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Sapphire Fibres Limited

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Company Profile

BOARD OF DIRECTORS

Chairman	:	Mr. Mohammad Abdullah
Chief Executive	:	Mr. Shahid Abdullah
Director	:	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Mohammad Yamin Mr. Tajammal Hussain Bokharee
Audit Committee	:	
Chairman		Mr. Amer Abdullah
Member		Mr. Mohammad Yamin
Member		Mr. Tajammal Hussain Bokharee
Humon Resource & Remuneration Committee	:	
Chairman		Mr. Yousuf Abdullah
Member		Mr. Shahid Abdullah
Member		Mr. Mohammad Yamin
Chief Financial Officer	:	Mr. Mujahid Akbar Bozdar
Secretary	:	Mr. Shaukat Mahmud
Auditors	:	Hameed Chaudhri & Company Chartered Accountants
Management Consultant	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Tax Consultants	:	Mushtaq & Company Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Allied Bank Limited, Citi Bank N.A. Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, United Bank Limited
Share Registrar	:	THK Associates (private) Ltd
Registered Office	:	316, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mills	:	Kharianwala, Tehsil and District Sheikhupura Feroze Wattoan, Tehsil and District Sheikhupura Raiwind Road, Lahore.

Vision

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

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

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

Mission

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 35th Annual General Meeting of **SAPPHIRE FIBRES LIMITED** will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Friday the 24th day of October, 2014 at 05:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
2. Declaration of a dividend.
3. Appointment and fixation of remuneration of auditors.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.
Dated : 02nd October, 2014

(SHAUKAT MAHMUD)
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 18th October, 2014 to 24th October, 2014 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi up to 17th October, 2014 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 316, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.

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

A. **For attending the meeting:**

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing hos 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)2013 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.

7. 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company are pleased to present before you annual report together with audited financial statements for the year ended 30 June, 2014.

PERFORMANCE OF THE COMPANY

The performance of your Company remained satisfactory during the year under review in spite of declining trend of yarn prices since start of 2nd half of the year in domestic as well as International markets.

Salient features of these results are as under:

	2014	2013
	Rupees in thousand	
Sales & Services	14,905,610	13,892,289
Gross Profit	1,563,938	2,274,244
Profit from operations	1,960,746	1,776,348
Other income	1,262,563	348,248
Profit before tax	1,498,525	1,318,477
Profit after tax	1,313,219	1,189,195

REVIEW OF OPERATIONS

The Company earned a pre-tax profit of Rs. 1,499 million as against Rs. 1,318 million of the last year which in term of ratio of sales increased from 9.49% to 10.05%. Significant contributor towards profitability was dividend income of Rs. 1,202 million as compared to Rs. 303 million of the corresponding period. Sales in term of volume increased by 7.29% over the last year, however gross declined by 5.88 % comparing last year. Reason behind drop in gross profit ratio was poor market demand of textile products which did not supported to stable the sale prices. This coupled with strengthening of Pak rupee against other countries and upsurge in overhead costs affected the profitability of the Company.

Distribution cost remained at Rs.523 million as against Rs. 565 million, whereas finance cost increased to Rs. 462 million as compared to 458 million of the last year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

APPROPRIATION OF PROFIT

	Rupees in thousand
Profit before taxation	1,498,525
Less: Taxation	
For the year	214,967
Prior year	(29,485)
Deferred	(176)
	185,306
Profit after taxation	1,313,219
Other income - Restated	(25,603)
Add: Un-appropriated profit brought forward	6,816,488
Appropriations:	
Final dividend for the year ended June 30, 2013 (50% i.e Rs. 5 per share)	(98,438)
	8,005,667
Subsequent Effects	
Proposed final cash dividend for the year (125% i.e Rs. 12.5 per share)	246,094
	7,759,573

DIVIDEND

The Board of Directors of the company is pleased to recommend a final cash dividend @ 125% i.e 12.5 per share for the year ended June 30, 2014. (2013: 50%)

EARNING PER SHARE

The Company's earnings per share (EPS) of the current year came at Rs. 66.70 as compared to Rs. 60.40 of the last year.

FUTURE OUTLOOK

Textile industry could not take full advantage of GSP plus status granted by European Union, as a result the country's textile exports are not improved. Major reason behind this decline is energy crises and high utility prices. Increase in production of raw cotton in neighboring countries have put these countries in bigger advantage over Pakistan. Furthermore, other countries are providing many incentives to their local industry due to which level playing field is not available to us as compared to our competitors. It is high time that Government should take necessary steps to provide relief to boost exports of textile sector.

Present situation would continue to pose a threat to the industry until the Government takes necessary steps to curb energy crises, reduction in fuel/power tariff and control on growing inflation.

DIRECTORS' REPORT TO THE SHAREHOLDERS

However the management is putting all efforts to coup up with the prevailing circumstances by exploring new markets, focusing on BMR and increase in efficiencies.

SUBSIDIARY COMPANY

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited was incorporated in Pakistan as a public unlisted company under Companies Ordinance, 1984 on 18 January, 2005. Sapphire Fibres Limited has holding of 67.83% (2013: 59.08%) share capital of the subsidiary.

The principal activity of the subsidiary company is to own, operate and maintain a combined cycle power station having net capacity of 212 MW.

RELATED PARTIES

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

CORPORATE ENVIRONMENT, HEALTH AND 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 specially, with regards to the safety, production, delivery, storage and handling of materials. Your Company always ensures environment preservation and adopts all possible means for environment protection.

We maintain our commitment to raise educational, health and environment standards of the community and 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, cash flows and changes in equity.

2. The company has maintained proper books of account.

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 Financial Reporting 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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 practices of corporate governance, as detailed in listing regulations.

9. The Company has established Management Staff Gratuity Fund for its head office employees which will gradually be applicable at mills also. The company has also introduced Employees Provident Fund for its head office staff, the members of Provident Fund are not eligible for gratuity fund. The value of investment of Gratuity and Provident Fund as on June 30, 2014 are Rs.11,217 million and Rs.30,534 million respectively.

10. The board of directors in compliance with the Code of Corporate Governance has established Audit and Human Resource & Remuneration committees, the names of their members are given in the Company's profile.

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

12. Except purchase of shares, as stated hereunder, no trades 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:

    Mrs. Shamshad Begum37,500shares
    Mr. Yousuf Abdullah112,100shares
    Mrs. Usma Yousuf11,500shares
    Mrs. Noshaba Nadeem125,100shares
    Mrs. Ambareen Amer125,600shares
    Mrs. Shireen Shahid124,070shares

13. During the year fifteen meetings of the Board of Directors were held. Attendance by each Director is as follows:

    Mr. Mohammad Abdullah15
    Mr. Shahid Abdullah13
    Mr. Nadeem Abdullah12
    Mr. Amer Abdullah11
    Mr. Yousuf Abdullah12
    Mr. Mohammad Yamin10
    Mr. Naveed-ul-Islam10

14. During the year five meetings of the Audit Committee were held. Attendance by each Director is as follows:

    Mr. Nadeem Abdullah5
    Mr. Amer Abdullah4
    Mr. Mohamamd Yamin4

15. During the year one meeting of the Human Resource and Remuneration Committee was held and attended by all the members.

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

17. 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.

PATTERN OF SHAREHOLDING

The pattern of share holding of the Company as at 30 June, 2014 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

AUDITORS

The present Auditors, Hameed Chaudhri & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment. Audit Committee and Board of Directors have also recommended their appointment as auditors for the year ending 30 June, 2015.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Karachi.
Dated: 02 October, 2014

SHAHID ABDULLAH
Chief Executive

SIX YEARS GROWTH AT A GLANCE

Years		2014	2013	2012	2011	2010	2009
		Rupees in thousand					
Sales		14,905,610	13,892,288	12,811,236	15,452,802	9,235,884	7,452,430
Gross profit		1,563,938	2,274,244	1,964,936	3,309,614	1,910,843	1,374,293
Net profit before taxation		1,498,525	1,318,477	963,189	2,075,095	826,574	456,502
Net profit after taxation		1,313,219	1,189,195	866,885	1,924,523	723,768	387,168
Share capital		196,875	196,875	196,875	196,875	196,875	196,875
Share holder's equity		14,796,769	11,825,240	9,181,962	8,622,786	6,663,648	5,193,664
Fixed assets - net		3,990,234	3,726,879	3,257,771	2,853,444	2,785,925	2,779,448
Total assets		20,099,150	17,265,683	13,100,347	12,819,301	11,927,071	10,174,863
Dividend - Cash	%	125.00	120.00	50.00	50.00	15.00	0.00
Specie dividend	%	-	-	-	-	-	-
Bonus shares	%	-	-	-	-	-	12.50
RATIOS:							
PROFITABILITY							
Gross profit	%	10.49	16.37	15.34	21.42	20.68	18.44
Profit before tax	%	10.05	9.49	7.52	13.43	8.95	6.13
Profit after tax	%	8.81	8.56	6.77	12.45	7.83	5.20
RETURN TO SHAREHOLDERS							
Return on equity before tax	%	10.13	11.15	10.50	24.07	12.40	8.79
Return on equity after tax	%	8.88	10.06	9.45	22.32	10.86	7.45
Basic earning per share after tax	Rs.	66.70	60.40	44.03	97.75	36.76	19.67
ACTIVITY							
Sales to fixed assets	Times	3.74	3.73	3.93	5.42	3.32	2.68
Sales to total assets	Times	0.74	0.80	0.98	1.21	0.77	0.73
LIQUIDITY/LEVERAGE							
Current ratio		1.45 : 1	1.33 : 1	1.45 : 1	1.41 : 1	1.08 : 1	1.16 : 1
Debt equity ratio	Times	0.004	0.02	0.06	0.09	0.21	0.35
Total liability to equity	Times	0.36	0.46	0.43	0.49	0.79	0.96
BREAK UP VALUE PER SHARE	Rs.	751.58	600.65	466.39	437.98	338.47	263.81

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **SAPPHIRE FIBRES LIMITED** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

KARACHI;
Date : October 02, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company SAPPHIRE FIBRES LIMITED year ended June 30, 2014.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.35 of the Karachi, Lahore and Islamabad Stock Exchanges 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	N.A
Executive Directors	Mr. Mohammad Abdullah Mr. Shahid Abdullah Mr. Naveed-ul-Islam
Non-Executive Directors	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Mohammad Yamin

   The condition of clause 1(b) of the CCG in relation to independent director has been complied with in the election of directors held on July 19, 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 no casual vacancies occurred in the board of directors.

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

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

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

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, Six of Directors of the Company are exempted from the requirement of directors’ training program and one has been retired. The newly elected Director to be trained within specified time.

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 all 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: October 02, 2014

SHAHID ABDULLAH
CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SAPPHIRE FIBRES LIMITED** (the Company) as at June 30, 2014 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 purposes 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 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 verification, we report that:

(a) in our opinion, proper books of account 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 account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 4 with which we concur;

   (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, 2014 and of the profit, total 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 (XVIIIof 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

KARACHI;
Date : 02 Oct, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

BALANCE SHEET
As at June 30, 2014

	Note	2014 Rupees	Re-stated 2013 Rupees	Re-stated July 1, 2012 Rupees
ASSETS				
Non current assets				
Property, plant and equipment	5	**3,824,088,383**	3,557,779,240	3,085,526,201
Investment property	6	**163,273,406**	164,424,860	165,704,254
Intangible assets	7	**2,871,886**	4,674,757	6,540,461
Long term investments	8	**8,901,214,827**	6,820,297,846	5,189,900,562
Long term loans	9	**193,000**	940,540	959,884
Long term deposits		**27,822,285**	19,630,265	17,544,265
		12,919,463,787	10,567,747,508	8,466,175,627
Current assets				
Stores, spare parts and loose tools	10	**175,919,748**	145,290,525	143,774,644
Stock-in-trade	11	**3,180,774,748**	3,596,007,453	2,511,898,722
Trade debts	12	**1,392,428,704**	1,295,501,814	886,453,425
Loans and advances	13	**26,658,228**	40,575,649	12,275,951
Trade deposits and short term prepayments	14	**3,560,503**	9,749,300	4,263,488
Short term investments	15	**1,584,090,779**	1,044,511,205	639,354,775
Other receivables	16	**334,578,455**	227,158,398	204,797,130
Tax refunds due from Government	17	**331,758,527**	245,985,590	142,535,587
Cash and bank balances	18	**149,916,610**	93,155,833	88,817,298
		7,179,686,302	6,697,935,767	4,634,171,020
Total assets		**20,099,150,089**	17,265,683,275	13,100,346,647
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
35,000,000 (2013: 35,000,000) ordinary shares of Rs.10 each		**350,000,000**	350,000,000	350,000,000
Issued, subscribed and paid-up capital	19	**196,875,000**	196,875,000	196,875,000
Reserves	20	**6,594,226,401**	4,811,876,086	3,100,830,002
Unappropriated profit		**8,005,667,352**	6,816,488,488	5,884,256,672
Total equity		**14,796,768,753**	11,825,239,574	9,181,961,674
Non current liabilities				
Long term finances	21	**65,371,251**	204,581,000	528,292,375
Staff retirement benefit - gratuity	22	**210,997,693**	169,798,106	131,457,117
Deferred taxation	23	**56,532,945**	38,251,279	55,248,727
Long term security deposit		**2,100,000**	2,100,000	2,100,000
		335,001,889	414,730,385	717,098,219
Current liabilities				
Trade and other payables	24	**1,210,134,150**	1,011,933,374	884,983,380
Accrued mark-up / interest	25	**58,542,707**	52,238,618	51,976,599
Short term borrowings	26	**3,322,831,087**	3,518,582,681	1,817,701,860
Current portion of long term finances	21	**160,904,749**	300,000,000	316,184,625
Provision for taxation		**214,966,754**	142,958,643	130,440,290
		4,967,379,447	5,025,713,316	3,201,286,754
Total liabilities		**5,302,381,336**	5,440,443,701	3,918,384,973
Contingencies and commitments	27			
Total equity and liabilities		**20,099,150,089**	17,265,683,275	13,100,346,647

The annexed notes 1 to 46 form an integral part of these financial statements.

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	28	**14,905,609,584**	13,892,288,766
Cost of sales	29	**(13,341,671,246)**	(11,618,044,313)
Gross profit		**1,563,938,338**	2,274,244,453
Distribution cost	30	**(523,335,900)**	(565,094,568)
Administrative expenses	31	**(213,367,611)**	(174,359,118)
Other income	32	**1,262,562,726**	348,247,582
Other expenses	33	**(129,051,130)**	(106,689,453)
Profit from operations		**1,960,746,423**	1,776,348,896
Finance cost	34	**(462,221,487)**	(457,871,982)
Profit before taxation		**1,498,524,936**	1,318,476,914
Taxation	35	**(185,305,853)**	(129,282,129)
Profit after taxation		**1,313,219,083**	1,189,194,785
Earnings per share - basic and diluted	36	**66.70**	60.40

The annexed notes 1 to 46 form an integral part of these financial statements.

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	2014 Rupees	Re-stated 2013 Rupees
Profit after taxation	**1,313,219,083**	1,189,194,785
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Unrealised gain due to change in fair value of available for sale investments		
- long term	**1,526,309,481**	1,570,397,284
- short term	**272,157,754**	139,093,881
Impact of deferred tax	**(19,385,675)**	1,554,919
Adjustment for loss included in profit and loss account upon sale of available-for-sale investments	**3,268,755**	-
	1,782,350,315	1,711,046,084
Items that will not be reclassified subsequently to profit and loss:		
Loss on remeasurement of staff retirement benefit obligation	**(26,530,765)**	(21,615,599)
Impact of deferred tax	**928,046**	902,630
	(25,602,719)	(20,712,969)
	1,756,747,596	1,690,333,115
Total comprehensive income for the year	**3,069,966,679**	2,879,527,900

The annexed notes 1 to 46 form an integral part of these financial statements.

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CASH FLOW STATEMENT

For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	1,683,413,011	402,566,119
Staff retirement benefit paid		(33,597,243)	(27,709,651)
Finance cost paid		(484,666,341)	(454,924,532)
Taxes paid		(283,931,933)	(204,536,615)
Workers' profit participation fund paid		(82,520,734)	(50,760,654)
Long term loans - net		747,540	19,344
Long term deposits - net		(8,192,020)	(2,086,000)
Net cash generated from / (used in) operating activities		791,252,280	(337,431,989)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(613,444,080)	(781,276,190)
Proceeds from disposal of operating fixed assets		11,456,438	12,395,000
Investment in Subsidiary Company		(510,000,000)	-
Investment in an Associated Company		(44,607,500)	(60,000,000)
Advances for purchase of shares		(36,750,000)	-
Increase in short term investments		(275,532,625)	(289,155,659)
Proceeds from sale of short term investments		44,341,223	31,206,436
Proceeds from sale of stores and spares		1,221,891	1,493,988
Dividend and interest income received		1,202,015,408	303,884,741
Net cash used in investing activities		(221,299,245)	(781,451,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		21,695,000	54,581,000
- repaid		(300,000,000)	(394,477,000)
Dividend paid		(98,251,351)	(235,105,005)
Short term borrowings - net		(136,635,907)	1,698,223,213
Net cash (used in) / generated from financing activities		(513,192,258)	1,123,222,208
Net increase in cash and cash equivalents		56,760,777	4,338,535
Cash and cash equivalents - at beginning of the year		93,155,833	88,817,298
Cash and cash equivalents - at end of the year		149,916,610	93,155,833

The annexed notes 1 to 46 form an integral part of these financial statements.

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended June 30, 2014

	Issued, subscribed and paid-up capital	Reserves				Unappropri-ated profit	Total
		Capital	General	Unrealised gain on available for sale investments	Sub-total		
	----- Rupees -----						
Balance as at July 1, 2012 (as previously reported)	196,875,000	145,740,000	1,183,845,000	1,771,245,002	3,100,830,002	5,874,999,004	9,172,704,006
Effect of change in accounting policy due to application of IAS-19 (Revised) - net of tax [note 4]	-	-	-	-	-	9,257,668	9,257,668
Balance as at July 1, 2012 (re-stated)	196,875,000	145,740,000	1,183,845,000	1,771,245,002	3,100,830,002	5,884,256,672	9,181,961,674
Transactions with owners							
Final dividend for the year ended June 30, 2012 at the rate of Rs.5 per share	-	-	-	-	-	(98,437,500)	(98,437,500)
Interim dividend for the year ended June 30, 2013 at the rate of Rs.7 per share	-	-	-	-	-	(137,812,500)	(137,812,500)
	-	-	-	-	-	(236,250,000)	(236,250,000)
Total comprehensive income for the year ended June 30, 2013							
Profit for the year	-	-	-	-	-	1,189,194,785	1,189,194,785
Other comprehensive income / (loss) - re-stated	-	-	-	1,711,046,084	1,711,046,084	(20,712,969)	1,690,333,115
	-	-	-	1,711,046,084	1,711,046,084	1,168,481,816	2,879,527,900
Balance as at June 30, 2013 (re-stated)	**196,875,000**	**145,740,000**	**1,183,845,000**	**3,482,291,086**	**4,811,876,086**	**6,816,488,488**	**11,825,239,574**
Transaction with owners							
Final dividend for the year ended June 30, 2013 at the rate of Rs.5 per share	-	-	-	-	-	(98,437,500)	(98,437,500)
Total comprehensive income for the year ended June 30, 2014							
Profit for the year	-	-	-	-	-	1,313,219,083	1,313,219,083
Other comprehensive income / (loss)	-	-	-	1,782,350,315	1,782,350,315	(25,602,719)	1,756,747,596
	-	-	-	1,782,350,315	1,782,350,315	1,287,616,364	3,069,966,679
Balance as at June 30, 2014	**196,875,000**	**145,740,000**	**1,183,845,000**	**5,264,641,401**	**6,594,226,401**	**8,005,667,352**	**14,796,768,753**

The annexed notes 1 to 46 form an integral part of these financial statements.

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Sapphire Fibres Limited (the Company) was incorporated in Pakistan on June 5, 1979 as a public limited company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. The Company is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhupura.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for available for sale investments & derivative financial instruments which have been marked to market and staff retirement benefit - gratuity which is stated at present value of defined benefit obligation.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest rupees unless otherwise specified.

2.4 New and amended standards and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to the following standards have been adopted by the Company for the first time for the financial year beginning on July 1, 2013:

(a) Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.

(b) IAS 19, 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Company's defined benefit plan. The Company has applied this standard retrospectively and its impact on the Company's financial statements has been explained in note 4.

2.4.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

these financial statements.

2.4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Company:

(a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect seven standards: IFRS 2, ‘Share-based payment’, IFRS 3, ‘Business Combinations’, IFRS 8, ‘Operating segments’, IFRS 13, ‘Fair value measurement’, IAS 16, ‘Property, plant and equipment’, IAS 24 'Related Party Disclosures' and IAS 38, ‘Intangible assets’. The Company does not expect to have material impact on its financial statements due to application of these amendments.

(b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Company's financial statements.

(c) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Company shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its financial statements.

(d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

(i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets [notes 3.1 and 3.3]

(ii) Classification and valuation of investments [note 3.4]

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(iii) Provision for obsolete and slow moving stores, spares and loose tools [note 3.5]

(iv) Net realisable values of stores, spare parts & loose tools and stock-in-trade [note 3.6]

(v) Provision for doubtful debts [note 3.7]

(vi) Provision for employees' retirement benefits [note 3.15]

(vii) Provision for taxation [note 3.16]

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These polices have been consistently applied to all the years presented, except as stated in note 4.

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 5.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Impairment

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

the resulting impairment charge is recognised in income currently.

3.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Company comprises of freehold land, leasehold land and buildings on leasehold land and is valued using the cost model i.e. at cost less accumulated depreciation and any impairment losses, if any.

Depreciation is calculated by applying reducing balance method at the rates stated in note 6. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged from the month in which the property is disposed off.

Cost of investment property is determined on the same basis as used for Company's owned assets.

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Cost of the intangible asset (i.e. computer softwares) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer softwares beyond its original specification and useful life are recognised as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognised as an expense as and when incurred.

Amortisation

Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method at rates stated in note 7. Amortisation on additions to intangible assets is charged from the date in which an asset is put to use and on disposal upto the date of disposal.

3.4 Investments

Classification of investment is made on the basis of intended purposes for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Regular purchases and sales of investments are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the investment. All investments are initially recognised at fair value plus transaction costs except for 'investments at fair value through profit or loss’. 'Investments at fair value through profit or loss’ are initially recognised at fair value and related transaction costs are charged to the profit and loss account.

(a) Investments at fair value through profit or loss

These are held for trading investment. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in profit or loss account.

(b) Held to maturity financial assets

Investments with fixed or determinable payments and fixed maturity in respect of which the Company

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

has positive intent and ability to hold till maturity. Held to maturity investments are measured at amortised cost using the effective interest rate method. There were no held to maturity investments as at the reporting date.

(c) Investments in Subsidiary and Associated Companies

Investments in Subsidiary and Associates are carried at cost less impairment, if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in profit and loss account.

(d) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

The Company uses latest stock exchange quotations to determine the fair value of its quoted investments.

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

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at lower of cost and net realisable value. The cost of inventory is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realisable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

Particulars	Mode of valuation
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date
Work-in-process	- cost of direct materials and appropriate manufacturing overheads
Finished goods	- lower of average cost and net realisable value
Waste	- net realisable value

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.7 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.8 Government grants

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 Company.

