Contents

Company Profile

Board Of Directors

Chairman :
Mr. Amer Abdullah

Chief Executive :
Mr. Shahid Abdullah

Director :
Mr. Nadeem Abdullah
Mr. Yousuf Abdullah
Mr. Shayan Abdullah
Mr. Abdul Sattar

Independent Director:

Mr. Tajammal Husain Bokharee
Mr. Nadeem Arshad Elahi

Audit Committee :

Chairman :
Mr. Nadeem Arshad Elahi
Member :
Mr. Shayan Abdullah
Mr. Yousuf Abdullah
Mr. Tajammal Husain Bokhree

Human Resource & Remuneration Committee :

Chairman :
Mr. Tajammal Husain Bokharee
Member :
Mr. Yousuf Abdullah
Mr. Shahid Abdullah
Mr. Shayan Abdullah

Chief Financial Officer :
Mr. Jawwad Faisal
Secretary :
Mr. Shaukat Mahmud

Auditors :
Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

Tax Consultants :
Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor :
Hassan & Hassan Advocates

Bankers :
Allied Bank Limited,
Bank Alfalah Limited
MCB Bank Limited, Habib Bank Limited
Habib Metropolitan Bank Ltd.
United Bank Limited

Share Registrar :
THK Associates (Private) Ltd.
1st Floor, 40-C, Block-6
P.E.C.H.S, Karachi-75400

Registered Office :
316, Cotton Exchange Building,
I. I. Chundrigar Road,
Karachi.

Mills :
Kharianwala
Tehsil and District Sheikhupura.
Feroze Watwan,
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 40th Annual General Meeting of SAPPHIRE FIBRES LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Friday the 25th day of October, 2019 at 04:45 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of last General Meeting

2. Consideration of the accounts, balance sheets and the reports of the chairman's, directors' and auditors.

3. Declaration of a dividend.

4. Appointment and fixation of remuneration of auditors.

SPECIAL BUSINESS

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

   "**RESOLVED THAT** the related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 39 of the unconsolidated financial statements for the year ended June 30, 2019 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed."

   "**RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending June 30, 2020.

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

ANY OTHER BUSINESS

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

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

By Order of the Board

Karachi.
Dated : 26th September, 2019

(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 19th October, 2019 to 25th October, 2019 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi up to 18th October, 2018 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, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.

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

A. For attending the meeting:

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

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

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 compliance with regulatory directives issued from time to time, members who have not yet submitted copy of their valid CNIC/NTN are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.

7. Payment of Cash Dividend Electronically (Mandatory Requirement)

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

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi (in case of shareholding in Physical Form).

1. Shareholders' Detail	
Name	
Folio# / CDS Account No.	
CNIC No. (Copy attached)	
Mobile/ Landline No.	
2. Shareholders' Bank Detail	
Title of Bank Account	
International Bank Account No. (IBAN)	
Bank's Name	
Branch Name and Address	

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

8. (i) Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 15%

2. Rate of tax deduction for non-filers of income tax return 30%

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

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

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

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

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

9. The Company shall provide video conference facility to its members for attending the Annual General Meeting at places other than the town in which general meeting is taking place, provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference atleast 7 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following form and submit to registered address of the Company 7 days before holding of the Annual General Meeting:

"I/We, ___________ of ____________ being a member of Sapphire Fibres Ltd, holder of ________ Ordinary Shares as

per registered folio # __________ hereby opt for video conference facility at _____________."

____
Signature of Member

Status of Investment under Clause 4(2) of the Companies (Investment in Associated Undertakings) Regulations, 2017

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	By way of subscription in ordinary shares of PKR 10 (Pakistani Rupees Ten) each of TBCCPL the PKR equivalent of up-to USD 6.0 Million from time to time over a period of two years.	Investment = USD 5.643 Million	SFL has fully subscribed its share in accordance with the Sponsor Support Agreement signed between the Sponsors.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	Security / collateral as may be required by the issuing banks in order for the same to issue standby letters of credit together with any replacement standby letters of credit in order to secure the equity amount up -to USD 2.5 Million (United States Dollars Two Million Five Hundred Thousand);	Nil	SFL has fully subscribed its share of equity (7.125%) upfront before Financial Close.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27 th March 2017	Proportionate to its shareholding percentage security / collateral as may be required by the issuing banks in order for the same to issue excess debt standby letters of credit together with any replacement standby letters of credit in order to secure the amount up - to USD 15 Million (United States Dollars Fifteen Million);	Nil	This amount was approved in the EOGM Dated 27 th March, 2017and is in the process of implementation as and when required

Material Changes in Financial Statements of Associated Company

TriconBoston Consulting Corporation (Private) Limited

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

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

1. Item Number 5 of the notice – Ratification and approval of the related party transactions

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

All transactions with related parties to be ratified have been disclosed in the note 39 to the unconsolidated financial statements for the year ended June 30, 2019.

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

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

The nature of relationship with these related parties has also been indicated in the note 39 to the unconsolidated financial statements for the year ended June 30, 2019.

2. Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2020.

The Company shall be conducting transactions with its related parties during the year ending June 30, 2020 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30, 2020 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

Review Report by the Chairman

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

For the financial year ended June 30, 2019, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

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

Lahore :
Dated: September 26, 2019

Amer Abdullah
Chairman

چیرمین کی جائزہ رپورٹ

بورڈ آف ڈائریکٹرز اپنے فرائض کو قانون کے مطابق اور کمپنی اوراس کے حصہ داروں کے بہترین مفاد میں انجام دے رہے ہیں۔کوڈ آف کارپوریٹ گورننس کے تحت درکار سفائر فائبرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی گئی ہے۔اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور نتائج کمپنی کے مقاصد قائم کرنے کے تناظر میں پیمائش اور توقعات کے خلاف بینچ مارک ہیں۔

30 جون 2019 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور نتائج کو اطمینان بخش قرار دیا گیا ہے۔یہ نقطہ نظر، مشن اور اقدار، اسٹریٹجک پلاننگ میں مصروفیت؛ پالیسیوں کی تشکیل؛ تنظیم کی کاروباری سرگرمیوں کی نگرانی؛ مالی وسائل مینجمنٹ کی نگرانی؛ مؤثر مالی نگرانی؛ بورڈ کے کاروبار کی انجام دہی میں تمام ملازمین اور کارکردگی کے منصفانہ ٹریٹمنٹ سمیت لازمی اجزاء کی تشخیص پر مبنی ہے۔

سفائر فائبرز لمیٹڈ بورڈ آف ڈائریکٹرز اوراس کی کمیٹیوں کی تشکیل، طریقہء کار اور اجلاسوں کے حوالہ سے قانون میں متعین تمام ریکوائرمنٹس پر عمل کرتی ہے۔ضروری بورڈ ایجنڈا اور متعلقہ معاون دستاویزات بورڈ اوراس کی کمیٹی کے اجلاسوں سے قبل مناسب وقت پر بورڈ کو مہیا کی گئیں۔بورڈ نے اپنے تمام اختیارات کو متعلقہ قوانین اور ریگولیشن کے مطابق استعمال کیا ہے اور نان ایگزیکٹو اور آزاد ڈائریکٹرز بورڈ کے اہم فیصلوں میں مساوی میں شریک ہوتے ہیں۔

عامر عبداللہ

چیئرمین

مورخہ: 26 ستمبر 2019ء

Directors' Report to the Shareholders

The Directors of your Company are pleased to submit their report along with the audited financial statements of the Company for the year ended 30 June 2019.

FINANCIAL HIGHLIGHTS

	Rupees in thousand
Profit before taxation	1,015,854
Less: Taxation	
For the year	233,297
Prior year	1,699
Deferred	21,661
	256,657
Profit after taxation	759,197
Other Comprehensive Income	42,100
Add: Un-appropriated profit brought forward	11,828,619
Appropriations:	
Final dividend for the year ended June 30, 2018	
(120% i.e. Rs.12 per share)	(236,250)
Subsequent Effects	
Proposed final cash dividend for the year	(157,500)
	12,236,166

Review of Operations:

During the year under review, your Company achieved sales of Rs. 21.75 billion compared to Rs. 17.83 billion in the corresponding year; an increase of 22.00%. The gross profit as a percentage of sales improved from last year's 10.24% to 13.17% during the year.

The Company earned profit after tax of Rs. 759 million during the year compared to Rs. 1,145 million posted in the corresponding year. The decrease in profitability was mainly attributed to reduced dividend income during the year.

Earnings per Share:

The earnings per share (EPS) of current year is Rs. 38.56 as compared to Rs. 58.16 for the last year.

Dividend:

The Board of Directors of the company is pleased to recommend a final cash dividend @ 80% for the year ended June 30, 2019 (2018: 120%).

Right Shares:

The Board of Directors of the company has approved 5% right shares (5 shares for every 100 shares held by shareholder) to be offered at Rs.260 per share (including premium of Rs.250).

Future Outlook:

Pakistan's textile exports remained stagnant in the financial year 2018-19 despite significant currency devaluation during the period. Textile sector is considered as the backbone of our economy. However, it is unable to recover its dwindling share in the international market due to increase in cost of production, which is making it less competitive than other major textile exporting countries. This fact is evident from the value of our textile exports, which is hovering around US$ 13 billion for last ten years.

The government and the industry, both should come up with a renewed vision and efforts to address this situation.

Despite of these challenging circumstances, your Company has been able to grow at a cumulative annual growth rate of over 20% in last three years. Furthermore, gross and net margins of the core textile operations have improved as well and the management is confident that similar positive trend is expected to continue in near future.

Subsidiary Companies:

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 68.11% (2018: 68.11%) 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.

Premier Cement Limited:

Premier Cement Limited (PCL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 during the period. SFL holds 100% shares of PCL as on 30 June, 2019.

