after taxation for the year	**Rupees**	**2,128,772,892**	1,124,556,811
	Weighted average number of ordinary shares	**Number**	**20,083,140**	20,083,140
	Earnings per share - basic and diluted	**Rupees**	**106.00**	56.00

37.1 There is no dilutive effect on basic earnings per share.

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

		2013	2012
		------------ Rupees ------------	
38	**Cash generated from operations**		
	Profit before taxation and share of profit of associates	**2,295,162,319**	1,160,722,702
	Adjustments for non-cash charges and other items:		
	Depreciation on operating fixed assets	**518,861,825**	445,756,100
	Depreciation on investment property	**1,279,394**	1,571,980
	Gain on sale of investments	**(45,525,760)**	(60,384,379)
	Amortization of intangible assets	**2,762,200**	2,003,707
	Gain on sale of property, plant and equipment	**(14,378,284)**	(72,771,716)
	Loss on sale of investment property	**200,000**	(1,293,181)
	Dividend income - others	**(273,900,851)**	(227,697,133)
	Dividend income - associates	**(7,336)**	(12,205)
	Provision for gratuity	**62,435,920**	65,222,013
	Provision for doubtful debts and advances	**30,583,101**	12,000,000
	Reversal of provision for doubtful debts	**-**	(13,328,196)
	Provision for stores, spares and loose tools	**21,078,419**	-
	Loan to employee written-off due to demise	**5,361,565**	-
	Exchange differences	**(3,449,600)**	21,427,290
	Realized loss / (gain) on measurement of derivative financial instrument	**1,780,768**	(217,532)
	Finance cost	**664,169,700**	713,494,294
	Profit on saving account	**(201,938)**	(169,998)
	Rental income	**(13,854,000)**	(12,720,000)
		957,195,123	872,881,044
	Operating cash flow before changes in working capital	**3,252,357,442**	2,033,603,746
	Changes in working capital		
	(Increase) / Decrease in current assets		
	Stores, spare and loose tools	**812,151**	(41,688,063)
	Stock-in-trade	**(1,579,130,741)**	406,311,939
	Trade debts	**(431,174,639)**	382,688,623
	Loans and advances	**(57,283,928)**	(395,129)
	Trade deposits and short term prepayments	**8,198,729**	2,527,520
	Other receivables	**(25,759,587)**	(10,028,384)
		(2,084,338,015)	739,416,506
	Increase in current liabilities		
	Trade and other payables	**423,064,113**	158,049,967
		1,591,083,540	2,931,070,219

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

39 SEGMENT ANALYSIS

39.1 SEGMENT RESULTS

	Spinning	Weaving	Processing and Home Textile	Power Generation	Dyeing and Finishing	Elimination of inter segment transaction	Total
	Rupees						
For the year ended June 30, 2013							
Sales and services - net	**16,541,009,618**	**7,903,377,272**	**3,067,258,636**	**-**	**-**	**(2,215,006,065)**	**25,296,639,461**
Cost of sales and services	**(13,748,859,645)**	**(6,978,156,302)**	**(2,577,962,602)**	**-**	**(352,508)**	**2,215,006,065**	**(21,090,324,992)**
Gross Profit	**2,792,149,973**	**925,220,970**	**489,296,034**	**-**	**(352,508)**	**-**	**4,206,314,469**
Distribution cost	**(649,313,024)**	**(240,354,906)**	**(187,258,576)**	**-**			**(1,076,926,506)**
Administrative expenses	**(159,260,866)**	**(38,705,791)**	**(15,087,739)**	**(41,527,133)**	**-**		**(254,581,529)**
	(808,573,890)	**(279,060,697)**	**(202,346,315)**	**(41,527,133)**	**-**	**-**	**(1,331,508,035)**
Profit / (loss) before taxation and unallocated income and expenses	**1,983,576,083**	**646,160,273**	**286,949,719**	**(41,527,133)**	**(352,508)**	**-**	**2,874,806,434**
Depreciation	**338,204,196**	**164,810,768**	**15,827,842**	**19,019**	**-**	**-**	**518,861,825**
For the year ended June 30, 2012							
Sales and services - net	14,637,982,965	6,240,534,616	2,632,454,357	-		(1,918,548,219)	21,592,423,719
Cost of sales and services	(12,928,724,923)	(5,650,026,564)	(2,130,918,529)	-	-	1,918,548,219	(18,791,121,797)
Gross Profit	1,709,258,042	590,508,052	501,535,828	-	-	-	2,801,301,922
Distribution cost	(551,823,336)	(276,080,431)	(184,813,502)			-	(1,012,717,269)
Administrative expenses	(138,556,789)	(33,898,703)	(9,110,535)	(3,394,251)		-	(184,960,278)
	(690,380,125)	(309,979,134)	(193,924,037)	(3,394,251)	-	-	(1,197,677,547)
Profit / (loss) before taxation and unallocated income and expenses	1,018,877,917	280,528,918	307,611,791	(3,394,251)	-	-	1,603,624,375
Depreciation	281,803,305	149,309,566	14,617,984	25,245	-		445,756,100