Government grant towards research and development activities is recognised in profit and loss account as deduction from the relevant expenses on matching basis.

3.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, bank balances, long term finances, long term security deposit, trade & other payables, accrued mark-up / interest and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Derivative financial instruments and hedging activities

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

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised 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

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

3.11 Offsetting of financial instruments

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 recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Impairment

(a) Financial assets

The Company assesses at end of each reporting date, 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 recognised in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit or loss account.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.13 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 comprise of cash-in-hand and balances with banks.

3.14 Borrowings

These are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings as interest expense.

3.15 Employees' retirement benefits

(a) Defined contribution plan

The Company operates a defined contribution plan through an approved provident fund (the Fund) for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the Fund.

(b) Defined benefit plan

The Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2014 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the balance sheet in

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

3.16 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income /equity in which case it is included in other comprehensive income / equity.

3.17 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

3.18 Provisions

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

3.19 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

– revenue from sale is recognised on delivery / despatch of goods to customers;

– export rebate is accounted for on accrual basis;

– dividend income from investments is recognised when the Company's right to receive dividend is established; and

– return on bank deposits are accounted for on time proportion basis.

3.21 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

3.22 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

3.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. 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.

4. CHANGE IN ACCOUNTING POLICY

IAS 19 (Revised) - 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for Company's defined benefit plans. The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "remeasurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (Revised), the Company's policy for 'Employees' retirement benefits - defined benefit plan' stands amended as follows:

The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been re-stated. The Company's financial statements are only affected by the remeasurements relating to prior years. The effects have been summarised below:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	As at June 30, 2013 Rupees	As at July 1, 2012 Rupees
Impact on Balance Sheet		
Increase / (decrease) in staff retirement benefits	11,878,557	(9,737,042)
(Decrease) / increase in deferred taxation	(423,256)	479,374
Decrease / (increase) in unappropriated profit	11,455,301	(9,257,668)

	For the year ended June 30, 2013 Rupees
Impact on Other Comprehensive Income	
Increase in remeasurement loss of staff retirement benefit obligation	(21,615,599)
Decrease in deferred tax charge relating to remeasurement of staff retirement benefit obligation:	
- origination of temporary difference	770,207
- Impact of change in tax rate	132,423
	902,630
Decrease in other comprehensive income - net of tax	(20,712,969)
Impact on Statement of Changes in Equity	
Decrease in unappropriated profit	11,455,301
Decrease in total comprehensive income	20,712,969

There is no impact on profit and loss account, earnings per share and cash flow statement due to application of IAS 19 (Revised).

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	5.1	**3,763,786,358**	3,271,220,504
Capital work-in-progress	5.4	**60,302,025**	286,558,736
		3,824,088,383	3,557,779,240

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

5.1 Operating fixed assets

	Freehold land	Leasehold land	Residential buildings and others on freehold land	Leased office improve-ments	Factory buildings on freehold land	Plant and machinery	Electric installations	Equipment: Fire fighting	Equipment: Office	Equipment: Mills	Equipment: Electric / gas	Computer hardware	Vehicles	Furniture and fixtures	Arms and ammuni-tion	Tools	Total
	Rupees																
At July 1, 2012																	
Cost	137,638,756	6,000,000	248,791,584	19,272,656	647,838,834	4,587,344,250	64,909,152	1,033,577	18,084,803	27,628,500	21,184,111	8,023,798	104,436,078	29,623,388	149,886	248,579	5,922,207,952
Accumulated depreciation	-	-	93,680,523	16,202,254	390,311,067	2,346,261,237	31,972,435	549,914	13,018,524	17,460,523	4,674,687	5,042,278	49,279,775	15,288,395	117,708	186,037	2,984,045,357
Net book value	137,638,756	6,000,000	155,111,061	3,070,402	257,527,767	2,241,083,013	32,936,717	483,663	5,066,279	10,167,977	16,509,424	2,981,520	55,156,303	14,334,993	32,178	62,542	2,938,162,595
Year ended June 30, 2013																	
Opening net book value	137,638,756	6,000,000	155,111,061	3,070,402	257,527,767	2,241,083,013	32,936,717	483,663	5,066,279	10,167,977	16,509,424	2,981,520	55,156,303	14,334,993	32,178	62,542	2,938,162,595
Additions	79,033,196	-	96,802,921	-	103,831,390	320,412,467	11,387,295	-	-	583,000	-	3,866,767	22,585,646	3,578,378	-	-	642,081,060
Disposals:																	
- cost	-	-	-	-	-	63,923,571	-	-	-	-	-	-	9,967,500	-	-	-	73,891,071
- accumulated depreciation	-	-	-	-	-	(56,345,610)	-	-	-	-	-	-	(7,976,608)	-	-	-	(64,322,218)
	-	-	-	-	-	7,577,961	-	-	-	-	-	-	1,990,892	-	-	-	9,568,853
Depreciation charge	-	-	11,232,166	614,081	30,191,816	235,319,694	3,427,334	48,366	506,628	1,025,755	1,650,942	1,144,794	12,592,678	1,690,572	3,218	6,254	299,454,298
Closing net book value	**216,671,952**	**6,000,000**	**240,681,816**	**2,456,321**	**331,167,341**	**2,318,597,825**	**40,896,678**	**435,297**	**4,559,651**	**9,725,222**	**14,858,482**	**5,703,493**	**63,158,379**	**16,222,799**	**28,960**	**56,288**	**3,271,220,504**
At June 30, 2013																	
Cost	216,671,952	6,000,000	345,594,505	19,272,656	751,670,224	4,843,833,146	76,296,447	1,033,577	18,084,803	28,211,500	21,184,111	11,890,565	117,054,224	33,201,766	149,886	248,579	6,490,397,941
Accumulated depreciation	-	-	104,912,689	16,816,335	420,502,883	2,525,235,321	35,399,769	598,280	13,525,152	18,486,278	6,325,629	6,187,072	53,895,845	16,978,967	120,926	192,291	3,219,177,437
Net book value	**216,671,952**	**6,000,000**	**240,681,816**	**2,456,321**	**331,167,341**	**2,318,597,825**	**40,896,678**	**435,297**	**4,559,651**	**9,725,222**	**14,858,482**	**5,703,493**	**63,158,379**	**16,222,799**	**28,960**	**56,288**	**3,271,220,504**
Year ended June 30, 2014																	
Opening net book value	216,671,952	6,000,000	240,681,816	2,456,321	331,167,341	2,318,597,825	40,896,678	435,297	4,559,651	9,725,222	14,858,482	5,703,493	63,158,379	16,222,799	28,960	56,288	3,271,220,504
Additions	58,377,375	-	207,642,599	-	84,702,868	399,971,382	75,020,875	-	-	234,475	-	893,934	11,807,120	1,050,163	-	-	839,700,791
Disposals:																	
- cost	-	-	-	-	-	28,115,069	-	-	-	-	-	-	3,410,400	-	-	-	31,525,469
- accumulated depreciation	-	-	-	-	-	(21,645,074)	-	-	-	-	-	-	(2,824,997)	-	-	-	(24,470,071)
	-	-	-	-	-	6,469,995	-	-	-	-	-	-	585,403	-	-	-	7,055,398
Depreciation charge	-	-	15,567,308	491,260	37,979,602	259,608,802	6,447,826	43,529	455,971	984,005	1,485,848	1,841,489	13,500,424	1,664,949	2,896	5,630	340,079,539
Closing net book value	**275,049,327**	**6,000,000**	**432,757,107**	**1,965,061**	**377,890,607**	**2,452,490,410**	**109,469,727**	**391,768**	**4,103,680**	**8,975,692**	**13,372,634**	**4,755,938**	**60,879,672**	**15,608,013**	**26,064**	**50,658**	**3,763,786,358**
At June 30, 2014																	
Cost	275,049,327	6,000,000	553,237,104	19,272,656	836,373,092	5,215,689,459	151,317,322	1,033,577	18,084,803	28,445,975	21,184,111	12,784,499	125,450,944	34,251,929	149,886	248,579	7,298,573,263
Accumulated depreciation	-	-	120,479,997	17,307,595	458,482,485	2,763,199,049	41,847,595	641,809	13,981,123	19,470,283	7,811,477	8,028,561	64,571,272	18,643,916	123,822	197,921	3,534,786,905
Net book value	**275,049,327**	**6,000,000**	**432,757,107**	**1,965,061**	**377,890,607**	**2,452,490,410**	**109,469,727**	**391,768**	**4,103,680**	**8,975,692**	**13,372,634**	**4,755,938**	**60,879,672**	**15,608,013**	**26,064**	**50,658**	**3,763,786,358**
Depreciation rate (% - per annum)			**5**	**20**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**30**	**20**	**10**	**10**	**10**	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

5.2 Depreciation charge has been allocated as follows:

	Note	2014 Rupees	2013 Rupees
Cost of goods manufactured	29.1	326,995,100	290,968,339
Administrative expenses	31	13,084,439	8,485,959
		340,079,539	299,454,298

5.3 The details of operating fixed assets disposed-off is as follows:

Particular of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Sold through negotiation to:
	-----	-----	Rupees	-----	-----	
Assets having net book value exceeding Rs.50,000 each						
Plant and machinery						
Ring frames with overhead cleaners	4,033,412	3,749,073	284,339	600,000	315,661	Sadiq Textile Mills (Private) Limited, Lahore.
Dust filter	1,060,672	1,006,948	53,724	55,000	1,276	Mr. Jahangir Arshad, Khan Colony, Lahore.
Blow room feeding machine	1,061,535	988,431	73,104	72,538	(566)	Mr. Muhammad Sarwar, Kharianwala, Sheikhupura.
Auto cone winder	3,291,037	2,273,814	1,017,223	1,200,000	182,777	Three Stars Hosiery Mills (Private) Limited, Karachi.
Carding machines	15,496,388	10,571,363	4,925,025	7,350,000	2,424,975	Reliance Cotton Spinning Mills Limited (an Associated Company)
	24,943,044	**18,589,629**	**6,353,415**	**9,277,538**	**2,924,123**	
Vehicles						
Daihatsu Cuore	479,000	363,635	115,365	300,000	184,635	Mr. Sajid Khan, Ichra, Lahore.
Daihatsu Cuore	474,000	368,382	105,618	280,000	174,382	Mr. Muhammad Farooq, Samanabad, Lahore.
Daihatsu Cuore	459,000	375,575	83,425	100,000	16,575	Mr. Tanveer Noor, Sabza Zar Colony, Nankana.
Honda City	880,500	716,772	163,728	575,000	411,272	Mr. Muhammad Naeem, Garden Town, Lahore.
Suzuki Cultus	560,000	505,695	54,305	310,000	255,695	Mr. Nasir Khan, Kot Lakhpat, Lahore.
	2,852,500	**2,330,059**	**522,441**	**1,565,000**	**1,042,559**	
Various assets having net book value upto Rs.50,000 each	3,729,925	3,550,383	179,542	613,900	434,358	
June 30, 2014	**31,525,469**	**24,470,071**	**7,055,398**	**11,456,438**	**4,401,040**	
June 30, 2013	73,891,071	64,322,218	9,568,853	12,395,000	2,826,147	

5.4 Capital work-in-progress

	2014 Rupees	2013 Rupees
Buildings	17,463,693	33,305,674
Plant and machinery	25,031,913	234,618,262
Furniture and fixtures	465,865	-
Advance payments against:		
- factory / office building	7,668,800	10,668,800
- plant and machinery	8,432,000	7,966,000
- computer hardware	200,754	-
- vehicles	1,039,000	-
	17,340,554	18,634,800
	60,302,025	286,558,736

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

6. INVESTMENT PROPERTY

	Freehold land	Leasehold land	Buildings on leasehold land	Total
	- - - - - - - - - - - - -	Rupees	- - - - - - - - - - - - -	
At July 1, 2012				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	7,206,043	7,206,043
Net book value	**31,750,000**	**121,160,317**	**12,793,937**	**165,704,254**
Year ended June 30, 2013				
Opening net book value	31,750,000	121,160,317	12,793,937	165,704,254
Depreciation charge	-	-	1,279,394	1,279,394
Closing net book value	**31,750,000**	**121,160,317**	**11,514,543**	**164,424,860**
At June 30, 2013				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	8,485,437	8,485,437
Net book value	**31,750,000**	**121,160,317**	**11,514,543**	**164,424,860**
Year ended June 30, 2014				
Opening net book value	31,750,000	121,160,317	11,514,543	164,424,860
Depreciation charge	-	-	1,151,454	1,151,454
Closing net book value	**31,750,000**	**121,160,317**	**10,363,089**	**163,273,406**
At June 30, 2014				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	9,636,891	9,636,891
Net book value	**31,750,000**	**121,160,317**	**10,363,089**	**163,273,406**
Depreciation rate (% per annum)			**10**	

6.1 Depreciation charge has been grouped under other expenses (note 33).

6.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.

6.3 Leasehold land and buildings on leasehold land represent the Company's share (50%) of jointly controlled leasehold land with buildings thereon located at Sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of the Company and Sapphire Textile Mills Limited (an Associated Company).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

7. INTANGIBLE ASSETS	Note	2014 Rupees	2013 Rupees
These represent computer software licenses.			
Net carrying value as at July 1,			
Opening net book value		**4,674,757**	6,540,461
Amortisation for the year		**(1,802,871)**	(1,865,704)
Net book value as at June 30,		**2,871,886**	4,674,757
Gross carrying value as at June 30,			
Cost		**19,378,754**	19,378,754
Accumulated amortisation		**16,506,868**	14,703,997
Net book value		**2,871,886**	4,674,757
Amortisation rate (% per annum)		**20**	20

8. LONG TERM INVESTMENTS	Note	2014 Rupees	2013 Rupees
Subsidiary Company - at cost	8.1	**3,015,204,020**	2,505,204,020
Associated Companies - at cost	8.2	**165,761,769**	121,154,269
Others - available for sale	8.3	**5,720,249,038**	4,193,939,557
		8,901,214,827	6,820,297,846

8.1 Subsidiary Company - unquoted

	Note	2014 Rupees	2013 Rupees
Sapphire Electric Company Limited (SECL)			
287,618,348 (2013: 250,520,402) ordinary shares of Rs.10 each	8.1.1	**3,015,204,020**	2,505,204,020

Equity held: 67.83% (2013: 59.08%)

Break-up value per share on the basis of un-audited financial statements Rs.15.53 (2013: Rs.16.10)

8.1.1 The Company has pledged 172,446,420 shares of SECL with a financial institution under Share Pledge Agreement dated April 16, 2007 and Working Capital Support Agreement dated August 13, 2010 as security against financing facilities advanced to SECL.

8.1.2 During the current year banks of the Company, on request, have cancelled irrevocable standby letters of credit and guarantee aggregating Rs.400 million and Rs.5 million respectively. The letter of credit was issued for equity injection in SECL in favour of syndicate lenders of SECL in accordance with Project Funds Agreement and the bank guarantee was issued as security against the Subsidiary Company's short term borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014 Rupees	2013 Rupees
8.2	**Associated Companies**		
	Quoted		
	Reliance Cotton Spinning Mills Limited		
	138,900 ordinary shares of Rs.10 each Equity held: 1.35% Fair value: Rs.12.070 million (2013: Rs.7.266 million)	**1,306,269**	1,306,269
	SFL Limited		
	10,199 ordinary shares of Rs.10 each Equity held: 0.051% Fair value: Rs.0.653 million (2013: Rs.0.424 million)	**100,000**	100,000
	Unquoted		
	Sapphire Power Generation Limited		
	2,824,500 (2013: 1,550,000) ordinary shares of Rs.10 each Equity held: 17.63% (2013: 16.54%) Break-up value per share on the basis of un-audited financial statements Rs.69.70 (2013: Rs.85.67)	**64,355,500**	19,748,000
	Sapphire Dairies (Private) Limited		
	10,000,000 ordinary shares of Rs.10 each Equity held: 9.52% Break-up value per share on the basis of un-audited financial statements Rs.9.94 (2013: Rs.10.15)	**100,000,000**	100,000,000
		165,761,769	121,154,269

8.2.1 The existence of significant influence by the Company is evidenced by the representation on the board of directors of abovementioned Associated Companies.

		2014 Rupees	2013 Rupees
8.3	**Others** - available for sale		
	Quoted		
	MCB Bank Limited		
	18,886,786 (2013: 17,169,807) ordinary shares of Rs.10 each - **cost**	**918,695,933**	918,695,933
	Adjustment arising from re-measurement to fair value	**4,772,837,027**	3,246,527,546
		5,691,532,960	4,165,223,479
	Unquoted		
	Novelty Enterprises (Private) Limited		
	2,351,995 (2013: 2,351,995) ordinary shares of Rs.10 each	**28,716,078**	28,716,078
		5,720,249,038	4,193,939,557

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

9. LONG TERM LOANS - Secured

	Note	2014 Rupees	2013 Rupees
Loans due from			
- executives	9.1 & 9.2	-	1,252,724
- other employees	9.3	587,000	893,160
		587,000	2,145,884
Less: recoverable within one year and grouped under current assets			
- executives		-	792,724
- other employees		394,000	412,620
		394,000	1,205,344
		193,000	940,540

9.1 Reconciliation of carrying amount of loans to executives:

	2014	2013
Balance at the beginning of the year	1,252,724	1,535,480
Add: disbursements	-	985,000
Less: repayments	1,252,724	1,267,756
Balance at the end of the year	-	1,252,724

9.2 The maximum amount outstanding at the end of any month during the year ended June 30, 2014 from executives aggregated to Rs.1.182 million (2013: Rs.1.816 million).

9.3 These represent interest free loans provided to executives and other employees as per terms of employment. These loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case. Loans are secured against employees' vested retirement benefits.

10. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2014 Rupees	2013 Rupees
Stores		83,551,675	58,079,682
Spare parts		70,124,067	75,285,688
Loose tools		377,967	136,307
Items in transit		27,037,442	16,168,283
		181,091,151	149,669,960
Less: provision for slow moving items	10.1	5,171,403	4,379,435
		175,919,748	145,290,525

10.1 Provision for slow moving items

	2014	2013
Balance at beginning of the year	4,379,435	4,466,643
Add: provision made during the year	836,955	118,092
Less: reversal made during the year	44,987	205,300
Balance at end of the year	5,171,403	4,379,435

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

11. STOCK-IN-TRADE

	Note	2014 Rupees	2013 Rupees
Raw materials:			
- at mills	11.1	**2,265,943,835**	2,658,458,768
- in transit		**134,809,526**	243,008,340
- at third party's premises	11.2	**28,469,855**	50,763,084
		2,429,223,216	2,952,230,192
Work-in-process		**211,059,838**	250,170,763
Finished goods:			
- at mills	11.3	**464,125,407**	331,212,735
- at third party's premises		**76,366,287**	62,393,763
		540,491,694	393,606,498
		3,180,774,748	3,596,007,453

11.1 Raw materials include items costing Rs.2,207.560 million stated at their replacement cost aggregating Rs.1,861.660 million. The amount charged to the profit and loss account in respect of raw materials written down to their replacement cost is Rs.345.900 million.

11.2 This stock is lying for processing and finishing.

11.3 Finished goods include items costing Rs.362.332 million (2013: Rs.109.817 million) stated at their net realisable value aggregating Rs.349.306 million (2013: Rs.101.694 million). The amount charged to the profit and loss account in respect of stocks written down to their realisable cost is Rs.13.026 million (2013: Rs.8.123 million).

12. TRADE DEBTS - Considered good

	Note	2014 Rupees	2013 Rupees
Unsecured			
- local		**261,551,018**	219,369,907
- indirect export		**153,838,520**	75,710,000
	12.1	**415,389,538**	295,079,907
Secured			
- export		**915,588,851**	953,386,545
- indirect export		**61,450,315**	47,035,362
		977,039,166	1,000,421,907
		1,392,428,704	1,295,501,814

12.1 These include the following amounts due from Associated Companies:

	2014	2013
Amer Cotton Mills (Private) Limited	**-**	7,809
Diamond Fabrics Limited	**16,036,601**	20,765,254
Reliance Cotton Spinning Mills Limited	**45,900,756**	12,119,717
Sapphire Textile Mills Limited	**25,351,248**	29,303,360
	87,288,605	62,196,140

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

12.2 The ageing of trade debts at June 30, is as follows:

	Associate Companies		Others	
	2014 Rupees	2013 Rupees	**2014 Rupees**	2013 Rupees
Not past due	**5,670,132**	1,985,637	**788,708,917**	892,014,706
Past due 1-30 days	**65,275,921**	59,099,452	**365,111,989**	222,939,917
Past due 31-60 days	**-**	847,801	**48,925,807**	14,722,130
Past due 61-90 days	**-**	199,773	**1,003,219**	16,517,224
Past due 91-365 days	**16,342,552**	63,477	**45,675,399**	30,217,386
Past due one year	**-**	-	**55,714,768**	56,894,311
	87,288,605	62,196,140	**1,305,140,099**	1,233,305,674

13. LOANS AND ADVANCES		2014	2013
- Considered good	**Note**	**Rupees**	Rupees
Current portion of long term loans to employees	**9**	**394,000**	1,205,344
Advances to:			
- suppliers		**20,638,780**	34,814,397
- employees		**3,289,800**	3,303,929
- others		**1,584,056**	330,224
		25,512,636	38,448,550
Letters of credit		**751,592**	921,755
		26,658,228	40,575,649

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	**5,000**	5,000
Margin deposits against letters of credit	**-**	6,907,200
Prepayments	**3,555,503**	2,837,100
	3,560,503	9,749,300

15. SHORT TERM INVESTMENTS

Available for sale	**15.1**	**1,547,340,779**	1,044,511,205
Advances for purchase of shares		**36,750,000**	-
		1,584,090,779	1,044,511,205