Subject to necessary approvals, PCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

Sapphire Cement Company Limited:

Sapphire Cement Company Limited (SCCL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 during the period. SFL holds 100% shares of SCCL as on 30 June, 2019.

Subject to necessary approvals, SCCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

Sapphire Hydro Limited

Sapphire Hydro Limited (SHL) was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2017. The principal business of the subsidiary company shall be to construct, establish and setup a Hydro Electric Power generation project having a net capacity of 150 MW with potential of 682 GWh of annual energy generation at Sharmai, Khayber Pakhtunkhawa.

Sapphire Hydro Limited (SHL) is a wholly owned subsidiary of Sapphire Electric Company Limited which is a subsidiary of Sapphire Fibres Limited.

Sapphire Energy (Private) Limited

Sapphire Energy (Private) Limited (SEPL) was incorporated in Pakistan as a private company limited by shares under Companies Act 2017 on 11 December, 2017. SFL holds 100% shares of SEPL as on 30 June, 2019.

SEPL intends to undertake, develop power projects and make equity investment, acquire or hold shares in companies involved in energy generation and operate a terminal for handling, regasification, storage, treatment and processing of all types of gases and all other related liquids, chemical & petroleum products.

Related Parties:

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

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.

Composition of the Board:

The composition of the Board is in compliance with the requirements of Code of Corporate Governance Regulations, 2017 applicable on listed entities which is given below:

Total Number of Directors

(a) Male08

(b) FemaleExempted for current term

Composition:

(a)	Independent Directors	02
(b)	Executive Directors	01
(c)	Non-Executive Directors	05

The names of the Board members are given in Company's profile.

The Board has made sub-committees which have significantly contributed in achieving desired objectives. These committees include:

- Audit Committee

Mr. Nadeem Arshad Elahi	Chairman (independent)
Mr. Shayan Abdullah	Member
Mr. Yousuf Abdullah	Member
Mr. Tajamal Husain Bokharee	Member (independent)

- Human Resource & Remuneration Committee

Mr. Tajamal Husain Bokharee	Chairman (independent)
Mr. Shahid Abdullah	Member
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

Remuneration of Directors:

The remuneration of the Directors is determined by the Company in the Board of Directors' Meeting as provided by Section 170 of the Companies Act, 2017. The remuneration of the Board of Directors is determined on the basis of standards in the market and reflects demands to competencies and efforts in light of the scope of their work and increase in responsibilities of the directors.

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

6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts.

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

8. There has been no material departure from the best 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 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, 2019 are Rs.7.991 million and Rs.69.335 million respectively.

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

11. The board of directors in compliance with the Code of Corporate Governance has established Audit and Human Resource & Remuneration committees as discussed above.

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

Mr. Shahid Abdullah	04
Mr. Nadeem Abdullah	04
Mr. Amer Abdullah	03
Mr. Yousuf Abdullah	03
Mr. Shayan Abdullah	04
Mr. Tajammal Husain Bokharee	04
Mr. Abdul Sattar	04
Mr. Nadeem Arshad Elahi	04

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

Mr. Nadeem Arshad Elahi	04
Mr. Yousuf Abdullah	03
Mr. Shayan Abdullah	04
Mr. Tajammal Hussain Bokharee	04

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

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

16. 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 shareholding of the Company as at 30 June, 2019 is annexed. This statement is prepared in accordance with the Code of Corporate Governance Regulation 2017 and the Companies Act, 2017.

Auditors:

The present Auditors, Shinewing 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, 2020.

Acknowledgements:

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

For and on behalf of the Board of Directors

Lahore	**Amer Abdullah**	**Shahid Abdullah**
Dated: 26 September, 2019	Chairman	Chief Executive

13۔ زیرِ جائزہ سال کے دوران، آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسبِ ذیل تھی:

نام رکن	تعداد حاضری
ندیم ارشد الٰہی	04
یوسف عبداللہ	03
شایان عبداللہ	04
تجمل حسین بخاری	04

14۔ سال کے دوران ہیومن ریسورس اینڈ ریمنریشن کمیٹی کا ایک اجلاس منعقد ہوا اور تمام ممبران نے شرکت کی۔

15۔ کوڈ آف کنڈکٹ کو بہتر بنایا اور کمپنی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطلع کیا گیا ہے۔

16۔ کمپنی نے "ضابطہ اخلاق" تیار کیا ہے اور اس بات کو یقینی بنایا ہے کہ پوری کمپنی معہ اسکی امدادی پالیسیوں اور طرزِ عمل کے ساتھ باضابطہ طور پر منسلک کرنے کے لئے مناسب اقدامات کئے گئے ہیں۔

نمونہ ءحصص داری

30 جون 2019 کے مطابق کمپنی کا نمونہ ءحصص داری منسلک ہے۔ یہ سٹیٹمنٹ کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 اور کمپنیز ایکٹ 2017 کے مطابق تیار کی گئی ہے۔

محاسب کا تقرر

موجودہ محاسب شینونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کے لئے بطور محاسب ان کی تقرری کی منظوری بھی دے دی ہے۔

اظہارِ تشکر

انتظامیہ بورڈ آف ڈائریکٹرز کی حمایت کے لئے، حصص دار، ریگولیٹری حکام، مالیاتی اداروں، گاہکوں، سپلائرز کی شکر گذار اور عملے اور کارکنوں کی لگن اور سخت محنت کو سراہتی ہے۔

منجانب بورڈ آف ڈائریکٹرز

لاہور	**شاہد عبداللہ**	**عامر عبداللہ**
تاریخ: 26 ستمبر 2019	چیف ایگزیکٹو	چیئرمین

ڈائریکٹرز کا مشاہرہ

کمپنیز ایکٹ 2017 کی دفعہ 170 کے مطابق اجلاس عام میں کمپنی کی طرف سے ڈائریکٹرز کے مشاہرہ کا تعین کیا گیا ہے۔ بورڈ آف ڈائریکٹرز کا مشاہرہ مارکیٹ میں معیارات کی بنیاد پر تعین کیا گیا ہے اوران کے کام کے سکوپ کی روشنی میں مہارتوں اور کوششوں اور ڈائریکٹرز کی ذمہ داریوں میں اضافہ کی طلب کی عکاسی کرتا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

بورڈ آف ڈائریکٹرز باقاعدگی سے کمپنی کی اسٹریٹجک سمت کا جائزہ لیتا ہے۔ چیف ایگزیکٹو کی طرف سے کاروباری منصوبوں اور اہداف کو مقرر اور بورڈ کی طرف سے جائزہ لیا گیا ہے۔ بورڈ کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ بورڈ نے کارپوریٹ گورننس کوڈ کا جائزہ لیا ہے اور اس بات کی تصدیق کی ہے کہ:

1۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

2۔ کمپنی کے کھاتوں کا حساب کتاب مکمل طور پر برقرار رکھا گیا ہے۔

3۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

4۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے،

5۔ داخلی کنٹرول کا اندرونی آڈٹ اور اس طرح کے دیگر طریقہ کار کے ذریعے مسلسل جائزہ لیا جا رہا ہے۔ جائزہ اور نگرانی کا عمل اس کو مزید بہتر بنانا جاری رکھے گا۔

6۔ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں تمام ادائیگیاں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کر دی جائیں گی یا جہاں قرض کے دعوی کا اعتراف نہیں گیا ان کا مالی حسابات میں انکشاف کیا گیا ہے؛

7۔ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

8۔ فہرستی قوانین میں تفصیلی، کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔

9۔ کمپنی نے اپنے صدر دفتر کے ملازمین کے لئے مینجمنٹ سٹاف گریجوٹی فنڈ قائم کیا ہے جو بتدریج ملز میں بھی لاگو ہوگا۔ کمپنی نے عملہ کے لئے ایمپلائز پراویڈنٹ فنڈ بھی متعارف کرایا ہے، پراویڈنٹ فنڈ کے ممبران گریجوٹی فنڈ کے اہل نہیں ہیں۔ 30 جون 2019 کو گریجوٹی اور پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر بالترتیب 7.991 ملین روپے اور 69.335 ملین روپے ہے۔

10۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

11۔ بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کے مطابق مذکورہ بالا آڈٹ اور ہیومن ریسورس اینڈ ریمنریشن کمیٹیاں قائم کی ہیں۔

12۔ زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹر کے چار (4) اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسبِ ذیل تھی:

نام ڈائریکٹرز	تعداد حاضری
شاہد عبداللہ	04
ندیم عبداللہ	04
عامر عبداللہ	03
یوسف عبداللہ	03
شایان عبداللہ	04
تجمل حسین بخاری	04
عبدالستار	04
ندیم ارشد الٰہی	04

متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کیے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹیوں کے لئے ٹرانسفر پرائسنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشن کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمیٹی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنکشن یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشنز قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمیٹی کے بغور جائزہ کے بعد، ان کے غور وخوض اور منظوری کے لئے ٹرانزیکشنز بورڈ کے روبرو پیش کی گئی ہیں۔

کارپوریٹ ماحول، صحت اور سماجی ذمہ داری

کمپنی کام کے ایسے حالات کو برقرار رکھتی ہے جو تمام ملازمین اور عوام کی صحت کے لئے محفوظ اور خطرے سے خالی ہوں۔ حفاظت، پیداوار، ترسیل، اسٹوریج اور سامان کی ہینڈلنگ کے حوالے سے خاص طور پر حفاظت کے تمام پہلوؤں کو بہتر بنانے پر ہماری توجہ مرکوز رہتی ہے۔ آپ کی کمپنی ہمیشہ ماحولیاتی تحفظ کو یقینی بناتی ہے اور ماحولیاتی تحفظ کے لئے ہر ممکن وسائل کو اپناتی ہے۔

بورڈ کی تشکیل

بورڈ کی تشکیل لسٹڈ اینٹیٹیز پر قابل اطلاق کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2017 کی ضروریات کی تعمیل کے مطابق ہے اور جو مندرجہ ذیل ہے:

ڈائریکٹرز کی کل تعداد

(a) مرد	08
(b) خاتون	حالیہ مدت کیلئے مستثنیٰ

تشکیل:

(a) آزاد ڈائریکٹرز	02
(b) ایگزیکٹو ڈائریکٹرز	01
(c) نان ایگزیکٹو ڈائریکٹرز	05

بورڈ کے ارکان کے نام کمپنی کی پروفائل میں دیئے گئے ہیں۔

بورڈ نے ذیلی کمیٹیاں بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں اہم شراکت کی ہے۔ یہ کمیٹیاں مشتمل ہیں:

آڈٹ کمیٹی

جناب ندیم ارشد الٰہی	چیئرمین (آزاد)
جناب شایان عبداللہ	رکن
جناب یوسف عبداللہ	رکن
جناب تجمل حسین بخاری	رکن (آزاد)

ہیومن ریسورس اینڈ ریمنریشن کمیٹی

جناب تجمل حسین بخاری	چیئرمین (آزاد)
جناب شاہد عبداللہ	رکن
جناب یوسف عبداللہ	رکن
جناب شایان عبداللہ	رکن

مستقبل کا نقطہ نظر

مالی سال 19-2018 میں اس عرصے کے دوران کرنسی کی قدر میں نمایاں کمی کے باوجود پاکستان کی ٹیکسٹائل برآمدات مستحکم رہی۔ ٹیکسٹائل کے شعبے کو ہماری معیشت کی ریڑھ کی ہڈی سمجھا جاتا ہے۔ تاہم، پیداوار اخراجات میں اضافے کی وجہ سے بین الاقوامی مارکیٹ میں اپنے کم ہوتے شیئرز کو بازیافت کرنے سے قاصر ہے، جو اسے ٹیکسٹائل برآمد کرنے والے دوسرے اہم ممالک کے مقابلے میں کم مسابقتی بنا رہا ہے۔ یہ حقیقت ہماری ٹیکسٹائل برآمدات کی قیمت سے ظاہر ہے، جو گذشتہ دس سالوں سے 13 بلین امریکی ڈالر کے آس پاس منڈلا رہی ہے۔ حکومت اور صنعت، دونوں کو اس صورتحال سے نمٹنے کے لئے نئے وژن اور کوششوں کے ساتھ آگے آنا چاہئے۔

ان مشکل حالات کے باوجود، آپ کی کمپنی گذشتہ تین سالوں میں 20 فیصد سے زیادہ کی مجموعی سالانہ شرح نمو حاصل کرنے میں کامیاب رہی ہے۔ مزید برآں، ٹیکسٹائل کے بنیادی کاروبار کے مجموعی اور خالص مارجنز میں بھی بہتری آئی ہے اور انتظامیہ پُر اعتماد ہے کہ مستقبل قریب میں بھی اسی طرح کا مثبت رجحان جاری رہنے کی امید ہے۔

ذیلی کمپنیاں:

سفائر الیکٹرک کمپنی لمیٹڈ:

سفائر الیکٹرک کمپنی لمیٹڈ 18 جنوری 2005 کمپنیز آرڈیننس، 1984 کے تحت پاکستان میں ایک پبلک غیر مندرج کمپنی کی حیثیت سے قائم ہوئی۔ سفائر فائبرز لمیٹڈ ذیلی کمپنی کے 68.11 فیصد (2018: 68.11 فیصد) حصص کی مالک ہے۔

ذیلی کمپنی کی اصل سرگرمی 212 میگاواٹ کی خالص صلاحیت کے کمبائنڈ سائیکل پاور سٹیشن کی ملکیت، چلانا اور برقرار رکھنا ہے۔

پریمیئر سیمنٹ لمیٹڈ:

پریمیئر سیمنٹ لمیٹڈ (پی سی ایل) کمپنیز آرڈیننس 1984 کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2019 کے مطابق پی سی ایل کے 100 فیصد حصص کی مالک ہے۔

ضروری منظوریوں کے حوالہ سے، پی سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفائر سیمنٹ کمپنی لمیٹڈ:

سفائر سیمنٹ کمپنی لمیٹڈ (ایس سی سی ایل) کمپنیز آرڈیننس 1984 کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2019 کے مطابق ایس سی سی ایل کے 100 فیصد حصص کی مالک ہے۔

ضروری منظوریوں کے حوالہ سے، ایس سی سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفائر ہائیڈرو لمیٹڈ:

سفائر ہائیڈرو لمیٹڈ (SHL)، 07 ستمبر 2017 کمپنیز ایکٹ 2017 کے تحت شیئرز کے ذریعے پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ذیلی کمپنی کا اصل کاروبار شرمئی، خیبر پختونخواہ میں 682 GWh کی سالانہ انرجی جنریشن کی پوٹینشل کے ساتھ 150 میگاواٹ کی خالص صلاحیت کا حامل ہائیڈرو الیکٹرک پاور جنریشن پراجیکٹ کی تعمیر، قیام اور چلانا ہوگا۔

سفائر ہائیڈرو لمیٹڈ (SHL)، سفائر الیکٹرک کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے جو خود سفائر فائبرز لمیٹڈ کی ایک ذیلی کمپنی ہے۔

سفائر انرجی (پرائیویٹ) لمیٹڈ:

سفائر انرجی (پرائیویٹ) لمیٹڈ (SEPL) 11 دسمبر 2017 کمپنیز ایکٹ 2017 کے تحت شیئرز کے ذریعے ایک نجی کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2019 کے مطابق ایس ای پی ایل کے 100% حصص کی مالک ہے۔

ایس ای پی ایل بجلی کی پیداوار میں مصروف عمل کمپنیوں میں انڈرٹیک، پاور پروجیکٹس کو ڈویلپ اور ایکوئٹی سرمایہ کاری، حصص رکھنے یا خریدنے کا اور تمام اقسام کی گیسوں اور تمام دیگر متعلقہ مائعات، کیمیکل اینڈ پیٹرولیم مصنوعات تک کو ہینڈلنگ، ری گیسی فکیشن، سٹوریج، ٹریٹمنٹ اور پروسیسنگ کے لئے ٹرمینل چلانے کا ارادہ رکھتی ہے۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2019ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشواروں پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

	روپے ہزاروں میں
ٹیکس سے پہلے منافع	1,015,854
ٹیکس کی کمی	
موجودہ سال کے لئے	233,297
گذشتہ سال	1,699
ملتوی ٹیکس	21,661
	256,657
ٹیکس کے بعد منافع	759,197
دیگر مجموعی منافع	42,100
اضافہ: غیر تصرفاتی منافع جو آگے گیا	11,828,619
تصرفات	
30 جون 2018 مختتمہ سال کے لئے حتمی منافع منقسمہ (120% یعنی 12 روپے فی حصص)	(236,250)
بعد کے اثرات	
سال کے لئے مجوزہ حتمی نقد منافع منقسمہ	(157,500)
	12,236,166

آپریشنز کا جائزہ

زیر جائزہ سال کے دوران، آپ کی کمپنی نے گزشتہ سال میں 17.83 بلین روپے کے مقابلے موجودہ سال 21.75 بلین روپے فروخت حاصل کی جو 22.00 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے 10.24 فیصد سے بڑھ کر رواں سال کے دوران 13.17 فیصد تک زیادہ ہوا۔

کمپنی نے گزشتہ مالی سال کے دوران درج 1,145 ملین روپے کے مقابلے موجودہ سال کے دوران 759 ملین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

موجودہ سال کی فی شیئر آمدنی (EPS) 38.56 روپے ہے جو کہ پچھلے سال 58.16 روپے تھی۔

منافع منقسمہ

کمپنی کی مجلس نظماء 30 جون 2019 کو ختم ہونے والے سال کے لئے نقد منافع منقسمہ بشرح 80 فیصد (2018: 120 فیصد) سفارش کرتے ہوئے خوشی محسوس کرتی ہے۔

رائٹ شیئرز

کمپنی کے ڈائریکٹرز نے 5 فیصد Right Shares (ہر حصہ دار کو 100 حصص کے بدلے 5 حصص) کی منظوری دی ہے۔ جو کہ 260 روپے فی حصص (جس میں 250 روپے پریمیم شامل ہے) کی قیمت پر پیشکش کی جائے گی۔

Six Years Growth at a Glance

Years		2019	2018	2017	2016	2015	2014
		Rupees in thousand					
Sales		21,750,250	17,828,047	14,465,759	12,478,390	13,347,276	14,905,610
Gross profit		2,864,697	1,825,406	974,035	1,089,719	1,437,824	1,563,938
Net profit before taxation		1,015,855	1,448,615	1,399,197	1,501,999	1,241,691	1,498,525
Net profit after taxation		759,197	1,145,072	1,139,074	1,401,731	995,854	1,313,219
Share capital		196,875	196,875	196,875	196,875	196,875	196,875
Share holder's equity		15,287,207	16,283,524	17,055,008	15,364,415	14,933,421	14,796,769
Fixed assets - net		10,595,081	10,340,483	8,857,741	8,288,598	4,508,868	3,990,234
Total assets		34,902,819	32,656,142	30,840,380	26,526,288	21,503,877	20,099,150
Dividend - Cash	%	80.00	120.00	65.00	140.00	100.00	125.00
RATIOS:							
PROFITABILITY							
Gross profit	%	13.17	10.24	6.73	8.73	10.77	10.49
Profit before tax	%	4.67	8.13	9.67	12.04	9.30	10.05
Profit after tax	%	3.49	6.42	7.87	11.23	7.46	8.81
RETURN TO SHAREHOLDERS							
Return on equity before tax	%	6.65	8.90	8.20	9.78	8.31	10.13
Return on equity after tax	%	4.97	7.03	6.68	9.12	6.67	8.88
Basic earning per share after tax	Rs.	38.56	58.16	57.86	71.20	50.58	66.70
ACTIVITY							
Sales to fixed assets	Times	2.05	1.72	1.63	1.51	2.96	3.74
Sales to total assets	Times	0.62	0.55	0.47	0.47	0.62	0.74
LIQUIDITY/LEVERAGE							
Current ratio		1.01 : 1	1.12 : 1	1.29 : 1	1.10 : 1	1.11 : 1	1.45 : 1
Debt equity ratio	Times	0.291	0.288	0.211	0.138	0.004	0.004
Total liability to equity	Times	1.28	1.01	0.81	0.73	0.44	0.36
BREAK UP VALUE PER SHARE	Rs.	776.49	827.10	866.29	780.41	758.52	751.58