Reconciliation of operating results with profit after tax is as follows:	**2013**	2012
	Rupees	
Total results for reportable segments	**2,874,806,434**	1,603,624,375
Other operating expenses	**(286,584,430)**	(136,461,050)
Other income	**371,110,015**	407,053,671
Finance cost	**(664,169,700)**	(713,494,294)
Share of profit of associated companies	**64,183,909**	20,941,928
Profit before taxation	**2,359,346,228**	1,181,664,630
Taxation	**(230,573,336)**	(57,107,819)
Profit after taxation for the year	**2,128,772,892**	1,124,556,811

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

39.2 SEGMENT ASSETS AND LIABILITIES

	Spinning	Weaving	Processing and Home Textile	Power Generation	Deying and Finishing	Total
	Rupees					
As at June 30, 2013						
Segment assets	**8,601,726,897**	**3,018,457,023**	**1,333,533,124**	**109,610,163**	**58,808,161**	**13,122,135,368**
Segment Liabilities	**14,176,904,299**	**2,352,462,328**	**1,695,484,077**	**3,555,024**	**(352,509)**	**18,228,053,219**
As at June 30, 2012						
Segment assets	6,881,820,938	2,677,350,663	792,020,187	83,741,689	-	10,434,933,477
Segment Liabilities	10,228,358,340	2,264,087,600	1,063,424,159	3,813,905	-	13,559,684,004

	2013	2012
	Rupees	
Reconciliation of segment assets and liabilities with total assets and liabilities in the balance sheet is as follows:		
Total for reportable segments assets	**13,122,135,368**	10,434,933,477
Unallocated assets	**5,925,025,380**	3,814,821,818
Total assets as per balance sheet	**19,047,160,748**	14,249,755,295
Total for reportable segments liabilities	**18,228,053,219**	13,559,684,004
Unallocated liabilities	**819,107,529**	690,071,291
Total liabilities as per balance sheet	**19,047,160,748**	14,249,755,295

39.3 Revenue from major products

The analysis of the Group's revenue from external customers for its products is given in note 29 to these financial statements.

39.4 Information about major customers

Revenue from major customers of Weaving and Processing & Home Textile segments for the year ended June 30, 2013 is Rs.1,769.650 million and Rs.1,881.444 million (2012: Revenue from major customers of Home Textile segment for the year ended June 30, 2012 is Rs.1,422.282 million), where as in Spinning segment there is no major customer whose revenue accounts for more than 10% of total Spinning segment's revenue.

39.5 Geographical information

The Group's gross revenue from external customers by geographical location is detailed below:	2013	2012
	Rupees	
Domestic sales	**5,338,119,755**	3,920,779,192
Export sales	**19,958,519,706**	17,671,644,527
	25,296,639,461	21,592,423,719