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

15.1 Available for sale investments - Quoted

2014 No. of shares / certificates	2013 No. of shares / certificates	Name of the investee company	Market value 2014	Market value 2013	Cost 2014	Cost 2013
			Rupees			
-	3,093	Aisha Steel Mills Limited	-	24,775	-	30,930
-	10,000	Al-Ghazi Tractors Limited	-	2,045,000	-	2,961,666
-	34,030	Arif Habib Corporation Limited	-	754,105	-	2,777,642
45,600	38,000	Attock Petroleum Limited	**26,896,248**	21,322,560	**12,153,848**	12,153,848
-	598,500	Bank Al-Falah Limited	-	10,904,670	-	10,413,077
1,480,000	741,889	Bank Al-Habib Limited	**66,570,400**	20,171,962	**43,129,249**	18,177,000
100,000	100,000	D G Khan Cement Company Limited	**8,796,000**	8,369,000	**5,657,066**	5,657,066
600,000	545,400	Engro Corporation Limited	**107,106,000**	66,467,898	**64,574,128**	54,962,390
57,040	-	Engro Fertilizers Limited	**3,259,836**	-	-	-
1,500,000	1,100,000	Fauji Cement Company Limited	**28,860,000**	14,619,000	**15,223,571**	9,401,406
6,200,000	6,198,500	Fatima Fertilizer Company Limited	**179,800,000**	153,908,755	**129,004,684**	128,964,161
2,000,000	1,932,452	Fauji Fertilizer Company Limited	**224,500,000**	207,603,318	**181,504,837**	173,716,701
200,000	-	Faysal Bank Limited	**3,230,000**	-	**2,891,767**	-
500	500	First Punjab Modaraba	**1,890**	1,125	**2,942**	2,942
186,500	-	Habib Sugar Mills Limited	**6,807,250**	-	**6,397,292**	-
10,500	10,500	Haji Muhammad Ismail Mills Limited	**35,070**	24,150	**126,000**	126,000
134	134	KASB Modaraba	**503**	536	-	-
78,500	78,500	Lucky Cement Limited	**32,208,550**	16,463,020	**10,889,646**	10,889,646
292,646	250,000	Meezan Balanced Fund	**3,906,823**	3,245,000	**2,500,000**	2,500,000
45,500	110,000	National Refinery Limited	**9,799,335**	26,463,800	**11,520,385**	27,851,542
1,302	1,302	NIB Bank Limited	**2,903**	3,021	**13,733**	13,733
100,000	75,000	Nishat Mills Limited	**11,192,000**	7,065,750	**9,115,972**	5,718,674
200,000	-	Nishat Power Limited	**7,116,000**	-	**6,784,169**	-
110,885	-	Pakistan Cash Management Fund	**5,544,229**	-	**5,500,000**	-
100,000	-	Packages Limited	**50,157,000**	-	**25,060,500**	-
700,000	650,000	Pakistan Oilfields Limited	**402,010,000**	323,290,500	**232,370,198**	210,021,584
800,000	450,000	Pakistan Petroleum Limited	**179,472,000**	95,211,000	**130,120,661**	77,397,317
330,000	150,000	Pakistan State Oil Company Limited	**128,320,500**	48,057,000	**77,881,389**	33,444,323
200,000	-	Pakistan Telecommunication Limited	**5,094,000**	-	**5,284,642**	-
300,000	-	Sui Southern Gas Company Limited	**10,998,000**	-	**7,628,541**	-
700,000	300,000	The Hub Power Company Limited	**41,118,000**	18,495,000	**44,250,530**	16,844,523
143	143	Trust Investment Bank Limited	**202**	260	**660**	660
26,000	-	The Searle Company Limited	**4,538,040**	-	**1,843,486**	-
			1,547,340,779	1,044,511,205	**1,031,429,896**	804,026,831
Add: Adjustment arising from re-measurement to fair value					**515,910,883**	240,484,374
Market value					**1,547,340,779**	1,044,511,205

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

16. OTHER RECEIVABLES	**Note**	**2014 Rupees**	2013 Rupees
Advance income tax		**294,194,390**	204,564,042
Export rebate		**33,595,661**	20,965,140
Due from Associated Companies			
- Amer Cotton Mills (Private) Limited		**-**	364,633
- Diamond Fabrics Limited		**939,913**	278,539
- Reliance Cotton Spinning Mills Limited		**308,248**	631,187
- Sapphire Finishing Mills Limited		**3,809,213**	190,288
- Sapphire Textile Mills Limited		**1,286,061**	-
- Sapphire Power Generation Limited		**444,969**	-
	16.1	**6,788,404**	1,464,647
Others		**-**	164,569
		334,578,455	227,158,398

16.1 Due from the Associated Companies has arisen due to sharing of expenses on account of combined offices.

17. TAX REFUNDS DUE FROM GOVERNMENT	**Note**	**2014 Rupees**	2013 Rupees
Sales tax		**141,206,679**	124,340,063
Income tax		**190,551,848**	109,723,968
Excise duty		**11,122,102**	11,921,559
Less: provision for old stuck-up refunds of excise duty		**(11,122,102)**	-
		331,758,527	245,985,590

18. CASH AND BANK BALANCES			
Cash-in-hand	**18.1**	**3,821,766**	8,333,114
Balances with banks on:			
- current accounts	**18.2**	**136,927,601**	75,842,854
- term deposit account (TDA)	**18.3**	**6,040,000**	6,040,000
- dividend account		**3,127,243**	2,939,865
		146,094,844	84,822,719
		149,916,610	93,155,833

18.1 Cash-in-hand includes Rs.0.170 million (2013: Rs.0.205 million) advanced to employees for various expenses.

18.2 These include foreign currency deposits amounting to US.$ 1,072,597 (2013: US.$ 346,272).

18.3 Effective rates of profit on TDA, during the year, ranged from 6.50% to 7.00% (2013: 5.00% to 8.25%) per annum. The maturity period of the TDA is one year from the date of original issue. This deposit is under bank's lien as security of bank guarantee issued on behalf of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
------- Numbers -------			Rupees	Rupees
11,775,000	11,775,000	Ordinary shares of Rs.10 each fully paid in cash	**117,750,000**	117,750,000
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**79,125,000**	79,125,000
19,687,500	19,687,500		**196,875,000**	196,875,000

19.1 10,191,196 (2013: 10,173,796) ordinary shares of Rs.10 each are held by Associated Companies as Companies as at year-end.

20. RESERVES

	Note	2014 Rupees	2013 Rupees
Capital reserve - share premium	**20.1**	**145,740,000**	145,740,000
General reserve		**1,183,845,000**	1,183,845,000
Unrealised gain on available for sale investments		**5,264,641,401**	3,482,291,086
		6,594,226,401	4,811,876,086

20.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.

21. LONG TERM FINANCES - Secured

	Note	2014 Rupees	2013 Rupees
From banking companies:			
- Allied Bank Limited	**21.1**	**150,000,000**	450,000,000
- NIB Bank Limited	**21.2**	**76,276,000**	54,581,000
		226,276,000	504,581,000
Less: current portion grouped under current liabilities		**160,904,749**	300,000,000
		65,371,251	204,581,000

21.1 The Company has arranged general purpose demand finance facility amounting Rs.1,500 million from Allied Bank Limited. This finance facility is repayable in 10 equal semi-annual instalments commenced from February 24, 2010 and ending on August 24, 2014. This finance facility carries mark-up at the rates ranging from 10.24% to 11.33% (2013: 10.50% to 13.03%) per annum and is secured against pari passu hypothecation charge of Rs.2,000 million over present and future fixed moveable assets of the Company.

21.2 The Company has arranged long term finance facilities amounting Rs.150 million from NIB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.76.276 million in four tranches of different amounts and each tranche is repayable in 12 equal semi-annual instalments commencing from September 2014. These finances carry mark-up at the rate of 9.40% (2013: 9.40%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

22. STAFF RETIREMENT BENEFIT - Gratuity

The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

		2014 Rupees	Re-stated 2013 Rupees
22.1	**Amount recognised in the balance sheet**		
	Net liability at the beginning of the year	**169,798,106**	131,457,117
	Charge to profit and loss account	**48,266,065**	44,435,041
	Remeasurement recognised in other comprehensive income	**26,530,765**	21,615,599
	Payments made during the year	**(33,597,243)**	(27,709,651)
	Net liability at the end of the year	**210,997,693**	169,798,106
22.2	**Movement in the present value of defined benefit obligation**		
	Balance at beginning of the year	**169,798,106**	131,457,117
	Current service cost	**32,201,119**	27,345,616
	Interest cost	**16,064,946**	17,089,425
	Benefits paid	**(33,597,243)**	(27,709,651)
	Remeasurements on obligation	**26,530,765**	21,615,599
	Balance at end of the year	**210,997,693**	169,798,106
22.3	**Expense recognised in profit and loss account**		
	Current service cost	**32,201,119**	27,345,616
	Interest cost	**16,064,946**	17,089,425
		48,266,065	44,435,041
22.4	**Remeasurements recognised in other comprehensive income**		
	Experience loss	**26,530,765**	21,615,599

		2014	2013
22.5	**Actuarial assumptions used**		
	Discount rate	**13.25%**	10.50%
	Expected rate of increase in future salaries	**12.25%**	9.50%
	Mortality rates (for death in service)	**SLIC (2001-05)**	EFU (61-66)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

22.6 Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarises how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions.

	Change in assump-tions	Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1.00%	197,269,667	226,773,374
Increase in future salaries	1.00%	227,342,798	196,513,480

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

22.7 Based on actuary's advice, the expected charge for the year ending June 30, 2015 amounts to Rs.64.410 million.

22.8 The weighted average duration of defined benefit obligation is 7 years.

22.9 Expected maturity analysis of undiscounted retirement benefit plan:

22.9 Expected maturity analysis of undiscounted retirement benefit plan:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	------------------- Rupees -------------------				
As at June 30, 2014	**40,744,331**	**65,089,171**	**90,178,654**	**3,226,592,472**	**3,422,604,628**

22.10 Historical information:

	2014	2013	2012	2011	2010
	-------------------- Rupees ------------------				
Present value of defined benefit obligation	**210,997,693**	169,798,106	131,457,117	117,869,526	102,876,589
Experience adjustment on obligation	**26,530,765**	21,615,599	(6,461,224)	(3,209,869)	(7,005,756)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

23. DEFERRED TAXATION - Net

	2014 Rupees	Re-stated 2013 Rupees
Credit balances arising in respect of:		
- accelerated tax depreciation allowance	**39,988,031**	39,736,740
- re-measurement of short term investments	**24,106,509**	4,720,834
	64,094,540	44,457,574
Debit balances arising in respect of:		
- staff retirement benefit - gratuity	**7,380,699**	6,050,245
- provision for slow moving items	**180,896**	156,050
	7,561,595	6,206,295
	56,532,945	38,251,279

23.1 The Company's income of the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001. However, deferred tax liability / (asset) is recognised as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

24. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Trade creditors	24.1	**315,906,847**	245,613,714
Bills payable	24.2	**96,171,393**	80,690,070
Advance payments		**105,327,790**	19,361,569
Accrued expenses	24.3	**381,426,597**	413,678,306
Sindh government infrastructure fee	24.4	**96,297,021**	84,450,642
Workers' profit participation fund	24.5	**80,682,780**	70,373,990
Workers' welfare fund	24.6	**119,039,502**	88,380,045
Unclaimed dividend		**3,168,788**	2,982,639
Others		**12,113,432**	6,402,399
		1,210,134,150	1,011,933,374

24.1 These include Rs.96.591 million (2013: Rs.45.113 million) which pertains to Associated Companies.

24.2 These are secured against import documents.

24.3 These include Rs.15.344 million (2013: Rs.16.862 million) which pertains to Associated Companies.

24.4 This provision has been recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has contested this issue in the Sindh High Court (the High Court). The Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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

As at June 30, 2014, the Company has provided bank guarantees aggregating Rs.71.950 million (2013: Rs.61.950 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favour.

		Note	2014 Rupees	2013 Rupees
24.5	**Workers' profit participation fund**			
	Balance at beginning of the year		**70,373,990**	50,760,654
	Add: interest on funds utilised in the Company's business		**12,146,744**	3,660,036
			82,520,734	54,420,690
	Less: payments made during the year		**82,520,734**	54,420,690
			-	-
	Add: allocation for the year		**80,682,780**	70,373,990
	Balance at end of the year		**80,682,780**	70,373,990
24.6	**Workers' welfare fund**			
	Balance at beginning of the year		**88,380,045**	61,637,929
	Add: charge for the year		**30,659,457**	26,742,116
	Balance at end of the year		**119,039,502**	88,380,045
25.	**ACCRUED MARK-UP / INTEREST**			
	Mark-up / interest accrued on:			
	- long term finances		**3,574,708**	5,898,788
	- short term borrowings		**54,967,999**	46,339,830
			58,542,707	52,238,618
26.	**SHORT TERM BORROWINGS**			
	Running / cash finances - secured	**26.1**	**3,321,350,876**	3,518,124,098
	Temporary bank overdraft - unsecured	**26.2**	**1,480,211**	458,583
			3,322,831,087	3,518,582,681

26.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.7,865 million (2013: Rs.8,561 million). These finance facilities, during the year, carried mark-up at the rates ranged from 8.70% to 11.83% (2013: 8.70% to 13.74%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.13,912 million (2013: Rs.15,180 million) over current and fixed assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in short term finances Rs.1,032 million (U.S.$ 10.451 million) [2013: Rs.Nil {U.S.$ Nil}] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.33% to 2.82% (2013: 1.47% to 2.25%) per annum.

Short term finance facilities available from various commercial banks under mark-up arrangements on Group basis aggregate to Rs.174 million (2013: Rs.174 million).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

Facilities available for opening letters of credit and guarantees aggregate to Rs.7,897 million (2013: Rs.8,007 million) out of which the amount remained unutilised at the year-end was Rs.6,761 million (2013: Rs.6,276 million). These facilities are secured against lien on shipping documents, hypothecation charge on current and fixed assets of the Company, cash margins and counter guarantee by the Company.

Facilities available for opening letters of credit and discounting of local & foreign bills from various commercial banks on Group basis aggregate to Rs.3,115 million (2013: Rs.2,615 million) and are secured against lien over export documents / bills, lien over import documents & commodities, lien over discrepant documents negotiated under letters of credits / contracts and trust receipts.

Abovementioned facilities are expiring on various dates upto June 30, 2015.

26.2 This represents book overdraft balance due to unpresented cheques.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.199.750 million (2013: Rs.161.614 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

27.1.2 Claims not acknowledged as debt

During the year it was discovered that there were unauthorised withdrawals of funds from one of the Company's bank accounts using forged signatures on cheques from cheque books issued by the Bank's staff without the Company's authority. On becoming aware of the matter, FIR has been lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believes that the Company does not have any liability whatsoever in respect of such net unauthorised withdrawals of funds accumulating to Rs.33.157 million inclusive of mark-up and other charges.

Furthermore the Company has filed a suit on March 21, 2014 in the honourable Sindh High Court, which has granted a stay order on April 08, 2014 in favour of the Company whereby the bank has been restrained from placing the Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Company.

	Note	2014 Rupees	2013 Rupees
27.2 Commitments			
Commitments in respect of :			
- letters of credit for capital expenditure		**16,093,704**	102,079,920
- letters of credit for purchase of raw materials and stores, spare parts & chemicals		**175,253,535**	96,846,515
- capital expenditure other than letters of credit		**12,788,386**	42,300,000
- foreign bills discounted		**996,888,621**	1,112,467,785

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
28.	**SALES** - Net			
	Export sales:			
	Yarn	28.1	9,379,706,138	9,976,461,740
	Fabric		223,089,630	284,186,569
	Garments		2,552,434,895	1,576,541,258
	Waste	28.2	301,786,056	314,009,438
			12,457,016,719	12,151,199,005
	Local sales:			
	Yarn		2,114,971,525	1,481,397,604
	Fabric		13,613,333	14,694,779
	Garments		20,663,497	15,661,839
	Raw materials		113,220,710	26,513,983
	Waste	28.2	178,898,160	155,556,077
	Others		4,520,921	1,504,512
			2,445,888,146	1,695,328,794
			14,902,904,865	13,846,527,799
	Export rebate		25,365,751	23,714,362
	Processing services		65,660,731	51,732,755
			14,993,931,347	13,921,974,916
	Less: sales tax		88,321,763	29,686,150
			14,905,609,584	13,892,288,766

28.1 This includes indirect export of Rs.1,808.405 million (2013: Rs.1,861.362 million).

28.2 Waste sales include sale of comber noil.

28.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.24.178 million (2013: Rs.34.820 million) has been included in export sales.

		Note	2014 Rupees	2013 Rupees
29.	**COST OF SALES**			
	Finished goods at beginning of the year		393,606,498	346,787,722
	Cost of goods manufactured	29.1	13,388,836,424	11,638,822,876
	Cost of raw materials sold		99,720,018	26,040,213
			13,488,556,442	11,664,863,089
			13,882,162,940	12,011,650,811
	Finished goods at end of the year		(540,491,694)	(393,606,498)
			13,341,671,246	11,618,044,313

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
29.1	**Cost of goods manufactured**			
	Work-in-process at beginning of the year		**250,170,763**	196,702,362
	Raw materials consumed	**29.2**	**9,375,918,414**	8,480,349,151
	Salaries, wages and benefits	**29.3**	**822,928,510**	731,602,038
	Packing stores consumed		**235,917,707**	218,592,148
	General stores consumed		**230,247,065**	218,756,666
	Dyes and chemicals consumed		**267,628,978**	174,039,316
	Processing charges		**573,027,423**	343,449,617
	Depreciation	**5.2**	**326,995,100**	290,968,339
	Fuel and power		**1,356,232,029**	1,099,532,632
	Repair and maintenance		**45,773,200**	49,771,154
	Insurance		**43,390,125**	40,134,747
	Vehicles' running		**16,713,574**	14,321,953
	Travelling and conveyance		**14,525,679**	10,467,948
	Printing and stationery		**4,067,709**	3,196,599
	Legal and professional charges		**25,289,646**	3,977,341
	Fee and subscription		**2,821,337**	3,292,968
	Entertainment		**5,315,020**	4,297,064
	Telephone		**2,073,118**	1,945,925
	Postage		**244,939**	545,631
	Rent, rates and taxes		**615,926**	3,050,040
			13,599,896,262	11,888,993,639
	Work-in-process at end of the year		**(211,059,838)**	(250,170,763)
			13,388,836,424	11,638,822,876
29.2	**Raw materials consumed**			
	Stocks at beginning of the year		**2,709,221,852**	1,713,910,543
	Purchases		**8,961,110,252**	9,475,660,460
			11,670,332,104	11,189,571,003
	Stocks at end of the year		**(2,294,413,690)**	(2,709,221,852)
			9,375,918,414	8,480,349,151

29.3 Salaries, wages and benefits include Rs.48.266 million (2013: Rs.44.435 million) in respect of staff retirement benefit - gratuity.

NOTES TO THE FINANCIAL STATEMENTS
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30. DISTRIBUTION COST

	Note	2014 Rupees	2013 Rupees
Salaries and other benefits	30.1	21,982,314	20,706,640
Travelling, conveyance and entertainment		12,113,992	11,567,795
Vehicles' running		2,698,783	2,484,864
Telephone		785,192	852,477
Postage		1,705,302	1,967,183
Printing and stationery		856,931	794,157
Sample expenses		2,673,294	3,437,493
Commission:			
- local		4,911,763	3,948,984
- export		168,090,890	180,783,048
		173,002,653	184,732,032
Freight and forwarding:			
- local		6,432,215	6,907,450
- export		253,021,629	283,041,418
		259,453,844	289,948,868
Export development surcharge		26,769,789	24,048,855
Other export expenses		21,293,806	24,554,204
		523,335,900	565,094,568

30.1 Salaries and other benefits include Rs.0.790 million (2013: Rs.0.857 million) in respect of contribution to staff provident fund.

31. ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees
Directors' remuneration		23,388,244	21,331,201
Salaries and other benefits	31.1	83,700,721	76,558,078
Telephone		3,069,700	1,293,546
Postage		428,487	438,909
Fee and subscription		6,842,543	4,154,553
Legal and professional charges		12,060,675	4,348,694
Entertainment		2,274,606	1,777,188
Travelling and conveyance		6,385,280	4,050,718
Printing and stationery		3,482,942	3,098,859
Rent, rates and taxes		3,952,023	3,628,967
Advertisement		585,636	238,530
Electricity, gas and water		6,503,972	5,247,845
Repair and maintenance		5,443,119	3,169,855
Vehicles' running		9,122,215	8,311,338
Charity and donations	31.2	28,073,751	22,424,762
Insurance		3,166,387	3,934,412
Depreciation	5.2	13,084,439	8,485,959
Amortisation	7	1,802,871	1,865,704
		213,367,611	174,359,118

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

31.1 Salaries and other benefits include Rs.2.965 million (2013: Rs.2.819 million) in respect of contribution to staff provident fund.

31.2 Donations include the following in which directors are interested:

- Donation of Rs.18.880 million (2013: Rs.16.410 million) charged in these financial statements is paid to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Muhammad Abdullah, Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Muhammad Yamin have common directorship in both Companies.

- Donation of Rs.0.550 million (2013: Rs.0.650 million) charged in these financial statements is paid to Jamal-Ud-Din Fatima Charitable trust, 149 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi (a trust). Mr. Muhammad Abdullah, Mr. Shahid Abdullah and Mr. Nadeem Abdullah, directors of the Company are trustees of the trust.

32. OTHER INCOME

	Note	2014 Rupees	2013 Rupees
Income from financial assets			
Dividend income		**1,201,625,208**	303,451,929
Interest income		**390,200**	432,812
Gain on sale of short term investments		**-**	8,113,326
Exchange gain (including gain on forward contracts) - net		**18,220,000**	27,823
		1,220,235,408	312,025,890
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	5.3	**4,401,040**	2,826,147
Gain on sale of store and spares		**48,035**	91,288
Rental income from investment property		**14,832,720**	13,734,000
Scrap sales [Net of sales tax aggregating Rs.4.084 million (2013: Rs.3.093 million)]		**23,045,523**	19,570,257
		42,327,318	36,221,692
		1,262,562,726	348,247,582

33. OTHER EXPENSES

	Note	2014 Rupees	2013 Rupees
Depreciation of investment property	6	**1,151,454**	1,279,394
Workers' profit participation fund	24.5	**80,682,780**	70,373,990
Workers' welfare fund	24.6	**30,659,457**	26,742,116
Auditors' remuneration	33.1	**1,647,000**	1,526,000
Loss on sale of short term investments		**3,788,337**	-
Sales tax paid under amnesty scheme		**-**	5,053,499
Provision for old stuck-up refunds of excise duty		**11,122,102**	-
Others		**-**	1,714,454
		129,051,130	106,689,453

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
33.1	**Auditors' remuneration**			
	Fee for:			
	Annual audit		**1,331,000**	1,210,000
	Half yearly review		**200,000**	200,000
	Review of Code of Corporate Governance		**62,000**	62,000
	Audit of retirement funds		**20,000**	20,000
	Out-of-pocket expenses		**34,000**	34,000
			1,647,000	1,526,000
34.	**FINANCE COST**			
	Mark-up / interest on long term finances		**34,748,890**	69,550,296
	Mark-up / interest on short term borrowings		**396,603,025**	324,871,276
	Exchange (gain) / loss on foreign currency loans		**(40,895,687)**	2,685,431
			355,707,338	327,556,707
	Interest on workers' profit participation fund	**24.5**	**12,146,744**	3,660,036
	Bank and other financial charges		**59,618,515**	57,104,943
			462,221,487	457,871,982
35.	**TAXATION**			
	Current			
	Current tax on profit for the year	**35.1**	**214,966,754**	142,958,643
	Adjustments in respect of prior years		**(29,484,938)**	863,384
			185,481,816	143,822,027
	Deferred			
	Origination and reversal of temporary differences		**(1,174,602)**	(13,154,367)
	Impact of change in tax rate		**998,639**	(1,385,531)
			(175,963)	(14,539,898)
			185,305,853	129,282,129

35.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 and current year's provision is made accordingly.

35.2 Income tax assessments of the Company have been completed upto the Tax Year 2013; the return for the said year has not been taken-up for audit till June 30, 2014.