Independent Auditor's Review Report

On the Statement of Compliance contained in the listed Companies (Code Of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of SAPPHIRE FIBRES LIMITED (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Karachi ;
Dated: September 26, 2019

SHINEWING HAMEED CHAUDHRI & CO.,
Chartered Accountants
Audit Engagement Partner: Raheel Ahmed

Statement of Compliance with Listed Companies

(Code of Corporate Governance) Regulations, 2017)

Name of Company **SAPPHIRE FIBRES LIMITED** year ended June 30, 2019.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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 Regulations in the following manner:

1. The total number of directors are 08 as per the following:

   a. Male: 08
   b. Female: Nil

2. The composition of the Board is as follows

Category	Names
Independent Directors(*)	Mr. Tajammal Husain Bokharee Mr. Nadeem Arshad Elahi
Executive Directors	Mr. Shahid Abdullah
Non-Executive Directors	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah Mr. Abdul Sattar

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

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

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Majority of the Directors of the Company have been either exempted or trained from the requirement of directors’ training program under the criteria prescriber by the Code of Corporate Governance.

10. There was no new appointment of CFO and company secretary during the year. Mr. Wasiq Majid resigned from the Office of Head of Internal Audit and Mr. Zeeshan Javaid was appointed in his place during the year.

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

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

a) Audit Committee

- Mr. Nadeem Arshad Elahi (Chairman)
- Mr. Yousuf Abdullah (Member)
- Mr. Shayan Abdullah (Member)
- Mr. Tajammal Husain Bokharee (Member)

b) HR and Remuneration Committee

- Mr. Tajammal Husain Bokharee (Chairman)
- Mr. Shahid Abdullah (Member)
- Mr. Yousuf Abdullah (Member)
- Mr. Shayan Abdullah (Member)

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

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

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

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board 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.

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

18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board

Lahore :
Dated: September 26, 2019

AMER ABDULLAH
CHAIRMAN

SHAHID ABDULLAH
CHIEF EXECUTIVE

Independent auditor's report to the members of

Sapphire Fibres Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sapphire Fibres Limited (the Company), which comprise the statement of financial position as at June 30, 2019, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter(s):

S. No.	Description	How the matter was addressed in our audit
1	First time adoption of IFRS 9 'Financial Instrument' and IFRS 15 'Revenue from Contracts with Customers' IFRS 9 is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'. In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs is complex and involves a number of judgemental assumptions. IFRS 9 also introduces new classification of financial assets based on the Company's business model for managing the financial assets and the contractual terms of the cash flows. IFRS 15 is effective for the Company for the first time during the current year and changes the revenue	For IFRS 9 we reviewed and understood the requirements. Our audit procedures included the following: - Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements; - Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. Reviewed the working of management for ECL provision; and - Reviewed the new classification of financial assets and financial liabilities of the Company based on the revised criteria of IFRS 9. For IFRS 15 our audit procedures included the following: - We discussed with the management changes made in the revenue recognition criteria to comply with the requirements of new accounting standard; - Obtained relevant underlying supporting documents for ensuring that management has complied with the revenue recognition criteria as introduced by IFRS 15; and

<table>
<tr><th>S. No.</th><th>Description</th><th>How the matter was addressed in our audit</th></tr>
<tr><td></td><td>recognition criteria. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers.

In view of the above amendments, assumptions involved, reclassifications of financial assets, additions of new disclosures, we considered this adoption of IFRS 9 and IFRS 15 as a key audit matter.</td><td>- We assessed the appropriateness of the related disclosure made by the management in the Company's financial statements.</td></tr>
<tr><td>2.</td><td>Property, plant and equipment

The Company's Property, plant and equipment represent 55% (2018: 53%) of the total non-current assets of the Company. Further, these represent 30% (2018: 31%) of the total assets of the Company as at the reporting date.

The Company during the current year made significant capital expenditure on its manufacturing facilities.

Judgement is exercised in determining the following:

- useful lives and residual values;

- assessing whether there are any indicators of impairment present; and

- when performing impairment assessments where indicators have been identified.

"Based on the high value of the balance as at reporting date, as well as the judgements involved in determining useful lives and residual values and because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on capitalization of borrowing costs and depreciation charge for the year, this has been identified as a key audit matter."</td><td>"Our audit procedures to assess the capitalization of property, plant and equipment are as follows:"

- understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;

- assessing the nature of costs incurred including borrowing costs for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and

- "inspecting supporting documents for the dateof capitalization."

The following was performed on the assessment of useful lives and residual values:

- Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; and

- Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate.

In considering whether impairment was required, we reviewed the Company’s consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following procedures were performed:

- Mills were inspected to identify any damages or non-operating assets;

- Discussions were held with the management, engineers and other technicians to identify any potential impairments; and

- Production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators.

We reviewed the adequacy of the Company's disclosure in the financial statement with respect to Property, plant and equipment.</td></tr>
</table>

S. No.	Description	How the matter was addressed in our audit
3.	**Valuation of stock-in-trade** The total value of stock in trade as at the reporting date amounts to Rs.6.831 billion representing 43% of the Company's total current assets (2018: Rs.4.796 billion, 36% of the Company's total current assets). Stock in trade as at reporting date mainly includes raw material and finished goods. (note 11) The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of finished goods based on whether the items are A Grade or B Grade and in determining the appropriate value of slow moving and obsolete stocks. We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.	We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps: - assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis; - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - assessed the management determination of A Grade and B Grade inventories and NRV of inventories thereon by performing tests on the sale price secured by the Company for similar items; and - tested the cost of inventories for A Grade items and performed NRV test to asses whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices. We reviewed the Company's disclosure in the financial statement in respect of stock in trade.

Information Other than the Financial Statements and Auditors' Report thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Raheel Ahmed.

Karachi.
Dated: September 26, 2019

SHINEWING HAMEED CHAUDHRI & CO.,
Chartered Accountants

Statement of Financial Position
As at June 30, 2019

	Note	2019	2018
		------- Rupees -------	
Assets			
Non current assets			
Property, plant and equipment	5	**10,557,238,378**	10,304,595,162
Investment property	6	**31,750,000**	31,750,000
Intangible assets	7	**6,092,817**	4,138,337
Long term investments	8	**8,407,678,480**	8,885,049,371
Long term loans	9	**442,000**	297,000
Long term deposits		**28,606,645**	28,606,645
		19,031,808,320	19,254,436,515
Current assets			
Stores, spare parts and loose tools	10	**248,085,374**	198,770,544
Stock-in-trade	11	**6,830,630,079**	4,796,272,234
Trade debts	12	**4,232,884,737**	2,850,910,999
Loans and advances	13	**96,814,093**	131,125,089
Trade deposits and short term prepayments	14	**77,925,574**	48,843,636
Short term investments	15	**2,908,132,483**	3,760,187,223
Other receivables	16	**744,598,891**	939,634,391
Tax refunds due from Government	17	**655,226,989**	651,913,975
Cash and bank balances	18	**76,712,566**	24,047,126
		15,871,010,786	13,401,705,217
Total assets		**34,902,819,106**	32,656,141,732
Equity and Liabilities			
Share capital and reserves			
Authorised capital			
35,000,000 ordinary shares of Rs.10 each		**350,000,000**	350,000,000
Issued, subscribed and paid-up capital	19	**196,875,000**	196,875,000
Reserves	20	**2,696,666,077**	4,258,029,746
Unappropriated profit		**12,393,666,121**	11,828,618,830
Total equity		**15,287,207,198**	16,283,523,576
Non current liabilities			
Long term finances	21	**3,559,813,830**	3,877,170,007
Staff retirement benefit - gratuity	22	**242,930,143**	346,597,468
Deferred taxation	23	**125,895,975**	130,643,092
		3,928,639,948	4,354,410,567
Current liabilities			
Trade and other payables	24	**2,258,009,039**	1,715,796,554
Contract liabilities		**313,963,434**	118,573,973
Accrued mark-up / interest	25	**217,497,816**	125,062,516
Short term borrowings	26	**11,772,445,051**	9,001,597,944
Current portion of long term finances	21	**885,792,285**	804,466,175
Unclaimed dividend		**5,967,559**	5,353,374
Provision for taxation		**233,296,776**	247,357,053
		15,686,971,960	12,018,207,589
Total liabilities		**19,615,611,908**	16,372,618,156
Contingencies and commitments	27		
Total equity and liabilities		**34,902,819,106**	32,656,141,732

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

Karachi:	**Shahid Abdullah**	**Shayan Abdullah**	**Jawwad Faisal**
Dated: September 26, 2019	Chief Executive	Director	Chief Financial Officer

Statement of Profit or Loss

For the year ended June 30, 2019

	Note	2019	2018
		------- Rupees -------	
			(Re-stated)
Sales	**28**	**21,750,250,244**	17,828,047,476
Cost of sales	**29**	**(18,885,553,558)**	(16,002,641,641)
Gross profit		**2,864,696,686**	1,825,405,835
Distribution cost	**30**	**(721,021,399)**	(590,408,425)
Administrative expenses	**31**	**(313,197,951)**	(303,556,412)
Other income	**32**	**530,368,131**	1,419,921,464
Other expenses	**33**	**(82,517,989)**	(169,870,849)
Profit from operations		**2,278,327,478**	2,181,491,613
Finance cost	**34**	**(1,262,472,764)**	(732,876,733)
Profit before taxation		**1,015,854,714**	1,448,614,880
Taxation	**35**	**(256,657,403)**	(303,542,979)
Profit after taxation		**759,197,311**	1,145,071,901
Earnings per share - basic and diluted	**36**	**38.56**	58.16