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

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

40 Related party disclosures

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

Nature of transaction	Relationship with the Company	2013	2012
		------------- Rupees -------------	
Sales, services provided, rental income and reimbursement of expenses			
Amer Cotton Mills (Private) Limited	Related party	266,475	763,559
Creadore A/S, Denmark	Associate	570,904,714	248,515,610
Diamond Fabrics Limited	Related party	63,867,464	16,892,516
Reliance Cotton Spinning Mills Limited	Associate	484,579	278,552
Sapphire Fibres Limited	Related party	54,201,280	32,284,583
Sapphire Finishing Mills Limited	Related party	718,033,245	341,598,152
		1,407,757,757	640,332,972
Purchases, services received and reimbursement of expenses			
Amer Cotton Mills (Private) Limited	Related party	294,000	-
Diamond Fabrics Limited	Related party	1,426,600	136,000
Neelum Textile Mills (Private) Limited	Related party	-	17,500
Reliance Cotton Spinning Mills Limited	Associate	156,221,111	91,353,223
Sapphire Fibres Limited	Related party	214,235,811	189,869,493
Sapphire Finishing Mills Limited	Related party	6,754,550	15,101,525
Sapphire Power Generation Limited	Associate	419,059,990	497,370,998
		797,992,062	793,848,739
Sale of property, plant and equipment			
Sapphire Fibres Limited	Related party	16,039,375	-
Sapphire Finishing Mills Limited	Related party	-	97,387,500
		16,039,375	97,387,500
Purchase of property, plant and equipment			
Sapphire Fibres Limited	Related party	-	870,500
Rent and other expenses			
Yousuf Agencies (Private) Limited	Related party	2,822,214	2,234,835
Contribution to provident fund			
Sapphire Textile Mills Limited - Employees Provident Fund	Retirement benefit fund	10,724,408	9,039,806
Expenses charged to			
Amer Cotton Mills (Private) Limited	Related party	3,034,837	196,757
Diamond Fabrics Limited	Related party	290,651	
Reliance Cotton Spinning Mills Limited	Associate	2,224,175	1,185,826
Sapphire Dairies (Private) Limited	Associate	26,584	41,719
Sapphire Fibres Limited	Related party	8,303,771	8,442,800
Sapphire Finishing Mills Limited	Related party	1,664,543	1,114,580
Sapphire Power Generation Limited	Associate	102,028	89,952
		15,646,589	11,071,634

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

Nature of transaction	Relationship with the Company	2013	2012
		------------- Rupees -------------	
Expenses charged by			
Sapphire Fibres Limited	Related party	134,260	1,116,780
Share deposit money			
Sapphire Dairies (Private) Ltd	Associate	145,000,000	90,000,000
Shares received			
Sapphire Dairies (Private) Ltd	Associate	185,000,000	50,000,000
Dividend paid			
Amer Tex (Private) Limited	Related party	13,390,411	3,375,415
Diamond Limited	Related party	2,274,345	668,925
Galaxy Agencies (Private) Limited	Related party	8,578,387	2,523,055
Nadeem Enterprises (Private) Limited	Related party	9,966,114	2,931,210
Neelum Textile Mills (Private) Limited	Related party	6,392,098	1,362,970
Reliance Cotton Spinning Mills Limited	Associate	1,703,791	501,115
Sapphire Agencies (Private) Limited	Related party	38,483,766	11,608,340
Sapphire Power Generation Limited	Associate	4,821,914	1,418,210
		85,610,826	24,389,240
Donations			
Abdullah Foundation	Related party	36,500,000	13,550,000
Jamal-ud-din Fatima Charitable Trust	Related party	380,000	900,000
		36,880,000	14,450,000
Dividend received			
Reliance Cotton Spinning Mills Limited	Associate	397,215	794,718
Sapphire Fibres Limited	Related party	1,740	725
		398,955	795,443

41	Number of employees	2013	2012
	Number of employees at June 30		
	- Permanent	5,686	5,430
	- Contractual	683	282
	Average number of employees during the year		
	- Permanent	5,580	5,360
	- Contractual	487	393

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

		2013	2012
42	**Plant capacity and actual production**		
	Spinning units		
	Total number of spindles installed	**122,410**	122,328
	Average number of spindles worked	**119,201**	114,911
	Total number of rotors installed	**3,111**	3,120
	Average number of rotors worked	**3,041**	3,057
	Number of shifts worked per day	**3**	3
	Total days worked	**360**	360
	Installed capacity after conversion into 20/s lbs	**87,648,336**	86,040,250
	Actual production after conversion into 20/s lbs	**89,079,562**	89,641,405
	Weaving unit		
	Total number of looms installed	**300**	292
	Average number of looms worked	**290**	287
	Number of shifts worked per day	**3**	3
	Total days worked	**360**	360
	Installed capacity at 50 picks per inch of fabric square meters	**102,273,135**	98,269,741
	Actual production converted at 50 picks per inch of fabric square meters	**98,573,323**	93,024,466