35.3 Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		2014 Rupees	2013 Rupees
36.	**EARNINGS PER SHARE**		
36.1.	**Basic earnings per share**		
	Net profit for the year	**1,313,219,083**	1,189,194,785
		------ Number of shares -------	
	Weighted average ordinary shares in issues	**19,687,500**	19,687,500
		------------- Rupees -------------	
	Earnings per share	**66.70**	60.40

36.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2014 and June 30, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

37.	**CASH GENERATED FROM OPERATIONS**	Note	2014 Rupees	2013 Rupees
	Profit before taxation		**1,498,524,936**	1,318,476,914
	Adjustments for non-cash charges and other items:			
	Depreciation		**340,079,539**	299,454,298
	Depreciation of investment property		**1,151,454**	1,279,394
	Amortisation		**1,802,871**	1,865,704
	Staff retirement benefit - gratuity		**48,266,065**	44,435,041
	Provision / (reversal) for slow moving items		**791,968**	(87,208)
	Dividend and interest income		**(1,202,015,408)**	(303,884,741)
	Gain on sale of stores and spares		**(48,035)**	(91,288)
	Gain on disposal of operating fixed assets		**(4,401,040)**	(2,826,147)
	Exchange gain - net		**(18,220,000)**	(27,823)
	Provision for workers' profit participation fund		**80,682,780**	70,373,990
	Provision for workers' welfare fund		**30,659,457**	26,742,116
	Loss / (gain) on sale of short term investments		**3,788,337**	(8,113,326)
	Provision for old stuck-up refunds of excise duty		**11,122,102**	-
	Finance cost		**462,221,487**	457,871,982
	Working capital changes	37.1	**429,006,498**	(1,502,902,787)
			1,683,413,011	402,566,119

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014 Rupees	2013 Rupees
37.1	**Working capital changes**		
	(Increase) / decrease in current assets:		
	Stores, spare parts and loose tools	**(32,595,047)**	(2,831,373)
	Stock-in-trade	**415,232,705**	(1,084,108,731)
	Trade debts	**(96,926,890)**	(409,048,389)
	Loans and advances	**13,917,421**	(28,299,699)
	Deposits, other receivables and sales tax	**(27,668,071)**	(58,064,142)
		271,960,118	(1,582,352,334)
	Increase in trade and other payables	**157,046,380**	79,449,547
		429,006,498	(1,502,902,787)

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2014	2013	**2014**	2013	**2014**	2013
	Rupees					
Managerial remuneration	**8,000,400**	6,833,500	**6,590,417**	6,386,402	**55,765,211**	46,336,200
Contribution to provident fund trust	**-**	-	**-**	31,298	**2,650,369**	2,135,934
House rent and utilities	**3,999,600**	3,416,500	**3,275,883**	3,175,398	**28,842,577**	24,011,492
Medical	**-**	-	**51,807**	47,728	**1,551,051**	1,352,687
Leave encashment / bonus	**-**	-	**662,279**	612,515	**12,771,306**	10,975,459
Other benefits	**-**	-	**807,858**	827,860	**9,632,460**	10,771,616
	12,000,000	10,250,000	**11,388,244**	11,081,201	**111,212,974**	95,583,388
Number of persons	**1**	1	**2**	2	**52**	45

38.1 Certain executives are provided with Company maintained vehicles.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Subsidiary Company, Associated Companies, directors of the Company, key management personnel and staff retirement funds. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 38. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

	Relationship with the Company	Nature of transactions	2014 Rupees	2013 Rupees
(i)	Subsidiary	Commission of letters of credit reimbursed	-	6,150,000
		Dividend received	862,855,044	-
(ii)	Associates	Sales:		
		- raw material / yarn / fabric / stores	818,262,809	609,382,389
		- assets	7,350,000	575,000
		Purchases:		
		- raw material / yarn / fabric / stores	471,314,251	570,305,178
		- electricity	216,609,553	275,937,543
		- assets	8,000,000	103,365,375
		Share deposit money paid	-	60,000,000
		Shares purchased	44,607,500	100,000,000
		Services:		
		- rendered	50,579,860	31,755,302
		- obtained	8,701,235	5,413,282
		Expenses charged by	13,795,264	12,313,001
		Expenses charged to	7,904,408	3,310,993
		Dividend:		
		- received	324,256	198,626
		- paid	50,763,515	119,286,861
(iii)	Other	Contribution towards provident fund	3,754,467	3,675,568

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

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

- credit risk;

- liquidity risk; and

- market risk (including currency risk, interest rate risk and other price 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.

The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimises earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk aggregated to Rs.8,841.118 million (2013: Rs.6,641.240 million) as at June 30, 2014. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2013: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2014 Rupees	2013 Rupees
Long term investments	**5,720,249,038**	4,193,939,557
Long term deposits	**27,822,285**	19,630,265
Trade debts	**1,392,428,704**	1,295,501,814
Loans and advances	**394,000**	1,205,344
Short term investments	**1,547,340,779**	1,044,511,205
Other receivables	**6,788,404**	1,629,216
Bank balances	**146,094,844**	84,822,719
	8,841,118,054	6,641,240,120

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

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

	2014 Rupees	2013 Rupees
Domestic	**476,839,853**	342,115,269
Export	**915,588,851**	953,386,545
	1,392,428,704	1,295,501,814

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014 Rupees	2013 Rupees
Yarn	**1,017,290,718**	1,077,644,446
Fabric	**31,050,752**	23,354,629
Garments	**275,640,062**	160,311,732
Processing services	**3,206,667**	4,224,601
Waste	**17,181,529**	17,880,493
Other	**48,058,976**	12,085,913
	1,392,428,704	1,295,501,814

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.1,129 million have been realised subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of the Company's bank balances can be assessed with reference to the external credit ratings as follows:

	Rating		
Name of Bank	**short term**	**long term**	**agency**
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Meezan Bank Limited	A-1+	AA	JCR-VIS
United Bank Limited	A-1+	AA+	JCR-VIS
Bank Alfalah Limited	A1+	AA	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A2	Moody's
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Dubai Islamic Bank Pakistan Limited	A-1	A+1	JCR-VIS
Askari Bank Limited	A1+	AA	PACRA
Deutsche Bank AG	P-1	A-3	Moody's
NIB Bank Limited	A1+	AA-	PACRA

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	-----------------------	-----------------------	Rupees	-----------------------	-----------------------
June 30, 2014					
Long term finances	**226,276,000**	**253,455,918**	**168,230,971**	**83,402,600**	**1,822,347**
Long term security deposit	**2,100,000**	**2,100,000**	**-**	**-**	**2,100,000**
Trade and other payables	**808,787,057**	**808,787,057**	**808,787,057**	**-**	**-**
Accrued mark-up / interest	**58,542,707**	**58,542,707**	**58,542,707**	**-**	**-**
Short term borrowings	**3,321,350,876**	**3,450,739,835**	**3,450,739,835**	**-**	**-**
	4,417,056,640	**4,573,625,517**	**4,486,300,570**	**83,402,600**	**3,922,347**

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	-----------------------	-----------------------	Rupees	-----------------------	-----------------------
June 30, 2013					
Long term finances	504,581,000	525,267,081	333,939,614	191,327,467	-
Long term security deposit	2,100,000	-	-	-	2,100,000
Trade and other payables	749,367,128	749,367,128	749,367,128	-	-
Accrued mark-up / interest	52,238,618	52,238,618	52,238,618	-	-
Short term borrowings	3,518,124,098	3,633,021,829	3,633,021,829	-	-
	4,826,410,844	4,959,894,656	4,768,567,189	191,327,467	2,100,000

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

(c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

(d) **Currency risk**

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP). The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP) is as follows:

June 30, 2014	**Rupees**	**U.S.$**	**Euro**	**CHF**	**Yen**	**GBP**
Bills payables	**96,171,393**	**947,955**	**19,007**	**-**	**-**	**-**
Advance payments	**98,467,291**	**997,137**	**-**	**-**	**-**	**-**
	194,638,684	**1,945,092**	**19,007**	**-**	**-**	**-**
Trade debts	**(915,588,851)**	**(9,070,121)**	**(137,358)**	**-**	**-**	**(19,424)**
Bank balances	**(105,704,481)**	**(1,072,597)**	**-**	**-**	**-**	**-**
Net balance sheet exposure	**(826,654,648)**	**(8,197,626)**	**(118,351)**	**-**	**-**	**(19,424)**
Outstanding letters of credit	**191,347,239**	**1,661,630**	**136,266**	**64,057**	**1,850,000**	**-**
	(635,307,409)	**(6,535,996)**	**17,915**	**64,057**	**1,850,000**	**(19,424)**
June 30, 2013	Rupees	U.S.$	Euro	CHF	Yen	GBP
Bills payables	80,690,070	258,713	160,600	45,000	29,700,000	-
Advance payments	15,517,807	156,746	-	-	-	-
	96,207,877	415,459	160,600	45,000	29,700,000	-
Trade debts	(953,386,545)	(9,295,703)	(285,838)	-	-	-
Bank balances	(34,142,446)	(346,272)	-	-	-	-
Net balance sheet exposure	(891,321,114)	(9,226,516)	(125,238)	45,000	29,700,000	-
Outstanding letters of credit	198,926,435	930,586	106,958	889,841	-	-
	(692,394,679)	(8,295,930)	(18,280)	934,841	29,700,000	-

The following significant exchange rates have been applied:

	Average rate		**Reporting date rate**	
	2014	2013	**2014**	2013
U.S. Dollar to Rupee	**102.41**	96.44	**98.75 / 98.55**	98.80 / 98.60
Euro to Rupee	**139.90**	125.35	**134.73 / 134.46**	129.11 / 128.85
Swiss Frank to Rupee	**115.12**	101.81	**110.82**	104.71
Japanese Yen to Rupee	**1.0000**	1.1100	**0.9748**	0.9994
Great Britain Pound to Rupee	**171.17**	-	**167.79**	-

NOTES TO THE FINANCIAL STATEMENTS
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As at June 30, 2014, if Rupee had strengthened by 10% against US Dollar, Euro, Swiss Frank, Japanese Yen and Great British Pounds with all other variables held constant, profit for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2014 Rupees	2013 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	**(80,787,604)**	(90,973,452)
Euro to Rupee	**(1,591,348)**	(1,613,694)
Swiss Frank to Rupee	**-**	471,195
Japanese Yen to Rupee	**-**	2,968,218
Great Britain Pound to Rupee	**(325,915)**	-
	(82,378,952)	(89,147,733)

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

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and deposits with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2014	2013	2014	2013
	- - - Effective rate - - -		- - - Carrying amount - - -	
	%	%	Rupees	Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	**6.50 to 7.00**	5.00 to 8.25	**6,040,000**	6,040,000
Financial liabilities				
Long term finances	**9.40**	9.40	**76,276,000**	54,581,000
Variable rate instruments				
Financial liabilities				
Long term finances	**10.24 to 11.33**	10.50 to 13.03	**150,000,000**	450,000,000
Short term borrowings	**1.33 to 11.83**	1.47 to 13.74	**3,321,350,876**	3,518,124,098

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

As at June 30, 2014, if the interest rate on the Company's borrowings had been higher / (lower) by 1% with all other variables held constant, profit before tax for the year would have been (lower) / higher by Rs.34.714 million (2013: Rs.39.681 million) mainly as a result of higher / (lower) interest expense.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

Other price risk

Other price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arsing from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Company's investments in ordinary shares and certificates of listed companies aggregating to Rs.7,238.874 million (2013: Rs.5,209.735 million) are exposed to price risk due to changes in market price.

As at June 30, 2014, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs.723.887 million (2013: Rs.520.973 million).

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

40.2 Fair value estimation

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

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

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.7,238.874 million (2013: Rs.5,209.735 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

40.3 Capital risk management

The Company's objective when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximise return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the balance sheet) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2014 Rupees	Re-stated 2013 Rupees
Total borrowings	**3,547,626,876**	4,022,705,098
Less: cash and bank balances	**149,916,610**	93,155,833
Net debt	**3,397,710,266**	3,929,549,265
Total equity	**14,796,768,753**	11,825,239,574
Total capital	**18,194,479,019**	15,754,788,839
Gearing ratio	**19%**	25%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

			2014	2013
41.	**CAPACITY AND PRODUCTION**			
41.1	**Spinning units**			
	Number of spindles installed		**101,136**	100,032
	Number of spindles worked		**97,939**	98,433
	Number of shifts worked per day		**3**	3
	Total number of days worked		**365**	365
	Installed capacity after conversion into 20's count	**Lbs.**	**65,528,128**	65,464,422
	Actual production after conversion into 20's count	**Lbs.**	**56,444,268**	56,735,263

41.1.1 Actual production varies due to maintenance / shut down and change in count pattern.

			2014	2013
41.2	**Dyeing**			
	Yarn / Fibre Dyeing Unit			
	Total number of days worked		**297**	232
	Installed capacity	**Lbs.**	**8,002,407**	8,002,407
	Actual production	**Lbs.**	**2,983,733**	3,212,205
	Fabric Dyeing Unit			
	Total number of days worked		**364**	342
	Installed capacity	**Lbs.**	**13,171,579**	13,171,579
	Actual production	**Lbs.**	**8,260,786**	6,666,079

41.2.1 Low production is due to less market demand.

			2014	2013
41.3	**Knitting unit**			
	Total number of days worked		**350**	363
	Installed capacity	**Lbs.**	**15,658,951**	15,658,951
	Actual production	**Lbs.**	**7,854,164**	7,058,983

41.3.1 Low production is due to less market demand.

41.4	**Stitching unit**			
	Installed capacity	**Pcs.**	**1,967,000**	1,967,000
	Actual production	**Pcs.**	**-**	-

41.4.1 Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.

		2014	2013
42.	**NUMBER OF EMPLOYEES**		
	Total number of employees as at June 30,	**3,322**	3,146
	Average number of employees during the year	**3,297**	3,065

43. **PROVIDENT FUND RELATED DISCLOSURE**

43.1 The following information is based on un-audited financial statements of the Fund for the year ended

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

	2014 Rupees	2013 Rupees
Size of the Fund - Total Assets	**33,155,779**	32,827,700
Cost of investments made	**31,005,983**	31,858,451
Percentage of investments made	**93.52%**	97.05%
Fair value of investments made	**32,413,779**	32,827,700

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

	2014	2013	2014	2013
	--- Percentage ---		Rupees	Rupees
Special account in a scheduled bank	**5.80**	2.51	**1,879,581**	825,542
Government securities	**90.43**	94.07	**29,312,923**	30,881,323
Term deposit receipts	**3.77**	3.41	**1,221,275**	1,120,835
	100	100	**32,413,779**	32,827,700

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

44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Parent Company, in their meeting held on October 02, 2014, has proposed a final cash dividend of Rs.12.5 (2013: Rs.5) per share amounting to Rs.246.094 million (2013: Rs.98.438 million) for the year ended June 30, 2014. This appropriation will be approved by the members of the Parent Company in the forthcoming Annual General Meeting to be held on October 24, 2014. These consolidation financial statements do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending June 30, 2015.

45. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on October 02, 2014 by the Board of Directors of the Parent Company.

46. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS 19 (Revised), as more fully explained in note 4. For the purpose of better presentation following corresponding figures have also been re-arranged / re-classified:

Re-classification from component:	Re-classification to component:	Note	Rupees
Profit and loss account			
Other expenses	Other income	32	27,823
	Finance cost	34	2,685,431

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2013

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
338	1	100	7,602
224	101	500	61,107
160	501	1000	111,500
134	1001	5000	285,323
30	5001	10000	212,608
9	10001	15000	118,296
3	15001	20000	56,510
2	20001	25000	43,143
3	25001	30000	83,903
2	30001	35000	64,008
2	35001	40000	74,078
1	40001	45000	43,000
1	45001	50000	50,000
1	70001	75000	71,465
1	85001	90000	88,031
1	100001	105000	104,626
1	110001	115000	112,500
1	115001	120000	116,450
1	120001	125000	121,300
1	165001	170000	168,697
1	215001	220000	215,700
1	220001	225000	225,000
1	225001	230000	225,899
1	235001	240000	238,218
1	315001	320000	319,162
1	325001	330000	327,937
1	335001	340000	338,176
1	365001	370000	367,656
1	470001	475000	472,384
1	490001	495000	492,500
1	500001	505000	501,086
1	525001	530000	526,893
1	570001	575000	570,751
1	585001	590000	587,306
1	605001	610000	607,498
1	625001	630000	629,502
1	725001	730000	725,667
1	765001	770000	769,537
1	770001	775000	774,197
1	1210001	1215000	1,212,877
1	1220001	1225000	1,221,225
1	1685001	1690000	1,687,320
1	1710001	1715000	1,714,619
1	2940001	2945000	2,942,243
940			19,687,500

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2013

CATEGORY OF SHAREHOLDERS	Shares Held	Percentage
Directors, CEO, spouses minor.Children	7,457,168	37.8777
Associated Companies, undertaking, related parties	10,190,096	51.7592
Banks, DFI & NBFI	1,381	0.0070
Insurance Companies	399,518	2.0293
Modaraba & Mutual Fund	656,565	3.3349
General Public (Local)	830,073	4.2162
General Public (Foreign)	11,343	0.0576
Others	93,356	0.4742
Foreign Companies	48,000	0.2438
	19,687,500	100.0000

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2013

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Sapphire Textile Mills Limited.	145
Neelum Textile Mills Limited.	1705377
Sapphire Agencies (Pvt) Ltd.	2258468
Crystal Enterprises (Private) Limited	5410
Sapphire Power Generation Limited	450676
Salman Ismail (SMC-Private) Limited	22193
Reliance Cotton Spinning Mills Limited	393697
Sapphire Holding Limited	2942243
Amer Tex (Pvt.) Limited	2412987

B) NIT & ICP

National Bank of Pakistan Trustee Department	0

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

DIRECTORS & THEIR SPOUSES

Mr. Mohammad Abdullah.	88031
Mrs. Shamshad Begum	857088
Mr. Nadeem Abdullah.	536586
Mr. Amer Abdullah.	726760
Mr. Yousuf Abdullah.	1540387
Mrs. Usma Yousuf	114114
Mrs. Noshaba Nadeem.	985237
Mrs. Ambareen Amer	898688
Mr. Mohammad Yamin.	703
Mr. Naveed-ul-Islam	2250

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shahid Abdullah.	406234
Mrs. Shireen Shahid.	1301090

D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS

BANKS, DFI & NBFI

National Bank of Paksitan	1300
National Bank of Paksitan	81

INSURANCE COMPANIES

State Life Insurance Corporation of Pakistan	238218
EFU General Insurance Limited	30000
EFU Life Insurance Limited	121300
Asia Insurance Company Limited	10000

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2013

MODARABAS & MUTUAL FUNDS

Modaraba-Al-Mali	112
Golden Arrow Selected Stock Funds Limited	47
CDC-Trustee Faysal Balanced Growth Fund	27700
CDC-Trustee Faysal Asset Allocation Fund	32800
CDC-Trustee First Habib Stock Fund	8600
CDC-Trustee National Investment (Unit) Trust	587306

E) SHAREHOLDERS HOLDING 5% OR MORE

Neelum Textile Mills Limited.	1705377
Sapphire Agencies (Pvt) Ltd.	2258468
Amer Tex (Pvt.) Limited	2412987
Sapphire Holding Limited	2942243
Mr. Yousuf Abdullah.	1540387
Mrs. Shireen Shahid.	1301090
Mrs. Noshaba Nadeem	985237

F) TRADING IN SHARE OF THE COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.

Mrs. Shamshad Begum	37500
Mr. Yousuf Abdullah	112100
Mrs. Usma Yousuf	11500
Mrs. Noshaba Nadeem	125100
Mrs. Ambareen Amer	125600
Mrs. Shireen Shahid	124070

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DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiary Sapphire Electric Company Limited for the year ended 30 June, 2014. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 67.83% shares of SECL as on 30 June, 2014.

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

For and on behalf of the Board of Directors

Karachi:
Dated: 02 October, 2014

SHAHID ABDULLAH
Chief Executive

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **SAPPHIRE FIBRES LIMITED** (SFL) and its subsidiary company Sapphire Electric Company Limited as at June 30, 2014 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 SFL. The financial statements of the subsidiary company was 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 auditor. These financial statements are the responsibility of the SFL'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.

In our opinion, the consolidated financial statements present fairly the financial position of SFL and its subsidiary company as at June 30, 2014 and the results of their operations for the year then ended.

We draw attention to note 12.3.1 to the consolidated financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not qualified in respect of this matter.

KARACHI;
Date : October 02, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

CONSOLIDATED BALANCE SHEET

As at June 30, 2014

	Note	2014 Rupees	Re-stated 2013 Rupees	Re-stated July 1, 2012 Rupees
ASSETS				
Non current assets				
Property, plant and equipment	5	**19,122,928,560**	19,431,432,155	19,748,574,306
Investment property	6	**163,273,406**	164,424,860	165,704,254
Intangible assets	7	**8,484,790**	10,287,661	12,153,365
Long term investments	8	**6,109,020,290**	4,506,388,924	2,843,966,889
Long term loans	9	**193,000**	940,540	959,884
Long term deposits		**29,052,085**	20,860,065	18,674,065
		25,432,952,131	24,134,334,205	22,790,032,763
Current assets				
Stores, spare parts and loose tools	10	**175,919,748**	145,290,525	143,774,644
Stock-in-trade	11	**3,417,200,030**	3,695,671,569	2,624,890,146
Trade debts	12	**6,814,141,193**	4,882,524,483	7,764,300,677
Loans and advances	13	**54,915,786**	84,974,856	15,348,800
Trade deposits and short term prepayments	14	**54,268,348**	54,504,906	43,472,075
Short term investments	15	**1,584,090,779**	1,044,511,205	660,716,842
Other receivables	16	**816,970,192**	889,653,416	312,583,297
Interest receivable		**2,397,851**	672,477	672,098
Tax refunds due from Government	17	**390,912,030**	271,537,066	223,383,082
Cash and bank balances	18	**981,697,073**	1,277,541,056	324,837,751
		14,292,513,030	12,346,881,559	12,113,979,412
Total assets		**39,725,465,161**	36,481,215,764	34,904,012,175
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
35,000,000 (2013: 35,000,000) ordinary shares of Rs.10 each		**350,000,000**	350,000,000	350,000,000
Issued, subscribed and paid-up capital	19	**196,875,000**	196,875,000	196,875,000
Reserves	20	**6,629,526,238**	5,077,277,126	3,263,730,306
Unappropriated profit		**9,652,794,091**	8,276,119,998	6,544,311,324
Equity attributable to shareholders of the Parent Company		**16,479,195,329**	13,550,272,124	10,004,916,630
Non-controlling interest		**2,120,248,780**	2,794,434,833	2,191,427,518
Total equity		**18,599,444,109**	16,344,706,957	12,196,344,148
Non current liabilities				
Long term finances	21	**8,745,012,465**	10,013,467,987	11,325,251,984
Staff retirement benefit - gratuity	22	**210,997,693**	169,798,106	131,457,117
Deferred taxation	23	**58,039,959**	39,507,509	55,940,200
Long term security deposit		**2,100,000**	2,100,000	2,100,000
		9,016,150,117	10,224,873,602	11,514,749,301
Current liabilities				
Trade and other payables	24	**2,790,861,843**	2,002,580,899	2,679,509,606
Accrued mark-up / interest	25	**510,171,778**	320,933,790	784,104,143
Short term borrowings	26	**7,303,720,038**	6,157,089,256	6,367,654,434
Current portion of long term finances	21	**1,290,150,522**	1,288,072,617	1,231,210,253
Provision for taxation		**214,966,754**	142,958,643	130,440,290
		12,109,870,935	9,911,635,205	11,192,918,726
Total liabilities		**21,126,021,052**	20,136,508,807	22,707,668,027
Contingencies and commitments	27			
Total equity and liabilities		**39,725,465,161**	36,481,215,764	34,904,012,175