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

Karachi:
Dated: September 26, 2019

Shahid Abdullah	**Shayan Abdullah**	**Jawwad Faisal**
Chief Executive	Director	Chief Financial Officer

Statement of other Comprehensive Income

For the year ended June 30, 2019

	2019	2018
	------- Rupees -------	
		(Re-stated)
Profit after taxation	**759,197,311**	1,145,071,901
Other comprehensive income / (loss)		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised loss on remeasurement of investment at fair value through other comprehensive income		
- long term	**(810,464,891)**	(1,077,522,452)
- short term	**(778,963,436)**	(1,029,475,768)
Impact of deferred tax	**28,064,658**	200,322,904
Realised gain on sale of investment at fair value through other comprehensive income	**14,111,361**	27,683,935
	(1,547,252,308)	(1,878,991,381)
Gain / (loss) on re-measurement of staff retirement benefit obligation	**29,644,795**	(8,423,010)
Impact of deferred tax	**(1,656,176)**	529,394
	27,988,619	(7,893,616)
Items that will be reclassified to statement of profit or loss subsequently		
Forward foreign currency contracts		
Adjustment for gain realized on settlement of foreign currency contracts	**-**	(140,343)
	(1,519,263,689)	(1,887,025,340)
Total comprehensive loss for the year	**(760,066,378)**	(741,953,439)

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

Karachi:
Dated: September 26, 2019

Shahid Abdullah	Shayan Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

Statement of Cash Flows
For the year ended June 30, 2019

	Note	2019	2018
		------- Rupees -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	**172,866,826**	(486,431,031)
Staff retirement benefit paid		**(179,457,285)**	(81,663,995)
Finance cost paid		**(1,177,765,419)**	(721,763,676)
Taxes paid		**(302,831,807)**	(368,147,943)
Workers' profit participation fund paid		**(67,999,400)**	(69,322,466)
Long term loans - net		**(145,000)**	3,458,000
Long term deposits - net		**-**	(365,000)
Net cash used in operating activities		**(1,555,332,085)**	(1,724,236,111)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,026,494,086)**	(2,162,863,858)
Proceeds from disposal of operating fixed assets		**49,965,870**	25,940,435
Investment in Subsidiary Companies		**(283,100,000)**	(235,000,000)
Long and short term investments - net		**93,714,027**	36,275,373
Proceeds from sale of stores and spares		**10,050,483**	8,097,853
Dividend and interest income received		**464,680,006**	1,392,173,011
Net cash used in investing activities		**(691,183,700)**	(935,377,186)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		**626,337,000**	1,103,458,000
- repaid		**(862,367,067)**	(133,595,950)
Dividend paid		**(235,635,815)**	(29,744,842)
Short term borrowings - net		**2,770,847,107**	1,712,034,331
Net cash generated from financing activities		**2,299,181,225**	2,652,151,539
Net increase / (decrease) in cash and cash equivalents		**52,665,440**	(7,461,758)
Cash and cash equivalents - at beginning of the year		**24,047,126**	31,508,884
Cash and cash equivalents - at end of the year		**76,712,566**	24,047,126

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

Karachi: Dated: September 26, 2019	**Shahid Abdullah** Chief Executive	**Shayan Abdullah** Director	**Jawwad Faisal** Chief Financial Officer

Statement of Changes in Equity

For the year ended June 30, 2019

		Reserves							
		Capital	Revenue			Unrealised gain / (loss)			
	Issued, subscribed and paid-up capital	Share premium	General	Unappropriated profit	Sub-total	on financial assets at fair value through other comprehensive income	on hedging instruments	Sub-total	Total
	Rupees								
Balance as at July 1, 2017	196,875,000	145,740,000	1,183,845,000	10,693,287,860	12,022,872,860	4,835,120,062	140,343	4,835,260,405	17,055,008,265
Distribution to owners									
Final dividend related to the year ended June 30, 2017 at the rate of Rs.1.50 per share	-	-	-	(29,531,250)	(29,531,250)	-	-	-	(29,531,250)
Total comprehensive income / (loss) for the year ended June 30, 2018									
Profit for the period - restated	-	-	-	1,145,071,901	1,145,071,901	-	-	-	1,145,071,901
Other comprehensive loss - restated	-	-	-	(7,893,616)	(7,893,616)	(1,878,991,381)	(140,343)	(1,879,131,724)	(1,887,025,340)
	-	-	-	1,137,178,285	1,137,178,285	(1,878,991,381)	(140,343)	(1,879,131,724)	(741,953,439)
Reclassification adjustment of realised gain on sale of investment at fair value through other comprehensive income	-	-	-	27,683,935	27,683,935	(27,683,935)	-	(27,683,935)	-
Balance as at June 30, 2018	**196,875,000**	**145,740,000**	**1,183,845,000**	**11,828,618,830**	**13,158,203,830**	**2,928,444,746**	**-**	**2,928,444,746**	**16,283,523,576**
Distribution to owners									
Final dividend related to the year ended June 30, 2018 at the rate of Rs.12 per share	-	-	-	(236,250,000)	(236,250,000)	-	-	-	(236,250,000)
Total comprehensive income / (loss) for the year ended June 30, 2019									
Profit for the year	-	-	-	759,197,311	759,197,311	-	-	-	759,197,311
Other comprehensive income / (loss)	-	-	-	27,988,619	27,988,619	(1,547,252,308)	-	(1,547,252,308)	(1,519,263,689)
	-	-	-	787,185,930	787,185,930	(1,547,252,308)	-	(1,547,252,308)	(760,066,378)
Reclassification adjustment of realised gain on sale of investment at fair value through other comprehensive income	-	-	-	14,111,361	14,111,361	(14,111,361)	-	(14,111,361)	-
Balance as at June 30, 2019	**196,875,000**	**145,740,000**	**1,183,845,000**	**12,393,666,121**	**13,723,251,121**	**1,367,081,077**	**-**	**1,367,081,077**	**15,287,207,198**

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

Karachi:
Dated: September 26, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

1. LEGAL STATUS AND OPERATIONS

Sapphire Fibres Limited (the Company) was incorporated in Pakistan on June 05, 1979 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacturing and sale of yarn, fabrics and garments.

Geographical location and addresses of major business units including mills / plant of the Company are as under:

Karachi	**Purpose**
316, Cotton Exchange Building, I.I Chundrigar Road	Registered office
Lahore	
7 A- K, Main Boulevard, Gulberg	Head office
3.5 km, Manga Road, Riawand	Production plant
Shiekhpura	
10 km, Sheikhupura / Faisalabad Road, Kharianwala	Production plant
26 km, Sheikhupura / Faisalabad Road, Feroze wattoan	Production plant

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

-International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);

-Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and

-Provisions of and directives issued under the Act.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment valued at fair value, 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 Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees unless otherwise specified.

2.4 Change in accounting standards and interpretations

2.4.1 Standards, amendments to approved accounting standards effective in current year and are relevant

Standards, amendments and interpretations to IFRSs that are effective for accounting periods beginning on July 01, 2018 and are considered to be relevant and have significant effect on the Company's operations are as follows:

(a) IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

(c) IFRIC 22, "Foreign currency transactions and advance consideration' applicable to accounting periods beginning on or after July 01, 2018. This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related assets, expenses or income where an entity pays or receive consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which an entity recognizes the non-monetary assets or liability arising from the advance consideration. If there are multiple payments or receipts for one item a date of transaction should be determined as above for each payment or receipts. The impact of the interpretation is not considered to be material on the financial statements of the Company.

2.4.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

(b) Amendments to IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.

(c) Amendments to IAS 19, 'Employee Benefits' on plan amendment, curtailment or settlement is effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment on its financial statements.

(d) IFRIC 23, 'Uncertainty over Income Tax Treatments': is effective for periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation on its financial statements.

2.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Company estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss model. Management used actual credit loss experience over past years for the calculation of expected credit loss. Trade and other receivables are written off when there is no reasonable expectation of recovery.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 22.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

3. CHANGE IN ACCOUNTING POLICY DUE TO ADOPTION OF NEW ACCOUNTING STANDARDS

The following changes in accounting policies have taken place with effect from July 01, 2018.

3.1 IFRS 15 'Revenue from Contracts with Customers'

3.1.1 Following the application of IFRS 15, the Company policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of Goods

The Company sold its products in separately identifiable contacts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer.

Revenue from local sale of goods is recognized when the Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.

Rendering of Services

Revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer.

Export rebate

Export rebate income is recognized on accrual basis as and when the right to receive the income establishes.

Return on Bank deposits

Return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

3.1.2 Effect of change in accounting policy

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entity to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The above mentioned revised policy does not have any significant impact on these financial statements as the revised policy neither impacts the timing nor the amount of revenue recognition from the contracts with customers.

However, the adoption of IFRS 15 resulted in reclassification of "Advance payments from customers", previously grouped under trade and other payables, to the statement of financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Re-statement	As-restated
As at June 30, 2018	- - - - - - - Rupees - - - - - -		
Effect on statement of financial position			
Trade and other payable	**1,834,370,527**	**(118,573,973)**	**1,715,796,554**
Contract liabilities	**-**	**118,573,973**	**118,573,973**
As at June 30, 2017			
Trade and other payable	1,748,499,443	(258,946,777)	1,489,552,666
Contract liabilities	-	258,946,777	258,946,777

3.2 IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in other comprehensive income, with no recycling. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Following the application of IFRS 9, the Company policy for financial instrument stands amended as follows:

3.2.1 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Initial recognition and measurement of financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1).