Home Textile Product unit

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

		2013	2012
		------------- Rupees -------------	
43	**Remuneration of chief executive, director and executives**		
	Chief Executive		
	Remuneration	**6,833,500**	6,000,000
	Rent and utilities	**3,416,500**	3,000,000
		10,250,000	9,000,000
	Number of person	**1**	1
	Director		
	Remuneration	**7,200,000**	7,200,000
	Rent and utilities	**3,600,000**	3,600,000
		10,800,000	10,800,000
	Number of persons	**2**	2
	Executives		
	Managerial remuneration	**98,552,991**	78,220,501
	House rent	**44,888,897**	36,539,646
	Cost of living allowance	**88,900**	71,400
	Bonus	**16,457,150**	13,892,740
	Medical	**2,463,154**	1,700,913
	Utilities	**5,754,842**	4,753,585
	Leave encashment and other benefits	**11,559,648**	7,431,695
		179,765,582	142,610,480
	Number of persons	**88**	76
	Number of executives provided with the company maintained cars	**87**	76

The Chief Executive and two Directors were also provided with cars maintained by the Company and telephones at residence.

Notes To The Consolidated Financial Statements
For the year ended June 30, 2013

		2013	2012
44	**Provident fund related disclosures**	------------- Rupees '000 -------------	
44.1	The following information is based on audited financial statements of the Fund as at June 30, 2013		
	Size of the fund - Total assets	**91,094**	71,415
	Cost of investments made	**85,009**	66,589
	Fair value of investments	**88,391**	68,330
	Percentage of Investments made	**93%**	93%

44.2 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	------------- Percentage -------------		------------- Rupees '000 -------------	
National Saving Schemes	**20%**	0%	**17,999**	-
Government Securities	**80%**	100%	**70,392**	68,330
	100%	100%	**88,391**	68,330

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

45 FINANCIAL INSTRUMENTS

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

45.1 - Credit risk

45.2 - Liquidity risk

45.3 - Market risk

The 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.

45.1 Credit risk

45.1.1 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 and advances, trade deposits and short term prepayments, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.6,666.767 million (2012:Rs.4,371.592 million), financial assets which are subject to credit risk aggregate to Rs.6,557.004 million (2012:Rs.4,270.044 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.

	2013	2012
	------------- Rupees -------------	
Long term investments	**3,081,151,276**	1,951,957,505
Long term loans and advances	**67,706,221**	54,021,951
Long term deposits	**58,874,594**	29,500,666
Trade debts	**1,710,499,789**	1,309,908,251
Loans and advances	**158,468,326**	107,648,242
Trade deposits and short term prepayments	**631,445**	923,133
Other receivables	**22,633,197**	5,748,030
Short term investments	**1,457,039,126**	810,341,353
Cash and bank balances	**109,763,176**	101,542,626
	6,666,767,150	4,371,591,757

Notes To The Consolidated Financial Statements
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	2013	2012
	------------ Rupees ------------	

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

	2013	2012
Domestic	**648,235,401**	683,050,385
Export	**1,062,264,388**	626,857,866
	1,710,499,789	1,309,908,251

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

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

	2013	2012
Yarn	**955,568,332**	727,810,667
Fabric	**558,483,137**	385,609,675
Home textile product	**144,160,161**	155,300,684
Raw material	**-**	21,924
Waste	**43,103,585**	29,001,429
Processing services	**3,179,170**	9,557,818
Others	**6,005,404**	2,606,054
	1,710,499,789	1,309,908,251

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

	2013	2012
Not past due	**1,442,595,893**	1,079,015,621
Past due 0 - 30 days	**207,726,559**	186,447,357
Past due 31 - 60 days	**31,789,795**	8,943,587
Past due 61 - 90 days	**2,484,890**	7,447,290
Past due 91 - 1 year	**20,263,127**	15,768,909
More than one year	**5,639,525**	12,285,487
	1,710,499,789	1,309,908,251