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

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	28	**31,117,254,263**	30,759,727,973
Cost of sales	29	**(26,999,012,160)**	(24,874,429,048)
Gross profit		**4,118,242,103**	5,885,298,925
Distribution cost	30	**(523,335,900)**	(565,094,568)
Administrative expenses	31	**(261,218,045)**	(217,068,267)
Other income	32	**653,532,188**	352,534,065
Other expenses	33	**(130,458,520)**	(119,950,841)
Profit from operations		**3,856,761,826**	5,335,719,314
Finance cost	34	**(2,186,281,387)**	(2,541,494,376)
		1,670,480,439	2,794,224,938
Share of Profit of Associates		**10,303,937**	17,349,846
		1,680,784,376	2,811,574,784
Taxation	35	**(186,882,997)**	(130,923,242)
Profit after taxation		**1,493,901,379**	2,680,651,542
Attributable to:			
- Shareholders of the Parent Company		**1,152,651,125**	2,077,134,618
- Non-controlling interest		**341,250,254**	603,516,924
		1,493,901,379	2,680,651,542
Earnings per share - attributable to the shareholders of Parent Company	36	**58.55**	105.51

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

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	2014 Rupees	Re-stated 2013 Rupees
Profit after taxation	**1,493,901,379**	2,680,651,542
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Unrealised gain due to change in fair value of available for sale investments		
- long term	**1,526,309,481**	1,570,397,284
- short term	**272,157,754**	139,093,881
Impact of deferred tax	**(19,385,675)**	1,554,919
Adjustment for loss / (gain) included in profit and loss account upon sale of available-for-sale investments	**3,268,755**	(1,245,379)
Share of fair value gain on remeasurement of available-for-sale investments of Associated Companies	**534,686**	254,261
	1,782,885,001	1,710,054,966
Forward foreign exchange contracts		
Share of unrealised gain on remeasurement of hedging instrument of Associated Companies	**18,297**	69,191
	1,782,903,298	1,710,124,157
Items that will not be reclassified subsequently to profit and loss:		
Loss on remeasurement of staff retirement benefit obligation	**(26,530,765)**	(21,615,599)
Share of loss on remeasurement of staff retirement benefit obligation of Associated Companies	**(282,768)**	-
Impact of deferred tax	**928,046**	902,630
	(25,885,487)	(20,712,969)
Other comprehensive income for the year	**1,757,017,811**	1,689,411,188
Total comprehensive income for the year	**3,250,919,190**	4,370,062,730
Attributable to:		
- Shareholders of the Parent Company	**2,909,668,936**	3,767,055,415
- Non-controlling interest	**341,250,254**	603,007,315
	3,250,919,190	4,370,062,730

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

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	**3,793,028,114**	6,498,887,298
Staff retirement benefit paid		**(33,597,243)**	(27,709,651)
Finance cost paid		**(2,025,792,342)**	(3,001,979,298)
Taxes paid		**(286,957,179)**	(207,127,218)
Workers' profit participation fund paid		**(82,520,734)**	(50,760,654)
Long term loans - net		**747,540**	19,344
Long term deposits - net		**(8,192,020)**	(2,186,000)
Net cash generated from operating activities		**1,356,716,136**	3,209,143,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(615,934,069)**	(796,129,913)
Insurance claim received		**-**	226,174,737
Proceeds from disposal of operating fixed assets		**11,456,438**	12,890,000
Investment in an Associated/Subsidiary Company		**(554,607,500)**	(60,000,000)
Advances for purchase of shares		**(36,750,000)**	-
Increase in short term investments		**(275,532,625)**	(310,669,851)
Proceeds from sale of short term investments		**44,341,223**	74,945,312
Proceeds from sale of stores and spares		**1,221,891**	1,493,988
Dividend and interest income received		**341,011,793**	306,245,645
Net cash used in investing activities		**(1,084,792,849)**	(545,050,082)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		**21,695,000**	54,581,000
- repaid		**(1,288,072,617)**	(1,309,502,633)
Dividend paid		**(507,136,122)**	(235,105,005)
Short term borrowings - net		**1,205,746,469**	(221,363,796)
Net cash used in financing activities		**(567,767,270)**	(1,711,390,434)
Net (decrease) / increase in cash and cash equivalents		**(295,843,983)**	952,703,305
Cash and cash equivalents - at beginning of the year		**1,277,541,056**	324,837,751
Cash and cash equivalents - at end of the year		**981,697,073**	1,277,541,056

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

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended June 30, 2014

	Issued, subscribed and paid-up capital	Reserves								
		Capital								
		Share premium	Maintenance reserve	General	Unrealised gain on available for sale investments	Unrealised gain on hedging instruments	Sub-total	Unappropri-ated profit	Total	Non-Controlling Interest
	---------------- Rupees ----------------									
Balance as at July 1, 2012 (as previously reported)	196,875,000	145,740,000	158,253,530	1,183,845,000	1,775,891,776	-	3,263,730,306	6,535,053,656	9,995,658,962	2,191,427,518
Effect of change in accounting policy due to application of IAS-19 (Revised) - net of tax [note 4]	-	-	-		-	-	-	9,257,668	9,257,668	-
Balance as at July 1, 2012 (re-stated)	196,875,000	145,740,000	158,253,530	1,183,845,000	1,775,891,776	-	3,263,730,306	6,544,311,324	10,004,916,630	2,191,427,518
Transfer to maintenance reserve	-	-	102,913,054	-	-	-	102,913,054	(102,913,054)	-	-
Transactions with owners										
Final dividend for the year ended June 30, 2012 at the rate of Rs.5 per share	-	-	-	-	-	-	-	(98,437,500)	(98,437,500)	-
Interim dividend for the year ended June 30, 2013 at the rate of Rs.7 per share	-	-	-	-	-	-	-	(137,812,500)	(137,812,500)	-
	-	-	-	-	-	-	-	(236,250,000)	(236,250,000)	-
Effect of items directly credited in equity by the Associated companies	-	-	-	-	-	-	-	14,550,079	14,550,079	-
Total comprehensive income for the year ended June 30, 2013										
Profit for the year	-	-	-	-	-		-	2,077,134,618	2,077,134,618	603,516,924
Other comprehensive income / (loss) - re-stated	-	-	-	-	1,710,564,575	69,191	1,710,633,766	(20,712,969)	1,689,920,797	(509,609)
	-	-	-	-	1,710,564,575	69,191	1,710,633,766	2,056,421,649	3,767,055,415	603,007,315
Balance as at June 30, 2013 (re-stated)	**196,875,000**	**145,740,000**	**261,166,584**	**1,183,845,000**	**3,486,456,351**	**69,191**	**5,077,277,126**	**8,276,119,998**	**13,550,272,124**	**2,794,434,833**
Transaction with owners										
Final dividend for the year ended June 30, 2013 at the rate of Rs.5 per share	-	-	-	-	-	-	-	(98,437,500)	(98,437,500)	(409,209,027)
Transfer to maintenance reserve	-	-	114,390,192	-	-	-	114,390,192	(114,390,192)	-	-
Transfer to un-appropraited profit (note 20.2)	-	-	(380,295,094)	-	-	-	(380,295,094)	380,295,094	-	-
Adjustment in reserves / non-current interest due to further acquisition	-	-	35,250,716	-	-	-	35,250,716	60,976,564	96,227,280	(606,227,280)
Effect of items directly credited in equity by the Associated companies	-	-	-	-	-	-	-	21,464,489	21,464,489	-
Total comprehensive income for the year ended June 30, 2014										
Profit for the year	-	-	-	-	-	-	-	1,152,651,125	1,152,651,125	341,250,254
Other comprehensive income / (loss)	-	-	-	-	1,782,885,001	18,297	1,782,903,298	(25,885,487)	1,757,017,811	-
	-	-	-	-	1,782,885,001	18,297	1,782,903,298	1,126,765,638	2,909,668,936	341,250,254
Balance as at June 30, 2014	**196,875,000**	**145,740,000**	**30,512,398**	**1,183,845,000**	**5,269,341,352**	**87,488**	**6,629,526,238**	**9,652,794,091**	**16,479,195,329**	**2,120,248,780**

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

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

1. THE GROUP AND ITS OPERATIONS

The Group consists of Sapphire Fibres Limited (the Parent Company) and its Subsidiary Company - Sapphire Electric Company Limited.

The Parent Company was incorporated in Pakistan on June 5, 1979 as a public limited company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. The Parent Company is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Parent Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhupura.

The Subsidiary Company was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on January 18, 2005. The principal activity of the Subsidiary Company is to build, own, operate and maintain a combined cycle power station having a net capacity of 212 MW at Muridke, District Sheikhupura, Punjab. The registered office of the Subsidiary Company is located at 7 - A/K, Main Boulevard, Gulberg - II, Lahore. The Subsidiary Company has a Power Purchase Agreement (PPA) with its sole customer, National Transmission and Despatch Company Limited (NTDC) for thirty years which commenced from October 05, 2010.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Principal of consolidation

These consolidated financial statements of the Group include the financial statements of Parent Company and of its Subsidiary Company. The Parent Company's direct interest, as at June 30, 2014 in the Subsidiary Company is 67.83% (2013:59.08%).

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Ordinance, 1984, are accounted for under the equity method of accounting.

Non-controlling interest is that part of the net results of operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Parent Company.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency and figures are rounded off to the nearest rupees unless otherwise specified.

2.4 New and amended standards and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to the following standards have been adopted by the Group for the first time for the financial year beginning on July 1, 2013:

(a) Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

(b) IAS 19, 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Group's defined benefit plan. The Group has applied this standard retrospectively and its impact on the Group's consolidated financial statements has been explained in note 4.

2.4.2 Exemption from applicability of certain interpretations to standards

SECP through SRO 24(I)/2012 dated January 16, 2012, has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standard (IAS) 17, 'Leases'.

Consequently, the Subsidiary Company is not required to account for a portion of its PPA with NTDC as a lease under IAS - 17. If the company were to follow IFRIC - 4 and IAS - 17, the effect on the consolidated financial statements would be as follows:

	2014 Rupees	2013 Rupees
De-recognition of property, plant and equipment	(15,269,730,382)	(15,847,406,747)
Recognition of lease debtor	14,930,113,056	15,728,084,758
Increase in un-appropriated profit at the beginning of the year	119,321,989	142,119,821
Decrease in profit for the year	(458,939,315)	(22,797,832)
(Decrease)/increase in un-appropriated profit at the end of the year	(339,617,326)	119,321,989

2.4.3 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Group's consolidated financial reporting and are, therefore, not detailed in these consolidated financial statements.

2.4.4 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Group:

(a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24 'Related Party Disclosures' and IAS 38, 'Intangible assets'. The Group does not expect to have material impact on its consolidated financial statements due to application of these amendments.

(b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Group's consolidated financial statements.

(c) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Group shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its consolidated financial statements.

(d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the Group's consolidated financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Group and therefore, have not been presented here.

2.5 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

(i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets [notes 3.1 and 3.3]

(ii) Classification and valuation of investments [note 3.4]

(iii) Provision for obsolete and slow moving stores, spares and loose tools [note 3.5]

(iv) Net realisable values of stores, spare parts & loose tools and stock-in-trade [note 3.6]

(v) Provision for doubtful debts [note 3.7]

(vi) Provision for employees' retirement benefits [note 3.15]

(vii) Provision for taxation [note 3.16]

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These polices have been consistently applied to all the years presented, except as stated in note 4.

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 5.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Impairment

The Group assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

3.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Group comprises of freehold land, leasehold land and buildings on leasehold land and is valued using the cost model i.e. at cost less accumulated depreciation and any impairment losses, if any.

Depreciation is calculated by applying reducing balance method at the rates stated in note 6. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged from the month in which the property is disposed off.

Cost of investment property is determined on the same basis as used for Group's owned assets.

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Cost of the intangible asset (i.e. computer softwares) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer softwares beyond its original specification and useful life are recognised as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognised as an expense as and when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

Amortisation

Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method at rates stated in note 7. Amortisation on additions to intangible assets is charged from the date in which an asset is put to use and on disposal upto the date of disposal.

3.4 Investments

Classification of investment is made on the basis of intended purposes for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Regular purchases and sales of investments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the investment. All investments are initially recognised at fair value plus transaction costs except for 'investments at fair value through profit or loss'. 'Investments at fair value through profit or loss' are initially recognised at fair value and related transaction costs are charged to the profit and loss account.

(a) Investments at fair value through profit or loss

These are held for trading investment. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in profit or loss account.

(b) Held to maturity financial assets

Investments with fixed or determinable payments and fixed maturity in respect of which the Group has positive intent and ability to hold till maturity. Held to maturity investments are measured at amortised cost using the effective interest rate method. There were no held to maturity investments as at the reporting date.

(c) Investments in Associated Companies

Investments in Associated Companies are accounted for using equity basis of accounting under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income or loss of the Associated Companies after the date of acquisition. The Group's share of the profit or loss and other comprehensive income or loss of the Associated Companies is recognised in the Group's profit or loss and other comprehensive income or loss respectively. Distributions received from Associated Companies reduce the carrying amount of the investments. Adjustments to the carrying amounts are also made for changes in the Group's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit and loss account. The Group's share of those changes is recognised directly in equity of the Group.

The carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in Group's profit or loss.

(d) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

The Group uses latest stock exchange quotations to determine the fair value of its quoted investments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.5 **Stores, spare parts and loose tools**

Stores, spare parts and loose tools are stated at lower of cost and net realisable value. The cost of inventory is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 **Stock-in-trade**

Stock-in-trade is valued at lower of cost and net realisable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

Particulars	Mode of valuation
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date .
Work-in-process	- cost of direct materials and appropriate manufacturing overheads
Finished goods	- lower of average cost and net realisable value
Waste	- net realisable value

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.7 **Trade debts and other receivables**

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.8 **Government grants**

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 Group.

Government grant towards research and development activities is recognised in profit and loss account as deduction from the relevant expenses on matching basis.

3.9 **Financial assets and liabilities**

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, bank balances, long term finances, long term security deposit, trade & other payables, accrued mark-up / interest and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.10 Derivative financial instruments and hedging activities

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

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised 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

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is 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.

3.11 Offsetting of financial instruments

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 recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Impairment

(a) Financial assets

The Group assesses at end of each reporting date, 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 recognised in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit or loss account.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.13 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 comprise of cash-in-hand and balances with banks.

3.14 Borrowings

These are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.15 Employees' retirement benefits

(a) Defined contribution plan

The Parent Company

The Parent Company operates a defined contributory approved provident fund for its management staff. Equal monthly contributions are made both by the Parent Company and employees at the rate of 8.33% of the basic salary to the fund.

The Subsidiary Company

The Subsidiary Company operates a defined contributory provident fund for all its employees. Equal monthly contributions are made both by the Subsidiary Company and employees to the fund at the rate of 8.33% of the basic salary.

(b) Defined benefit plan

The Parent Company

The Parent Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2014 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The Subsidiary Company

The Subsidiary Company had provided liability for gratuity for the period upto April 30, 2009 prior to the introduction of provident fund scheme on May 01, 2009 which was frozen and paid to the gratuity fund trust.

3.16 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

The profits and gains of the Subsidiary Company 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 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

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

3.17 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed.

3.18 Provisions

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

3.19 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

– revenue from sale is recognised on delivery / despatch of goods to customers;

– export rebate is accounted for on accrual basis;

– revenue on account of energy is recognised on transmission of electricity to NTDC, whereas on account of capacity is recognised when due;

– dividend income from investments is recognised when the Group's right to receive dividend is established; and

– return on bank deposits are accounted for on time proportion basis.

3.21 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

3.22 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Group for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into three operating segments i.e. spinning, knitting, processing & garments and power.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other operating income & expenses, share of profit in Associated Companies and taxation are managed at the Group level. Unallocated assets mainly include investment property, intangible assets, long term investments, short term investments, advance income tax, tax refunds due from the Government and unrealised gain / loss on forward exchange contracts.

3.23 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

3.24 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

4. CHANGE IN ACCOUNTING POLICY

IAS 19 (Revised) - 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for Group's defined benefit plans. The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "remeasurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (Revised), the Group's policy for 'Employees' retirement benefits - defined benefit plan' stands amended as follows:

The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been re-stated. The Group's consolidated financial statements are only affected by the remeasurements relating to prior years. The effects have been summarised below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

	As at June 30, 2013 Rupees	As at July 1, 2012 Rupees
Impact on Balance Sheet		
Increase / (decrease) in staff retirement benefits	11,878,557	(9,737,042)
(Decrease) / increase in deferred taxation	(423,256)	479,374
Decrease / (increase) in unappropriated profit	11,455,301	(9,257,668)

	For the year ended June 30, 2013 Rupees
Impact on Other Comprehensive Income	
Increase in remeasurement loss of staff retirement benefit obligation	(21,615,599)
Decrease in deferred tax charge relating to remeasurement of staff retirement benefit obligation:	
- origination of temporary difference	770,207
- Impact of change in tax rate	132,423
	902,630
Decrease in other comprehensive income - net of tax	(20,712,969)
Impact on Statement of Changes in Equity	
Decrease in unappropriated profit	11,455,301
Decrease in total comprehensive income	20,712,969

There is no impact on profit and loss account, earnings per share and cash flow statement due to application of IAS 19 (Revised).

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	5.1	**19,060,155,648**	19,139,699,025
Capital work-in-progress	5.4	**62,772,912**	291,733,130
		19,122,928,560	19,431,432,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

5.1 Operating fixed assets

	Freehold land	Leasehold land	Residential buildings and others on freehold land	Leased office improve-ments	Factory buildings on freehold land	Plant and machinery	Electric installations	Equipment: Fire fighting	Equipment: Office	Equipment: Mills	Equipment: Electric / gas	Computer hardware	Vehicles	Furniture and fixtures	Arms and ammuni-tion	Tools	Total
	Rupees																
At July 1, 2012																	
Cost	190,128,880	6,000,000	248,791,585	19,272,656	2,494,915,097	20,361,120,282	66,426,347	1,033,577	20,945,238	27,628,500	21,184,111	10,926,615	116,421,493	35,546,093	149,886	248,579	23,620,738,939
Accumulated depreciation	-	-	93,680,523	16,202,254	509,805,153	3,262,519,610	32,633,677	549,914	13,615,304	17,460,523	4,674,687	6,969,370	51,757,684	16,561,624	117,708	186,037	4,026,734,068
Net book value	190,128,880	6,000,000	155,111,062	3,070,402	1,985,109,944	17,098,600,672	33,792,670	483,663	7,329,934	10,167,977	16,509,424	3,957,245	64,663,809	18,984,469	32,178	62,542	19,594,004,871
Year ended June 30, 2013																	
Opening net book value	190,128,880	6,000,000	155,111,062	3,070,402	1,985,109,944	17,098,600,672	33,792,670	483,663	7,329,934	10,167,977	16,509,424	3,957,245	64,663,809	18,984,469	32,178	62,542	19,594,004,871
Additions	79,033,196	-	96,802,921	-	104,121,390	320,831,427	11,387,295	-	1,032,572	583,000	-	4,187,984	24,314,486	7,079,805	-	-	649,374,076
Adjustment during the year	-	-	-	-	-	(225,022,135)	-	-	-	-	-	-	-	-	-	-	(225,022,135)
Disposals:																	
- cost	-	-	-	-	-	63,923,571	-	-	-	-	-	-	10,965,775	-	-	-	74,889,346
- accumulated depreciation	-	-	-	-	-	(56,345,610)	-	-	-	-	-	-	(8,495,710)	-	-	-	(64,841,320)
	-	-	-	-	-	7,577,961	-	-	-	-	-	-	2,470,065	-	-	-	10,048,026
Depreciation charge	-	-	11,232,166	614,081	91,289,945	740,091,604	3,579,054	48,366	886,211	1,025,755	1,650,942	1,702,792	14,024,245	2,455,128	3,218	6,254	868,609,761
Closing net book value	**269,162,076**	**6,000,000**	**240,681,817**	**2,456,321**	**1,997,941,389**	**16,446,740,399**	**41,600,911**	**435,297**	**7,476,295**	**9,725,222**	**14,858,482**	**6,442,437**	**72,483,985**	**23,609,146**	**28,960**	**56,288**	**19,139,699,025**
At June 30, 2013																	
Cost	269,162,076	6,000,000	345,594,506	19,272,656	2,599,036,487	20,393,006,003	77,813,642	1,033,577	21,977,810	28,211,500	21,184,111	15,114,599	129,770,204	42,625,898	149,886	248,579	23,970,201,534
Accumulated depreciation	-	-	104,912,689	16,816,335	601,095,098	3,946,265,604	36,212,731	598,280	14,501,515	18,486,278	6,325,629	8,672,162	57,286,219	19,016,752	120,926	192,291	4,830,502,509
Net book value	**269,162,076**	**6,000,000**	**240,681,817**	**2,456,321**	**1,997,941,389**	**16,446,740,399**	**41,600,911**	**435,297**	**7,476,295**	**9,725,222**	**14,858,482**	**6,442,437**	**72,483,985**	**23,609,146**	**28,960**	**56,288**	**19,139,699,025**
Year ended June 30, 2014																	
Opening net book value	269,162,076	6,000,000	240,681,817	2,456,321	1,997,941,389	16,446,740,399	41,600,911	435,297	7,476,295	9,725,222	14,858,482	6,442,437	72,483,985	23,609,146	28,960	56,288	19,139,699,025
Additions	58,377,375	-	207,642,599	-	90,814,180	439,063,920	75,020,875	-	1,188,534	234,475	-	1,554,412	16,979,520	3,866,250	-	-	894,742,140
Adjustment during the year	-	-	-	-	(4,930,568)	(44,502,052)	-	-	-	-	-	-	-	(415,233)	-	-	(49,847,853)
Disposals:																	
- cost	-	-	-	-	-	28,115,069	-	-	-	-	-	-	3,410,400	-	-	-	31,525,469
- accumulated depreciation	-	-	-	-	-	(21,645,074)	-	-	-	-	-	-	(2,824,997)	-	-	-	(24,470,071)
	-	-	-	-	-	6,469,995	-	-	-	-	-	-	585,403	-	-	-	7,055,398
Depreciation charge	-	-	15,567,308	491,260	98,598,929	772,437,070	6,599,546	43,529	884,791	984,005	1,485,848	2,371,572	15,430,256	2,479,626	2,896	5,630	917,382,266
Closing net book value	**327,539,451**	**6,000,000**	**432,757,108**	**1,965,061**	**1,985,226,072**	**16,062,395,202**	**110,022,240**	**391,768**	**7,780,038**	**8,975,692**	**13,372,634**	**5,625,277**	**73,447,846**	**24,580,537**	**26,064**	**50,658**	**19,060,155,648**
At June 30, 2014																	
Cost	327,539,451	6,000,000	553,237,105	19,272,656	2,684,920,099	20,759,452,802	152,834,517	1,033,577	23,166,344	28,445,975	21,184,111	16,669,011	143,339,324	46,076,915	149,886	248,579	24,783,570,352
Accumulated depreciation	-	-	120,479,997	17,307,595	699,694,027	4,697,057,600	42,812,277	641,809	15,386,306	19,470,283	7,811,477	11,043,734	69,891,478	21,496,378	123,822	197,921	5,723,414,704
Net book value	**327,539,451**	**6,000,000**	**432,757,108**	**1,965,061**	**1,985,226,072**	**16,062,395,202**	**110,022,240**	**391,768**	**7,780,038**	**8,975,692**	**13,372,634**	**5,625,277**	**73,447,846**	**24,580,537**	**26,064**	**50,658**	**19,060,155,648**
Depreciation rate (% - per annum)			**5**	**20**	**3.33 & 10**	**3.33 & 10**	**10**	**10**	**10**	**10**	**10**	**30 & 33**	**20**	**10**	**10**	**10**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