For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

- **Fair value through other comprehensive income (FVTOCI)**

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value. Reclassification of fair value gains and losses to unappropriated profits shall be made with in statement of changes in equity.

- **Fair value through profit or loss (FVTPL)**

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Debt Instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flows characteristics of the assets. Three categories in which the Company classifies its debt instruments are:

- **Amortized cost**

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method.

- **Fair value through other comprehensive income (FVTOCI)**

  Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI.

- **Fair value through profit or loss (FVTPL)**

Debt instruments that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

Gains and losses arising on debt instrument measured at amortized cost and as FVTPL are recognized in profit or loss. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on these debt instrument are also recognized in profit or loss. Gains and losses from changes in fair value of debt instruments measured as FVTOCI are recognized in other comprehensive income and are reclassified to profit or loss on derecognition or reclassification.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.2.2 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

3.2.3 Impairment of financial assets

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, applying the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL. Based on the Company's experience, collection history, historical loss rates / bad debts and normal receivable aging, the shift from an incurred loss model to an ECL model has no material impact on the financial position and / or financial performance of the Company.

3.2.4 Impacts of adoption of IFRS 9 on these financial statements

With the application of IFRS 9 the Company's management has assessed which business model applies to the financial assets held by the Company at the date of initial application of the accounting standard and has reclassified its financial instruments into appropriate categories as per IFRS 9 . The main effects resulting from this reclassification are as follows:

Financial assets reclassified as fair value through other comprehensive income

The Company has designated its long term investment in equity securities and debt instruments as FVTOCI previously classified as available-for-sale, as these investments are not held for trading. Similarly, short term investment in equity securities and debt instruments have also been designated as FVTOCI previously classified as available-for-sale. As a result, financial assets (debt & equity instruments) with a fair value of Rs. 8.611 billion were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income and fair value gains of Rs.2.928 billion were reclassified from the available-for-sale financial assets reserve to financial assets at fair value through other comprehensive income reserve.

The Company has applied the change in accounting policy by reclassifying gains / losses on derecognition of equity instruments to other comprehensive income which were previously recognized in profit or loss by restating statement of profit or loss, statement of other comprehensive income, statement of cash flows and earnings per share for the comparative period for better comparison purposes. The change do not require any restatement of opening balances of reserves and unappropriated profits thus requiring no restatement of balances in the statement of financial position.

For detailed revised classification of financial instruments refer note 40.4 to these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 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 recognized 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 statement of profit or loss.

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 the resulting impairment charge is recognized in income currently.

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalized and apportioned to the respective items of property, plant and equipment on completion.

4.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Company comprises of freehold 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 applicable rates. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized 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.

4.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization 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 recognized as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognized as an expense as and when incurred.

Amortization

Amortization 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. Amortization 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.

4.4 Financial assets

Initial measurement

The Company classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- **Equity Instruments at FVTOCI**

  These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

- **Debt Instruments at FVTOCI**

  These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- **Debt Instruments at FVTPL**

  These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- **Financial Assets measured at amortised cost**

  These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Investments in Subsidiary and Associated Companies

Investments in Subsidiary and Associates are carried at cost less impairment, if any. Impairment losses are recognized 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 recognized as an expense in statement of profit or loss.

4.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost which 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.

4.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable 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 realizable value
Waste	- net realizable value

Net realizable 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.

4.7 Trade debts and other receivables and related impairment

Trade debts and other receivables are classified as financial assets at amortised cost according to IFRS 9. Under IAS 39, trade and other receivables were previously classified as loans and receivables.

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

4.8 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 recognized in statement of profit or loss as deduction from the relevant expenses on matching basis.

4.9 Impairment

(a) Financial assets

The Company assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for the calculation of ECL.

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

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The provision for impairment loss is recognized in the statement of profit or loss.

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

(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 recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

4.10 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

4.12 Borrowings

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

4.13 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, 2019 on the basis of projected unit credit method by an Independent Actuary. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements is recognized in the statement of financial statement immediately, with a charge or credit to statement of other comprehensive income in the periods in which they occur.

4.14 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in statement of other comprehensive income or directly in equity. In this case, the tax is also recognized in statement of other comprehensive income or directly in equity, respectively.

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 recognized using the statement of financial position 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 recognized 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 utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized 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 realized 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 statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income / equity in which case it is included in statement of other comprehensive income / equity.

4.15 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.16 Provisions

Provisions are recognized 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.

4.17 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 recognized in the statement of profit or loss.

4.18 Revenue recognition

Revenue is recognized 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 local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;

- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;

- revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer;

- export rebate income is recognized on accrual basis as and when the right to receive the income establishes;

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

- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

4.19 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalized 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 statement of profit or loss.

4.20 Dividend and appropriation to reserves

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

4.21 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		------ Rupees ------	
Operating fixed assets	5.1	**10,434,625,536**	9,469,436,155
Capital work-in-progress	5.3	**122,612,842**	835,159,007
		10,557,238,378	10,304,595,162

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				Computer hardware	Vehicles	Furniture and fixtures	Arms and ammuni-tion	Tools	Total
								Fire fighting	Office	Mills	Electric / gas						
	Rupees																
At July 1, 2017																	
Cost	399,621,380	313,245,050	713,039,139	28,636,645	2,299,276,065	8,621,566,169	364,263,386	1,376,608	19,746,970	38,490,680	20,062,609	19,515,164	201,443,000	47,705,397	149,886	248,579	13,088,386,727
Accumulated depreciation	-	-	183,413,874	21,029,623	707,001,665	3,571,758,815	95,326,551	750,838	15,422,605	22,543,058	9,584,903	12,793,157	88,383,717	24,500,542	130,885	211,649	4,752,851,882
Net book value	399,621,380	313,245,050	529,625,265	7,607,022	1,592,274,400	5,049,807,354	268,936,835	625,770	4,324,365	15,947,622	10,477,706	6,722,007	113,059,283	23,204,855	19,001	36,930	8,335,534,845
Year ended June 30, 2018																	
Opening net book value	399,621,380	313,245,050	529,625,265	7,607,022	1,592,274,400	5,049,807,354	268,936,835	625,770	4,324,365	15,947,622	10,477,706	6,722,007	113,059,283	23,204,855	19,001	36,930	8,335,534,845
Additions	41,671,750	-	174,366,450	-	315,205,997	1,224,716,424	-	19,145,390	-	180,000	421,430	2,147,250	33,949,091	866,938	-	-	1,812,670,720
Disposals:																	
- cost	-	-	-	-	-	111,411,069	-	-	-	-	-	121,693	22,064,084	-	-	-	133,596,846
- accumulated depreciation	-	-	-	-	-	(97,209,262)	-	-	-	-	-	(84,797)	(16,626,169)	-	-	-	(113,920,228)
	-	-	-	-	-	14,201,807	-	-	-	-	-	36,896	5,437,915	-	-	-	19,676,618
Depreciation charge	-	-	27,207,790	1,521,404	162,019,941	406,651,044	26,893,684	661,332	432,437	1,612,762	1,051,284	2,135,583	26,501,455	2,398,483	1,900	3,693	659,092,792
Closing net book value	**441,293,130**	**313,245,050**	**676,783,925**	**6,085,618**	**1,745,460,456**	**5,853,670,927**	**242,043,151**	**19,109,828**	**3,891,928**	**14,514,860**	**9,847,852**	**6,696,778**	**115,069,004**	**21,673,310**	**17,101**	**33,237**	**9,469,436,155**
At June 30, 2018																	
Cost	441,293,130	313,245,050	887,405,589	28,636,645	2,614,482,062	9,734,871,524	364,263,386	20,521,998	19,746,970	38,670,680	20,484,039	21,540,721	213,328,007	48,572,335	149,886	248,579	14,767,460,601
Accumulated depreciation	-	-	210,621,664	22,551,027	869,021,606	3,881,200,597	122,220,235	1,412,170	15,855,042	24,155,820	10,636,187	14,843,943	98,259,003	26,899,025	132,785	215,342	5,298,024,446
Net book value	**441,293,130**	**313,245,050**	**676,783,925**	**6,085,618**	**1,745,460,456**	**5,853,670,927**	**242,043,151**	**19,109,828**	**3,891,928**	**14,514,860**	**9,847,852**	**6,696,778**	**115,069,004**	**21,673,310**	**17,101**	**33,237**	**9,469,436,155**
Year ended June 30, 2019																	
Opening net book value	441,293,130	313,245,050	676,783,925	6,085,618	1,745,460,456	5,853,670,927	242,043,151	19,109,828	3,891,928	14,514,860	9,847,852	6,696,778	115,069,004	21,673,310	17,101	33,237	9,469,436,155
Additions	15,428,500	-	83,640,352	-	287,624,368	1,273,853,514	40,799,859	590,000	-	799,885	-	3,657,904	28,966,442	251,177	-	-	1,735,612,001
Disposals:																	
- cost	-	-	-	-	-	93,700,882	-	-	-	-	-	-	43,186,140	-	-	-	136,887,022
- accumulated depreciation	-	-	-	-	-	(74,225,376)	-	-	-	-	-	-	(24,591,132)	-	-	-	(98,816,508)
	-	-	-	-	-	19,475,506	-	-	-	-	-	-	18,595,008	-	-	-	38,070,514
Depreciation charge	-	-	34,493,698	1,217,124	180,467,746	457,766,692	24,544,315	1,950,318	389,193	1,458,152	984,785	2,587,384	24,313,703	2,173,962	1,710	3,324	732,352,106
Closing net book value	**456,721,630**	**313,245,050**	**725,930,579**	**4,868,494**	**1,852,617,078**	**6,650,282,243**	**258,298,695**	**17,749,510**	**3,502,735**	**13,856,593**	**8,863,067**	**7,767,298**	**101,126,735**	**19,750,525**	**15,391**	**29,913**	**10,434,625,536**
At June 30, 2019																	
Cost	456,721,630	313,245,050	971,045,941	28,636,645	2,902,106,430	10,915,024,156	405,063,245	21,111,998	19,746,970	39,470,565	20,484,039	25,198,625	199,108,309	48,823,512	149,886	248,579	16,366,185,580
Accumulated depreciation	-	-	245,115,362	23,768,151	1,049,489,352	4,264,741,913	146,764,550	3,362,488	16,244,235	25,613,972	11,620,972	17,431,327	97,981,574	29,072,987	134,495	218,666	5,931,560,044
Net book value	**456,721,630**	**313,245,050**	**725,930,579**	**4,868,494**	**1,852,617,078**	**6,650,282,243**	**258,298,695**	**17,749,510**	**3,502,735**	**13,856,593**	**8,863,067**	**7,767,298**	**101,126,735**	**19,750,525**	**15,391**	**29,913**	**10,434,625,536**
		(note.5.1.1)															
Depreciation rate (% - per annum)			**5**	**20**	**10**	**5 & 10**	**10**	**10**	**10**	**10**	**10**	**30**	**20**	**10**	**10**	**10**	