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

45.2 Liquidity risk

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

	2 0 1 3				
	Carrying amount	**Contractual cash flow**	**Up to 1 year**	**Between 1 to 5 years**	**5 years and above**
	Rupees				
Long term financing	**1,370,705,474**	**1,616,663,413**	**480,296,540**	**1,136,366,872**	
Trade and other payables	**1,165,247,900**	**1,165,247,900**	**1,165,247,900**	**-**	**-**
Accrued interest / mark-up	**68,192,565**	**68,192,565**	**68,192,565**	**-**	**-**
Short term borrowings	**4,048,198,266**	**4,060,543,694**	**4,060,543,694**	**-**	**-**
	6,652,344,205	**6,910,647,572**	**5,774,280,699**	**1,136,366,872**	**-**

	2 0 12				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,308,090,300	1,687,335,134	362,180,222	1,325,012,831	142,081
Trade and other payables	834,625,159	834,625,159	834,625,159	-	-
Accrued interest / mark-up	70,308,182	70,308,182	70,308,182	-	-
Short term borrowings	2,850,256,515	2,869,398,021	2,869,398,021	-	-
	5,063,280,156	5,461,666,496	4,136,511,584	1,325,012,831	142,081

Notes To The Consolidated Financial Statements

For the year ended June 30, 2013

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

45.3 Market risk

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

45.3.1 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:

	2 0 1 3				
	Rupees	**US $**	**EURO**	**JPY**	**CHF**
Trade debts	**(1,062,264,388)**	**(9,436,579)**	**(833,643)**	**-**	**-**
Bank balances	**(42,116,956)**	**(107,415)**	**(244,671)**	**-**	**-**
Gross Balance sheet exposure	**(1,104,381,344)**	**(9,543,994)**	**(1,078,314)**	**-**	**-**
Outstanding letters of credit	**1,099,199,370**	**1,350,114**	**3,609,501**	**127,805,116**	**3,553,214**
Forward exchange contracts	**701,654,635**	**5,100,000**	**1,550,000**		
Net Exposures	**696,472,661**	**(3,093,880)**	**4,081,187**	**127,805,116**	**3,553,214**

	2 0 1 2				
	Rupees	US $	EURO	JPY	CHF
Trade debts	(626,857,866)	(5,616,609)	(830,908)	-	-
Bank balances	(31,069,944)	(303,612)	(21,400)	-	-
Gross Balance sheet exposure	(657,927,810)	(5,920,221)	(852,308)	-	-
Outstanding letters of credit	231,707,767	1,423,213	722,154	2,870,000	9,692
Forward exchange contracts	1,262,550,790	10,565,420	2,482,593	-	-
Net Exposures	836,330,747	6,068,412	2,352,439	2,870,000	9,692

The following significant exchange rates have been applied:

	Reporting date rate	
	2013	2012
US $ to Rupees	**98.60 / 98.80**	94 / 94.20
Euro to Rupees	**128.85 / 129.11**	118.25 / 118.50

Sensitivity analysis

A 10 percent strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particulars interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity	Profit & loss
	Rupees	
As at June 30, 2013		
Effect in US Dollar	**-**	**(94,103,781)**
Effect in Euro	**-**	**(13,894,076)**
As at June 30, 2012		
Effect in US Dollar	-	(55,650,077)
Effect in Euro	-	(10,099,850)

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

45.3.2 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:

	2013	2012	**2013**	2012
	Effective rate		Carrying Amount	
			------------- Rupees -------------	
Fixed rate instruments				
Financial liabilities				
Long term financing	**7.00% to 10.20%**	7.00% to 12.70%	**383,039,974**	723,411,302
Short term borrowings	**8.70% to 8.90%**	0%	**800,000,000**	-
Variable rate instruments				
Financial liabilities				
Long term financing	**9.58% to 10.58%**	12.70% to 13.45%	**987,665,500**	584,678,998
Short term borrowings	**9.52 % to 11.41%**	2.00 % to 15.57%	**3,248,198,266**	2,850,256,515

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

Notes To The Consolidated Financial Statements

	Profit and loss 100 bps Increase	Decrease
	------------- Rupees -------------	
As at June 30, 2013		
Cash flow sensitivity - variable rate instruments	**42,358,638**	**(42,358,638)**
As at June 30, 2012		
Cash flow sensitivity - variable rate instruments	34,349,355	(34,349,355)

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

45.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group'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 Group actively monitors the key factors that affect stock price movement.