5.2 **Depreciation charge has been allocated as follows:**

	Note	2014 Rupees	2013 Rupees
Cost of goods manufactured	29.1	903,734,531	859,611,966
Administrative expenses	31	13,647,735	8,997,795
		917,382,266	868,609,761

5.3 **The details of operating fixed assets disposed-off is as follows:**

Particular of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Sold through negotiation to:
	----------------	----------------	Rupees	----------------	----------------	
Assets having net book value exceeding Rs.50,000 each						
Plant and machinery						
Ring frames with overhead cleaners	4,033,412	3,749,073	284,339	600,000	315,661	Sadiq Textile Mills (Private) Limited, Lahore.
Dust filter	1,060,672	1,006,948	53,724	55,000	1,276	Mr. Jahangir Arshad, Khan Colony, Lahore.
Blow room feeding machine	1,061,535	988,431	73,104	72,538	(566)	Mr. Muhammad Sarwar, Kharianwala, Sheikhupura.
Auto cone winder	3,291,037	2,273,814	1,017,223	1,200,000	182,777	Three Stars Hosiery Mills (Private) Limited, Karachi.
Carding machines	15,496,388	10,571,363	4,925,025	7,350,000	2,424,975	Reliance Cotton Spinning Mills Limited (an Associated Company)
	24,943,044	**18,589,629**	**6,353,415**	**9,277,538**	**2,924,123**	
Vehicles						
Daihatsu Cuore	479,000	363,635	115,365	300,000	184,635	Mr. Sajid Khan, Ichra, Lahore.
Daihatsu Cuore	474,000	368,382	105,618	280,000	174,382	Mr. Muhammad Farooq, Samanabad, Lahore.
Daihatsu Cuore	459,000	375,575	83,425	100,000	16,575	Mr. Tanveer Noor, Sabza Zar Colony, Nankana.
Honda City	880,500	716,772	163,728	575,000	411,272	Mr. Muhammad Naeem, Garden Town, Lahore.
Suzuki Cultus	560,000	505,695	54,305	310,000	255,695	Mr. Nasir Khan, Kot Lakhpat, Lahore.
	2,852,500	**2,330,059**	**522,441**	**1,565,000**	**1,042,559**	
Various assets having net book value upto Rs.50,000 each	3,729,925	3,550,383	179,542	613,900	434,358	
June 30, 2014	**31,525,469**	**24,470,071**	**7,055,398**	**11,456,438**	**4,401,040**	
June 30, 2013	74,889,346	64,841,320	10,048,026	12,890,000	2,841,974	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

		2014 Rupees	2013 Rupees
5.4	**Capital work-in-progress**		
	Buildings	**17,463,693**	38,258,064
	Plant and machinery	**25,229,113**	234,618,262
	Furniture and fixtures	**465,865**	-
	Advance payments against:		
	- furniture and fixtures	**-**	24,803
	- mills equipment	**193,424**	-
	- factory / office building	**7,668,800**	10,668,800
	- plant and machinery	**10,512,263**	8,163,201
	- computer hardware	**200,754**	-
	- vehicles	**1,039,000**	-
		19,614,241	18,856,804
		62,772,912	291,733,130

6. INVESTMENT PROPERTY

	Freehold land	Leasehold land	Buildings on leasehold land	Total
	- - - - - - - - - - - - -	Rupees	- - - - - - - - - - - - -	
At July 1, 2012				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	7,206,043	7,206,043
Net book value	**31,750,000**	**121,160,317**	**12,793,937**	**165,704,254**
Year ended June 30, 2013				
Opening net book value	31,750,000	121,160,317	12,793,937	165,704,254
Depreciation charge	-	-	1,279,394	1,279,394
Closing net book value	**31,750,000**	**121,160,317**	**11,514,543**	**164,424,860**
At June 30, 2013				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	8,485,437	8,485,437
Net book value	**31,750,000**	**121,160,317**	**11,514,543**	**164,424,860**
Year ended June 30, 2014				
Opening net book value	31,750,000	121,160,317	11,514,543	164,424,860
Depreciation charge	-	-	1,151,454	1,151,454
Closing net book value	**31,750,000**	**121,160,317**	**10,363,089**	**163,273,406**
At June 30, 2014				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	9,636,891	9,636,891
Net book value	**31,750,000**	**121,160,317**	**10,363,089**	**163,273,406**
Depreciation rate (% per annum)			**10**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

6.1 Depreciation charge has been grouped under other expenses (note 33).

6.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.

6.3 Leasehold land and buildings on leasehold land represent the Parent Company's share (50%) of jointly controlled leasehold land with buildings thereon located at Sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of the Parent Company and Sapphire Textile Mills Limited (an Associated Company).

7. INTANGIBLE ASSETS

	Computer Softwares	Goodwill	Total
	----------------------	Rupees	----------------------
At July 1, 2012			
Cost	19,378,754	5,612,904	24,991,658
Accumulated amortization	12,838,293	-	12,838,293
Net book value	6,540,461	5,612,904	12,153,365
Year ended June 30, 2013			
Amortization charge	1,865,704	-	1,865,704
Net book value as at June 30, 2013	4,674,757	5,612,904	10,287,661
Year ended June 30, 2014			
Amortization charge	1,802,871	-	1,802,871
Net book value as at June 30, 2014	2,871,886	5,612,904	8,484,790
At June 30, 2013			
Cost	19,378,754	5,612,904	24,991,658
Accumulated amortization	14,703,997	-	14,703,997
Net book value	4,674,757	5,612,904	10,287,661
At June 30, 2014			
Cost	**19,378,754**	**5,612,904**	**24,991,658**
Accumulated amortization	**16,506,868**	**-**	**16,506,868**
Net book value	**2,871,886**	**5,612,904**	**8,484,790**
Amortisation rate (% per annum)	**20**		

7.1 Goodwill represents excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired of the Subsidiary Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

8. LONG TERM INVESTMENTS	Note	2014 Rupees	2013 Rupees
Associated Companies - at cost	8.1	**388,771,252**	312,449,367
Others - available for sale	8.4	**5,720,249,038**	4,193,939,557
		6,109,020,290	4,506,388,924

8.1 Associated Companies

	2014 Rupees	2013 Rupees
Quoted		
Reliance Cotton Spinning Mills Limited (RCSM)		
138,900 ordinary shares of Rs.10 each - **cost**	**1,306,269**	1,306,269
Equity held: 1.35%		
Fair value:Rs.12.070 million (2013: Rs.7.266 million)		
Add: share of post acquisition profit	**23,393,388**	20,976,326
Less: dividend received during the year	**(314,064)**	(198,626)
	24,385,593	22,083,969
SFL Limited (SFLL)		
10,199 ordinary shares of Rs.10 each - **cost**	**100,000**	100,000
Equity held: 0.051%		
Fair value: Rs.0.653 million (2013: Rs.0.424 million)		
Add: share of post acquisition profit	**1,294,163**	1,077,754
Less: dividend received during the year	**(10,192)**	-
	1,383,971	1,177,754
	25,769,564	23,261,723
Unquoted		
Sapphire Power Generation Limited (SPGL)		
2,824,500 (2013: 1,550,000) ordinary shares of Rs.10 each - **cost**	**64,355,500**	19,748,000
Equity held: 17.63% (2013: 16.54%)		
Add: share of post acquisition profit	**199,263,408**	167,865,773
	263,618,908	187,613,773
Sapphire Dairies (Private) Limited (SDL)		
10,000,000 ordinary shares of Rs.10 each **- cost**	**100,000,000**	100,000,000
Equity held: 9.52%		
Add: share of post acquisition (loss) / profit	**(617,220)**	1,573,871
	99,382,780	101,573,871
	388,771,252	312,449,367

8.2 The existence of significant influence by the Group is evidenced by the representation on the board of directors of abovementioned Associated Companies.

8.3 Summarised financial information of Associates is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

Particulars	Equity		Total assets		Total liabilities		Revenue		Profit / (loss) after taxation	
	As at June 30, 2014	As at June 30, 2013	**As at June 30, 2014**	As at June 30, 2013	**As at June 30, 2014**	As at June 30, 2013	**For the year ended June 30, 2014**	For the year ended June 30, 2013	**For the year ended June 30, 2014**	For the year ended June 30, 2013
	Rupees in '000									
RCSM	**1,806,886**	1,636,344	**4,203,199**	3,281,305	**2,396,313**	1,644,961	**4,243,955**	3,853,608	**125,558**	308,875
SPGL	**1,495,589**	1,134,264	**1,895,052**	1,227,627	**399,463**	93,363	**737,584**	867,768	**60,223**	88,913
SFLL	**2,726,345**	2,320,109	**2,726,773**	2,320,988	**428**	879	**-**	280	**387,114**	401,788
SDL	**1,043,519**	1,065,923	**1,293,073**	1,281,882	**249,554**	215,959	**597,344**	555,478	**(23,124)**	(18,761)

	Note	**2014 Rupees**	2013 Rupees
8.4 Others - available for sale			
Quoted			
MCB Bank Limited			
18,886,786 (2013: 17,169,807) ordinary shares of Rs.10 each - **cost**		**918,695,933**	918,695,933
Adjustment arising from re-measurement to fair value		**4,772,837,027**	3,246,527,546
		5,691,532,960	4,165,223,479
Unquoted			
Novelty Enterprises (Private) Limited			
2,351,995 ordinary shares of Rs.10 each		**28,716,078**	28,716,078
		5,720,249,038	4,193,939,557
9. LONG TERM LOANS - Secured			
Loans due from			
- executives	**9.1 & 9.2**	**-**	1,252,724
- other employees	**9.3**	**587,000**	893,160
		587,000	2,145,884
Less: recoverable within one year and grouped under current assets			
- executives		**-**	792,724
- other employees		**394,000**	412,620
		394,000	1,205,344
		193,000	940,540
9.1 Reconciliation of carrying amount of loans to executives:			
Balance at the beginning of the year		**1,252,724**	1,535,480
Add: disbursements		**-**	985,000
Less: repayments		**1,252,724**	1,267,756
Balance at the end of the year		**-**	1,252,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

9.2 The maximum amount outstanding at the end of any month during the year ended June 30, 2014 from executives aggregated to Rs.1.182 million (2013: Rs.1.816 million).

9.3 These represent interest free loans provided to executives and other employees as per terms of employment. These loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case. Loans are secured against employees' vested retirement benefits.

		Note	2014 Rupees	2013 Rupees
10.	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**83,551,675**	58,079,682
	Spare parts		**70,124,067**	75,285,688
	Loose tools		**377,967**	136,307
	Items in transit		**27,037,442**	16,168,283
			181,091,151	149,669,960
	Less: provision for slow moving items	10.1	**5,171,403**	4,379,435
			175,919,748	145,290,525
10.1	**Provision for slow moving items**			
	Balance at beginning of the year		**4,379,435**	4,466,643
	Add: provision made during the year		**836,955**	118,092
	Less: reversal made during the year		**44,987**	205,300
	Balance at end of the year		**5,171,403**	4,379,435
11.	**STOCK-IN-TRADE**			
	Raw materials:			
	- at mills	11.1	**2,502,369,117**	2,758,122,884
	- in transit		**134,809,526**	243,008,340
	- at third party's premises	11.2	**28,469,855**	50,763,084
			2,665,648,498	3,051,894,308
	Work-in-process		**211,059,838**	250,170,763
	Finished goods:			
	- at mills	11.3	**464,125,407**	331,212,735
	- at third party's premises		**76,366,287**	62,393,763
			540,491,694	393,606,498
			3,417,200,030	3,695,671,569

11.1 Raw materials include items costing Rs.2,207.560 million stated at their replacement cost aggregating Rs.1,861.660 million. The amount charged to the profit and loss account in respect of raw materials written down to their replacement cost is Rs.345.900 million.

11.2 This stock is lying for processing and finishing.

11.3 Finished goods include items costing Rs.362.332 million (2013: Rs.109.817 million) stated at their net realisable value aggregating Rs.349.306 million (2013: Rs.101.694 million). The amount charged to the profit and loss account in respect of stocks written down to their realisable cost is Rs.13.026 million (2013: Rs.8.123 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
12. TRADE DEBTS - Considered good			
Unsecured			
- local		**261,551,018**	219,369,907
- indirect export		**153,838,520**	75,710,000
	12.1	**415,389,538**	295,079,907
Secured			
- export		**915,588,851**	953,386,545
- local		**5,421,712,489**	3,587,022,669
- indirect export		**61,450,315**	47,035,362
		6,398,751,655	4,587,444,576
		6,814,141,193	4,882,524,483

12.1 These include the following amounts due from Associated Companies:

	2014 Rupees	2013 Rupees
Amer Cotton Mills (Private) Limited	**-**	7,809
Diamond Fabrics Limited	**16,036,601**	20,765,254
Reliance Cotton Spinning Mills Limited	**45,900,756**	12,119,717
Sapphire Textile Mills Limited	**25,351,248**	29,303,360
	87,288,605	62,196,140

12.2 The ageing of trade debts at June 30, is as follows:

	Associate Companies		Others	
	2014 Rupees	2013 Rupees	**2014 Rupees**	2013 Rupees
Not past due	**5,670,132**	1,985,637	**3,509,739,290**	3,605,938,183
Past due 1-30 days	**65,275,921**	59,099,452	**1,157,318,441**	238,875,274
Past due 31-60 days	**-**	847,801	**329,916,711**	26,675,965
Past due 61-90 days	**-**	199,773	**423,315,951**	16,517,224
Past due 91-365 days	**16,342,552**	63,477	**433,656,293**	152,471,788
Past due one year	**-**	-	**872,905,902**	779,849,909
	87,288,605	62,196,140	**6,726,852,588**	4,820,328,343

12.3 These represent trade receivables from NTDC and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 13.39% to 14.73% (2013: 13.76% to 16.46%) per annum.

12.3.1 Included in trade debts is an amount of Rs.576.073 million (2013: Rs.597.484 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.

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Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management believes that Subsidiary Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the Subsidiary Company had taken up this issue at appropriate forums. On June 28, 2013, the Subsidiary Company entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the Subsidiary Company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan.

12.3.2 Also included in trade debts are amounts aggregating Rs.227.610 million (2013: Rs.245.106 million) relating to capacity purchase price not acknowledged by NTDC. The Subsidiary Company's management is under discussion with NTDC, SNGPL and the Private Power and Infrastructure Board ('PPIB') regarding the aforesaid amount. As a result of the abovementioned MoU, all disputed amounts have been agreed to be resolved through the dispute resolution mechanism under the PPA.

Consequently, with respect to both matters discussed above, during the current year, the Subsidiary Company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. The proceedings before the Expert are under process. Based on the advice of the Subsidiary Company's legal counsel, management is of the view that under the terms of the PPA, Implementation Agreement and the Gas Supply Agreement, there are meritorious grounds to support the Subsidiary Company's stance and both amounts are likely to be recovered. Consequently, no provision for the above mentioned amounts has been made in these consolidated financial statements.

In addition to the Expert Determination process mentioned above, the Subsidiary Company has also filed request for arbitration in respect of the above mentioned disputed amounts in the London Court of International Arbitration in accordance with the terms of the PPA which is pending arbitration.

	Note	2014 Rupees	2013 Rupees
13. LOANS AND ADVANCES - Considered good			
Current portion of long term loans to employees	9	**394,000**	1,205,344
Advances to:			
- suppliers		**48,896,338**	78,213,604
- employees		**3,289,800**	4,303,929
- others		**1,584,056**	330,224
		53,770,194	82,847,757
Letters of credit		**751,592**	921,755
		54,915,786	84,974,856
14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits - unsecured and considered good		**5,000**	5,000
Margin deposits against letters of credit		**-**	6,907,200
Prepayments		**54,263,348**	47,592,706
		54,268,348	54,504,906

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		Note	2014 Rupees	2013 Rupees
15.	**SHORT TERM INVESTMENTS**			
	Available for sale	15.1	1,547,340,779	1,044,511,205
	Advances for purchase of shares		36,750,000	-
			1,584,090,779	1,044,511,205

15.1 Available for sale investments - Quoted

2014 No. of shares / certificates	2013 No. of shares / certificates	Name of the investee company	Market value 2014	Market value 2013	Cost 2014	Cost 2013
			Rupees			
-	3,093	Aisha Steel Mills Limited	-	24,775	-	30,930
-	10,000	Al-Ghazi Tractors Limited	-	2,045,000	-	2,961,666
-	34,030	Arif Habib Corporation Limited	-	754,105	-	2,777,642
45,600	38,000	Attock Petroleum Limited	26,896,248	21,322,560	12,153,848	12,153,848
-	598,500	Bank Al-Falah Limited	-	10,904,670	-	10,413,077
1,480,000	741,889	Bank Al-Habib Limited	66,570,400	20,171,962	43,129,249	18,177,000
100,000	100,000	D G Khan Cement Company Limited	8,796,000	8,369,000	5,657,066	5,657,066
600,000	545,400	Engro Corporation Limited	107,106,000	66,467,898	64,574,128	54,962,390
57,040	-	Engro Fertilizers Limited	3,259,836	-	-	-
1,500,000	1,100,000	Fauji Cement Company Limited	28,860,000	14,619,000	15,223,571	9,401,406
6,200,000	6,198,500	Fatima Fertilizer Company Limited	179,800,000	153,908,755	129,004,684	128,964,161
2,000,000	1,932,452	Fauji Fertilizer Company Limited	224,500,000	207,603,318	181,504,837	173,716,701
200,000	-	Faysal Bank Limited	3,230,000	-	2,891,767	-
500	500	First Punjab Modaraba	1,890	1,125	2,942	2,942
186,500	-	Habib Sugar Mills Limited	6,807,250	-	6,397,292	-
10,500	10,500	Haji Muhammad Ismail Mills Limited	35,070	24,150	126,000	126,000
134	134	KASB Modaraba	503	536	-	-
78,500	78,500	Lucky Cement Limited	32,208,550	16,463,020	10,889,646	10,889,646
292,646	250,000	Meezan Balanced Fund	3,906,823	3,245,000	2,500,000	2,500,000
45,500	110,000	National Refinery Limited	9,799,335	26,463,800	11,520,385	27,851,542
1,302	1,302	NIB Bank Limited	2,903	3,021	13,733	13,733
100,000	75,000	Nishat Mills Limited	11,192,000	7,065,750	9,115,972	5,718,674
200,000	-	Nishat Power Limited	7,116,000	-	6,784,169	-
110,885	-	Pakistan Cash Management Fund	5,544,229	-	5,500,000	-
100,000	-	Packages Limited	50,157,000	-	25,060,500	-
700,000	650,000	Pakistan Oilfields Limited	402,010,000	323,290,500	232,370,198	210,021,584
800,000	450,000	Pakistan Petroleum Limited	179,472,000	95,211,000	130,120,661	77,397,317
330,000	150,000	Pakistan State Oil Company Limited	128,320,500	48,057,000	77,881,389	33,444,323
200,000	-	Pakistan Telecommunication Limited	5,094,000	-	5,284,642	-
300,000	-	Sui Southern Gas Company Limited	10,998,000	-	7,628,541	-
700,000	300,000	The Hub Power Company Limited	41,118,000	18,495,000	44,250,530	16,844,523
143	143	Trust Investment Bank Limited	202	260	660	660
26,000	-	The Searle Company Limited	4,538,040	-	1,843,486	-
			1,547,340,779	1,044,511,205	1,031,429,896	804,026,831
Add: Adjustment arising from re-measurement to fair value					515,910,883	240,484,374
Market value					1,547,340,779	1,044,511,205

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16. OTHER RECEIVABLES

	Note	2014 Rupees	2013 Rupees
Advance income tax		**294,194,390**	204,564,042
Export rebate		**33,595,661**	20,965,140
Due from Associated Companies			
- Amer Cotton Mills (Private) Limited		**-**	364,633
- Diamond Fabrics Limited		**939,913**	278,539
- Reliance Cotton Spinning Mills Limited		**308,248**	631,187
- Sapphire Finishing Mills Limited		**3,809,213**	190,288
- Sapphire Textile Mills Limited		**1,286,061**	-
- Sapphire Power Generation Limited		**444,969**	-
	16.1	**6,788,404**	1,464,647
Claim recoverable from NTDCL for pass through item - Workers' Profit Participation Fund		**182,330,689**	130,573,949
Insurance claims receivable		**300,061,048**	531,921,069
Others		**-**	164,569
		816,970,192	889,653,416

16.1 Due from the Associated Companies has arisen due to sharing of expenses on account of combined offices.

16.2 Under section 9.3(a) of PPA with NTDC, payments to Workers' Profit Participation Fund are recoverable from NTDC as a pass through item.

17. TAX REFUNDS DUE FROM GOVERNMENT

	Note	2014 Rupees	2013 Rupees
Sales tax		**186,940,604**	138,170,847
Income tax		**203,971,426**	121,444,660
Excise duty		**11,122,102**	11,921,559
		402,034,132	271,537,066
Less: provision for old stuck-up refunds of excise duty		**11,122,102**	-
		390,912,030	271,537,066

18. CASH AND BANK BALANCES

	Note	2014 Rupees	2013 Rupees
Cash-in-hand	**18.1**	**3,821,766**	8,333,114
Balances with banks on:			
- off shore current account	**18.2**	**316,061,679**	135,976,276
- on shore:			
current accounts	**18.3**	**172,393,933**	1,017,356,190
term deposit account (TDA)	**18.4**	**486,292,452**	112,935,611
dividend account		**3,127,243**	2,939,865
		977,875,307	1,269,207,942
		981,697,073	1,277,541,056

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18.1 Cash-in-hand includes Rs.0.170 million (2013: Rs.0.205 million) advanced to employees for various expenses.

18.2 This represent U.S.$ 3.207 million (2013: U.S.$ 1.379 million) translated in Pakistan Rupees at the reporting date.

18.3 These include foreign currency deposits amounting to US.$ 1.265 million (2013: US.$ 0.539 million).

18.4 Effective rates of profit on TDA, during the year, ranged from 6.00% to 7.00% (2013: 5.00% to 8.25%) per annum. The maturity period of the TDA is one year from the date of original issue. This deposit is under bank's lien as security of bank guarantee issued on behalf of the Group.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		**2014**	2013
------- **Numbers** -------			**Rupees**	Rupees
11,775,000	11,775,000	Ordinary shares of Rs.10 each fully paid in cash	**117,750,000**	117,750,000
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**79,125,000**	79,125,000
19,687,500	19,687,500		**196,875,000**	196,875,000

19.1 10,191,196 (2013: 10,173,796) ordinary shares of Rs.10 each are held by Associated Companies as at year-end.

20. RESERVES

	Note	**2014 Rupees**	2013 Rupees
Capital reserve			
- share premium	**20.1**	**145,740,000**	145,740,000
- maintenance reserve	**20.2**	**30,512,398**	261,166,584
General reserve		**1,183,845,000**	1,183,845,000
Unrealised gain on available for sale investments		**5,269,341,352**	3,486,456,351
Unrealised gain on re-measurement of hedging instrument of Associated Company		**87,488**	69,191
		6,629,526,238	5,077,277,126

20.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.

20.2 Under the terms of the project agreements, the Subsidiary Company is required to maintain a Reserve Fund. The fund can only be utilized to pay expenses on major maintenance for proper operation of the power station. During the year, the fund was utilized to pay expenses of Rs.567.681 million for the above mentioned purpose.

20.3 In accordance with the terms of agreement with the lenders of long term finances, there are certain restrictions on the distribution of dividends by the Subsidiary Company.