5.1.1 Freehold land includes Rs.80.685 million representing the Company's 30% share of jointly controlled property located at Block-D/1, Gulberg, Lahore, registered in the name of the Company along with Sapphire Textile Mills Ltd., Diamond Fabrics Ltd., and Sapphire Finishing Mills Ltd. (Related Parties).

5.1.2 Particulars of immovable property in the name of Company are as follows:

Location	Usage of immovable property	Total area in square yards
Freehold Land		
- Kharianwala, District Shiekhupura.	Production plant	174,815
- Ferozewattoan, District Shiekhupura.	Production plant	563,771
- Riawind, District Lahore.	Production plant	925,169
- Block-D/1, Gulberg, District Lahore.	Proposed office	1,497
Leasehold Land		
- Nooriabad, Karachi.	Proposed Mill / Factory	135,520
- Port Qasim Authority, Karachi.	Proposed warehouse	14,520
- Defence Housing Authority, Karachi.	Proposed office	666

		2019	2018
5.2	**Depreciation charge has been allocated as follows:**	------ Rupees ------	
	Cost of goods manufactured	**712,745,017**	640,887,675
	Administrative expenses	**19,607,089**	18,205,117
		732,352,106	659,092,792
5.3	**Capital work-in-progress**		
	Buildings	**12,570,215**	165,158,330
	Plant and machinery {including in transit aggregating Rs.78.40 million (June 30, 2018: Rs.79.98 million)}	**78,404,642**	579,792,490
	Equipments	**-**	200,000
	Advance payments against:		
	- land - freehold	**-**	15,428,500
	- factory / office building	**6,668,800**	45,965,772
	- plant and machinery	**245,620**	-
	- electric installation	**15,764,565**	20,030,273
	- vehicles	**8,959,000**	7,613,667
	- computer software	**-**	969,975
		31,637,985	90,008,187
		122,612,842	835,159,007

5.3.1 During the preceding year, borrowing cost at the rate of 2.50% to 7.42% per annum amounted Rs.3,858 thousand was included in the cost of plant and machinery.

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

Particulars of assets	Cost	Accumu-lated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
	- - - - - - - -	- - - - - - - -	Rupees	- - - - - - - -	- - - - - - - -		
Assets having net book value exceeding Rs.500,000 each							
Plant and machinery							
Mesdan Joint Air Aqua Splicers	1,775,995	954,071	821,924	840,000	18,076	Negotiation	Reliance Cotton Spinning Mills Ltd. (Related party)
Gas Generator	30,034,654	18,686,024	11,348,630	11,000,000	(348,630)	Negotiation	- - - - - - - do - - - - - - -
Combers E-62 & Unilap 32	22,019,520	18,139,838	3,879,682	6,000,000	2,120,318	Negotiation	- - - - - - - do - - - - - - -
Howa Ring Complete Frame	12,815,207	11,501,569	1,313,638	1,500,000	186,362	Negotiation	- - - - - - - do - - - - - - -
Rieter Drawing Frame	2,708,356	2,205,128	503,228	600,000	96,772	Negotiation	Olympia Textile International.
	69,353,732	**51,486,630**	**17,867,102**	**19,940,000**	**2,072,898**		
Vehicles							
Toyota Corolla	2,015,500	781,119	1,234,381	1,592,200	357,819	Negotiation	First Habib Modaraba Ltd.
Toyota Corolla	2,017,000	688,469	1,328,531	1,714,300	385,769	Company policy	Mr. Tanveer Alavi. (Employee)
Toyota Corolla	1,880,500	836,195	1,044,305	1,750,000	705,695	Insurance claim	Adamjee Insurance Company Ltd.
Toyota Corolla	2,397,000	119,850	2,277,150	2,150,000	(127,150)	Company policy	Mr. Nadeem Amjad. (Employee)
Toyota Corolla Altis	1,885,500	1,249,639	635,861	1,018,000	382,139	Company policy	Mr.Mujahid Akbar Bozdar. (Employee)
Honda Civic	2,378,000	1,464,847	913,153	1,800,000	886,847	Insurance claim	Adamjee Insurance Company Ltd.
Honda City	1,653,000	943,958	709,042	1,129,400	420,358	Company policy	Mr. Wasiq Majid. (Ex-employee)
Suzuki Swift	1,463,000	448,653	1,014,347	1,021,200	6,853	Company policy	Ms. Sobia Ilyas. (Employee)
Suzuki Swift	1,327,000	483,617	843,383	1,047,200	203,817	Negotiation	Bank Islami Pakistan Ltd.
Suzuki Swift	1,327,000	514,287	812,713	1,006,400	193,687	Company policy	Mr. Furqan Seith Mall. (Employee)
Suzuki Swift	1,297,000	589,588	707,412	928,800	221,388	Negotiation	Meezan Bank Ltd.
Suzuki Swift	1,327,000	514,287	812,713	968,900	156,187	Negotiation	Meezan Bank Ltd.
Suzuki Wagon R	1,074,000	313,847	760,153	942,600	182,447	Company policy	Mr. Zeeshan Javaid. (Employee)
Suzuki Wagon R	1,019,000	406,695	612,305	612,300	(5)	Company policy	Mr. Yasir Ali. (Employee)
Suzuki Cultus	1,049,000	515,642	533,358	741,700	208,342	Negotiation	Meezan Bank Ltd.
	24,109,500	**9,870,693**	**14,238,807**	**18,423,000**	**4,184,193**		
Various assets having net book value upto Rs.500,000 each	**43,423,790**	**37,459,185**	**5,964,605**	**11,602,870**	**5,638,265**		
June 30, 2019	**136,887,022**	**98,816,508**	**38,070,514**	**49,965,870**	**11,895,356**		
June 30, 2018	133,596,846	113,920,228	19,676,618	25,940,435	6,263,817		

6. INVESTMENT PROPERTY

6.1 This represents free-hold land situated at Raiwand Road, Lahore having an area of 5,000 square yards.

6.2 Fair value of the investment property, based on the management estimation, as at June 30, 2019 was Rs.45 million (2018: Rs.45 million).

7. INTANGIBLE ASSETS

	2019	2018
	------ Rupees ------	
These represent computer software licenses.		
Net carrying value as at July 1,		
Opening net book value	**4,138,337**	1,593,123
Addition during the year	**3,428,250**	3,896,900
Amortization for the year	**(1,473,770)**	(1,351,686)
Net book value as at June 30,	**6,092,817**	4,138,337
Gross carrying value as at June 30,		
Cost	**29,890,171**	26,461,921
Accumulated amortization	**23,797,354**	22,323,584
Net book value	**6,092,817**	4,138,337
Amortization rate (% per annum)	**20**	20

8. LONG TERM INVESTMENTS

	Note	2019	2018
		------ Rupees ------	
Subsidiary Companies - at cost	8.1	**3,558,108,316**	3,275,008,316
Associated Companies - at cost	8.2	**758,276,769**	758,276,769
Others - equity instruments	8.3	**4,026,985,585**	4,836,963,636
- debt instruments	8.4	**64,307,810**	14,800,650
		8,407,678,480	8,885,049,371

8.1 Subsidiary Company- unquoted

	Note	2019	2018
Sapphire Electric Company Limited (SECL)			
288,782,600 ordinary shares of Rs.10 each	8.1.1	**3,039,008,316**	3,039,008,316
Equity held: 68.11%			
Premier Cement Limited (PCL)			
46,860,000 (2018: 18,550,000) ordinary shares of Rs.10 each	8.1.2	**468,600,000**	185,500,000
Equity held: 100%			
Sapphire Cement Company Limited (SCCL)			
50,000 ordinary shares of Rs.10 each	8.1.3	**500,000**	500,000
Equity held: 100%			
Sapphire Energy (Pvt.) Limited (SEPL)			
5,000,000 ordinary shares of Rs.10 each	8.1.4	**50,000,000**	50,000,000
Equity held: 100%			
		3,558,108,316	3,275,008,316

8.1.1 SECL was incorporated in January 18, 2005 as a public limited company. 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 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 PCL is a wholly owned Subsidiary Company incorporated as a public limited company. During the year, the Parent Company made further investment of Rs.283.100 million in PCL by acquiring 28.310 million shares of Rs.10 each. The Subsidiary Company intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

8.1.3 SCCL is a wholly owned Subsidiary Company incorporated as a public limited company. The Subsidiary Company intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

8.1.4 SEPL is a wholly owned Subsidiary Company incorporated as a private limited company. The Subsidiary Company intends to establish and install plant for handling, storage, treatment and processing of Liquefied Natural Gas, Re-gasified Liquefied Natural Gas, Liquid Petroleum Gas, Natural Gas Liquid and its allied products.