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

	2013	2012
	------------- Rupees -------------	
Effect on equity	**445,204,217**	267,615,062
Effect on investments	**445,204,217**	267,615,062

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

45.4 Fair value of financial instruments

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

45.5 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 level 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).

Notes To The Consolidated Financial Statements

	Level 1	Level 2	Level 3
	---------- Rupees ----------		
As at June 30, 2013			
Assets carried at fair value			
Available for sale investments	**4,452,042,166**	**-**	**86,148,236.00**
Forward exchange contracts used for hedging	**-**	**2,345,865**	**-**
	4,452,042,166	**2,345,865**	**86,148,236**
As at June 30, 2012			
Assets carried at fair value			
Available for sale investments	2,676,150,622	-	86,148,236
Forward exchange contracts used for hedging	-	-	-
	2,676,150,622	-	86,148,236
As at June 30, 2013			
Liabilities carried at fair value	**-**	**-**	**-**
Forward exchange contracts used for hedging			
As at June 30, 2012			
Liabilities carried at fair value			
Forward exchange contracts used for hedging	-	26,899,054.00	-

45.6 Capital risk management

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

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

	2013	2012
	------ **Rupees** ------	
Total borrowings	**5,428,379,407**	4,159,069,711
Less: Cash and bank balances	**109,763,176**	101,542,626
Net debt	**5,318,616,231**	4,057,527,085
Total equity	**11,609,154,627**	8,514,466,596
Total capital	**16,927,770,858**	12,571,993,681
	Percentage	
Gearing ratio	**31.42**	32.27

Notes To The Consolidated Financial Statements

46 Non adjusting event after balance sheet date

The board of directors in its meeting held on October 7, 2013 proposed final cash dividend of Rs.180,748,260 (2012: Rs. 100,415,700) at the rate of Rs. 9 (2012: Rs. 5) per ordinary share of Rs.10 each. The final cash dividend is in addition of interim dividend of Rs.240,997,680 at the rate of Rs. 12 per ordinary share of Rs. 10 each. Proposed dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

47 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and comparison. Significant reclassification includes the following:

Re-classification from component	Re-classification to component	Note	Rupees
CWIP - plant and machinery	CWIP - civil works and buildings	6.4	5,670,574
CWIP - plant and machinery	CWIP - unallocated expenditures	6.4	70,223,498
Current portion of loans to employees	Short term loan to employees	15	\ 569,854
Sales and Services	Sales tax	29	7,812,198
Goods purchased: Cotton purchases	Raw material sold	30	79,429,239
Samples and advertising	Exhibition expenses	31	3,038,421
Finance cost	Other Income	34	217,532

48 Date of authorization for issue

These financial statements were approved by the Board of Directors of Holding Company and authorized for issue on October 07, 2013.

Karachi:	**NADEEM ABDULLAH**	**NABEEL ABDULLAH**
Dated: October 07, 2013	CHIEF EXECUTIVE	DIRECTOR

Form of Proxy

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____

a member of **SAPPHIRE TEXTILE MILLS LIMITED**, vide Registered Folio No.________________ as my/our Proxy to act on my/our behalf at 45th Annual General Meeting of the Company to be held on Tuesday the 29th October, 2013 at 3:30 p.m. at Trading Hall,Cotton Exchange Building, I.I.Chundrigar Road, Karachi and/or any adjournment thereof.

Signed this________ day of _____________, 2013

Signature __________________________________

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

REVENUE STAMP OF RS.5/-

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.
5. In case of CDC account holder :
   - i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
   - ii) Attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
   - iii) The proxy shall produce his original NIC 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 ______________________________	Name____
Address_____________________________	Address______________________________________
___________________________________	____
NIC No._____________________________	NIC No.______________________________________