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		Note	2014 Rupees	2013 Rupees
21.	**LONG TERM FINANCES** - Secured			
(a)	**Sapphire Fibres Limited**			
	From banking companies:			
	- Allied Bank Limited	21.1	**150,000,000**	450,000,000
	- NIB Bank Limited	21.2	**76,276,000**	54,581,000
			226,276,000	504,581,000
(b)	**Sapphire Electric Company Limited**			
	From banking companies:			
	- National Bank of Pakistan		**1,324,972,617**	1,458,440,268
	- Habib Bank Limited		**2,304,911,589**	2,537,090,831
	- United Bank Limited		**1,536,607,718**	1,691,393,879
	- MCB Bank Limited		**1,536,607,719**	1,691,393,880
	- Allied Bank Limited		**1,536,607,720**	1,691,393,881
	- Bank Alfalah Limited		**979,938,627**	1,078,650,217
	- Silkbank Limited		**196,319,827**	216,095,591
	- Meezan Bank Limited		**392,921,170**	432,501,057
			9,808,886,987	10,796,959,604
			10,035,162,987	11,301,540,604
	Less: current portion grouped under current liabilities		**1,290,150,522**	1,288,072,617
			8,745,012,465	10,013,467,987

21.1 The Parent Company has arranged general purpose demand finance facility amounting Rs.1,500 million from Allied Bank Limited. This finance facility is repayable in 10 equal semi-annual instalments commenced from February 24, 2010 and ending on August 24, 2014. This finance facility carries mark-up at the rates ranging from 10.24% to 11.33% (2013: 10.50% to 13.03%) per annum and is secured against pari passu hypothecation charge of Rs.2,000 million over present and future fixed moveable assets of the Parent Company.

21.2 The Parent Company has arranged long term finance facilities amounting Rs.150 million from NIB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.76.276 million in four tranches of different amounts and each tranche is repayable in 12 equal semi-annual instalments commencing from September 2014. These finances carry mark-up at the rate of 9.40% (2013: 9.40%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

Sapphire Electric Company Limited

This represents long term financing obtained from a consortium of banks led by United Bank Limited (Agent Bank). The overall financing is secured against all and each of the Subsidiary Company's mortgaged project

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receivables, lien over the project bank accounts, mortgage of immoveable property, hypothecation of all present and future assets and properties of the Subsidiary Company (excluding the mortgaged project receivables and the mortgaged immoveable property) and by the collectively agreed pledge of 51% shares of the Subsidiary Company held by the sponsors. It carries mark-up at the rate of three months KIBOR plus three percent per annum, payable on quarterly basis. The mark-up rate charged on the outstanding balance during the year ranges from 12.43% to 13.18% (2013: 14.78% to 16.63%) per annum. As of June 30, 2014, the principal is repayable in twenty five quarterly instalments ending on September 30, 2020.

22. STAFF RETIREMENT BENEFIT - Gratuity

The Parents Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

		2014 Rupees	Re-stated 2013 Rupees
22.1	**Amount recognised in the balance sheet**		
	Net liability at the beginning of the year	**169,798,106**	131,457,117
	Charge to profit and loss account	**48,266,065**	44,435,041
	Remeasurement recognised in other comprehensive income	**26,530,765**	21,615,599
	Payments made during the year	**(33,597,243)**	(27,709,651)
	Net liability at the end of the year	**210,997,693**	169,798,106
22.2	**Movement in the present value of defined benefit obligation**		
	Balance at beginning of the year	**169,798,106**	131,457,117
	Current service cost	**32,201,119**	27,345,616
	Interest cost	**16,064,946**	17,089,425
	Benefits paid	**(33,597,243)**	(27,709,651)
	Remeasurements on obligation	**26,530,765**	21,615,599
	Balance at end of the year	**210,997,693**	169,798,106
22.3	**Expense recognised in profit and loss account**		
	Current service cost	**32,201,119**	27,345,616
	Interest cost	**16,064,946**	17,089,425
		48,266,065	44,435,041
22.4	**Remeasurements recognised in other comprehensive income**		
	Experience loss	**26,530,765**	21,615,599
22.5	**Actuarial assumptions used**	**2014**	2013
	Discount rate	**13.25%**	10.50%
	Expected rate of increase in future salaries	**12.25%**	9.50%
	Mortality rates (for death in service)	**SLIC (2001-05)**	EFU (61-66)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22.6 Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarises how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions.

	Change in assump- tions	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1.00%	197,269,667	226,773,374
Increase in future salaries	1.00%	227,342,798	196,513,480

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

22.7 Based on actuary's advice, the expected charge for the year ending June 30, 2015 amounts to Rs.64.410 million.

22.8 The weighted average duration of defined benefit obligation is 7 years.

22.9 Expected maturity analysis of undiscounted retirement benefit plan:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	-------	-------	Rupees	-------	-------
As at June 30, 2014	**40,744,331**	**65,089,171**	**90,178,654**	**3,226,592,472**	**3,422,604,628**

22.10 Historical information:

	2014	2013	2012	2011	2010
	-------	-------	Rupees	-------	-------
Present value of defined benefit obligation	**210,997,693**	169,798,106	131,457,117	117,869,526	102,876,589
Experience adjustment on obligation	**26,530,765**	21,615,599	(6,461,224)	(3,209,869)	(7,005,756)

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23. DEFERRED TAXATION - Net

	Note	2014 Rupees	Re-stated 2013 Rupees
Credit balances arising in respect of:			
- accelerated tax depreciation allowance / investment in associates		**41,495,045**	40,992,970
- re-measurement of short term investments		**24,106,509**	4,720,834
		65,601,554	45,713,804
Debit balances arising in respect of:			
- staff retirement benefit - gratuity		**7,380,699**	6,050,245
- provision for slow moving items		**180,896**	156,050
		7,561,595	6,206,295
		58,039,959	39,507,509

24. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	Re-stated 2013 Rupees
Trade creditors	**24.1**	**1,816,230,621**	934,294,880
Payable to contractors		**-**	73,681,075
Bills payable	**24.2**	**96,171,393**	80,690,070
Advance payments		**105,327,790**	19,361,569
Accrued expenses	**24.3**	**382,916,446**	417,933,924
Sindh government infrastructure fee	**24.4**	**96,297,021**	84,450,642
Retention money		**-**	83,402,198
Workers' profit participation fund	**24.5**	**159,372,821**	211,001,458
Workers' welfare fund	**24.6**	**119,039,502**	88,380,045
Unclaimed dividend		**3,168,788**	2,982,639
Others		**12,337,461**	6,402,399
		2,790,861,843	2,002,580,899

24.1 These include Rs.96.591 million (2013: Rs.45.113 million) which pertains to Associated Companies.

24.2 These are secured against import documents.

24.3 These include Rs.15.344 million (2013: Rs.19.975 million) which pertains to Associated Companies.

24.4 This provision has been recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Parent Company has contested this issue in the Sindh High Court (the High Court). The Parent Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency

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

As at June 30, 2014, the Parent Company has provided bank guarantees aggregating Rs.71.950 million (2013: Rs.61.950 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Parent Company's favour.

		2014 Rupees	2013 Rupees
24.5	**Workers' profit participation fund**		
	Balance at beginning of the year	**211,001,458**	109,230,786
	Add: interest on funds utilised in the Group's business	**29,026,526**	12,020,039
		240,027,984	121,250,825
	Less: payments made during the year	**213,094,683**	54,420,690
		26,933,301	66,830,135
	Add: allocation for the year	**132,439,520**	144,171,323
	Balance at end of the year	**159,372,821**	211,001,458
24.6	**Workers' welfare fund**		
	Balance at beginning of the year	**88,380,045**	61,637,929
	Add: charge for the year	**30,659,457**	26,742,116
	Balance at end of the year	**119,039,502**	88,380,045

24.7 Workers' welfare fund have not been provided for the Subsidiary Company based on advice of legal consultant.

		Note	2014 Rupees	2013 Rupees
25.	**ACCRUED MARK-UP / INTEREST**			
	Mark-up / interest accrued on:			
	- long term finances		**337,955,723**	128,474,276
	- short term borrowings		**172,216,055**	192,459,514
			510,171,778	320,933,790
26.	**SHORT TERM BORROWINGS**			
	Running / cash finances - secured	26.1	**6,723,833,959**	5,272,352,061
	Term finances	26.2	**539,597,829**	629,789,601
	Temporary bank overdraft - unsecured	26.3	**40,288,250**	254,947,594
			7,303,720,038	6,157,089,256

26.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.14,497 million (2013: Rs.14,822 million). These finance facilities, during the year, carried mark-up at the rates ranged from 8.70% to 12.18% (2013: 8.70% to 13.74%) per annum. The aggregate short term finance facilities are secured against hypothecation / ranking pari passu charge on all present and future current and fixed assets

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of the Group, first ranking assignment of the energy payment price receivables, exclusive hypothecation charge on the fuel stock / inventory, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in short term finances Rs.1,032 million (U.S.$ 10.451 million) [2013: Rs.Nil {U.S.$ Nil}] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.33% to 2.82% (2013: 1.47% to 2.25%) per annum.

Short term finance facilities available from various commercial banks under mark-up arrangements on Group basis aggregate to Rs.174 million (2013: Rs.174 million).

Facilities available for opening letters of credit and guarantees aggregate to Rs.8,807 million (2013: Rs.9,808 million) out of which the amount remained unutilised at the year-end was Rs.6,761 million (2013: Rs.6,276 million). These facilities are secured against lien on shipping documents, hypothecation charge on current and fixed assets of the Group, cash margins and counter guarantee.

Facilities available for opening letters of credit and discounting of local & foreign bills from various commercial banks on Group basis aggregate to Rs.3,115 million (2013: Rs.2,615 million) and are secured against lien over export documents / bills, lien over import documents & commodities, lien over discrepant documents negotiated under letters of credits / contracts and trust receipts.

Abovementioned facilities are expiring on various dates upto June 30, 2015.

26.2 This represents murabaha finance facilities aggregating Rs.539.598 million (2013: Rs.629.790 million) under mark-up arrangements from commercial banks at mark-up rate of six months KIBOR plus 1.25% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark-up is payable at the maturity of the respective murabaha transaction. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and receivables from NTDC. The mark-up rate charged during the year on the outstanding balance ranges from 10.71% to 11.43% (2013: 10.81% to 10.83%) per annum.

26.3 This represents book overdraft balance due to unpresented cheques.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.1,109.750 million (2013: Rs.1,963.114 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

27.1.2 Claims not acknowledged as debt

(a) During the year it was discovered that there were unauthorised withdrawals of funds from one of the Parent Company's bank accounts using forged signatures on cheques from cheque books issued by the Bank's staff without the Parent Company's authority. On becoming aware of the matter, FIR has been lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believes that the Parent Company does not have any liability whatsoever in respect of such net unauthorised withdrawals of funds accumulating to Rs.33.157 million inclusive of mark-up and other charges.

Furthermore the Parent Company has filed a suit on March 21, 2014 in the honourable Sindh High Court, which has granted a stay order on April 08, 2014 in favour of the Parent Company whereby the bank has been restrained from placing the Parent Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Parent Company.

(b) Claims against the Subsidiary Company not acknowledged as debts amount to Rs.7.586 million (2013: Rs.19.214 million). Provision has not made in these consolidated financial statements for the aforesaid amount as management is confident that it will not materialize.

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(c) During the current year, a sales tax demand of Rs.830.031 million was raised against the Subsidiary Company through order December 11, 2013 by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the Subsidiary Company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the Subsidiary Company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the Subsidiary Company. Against the aforesaid order, the Subsidiary Company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the Subsidiary Company's other grounds of appeal. Consequently, the Subsidiary Company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the Department also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.

Based on the advice of the Subsidiary Company's legal counsel, management believes that there are meritorious grounds to defend the Subsidiary Company's stance in respect of the abovementioned input sales tax claimed by the Subsidiary Company. Consequently, no provision has been made in these consolidated financial statements.

27.2 Commitments

27.2.1 The Subsidiary Company has an agreement for High Speed Diesel (HSD) supply from Shell Pakistan Limited (SPL) for a period up to twelve years from the Commercial Operations Date of the power station i.e. October 05, 2010. Under the terms of the HSD Supply Agreement, the Subsidiary Company is not required to buy any minimum quantity of HSD from SPL.

27.2.2 The Subsidiary Company has an agreement with a consortium between General Electric International, Inc. and General Electric Energy Parts, Inc. for the operations and maintenance (O&M) of the power station starting from the Commercial Operations Date upto the earlier of the time when the power station has run 144,000 Fired Hours and February 14, 2030. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on operation of the plant on gas or diesel, both of which shall be subject to a minimum annual increase of 3%.

	2014 Rupees	2013 Rupees
27.2.3 Commitments in respect of :		
- letters of credit for capital expenditure	**16,093,704**	102,079,920
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	**175,253,535**	96,846,515
- capital expenditure other than letters of credit	**12,788,386**	42,300,000
- foreign bills discounted	**996,888,621**	1,112,467,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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		Note	2014 Rupees	2013 Rupees
28.	**SALES** - Net			
	Export sales:			
	Yarn	28.1	9,379,706,138	9,976,461,740
	Fabric		223,089,630	284,186,569
	Garments		2,552,434,895	1,576,541,258
	Waste	28.3	301,786,056	314,009,438
			12,457,016,719	12,151,199,005
	Local sales:			
	Yarn		2,114,971,525	1,481,397,604
	Fabric		13,613,333	14,694,779
	Garments		20,663,497	15,661,839
	Energy purchase price		14,426,562,669	14,788,996,572
	Capacity purchase price	28.2	3,861,627,623	4,086,054,026
	Raw materials		113,220,710	26,513,983
	Waste	28.3	178,898,160	155,556,077
	Others		4,520,921	1,504,512
			20,734,078,438	20,570,379,392
			33,191,095,157	32,721,578,397
	Export rebate		25,365,751	23,714,362
	Processing services		65,660,731	51,732,755
			33,282,121,639	32,797,025,514
	Less: sales tax		2,164,867,376	2,037,297,541
			31,117,254,263	30,759,727,973

28.1 This includes indirect export of Rs.1,808.405 million (2013: Rs.1,861.362 million).

28.2 The figure for 2013 includes Rs.364.690 million which represents differential amount of sales for the previous period from October 5, 2010 to June 30, 2012 due to change in tariff. During the year ended June 30, 2012, the Subsidiary Company's management had applied to National Electric Power Regulatory Authority ('NEPRA') for revision in tariff, however, the differential amount of sales due to change in tariff could not be quantified since the ultimate outcome of NEPRA's decision on the tariff revision application was uncertain. Hence, such sales could not be recognised in the previous periods as the tariff relating to the aforesaid period was revised by NEPRA during the previous year through its decisions dated November 23, 2012 and December 24, 2012. Under these circumstances, the differential amount of sales relating to the previous periods due to change in tariff was claimed and recognised in the previous year. Such a change was accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and was recognised prospectively in the previous year.

28.3 Waste sales include sale of comber noil.

28.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.24.178 million (2013: Rs.34.820 million) has been included in export sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. COST OF SALES

	Note	2014 Rupees	2013 Rupees
Finished goods at beginning of the year		**393,606,498**	346,787,722
Cost of goods manufactured	29.1	**27,046,177,338**	24,895,207,611
Cost of raw materials sold		**99,720,018**	26,040,213
		27,145,897,356	24,921,247,824
		27,539,503,854	25,268,035,546
Finished goods at end of the year		**(540,491,694)**	(393,606,498)
		26,999,012,160	24,874,429,048

29.1 Cost of goods manufactured

	Note	2014 Rupees	2013 Rupees
Work-in-process at beginning of the year		**250,170,763**	196,702,362
Raw materials consumed	29.2	**20,932,874,650**	20,330,318,793
Salaries, wages and benefits	29.3	**876,241,105**	768,893,009
Operations and maintenance		**1,132,697,106**	527,634,755
Packing stores consumed		**235,917,707**	218,592,148
General stores consumed		**230,247,065**	218,756,666
Dyes and chemicals consumed		**267,628,978**	174,039,316
Processing charges		**573,027,423**	343,449,617
Depreciation	5.2	**903,734,531**	859,611,966
Fuel and power		**1,459,820,428**	1,173,494,141
Repair and maintenance		**45,773,200**	49,771,154
Insurance		**223,147,498**	199,774,357
Vehicles' running		**20,359,336**	17,318,689
Travelling and conveyance		**15,189,086**	11,427,996
Printing and stationery		**5,726,147**	3,679,616
Legal and professional charges		**25,289,646**	3,977,341
Fee and subscription		**12,313,005**	8,674,606
Entertainment		**8,524,859**	7,330,619
Telephone		**4,974,705**	4,781,313
Postage		**244,939**	545,631
Rent, rates and taxes		**615,926**	3,050,040
Miscellaneous		**32,719,073**	23,554,239
		27,257,237,176	25,145,378,374
Work-in-process at end of the year		**(211,059,838)**	(250,170,763)
		27,046,177,338	24,895,207,611

29.2 Raw materials consumed

	Note	2014 Rupees	2013 Rupees
Stocks at beginning of the year		**2,808,885,968**	1,826,901,967
Purchases		**20,654,827,654**	21,312,302,794
		23,463,713,622	23,139,204,761
Stocks at end of the year		**(2,530,838,972)**	(2,808,885,968)
		20,932,874,650	20,330,318,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

29.3 Salaries, wages and benefits include Rs.48.266 million (2013: Rs.44.435 million) and Rs.1.232 million (2013: Rs.0.771 million) in respect of staff retirement benefits gratuity and provident fund respectively.

30. DISTRIBUTION COST	Note	2014 Rupees	2013 Rupees
Salaries and other benefits	30.1	**21,982,314**	20,706,640
Travelling, conveyance and entertainment		**12,113,992**	11,567,795
Vehicles' running		**2,698,783**	2,484,864
Telephone		**785,192**	852,477
Postage		**1,705,302**	1,967,183
Printing and stationery		**856,931**	794,157
Sample expenses		**2,673,294**	3,437,493
Commission:			
- local		**4,911,763**	3,948,984
- export		**168,090,890**	180,783,048
		173,002,653	184,732,032
Freight and forwarding:			
- local		**6,432,215**	6,907,450
- export		**253,021,629**	283,041,418
		259,453,844	289,948,868
Export development surcharge		**26,769,789**	24,048,855
Other export expenses		**21,293,806**	24,554,204
		523,335,900	565,094,568

30.1 Salaries and other benefits include Rs.0.790 million (2013: Rs.0.857 million) in respect of contribution to staff provident fund.

31. ADMINISTRATIVE EXPENSES	Note	2014 Rupees	2013 Rupees
Directors' remuneration		**23,388,244**	21,331,201
Salaries and other benefits	31.1	**100,845,638**	92,829,791
Telephone		**3,649,777**	1,799,883
Postage		**428,487**	438,909
Fee and subscription		**7,692,567**	5,047,784
Legal and professional charges		**28,602,360**	14,634,110
Entertainment		**2,431,759**	1,848,407
Travelling and conveyance		**9,403,385**	7,414,184
Printing and stationery		**4,691,467**	4,059,979
Rent, rates and taxes		**8,735,235**	7,977,347
Advertisement		**585,636**	3,040,201
Electricity, gas and water		**6,503,972**	5,247,845
Repair and maintenance		**5,644,354**	3,340,028
Vehicles' running		**10,880,723**	10,024,414
Charity and donations	31.2	**28,073,751**	22,424,762
Insurance		**3,810,145**	4,574,016
Depreciation	5.2	**13,647,735**	8,997,795
Amortisation	7	**1,802,871**	1,865,704
Others		**399,939**	171,907
		261,218,045	217,068,267

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31.1 Salaries and other benefits include Rs.3.663 million (2013: Rs.3.496 million) in respect of contribution to staff provident fund.

31.2 Donations include the following in which directors are interested:

- Donation of Rs.18.880 million (2013: Rs.16.410 million) charged in these consolidated financial statements is paid to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Muhammad Abdullah, Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Muhammad Yamin have common directorship in both Companies.

- Donation of Rs.0.550 million (2013: Rs.0.650 million) charged in these consolidated financial statements is paid to Jamal-Ud-Din Fatima Charitable trust, 149 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi (a trust). Mr. Muhammad Abdullah, Mr. Shahid Abdullah and Mr. Nadeem Abdullah, directors of the Parent Company are trustees of the trust.

32. OTHER INCOME

	Note	2014 Rupees	2013 Rupees
Income from financial assets			
Dividend income		**338,445,908**	303,253,303
Interest income		**4,291,259**	2,794,095
Gain on sale of short term investments		**-**	10,221,325
Exchange gain (including gain on forward contracts) - net		**37,232,566**	27,823
		379,969,733	316,296,546
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	**5.3**	**4,401,040**	2,841,974
Gain on sale of store and spares		**48,035**	91,288
Rental income from investment property		**14,832,720**	13,734,000
Scrap sales [Net of sales tax aggregating Rs.4.084 million (2013: Rs.3.093 million)]		**23,045,523**	19,570,257
Insurance claim	**32.1**	**231,235,137**	-
		273,562,455	36,237,519
		653,532,188	352,534,065

32.1 This represents the business interruption loss in respect of the damaged compressor rotors of Gas Turbine Generator (GTG) I and II of the Subsidiary Company's power plant. The compressor rotor of GTG II was damaged during the previous year in December 2012 and the insurance claim was filed in the previous year. During the current year, the balance amount recovered has been recognized as such claim has been fully settled. In January 2014, the compressor rotor of GTG I was also damaged and accordingly the insurance claim was filed in the current year. The interruption loss which is expected to be recovered from the insurer has been recognised in the current year on prudence basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. OTHER EXPENSES	Note	2014 Rupees	2013 Rupees
Depreciation of investment property	6	**1,151,454**	1,279,394
Workers' profit participation fund	24.5	**80,682,780**	70,373,990
Workers' welfare fund	24.6	**30,659,457**	26,742,116
Auditors' remuneration	33.1	**3,054,390**	2,839,624
Loss on sale of short term investments		**3,788,337**	-
Net exchange loss including loss on forward contracts		**-**	2,401,523
Advances written off		**-**	20,766
Interest on delayed payment		**-**	7,495,801
Sales tax paid under amnesty scheme		**-**	5,053,499
Bad debts written-off		**-**	2,029,674
Provision for old stuck-up refunds of Excise duty		**11,122,102**	-
Others		**-**	1,714,454
		130,458,520	119,950,841

33.1 Auditors' remuneration

	2014 Rupees	2013 Rupees
Hameed Chaudhri & Co.		
Annual audit	**1,331,000**	1,210,000
Half yearly review	**200,000**	200,000
Review of Code of Corporate Governance	**62,000**	62,000
Audit of retirement funds	**20,000**	20,000
Out-of-pocket expenses	**34,000**	34,000
	1,647,000	1,526,000
A.F. Ferguson & Co.		
- audit fee	**1,100,000**	1,000,000
- other assurance services	**-**	156,264
- tax services	**214,238**	75,801
- reimbursement of expenses	**93,152**	81,559
	1,407,390	1,313,624
	3,054,390	2,839,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. FINANCE COST

	Note	2014 Rupees	2013 Rupees
Mark-up / interest on long term finances		**1,361,618,471**	1,560,701,260
Mark-up / interest on short term borrowings		**764,176,274**	875,240,018
Exchange (gain) / loss on foreign currency loans		**(40,895,687)**	2,685,431
		723,280,587	877,925,449
Interest on workers' profit participation fund	**24.5**	**29,026,526**	12,020,039
Bank and other financial charges		**72,355,803**	84,901,735
Loan arrangement fee		**-**	5,945,893
		2,186,281,387	2,541,494,376

35. TAXATION

	Note	2014 Rupees	2013 Rupees
Current			
Current tax on profit for the year	**35.1**	**216,293,114**	144,001,432
Adjustments in respect of prior years		**(29,484,938)**	896,951
		186,808,176	144,898,383
Deferred			
Origination and reversal of temporary differences		**(923,818)**	(12,589,610)
Impact of change in tax rate		**998,639**	(1,385,531)
		74,821	(13,975,141)
		186,882,997	130,923,242

35.1 The income of the Parent Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 and current year's provision is made accordingly.

35.2 Income tax assessments of the Parent Company have been completed upto the Tax Year 2013; the return for the said year has not been taken-up for audit till June 30, 2014.

35.3 Numeric tax rate reconciliation is not presented as the Parent Company's income is chargeable to tax under presumptive tax regime.

36. EARNINGS PER SHARE

36.1. Basic earnings per share

	2014 Rupees	2013 Rupees
Net profit for the year	**1,152,651,125**	2,077,134,618
	------ Number of shares -------	
Weighted average ordinary shares in issues	**19,687,500**	19,687,500
	------------- Rupees -------------	
Earnings per share	**58.55**	105.51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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36.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2014 and June 30, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

37. CASH GENERATED FROM OPERATIONS

	Note	2014 Rupees	2013 Rupees
Profit before taxation		**1,670,480,439**	2,794,224,938
Adjustments for non-cash charges and other items:			
Depreciation		**917,382,266**	868,609,761
Depreciation of investment property		**1,151,454**	1,279,394
Amortisation		**1,802,871**	1,865,704
Staff retirement benefit - gratuity		**48,266,065**	44,435,041
Provision / (reversal) for slow moving items		**791,968**	(87,208)
Dividend and interest income		**(342,737,167)**	(306,047,398)
Gain on sale of stores and spares		**(48,035)**	(91,288)
Gain on disposal of operating fixed assets		**(4,401,040)**	(2,841,974)
Exchange (gain) / loss - net		**(37,232,566)**	2,373,700
Provision for workers' profit participation fund		**80,682,780**	70,373,990
Provision for workers' welfare fund		**30,659,457**	26,742,116
Loss / (gain) on sale of short term investments		**3,788,337**	(10,221,325)
Provision for old stuck-up refunds of Excise duty		**11,122,102**	-
Finance cost		**2,186,281,387**	2,541,494,376
Advances written-off		**-**	20,766
Bad debts written-off		**-**	2,029,674
Working capital changes	37.1	**(774,962,204)**	464,727,031
		3,793,028,114	6,498,887,298

37.1 Working capital changes

	2014 Rupees	2013 Rupees
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**(32,595,047)**	(2,831,373)
Stock-in-trade	**278,471,539**	(1,070,781,423)
Trade debts	**(1,931,616,710)**	2,879,749,520
Loans and advances	**30,059,070**	(28,299,697)
Deposits, other receivables and sales tax	**114,579,830**	(648,602,819)
	(1,541,101,318)	1,129,234,208
Increase / (decrease) in trade and other payables	**766,139,114**	(664,507,177)
	(774,962,204)	464,727,031

BALANCE SHEET
As at June 30, 2014

38. **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	Chief Executive 2014	Chief Executive 2013	Directors 2014	Directors 2013	Executives 2014	Executives 2013
	Rupees					
Managerial remuneration	**18,328,450**	16,561,063	**6,590,417**	6,386,402	**75,993,458**	58,619,705
Contribution to provident fund trust	**-**	-	**-**	31,298	**4,054,080**	3,153,130
House rent and utilities	**9,086,550**	8,207,687	**3,275,883**	3,175,398	**38,805,744**	30,061,576
Medical	**308,300**	290,376	**51,807**	47,728	**1,913,418**	1,598,357
Leave encashment / bonus	**-**	-	**662,279**	612,515	**13,961,173**	11,914,952
Other benefits	**-**	-	**807,858**	827,860	**12,327,913**	12,738,939
	27,723,300	25,059,126	**11,388,244**	11,081,201	**147,055,786**	118,086,659
Number of persons	**1**	1	**1**	2	**63**	52

38.1 Certain executives are provided with Company maintained vehicles.

39. **TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of Associated Companies, directors of the Group, key management personnel and staff retirement funds. The Group in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 38. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Relationship with the Group	Nature of transactions	2014 Rupees	2013 Rupees
(i) Associates	Sales:		
	- raw material / yarn / fabric / stores	**818,262,809**	609,382,389
	- assets	**7,350,000**	575,000
	Purchases:		
	- raw material / yarn / fabric / stores	**471,314,251**	570,305,178
	- electricity	**216,609,553**	275,937,543
	- assets	**8,000,000**	103,365,375
	Share deposit money paid	**-**	60,000,000
	Shares purchased	**44,607,500**	100,000,000
	Services:		
	- rendered	**50,579,860**	31,755,302
	- obtained	**8,701,235**	5,413,282

Relationship with the Group	Nature of transactions	2014 Rupees	2013 Rupees
	Expenses charged by	**13,795,264**	12,313,001
	Expenses charged to	**7,904,408**	3,310,993
	Dividend:		
	- received	**324,256**	198,626
	- paid	**50,763,515**	119,286,861
(ii) Other	Contribution towards provident fund	**5,684,656**	5,123,489
	Rent expense	**4,783,212**	4,348,380

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price 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.

The Group's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimises earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk aggregated to Rs.15,583 million (2013: Rs.12,081 million) as at June 30, 2014. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 97% (2013: 94%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2014 Rupees	2013 Rupees
Long term investments	**5,720,249,038**	4,193,939,557
Long term deposits	**29,052,085**	20,860,065
Trade debts	**6,814,141,193**	4,882,524,483
Loans and advances	**3,683,800**	5,509,273
Short term investments	**1,547,340,779**	1,044,511,205
Other receivables	**489,180,141**	664,124,234
Interest receivable	**2,397,851**	672,477
Bank balances	**977,875,307**	1,269,207,942
	15,583,920,194	12,081,349,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

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

	2014 Rupees	2013 Rupees
Domestic	**5,898,552,342**	3,929,137,938
Export	**915,588,851**	953,386,545
	6,814,141,193	4,882,524,483

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

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

	2014 Rupees	2013 Rupees
Yarn	**1,017,290,718**	1,077,644,446
Fabric	**31,050,752**	23,354,629
Garments	**275,640,062**	160,311,732
Power	**5,421,712,489**	3,587,022,669
Processing services	**3,206,667**	4,224,601
Waste	**17,181,529**	17,880,493
Other	**48,058,976**	12,085,913
	6,814,141,193	4,882,524,483

Based on past experience, the Group's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.4,178 million have been realised subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of the Group's bank balances can be assessed with reference to the external credit ratings as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Rating		
Name of Bank	short term	long term	agency
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Meezan Bank Limited	A-1+	AA	JCR-VIS
United Bank Limited	A-1+	AA+	JCR-VIS
Bank Alfalah Limited	A1+	AA	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A2	Moody's
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Dubai Islamic Bank Pakistan Limited	A-1	A+1	JCR-VIS
Askari Bank Limited	A1+	AA	PACRA
Deutsche Bank AG	P-1	A-3	Moody's
NIB Bank Limited	A1+	AA-	PACRA
The Bank of Punjab	A1+	AA-	PACRA
Silkbank Limited	A-2	A-	JCR-VIS

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2014					
Long term finances	**10,035,162,987**	**10,062,342,905**	**1,297,476,744**	**8,175,335,949**	**589,530,212**
Long term security deposit	**2,100,000**	**2,100,000**	**-**	**-**	**2,100,000**
Trade and other payables	**2,310,824,709**	**2,310,824,709**	**2,310,824,709**	**-**	**-**
Accrued mark-up / interest	**510,171,778**	**510,171,778**	**510,171,778**	**-**	**-**
Short term borrowings	**7,263,431,788**	**7,351,984,968**	**7,351,984,968**	**-**	**-**
	20,121,691,262	**20,237,424,360**	**11,470,458,199**	**8,175,335,949**	**591,630,212**

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2013					
Long term finances	11,301,540,604	11,322,226,685	1,322,012,231	4,661,909,248	5,338,305,206
Long term security deposit	2,100,000	2,100,000	-	-	2,100,000
Trade and other payables	1,599,387,185	1,599,387,185	1,599,387,185	-	-
Accrued mark-up / interest	320,933,790	320,933,790	320,933,790	-	-
Short term borrowings	5,902,141,662	6,017,039,393	6,017,039,393	-	-
	19,126,103,241	19,261,687,053	9,259,372,599	4,661,909,248	5,340,405,206

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

(c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP). The Group's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP) is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

June 30, 2014	**Rupees**	**U.S.$**	**Euro**	**CHF**	**Yen**	**GBP**
Bills payables	**96,171,393**	**947,955**	**19,007**	**-**	**-**	**-**
Trade and other payables	**383,396,776**	**3,882,499**	**-**	**-**	**-**	**-**
Advance payments	**98,467,291**	**997,137**	**-**	**-**	**-**	**-**
	578,035,460	**5,827,591**	**19,007**	**-**	**-**	**-**
Trade debts	**(915,588,851)**	**(9,070,121)**	**(137,358)**	**-**	**-**	**(19,424)**
Bank balances	**(440,717,611)**	**(4,472,020)**	**-**	**-**	**-**	**-**
Net balance sheet exposure	**(778,271,002)**	**(7,714,550)**	**(118,351)**	**-**	**-**	**(19,424)**
Outstanding letters of credit	**191,347,239**	**1,661,630**	**136,266**	**64,057**	**1,850,000**	**-**
	(586,923,763)	**(6,052,920)**	**17,915**	**64,057**	**1,850,000**	**(19,424)**
June 30, 2013	Rupees	U.S.$	Euro	CHF	Yen	GBP
Bills payables	80,690,070	258,713	160,600	45,000	29,700,000	-
Trade and other payables	372,697,731	3,478,617	224,695			
Advance payments	15,517,807	156,746	-	-	-	-
	468,905,608	3,894,076	385,295	45,000	29,700,000	-
Trade debts	(953,386,545)	(9,295,703)	(285,838)	-	-	-
Bank balances	(170,118,622)	(1,725,341)	-	-	-	-
Net balance sheet exposure	(654,599,559)	(7,126,968)	99,457	45,000	29,700,000	-
Outstanding letters of credit	198,926,435	930,586	106,958	889,841	-	-
	(455,673,124)	(6,196,382)	206,415	934,841	29,700,000	-

The following significant exchange rates have been applied:

	Average rate		**Reporting date rate**	
	2014	2013	**2014**	2013
U.S. Dollar to Rupee	**102.41**	96.44	**98.75 / 98.55**	98.80 / 98.60
Euro to Rupee	**139.90**	125.35	**134.73 / 134.46**	129.11 / 128.85
Swiss Frank to Rupee	**115.12**	101.81	**110.82**	104.71
Japanese Yen to Rupee	**1.0000**	1.1100	**0.9748**	0.9994
Great Britain Pound to Rupee	**171.17**	-	**167.79**	-

As at June 30, 2014, if Rupee had strengthened by 10% against US Dollar, Euro, Swiss Frank, Japanese Yen and Great Britain Pounds with all other variables held constant, profit for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2014 Rupees	2013 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	**(76,026,890)**	(70,271,904)
Euro to Rupee	**(1,591,348)**	1,281,503
Swiss Frank to Rupee	**-**	471,195
Japanese Yen to Rupee	**-**	2,968,218
Great Britain Pound to Rupee	**(325,915)**	-
	(77,618,238)	(65,550,988)

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

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Group arises from short & long term borrowings from banks and deposits with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

	2014	2013	2014	2013
	--- Effective rate ---		--- Carrying amount ---	
	%	%	Rupees	Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	**6.00 to 7.00**	5.00 to 8.25	**486,292,452**	112,935,611
Financial liabilities				
Long term finances	**9.40**	9.40 & 12.60	**76,276,000**	54,581,000
Variable rate instruments				
Financial assets				
Trade debts	**13.39 to 14.73**	13.76 to 16.46	**1,415,625,577**	6,361,000
Financial liabilities				
Long term finances	**10.24 to 13.18**	10.50 to 13.03	**9,958,886,987**	11,246,959,604
Short term borrowings	**1.33 to 12.18**	1.47 to 13.74	**7,263,431,788**	5,902,141,662

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

As at June 30, 2014, if the interest rate on the Group's borrowings had been higher / (lower) by 1% with all other variables held constant, profit before tax for the year would have been (lower) / higher by Rs.172.223 million (2013: Rs.171.491 million) mainly as a result of higher / (lower) interest expense.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

Other price risk

Other price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arsing from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Group's investments in ordinary shares and certificates of listed companies aggregating to Rs.7,238.874 million (2013: Rs.5,209.735 million) are exposed to price risk due to changes in market price.

As at June 30, 2014, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs.723.887 million (2013: Rs.520.973 million).

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

40.2 Fair value estimation

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

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

The Group's consolidated financial assets measured at fair value consists of level 1 financial assets amounting to Rs.7,238.874 million (2013: Rs.5,209.735 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

40.3 Capital risk management

The Group's objective when managing capital are to ensure the Group's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximise return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Group may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the balance sheet) less cash and bank balances. Total equity includes all capital and reserves of the Group that are managed as capital. Total capital is calculated as equity as shown in the balance sheet plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2014 Rupees	Re-stated 2013 Rupees
Total borrowings	**17,298,594,775**	17,203,682,266
Less: cash and bank balances	**981,697,073**	1,277,541,056
Net debt	**16,316,897,702**	15,926,141,210
Total equity	**16,479,195,329**	13,550,272,124
Total capital	**32,796,093,031**	29,476,413,334
Gearing ratio	**50%**	54%

			2014	2013
41.	**CAPACITY AND PRODUCTION**		**2014**	2013
41.1	**Spinning units**			
	Number of spindles installed		**101,136**	100,032
	Number of spindles worked		**97,939**	98,433
	Number of shifts worked per day		**3**	3
	Total number of days worked		**365**	365
	Installed capacity after conversion into 20's count	**Lbs.**	**65,528,128**	65,464,422
	Actual production after conversion into 20's count	**Lbs.**	**56,444,268**	56,735,263

41.1.1 Actual production varies due to maintenance / shut down and change in count pattern.

41.2	**Dyeing**		**2014**	2013
	Yarn / Fibre Dyeing Unit			
	Total number of days worked		**297**	232
	Installed capacity	**Lbs.**	**8,002,407**	8,002,407
	Actual production	**Lbs.**	**2,983,733**	3,212,205
	Fabric Dyeing Unit			
	Total number of days worked		**364**	342
	Installed capacity	**Lbs.**	**13,171,579**	13,171,579
	Actual production	**Lbs.**	**8,260,786**	6,666,079

41.2.1 Low production is due to less market demand.

41.3	**Knitting unit**			
	Total number of days worked		**350**	363
	Installed capacity	**Lbs.**	**15,658,951**	15,658,951
	Actual production	**Lbs.**	**7,854,164**	7,058,983

41.3.1 Low production is due to less market demand.

41.4	**Stitching unit**		**2014**	2013
	Installed capacity	**Pcs.**	**1,967,000**	1,967,000
	Actual production	**Pcs.**	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

41.4.1 Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.

41.5 **Power**		**2014**	2013
Installed capacity [based on 8,760 hours (2013: 8,760 hours)	MWH	**1,782,457**	1,795,079
Actual energy delivered	MWH	**761,418**	877,510

41.5.1 Output produced by the plant is dependent on the load demanded by NTDCL and plant availability.

42. SEGMENT INFORMATION

The Group's reportable segments are as follows:

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

42.1 Segment revenues and results

	Spinning	Knitting, processing and garments	Power	Elimination of inter segment transactions	Total
	----- Rupees -----				
For the year ended June 30, 2014					
Sales	11,668,262,496	6,517,366,295	16,211,644,679	(3,280,019,207)	31,117,254,263
Cost of sales	(10,408,813,171)	(6,212,877,282)	(13,657,340,914)	3,280,019,207	(26,999,012,160)
Gross profit	1,259,449,325	304,489,013	2,554,303,765	-	4,118,242,103
Selling and distribution expenses	(398,957,927)	(124,377,973)	-	-	(523,335,900)
Administrative expenses	(189,143,466)	(24,224,145)	(47,850,434)	-	(261,218,045)
Finance cost	(374,286,113)	(87,935,374)	(1,724,059,900)	-	(2,186,281,387)
	(962,387,506)	(236,537,492)	(1,771,910,334)	-	(2,970,835,332)
Profit before taxation and unallocated income and expenses	297,061,819	67,951,521	782,393,431	-	1,147,406,771
Unallocatable income and expenses					
Other income					653,532,188
Other expenses					(130,458,520)
Share of Profit of Associated Companies					10,303,937
Taxation					(186,882,997)
Profit after taxation					1,493,901,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

42.2 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Spinning	Knitting, processing and garments	Power	Elimination of inter segment transactions	Total
	---------- Rupees ----------				
For the year ended June 30, 2013					
Sales	11,582,370,536	4,715,046,320	16,867,439,208	(2,405,128,091)	30,759,727,973
Cost of sales	(9,471,018,718)	(4,552,153,686)	(13,256,384,735)	2,405,128,091	(24,874,429,048)
Gross profit	2,111,351,818	162,892,634	3,611,054,473	-	5,885,298,925
Selling and distribution expenses	(439,567,330)	(125,527,238)	-	-	(565,094,568)
Administrative expenses	(155,933,842)	(18,425,276)	(42,709,149)	-	(217,068,267)
Finance cost	(409,396,008)	(45,790,543)	(2,083,622,394)	-	(2,538,808,945)
	(1,004,897,180)	(189,743,057)	(2,126,331,543)	-	(3,320,971,780)
Profit / (loss) before taxation and unallocated income and expenses	1,106,454,638	(26,850,423)	1,484,722,930	-	2,564,327,145
Unallocatable income and expenses					
Other income					352,506,242
Other expenses					(122,608,449)
Share of Profit of Associated Companies					17,349,846
Taxation					(130,923,242)
Profit after taxation					2,680,651,542

	Spinning	Knitting, processing and garments	Power	Total
	---------- Rupees ----------			
As at June 30, 2014				
Segment assets	**7,093,227,507**	**1,734,131,670**	**22,171,412,513**	**30,998,771,690**
Unallocatable assets				**8,726,693,471**
Total assets as per balance sheet				**39,725,465,161**
Segment liabilities	**3,558,235,530**	**1,267,655,039**	**15,743,442,661**	**20,569,333,230**
Unallocatable liabilities				**556,687,822**
Total liabilities as per balance sheet				**21,126,021,052**
As at June 30, 2013				
Segment assets	7,194,609,504	1,592,228,376	21,357,649,563	30,144,487,443
Unallocatable assets				6,336,728,321
Total assets as per balance sheet				36,481,215,764
Segment liabilities	3,938,878,685	1,157,663,415	14,564,234,927	19,660,777,027
Unallocatable liabilities				475,731,780
Total liabilities as per balance sheet				20,136,508,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

42.3 Sales to domestic customers (excluding Indirect export) in Pakistan are 66.92% (2013: 62.86%) and to customers outside Pakistan (including indirect export) are 33.08% (2013: 37.14%) of the total sales during the year.

42.4 The Group sells its manufactured products to local and foreign companies / organisations / institutions. One (2013:One) of the Group's customers contributed towards 80.80% (2013: 82%) of the local sales during the year aggregating Rs.16,211.644 million (2013: Rs.16,867.439 million) which exceeds 10% of the local sales of the Group.

42.5 Geographical information

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

43. PROVIDENT FUND RELATED DISCLOSURE

Sapphire Fibres Limited

43.1 The Parent Company operates a recognised Provident Fund (the Fund) for its permanent employees. The following information is based on un-audited financial statements of the Fund for the year ended.

	2014 Rupees	2013 Rupees
Size of the Fund - Total Assets	**33,155,779**	32,827,700
Cost of investments made	**31,005,983**	31,858,451
Percentage of investments made	**93.52%**	97.05%
Fair value of investments made	**32,413,779**	32,827,700

43.1.1 The break-up of fair value of investments is as follow:

	2014	2013	2014	2013
	--- Percentage ---		Rupees	Rupees
Special account in a scheduled bank	**5.80**	2.51	**1,879,581**	825,542
Government securities	**90.43**	94.07	**29,312,923**	30,881,323
Term deposit receipts	**3.77**	3.41	**1,221,275**	1,120,835
	100.00	100.00	**32,413,779**	32,827,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

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

Sapphire Electric Company Limited

43.2 The Subsidiary Company operates a recognised Provident Fund (the Fund) for its permanent employees. The following information is based on un-audited financial statements of the Fund for the year ended

	2014 Rupees	2013 Rupees
Size of the Fund - Total Assets	**5,895,919**	5,943,140
Cost of investments made	**5,406,897**	3,447,905
Percentage of investments made	**91.71%**	58.01%
Fair value of investments made	**5,598,133**	3,587,603

43.2.1 The break-up of fair value of investments is as follow:

	2014	2013	**2014**	2013
	--- Percentage ---		**Rupees**	**Rupees**
Special account in a scheduled bank	**25.08**	19.12	**1,403,958**	685,970
Listed Securities	**74.92**	80.88	**4,194,175**	2,901,633
			5,598,133	3,587,603

43.2.2 The figures for year ended June 30, 2014 are based on un-audited financial statements of the Fund. For 2014, investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44. NUMBER OF EMPLOYEES

	2014	2013
Total number of employees as at June 30,	**3,364**	3,184
Average number of employees during the year	**3,337**	3,102

45. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Parent Company, in their meeting held on October 02, 2014, has proposed a final cash dividend of Rs.12.5 (2013: Rs.5) per share amounting to Rs.246.094 million (2013: Rs.98.438 million) for the year ended June 30, 2014. This appropriation will be approved by the members of the Parent Company in the forthcoming Annual General Meeting to be held on October 24, 2014. These consolidation financial statements do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending June 30, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2014

46. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on October 02, 2014 by the Board of Directors of the Parent Company.

47. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS 19 (Revised), as more fully explained in note 4. For the purpose of better presentation following corresponding figures have also been re-arranged / re-classified:

Re-classification from component:	Re-classification to component:	Note	Rupees
Profit and loss account			
Other expenses	Other income	32	27,823
	Finance cost	34	2,685,431

Karachi :
Dated : 02, October 2014

SHAHID ABDULLAH
Chief Executive

AMER ABDULLAH
Director

FORM OF PROXY

I / we____

of ____

a member(s) of **SAPPHIRE FIBRES LIMITED** and a holder of______________________________Ordinary Shares,

do hereby appoint ____

of ____

or failing him/her ____

of ____

a member of **SAPPHIRE FIBRES LIMITED** , vide Registered Folio No.________________ as my/our Proxy to act on my/our behalf at 35th Annual General Meeting of the Company to be held on Friday the 24th October, 2014 at 5:30 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this________ day of ________________ 2014

Signature ___________________________________

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

REVENUE STAMP OF RS.5/-

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-

2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.

3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.

4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.

5. In case of CDC account holder :

- **i)** The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- **ii)** Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- **iii)** The proxy shall produce his original CNIC or original passport at the time of meeting.
- **iv)** In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Witness :

Name________________________	Name________________________
Address______________________	Address______________________
NIC No.______________________	NIC No.______________________