8.2

Associated Companies - Quoted	**2019**	2018
	- - - - - - Rupees	**- - - - - -**
Reliance Cotton Spinning Mills Limited		
138,900 ordinary shares of Rs.10 each	**1,306,269**	1,306,269
Equity held: 1.35%		
Fair value: Rs.20.279 million (2018: Rs.22.167 million)		
SFL Limited		
10,199 ordinary shares of Rs.10 each	**100,000**	100,000
Equity held: 0.051%		
Fair value: Rs.1.632 million (2018: Rs.1.509 million)		
Associated Companies - unquoted		
Sapphire Power Generation Limited		
2,824,500 ordinary shares of Rs.10 each	**64,355,500**	64,355,500
Equity held: 17.63%		
Break-up value per share on the basis of un-audited financial statements Rs.86.56 (2018: Rs.54.01)		
Sapphire Dairies (Private) Limited		
10,000,000 ordinary shares of Rs.10 each	**100,000,000**	100,000,000
Equity held: 9.09%		
Break-up value per share on the basis of un-audited financial statements Rs.12.32 (2018: Rs.10.42)		
Tricon Boston Consulting Corporation (Private) Limited (TBCCL) - note 8.2.1		
59,251,500 ordinary shares of Rs.10 each	**592,515,000**	592,515,000
Equity held: 7.13%		
Break-up value per share on the basis of un-audited financial statements Rs.12.23 (2018: Rs.9.73)		
	758,276,769	758,276,769

8.2.1 The Company has pledged these shares through an Onshore Security Trustee under Share Pledge Agreement dated May 08, 2017 as security against financing facilities availed by TBCCL.

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

8.3	Equity Instruments - at *FVTOCI*	2019	2018
		- - - - - - Rupees - - - - - -	
	Quoted		
	MCB Bank Limited		
	18,213,195 (2018: 18,213,195) ordinary shares of Rs.10 each - **cost**	**896,451,123**	896,451,123
	Adjustment arising from re-measurement to fair value	**2,280,840,745**	2,705,572,452
		3,177,291,868	3,602,023,575
	Habib Bank Limited		
	7,244,196 ordinary shares of Rs.10 each - **cost**	**1,217,073,609**	1,217,073,609
	Adjustment arising from re-measurement to fair value	**(396,595,970)**	(11,349,626)
		820,477,639	1,205,723,983
	Unquoted		
	Novelty Enterprises (Private) Limited - note 8.3.1		
	2,351,995 ordinary shares of Rs.10 each	**28,716,078**	28,716,078
	Adjustment arising from re-measurement to fair value	**-**	-
		28,716,078	28,716,078
	TCC Management Services (Private) Limited		
	50,000 ordinary shares of Rs.10 each	**500,000**	500,000
		4,026,985,585	4,836,963,636

8.3.1 "Novelty Enterprises (Private) Limited has not commenced its operations since incorporation dated July 26, 2006. Its statement of financial position mainly comprises of land having fair value above the cost of investment by the Company. The Company held only 4.16% of the paid up capital of Novelty Enterprises (Private) Limited and has no influence over its policies or decision making with regards to its operations in the future. Therefore, calculation of fair value of the Company's investment is not practicable."

8.4	Debt Instruments - *at FVTOCI*	Note	2019	2018
			- - - - - - Rupees - - - - - -	
	Habib Bank Limited - term finance certificates (TFCs)			
	150 Term finance certificates of Rs.100,000 each - **cost**		**14,982,000**	14,988,000
	Adjustment arising from re-measurement to fair value		**(674,190)**	(187,350)
			14,307,810	14,800,650
	Advance against purchase of TFCs	**8.4.1**	**50,000,000**	-
			64,307,810	14,800,650

8.4.1 This represents advance given to Habib Bank Limited (the issuer) in pursuant of an agreement dated May 15, 2019 for purchase of term finance certificates. As per the terms of the agreement the issuer shall issue 500 TFCs of an aggregate face value of Rs.50 million within 90 days of the date of payment. These TFCs shall carry mark-up at the rate of 3 month KIBOR.

9. LONG TERM LOANS - Secured

	Note	2019	2018
		------ Rupees ------	
Loans due from employees	9.1	**622,000**	418,000
Less: recoverable within one year and grouped under current assets		**180,000**	121,000
		442,000	297,000

9.1 These represent interest free loans provided to 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. The Company has not provided any loan to its Key management personnel.

10. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2019	2018
		------ Rupees ------	
Stores		**92,858,971**	59,718,901
Spare parts		**88,189,391**	89,231,466
Loose tools		**117,125**	366,974
Items in transit		**73,411,473**	55,592,929
		254,576,960	204,910,270
Less: provision for slow moving items	10.1	**6,491,586**	6,139,726
		248,085,374	198,770,544

10.1 Provision for slow moving items

		2019	2018
Balance at beginning of the year		**6,139,726**	1,971,784
Add: provision made during the year		**496,244**	4,167,942
Less: provision reversed during the year		**(144,384)**	-
Balance at end of the year		**6,491,586**	6,139,726

11. STOCK-IN-TRADE

	Note	2019	2018
Raw materials:			
- at mills		**4,260,524,971**	3,197,208,089
- in transit		**316,484,292**	413,338,319
- at third party's premises	11.1	**113,558,902**	103,889,305
		4,690,568,165	3,714,435,713
Work-in-process		**830,588,354**	439,022,953
Finished goods:			
- at mills	11.2	**1,222,372,880**	578,638,858
- at third party's premises		**87,100,680**	64,174,710
		1,309,473,560	642,813,568
		6,830,630,079	4,796,272,234

11.1 This stock is lying for processing and finishing.

11.2 Included in the finished goods items costing Rs.664.236 million (2018: Rs.313.979 million) which have been stated at their net realizable value aggregated Rs.597.261 million (2018: Rs.274.562 million). The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.66.975 million (2018: Rs.39.417 million).

12. TRADE DEBTS

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Considered good			
Unsecured			
- local		**836,960,899**	551,828,963
- indirect export		**138,147,160**	73,842,312
		975,108,059	625,671,275
Secured - foreign debts		**3,216,050,691**	2,161,477,423
Considered doubtful			
Unsecured - foreign debts	12.4	**92,704,930**	93,962,301
		4,283,863,680	2,881,110,999
Less: provision for impairment		**50,978,943**	30,200,000
		4,232,884,737	2,850,910,999

12.1 These include the following amounts due from related parties:

	2019	2018
Diamond Fabrics Ltd.	**24,037,012**	8,742,558
Reliance Cotton Spinning Mills Ltd.	**4,758,787**	2,324,950
Sapphire Textile Mills Ltd.	**4,949,420**	10,953,166
Sapphire Power Generation Ltd.	**-**	175
Sapphire Finishing Mills Ltd.	**-**	57,600
	33,745,219	22,078,449

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

	Related parties		Others	
	2019	2018	**2019**	2018
	- - - - - - - - - - - - - - Rupees - - - - - - - - - - - - - -			
Not past due	**33,745,219**	243,420	**2,746,245,930**	2,390,187,402
Past due 1-30 days	**-**	21,647,940	**1,110,691,229**	285,911,086
Past due 31-60 days	**-**	39,000	**207,396,422**	78,863,931
Past due 61-90 days	**-**	-	**37,757,496**	23,938,795
Past due 91-365 days	**-**	147,914	**52,406,599**	8,904,415
Past due one year	**-**	175	**44,641,842**	41,026,921
	33,745,219	22,078,449	**4,199,139,518**	2,828,832,550

12.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.140.489 million (2018: Rs.153.001 million).

12.4 These represent doubtful receivables amounting U.S. Dollar 471.198 thousand and U.S. Dollar 163.763 thousand from M/s. Star Knitwear Ltd. Mauritius, Hong Kong and M/s.Cortland Industries Inc. New York, United States respectively.

13. LOANS AND ADVANCES

	Note	2019	2018
- Considered good		- - - - - - Rupees - - - - - -	
Current portion of long term loans to employees	9	**180,000**	121,000
Advances to:			
- suppliers and contractors		**12,609,598**	67,355,682
- employees		**669,100**	2,329,045
- others	13.1	**83,355,395**	60,694,394
		96,634,093	130,379,121
Letters of credit		**-**	624,968
		96,814,093	131,125,089

13.1 These include Rs.10 million which was given as advance for purchase of land to Mr. Mubarak Ali and Muhammad Akbar Sheikh. During the year, upon cancelation of deal the Company has entered into an agreement with the parties to pay back the amount.

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2019	2018
		------ Rupees ------	
Security deposits		**1,154,608**	934,608
Margin against shipping guarantees		**73,073,747**	42,866,043
Prepayments		**3,697,219**	5,042,985
		77,925,574	48,843,636

15. SHORT TERM INVESTMENTS

	Note	2019	2018
Equity instruments	15.1	**2,870,179,977**	3,760,187,223
Debt instruments	15.2	**37,952,506**	-
		2,908,132,483	3,760,187,223

15.1 Equity Instruments - at *FVTOCI*
(Investment in quoted securities)

2019 No. of shares / certificates	2018 No. of shares / certificates	Name of the investee company	Market value 2019	Market value 2018	Cost 2019	Cost 2018
			--------------- Rupees ---------------			
54,720	45,600	Attock Petroleum Ltd.	**15,787,267**	26,903,544	**12,153,848**	12,153,848
9,538,500	9,538,500	Bank Al-Habib Ltd.	**747,627,630**	751,919,955	**419,888,054**	419,888,054
310,094	269,647	Charat Packaging Ltd.	**25,005,980**	38,745,577	**35,824,418**	35,824,418
625,000	625,000	Crescent Steel & Allied Products Ltd.	**23,612,500**	56,981,250	**52,616,540**	52,616,540
700,000	700,000	D.G Khan Cement Company Ltd.	**39,578,000**	80,143,000	**81,272,992**	81,272,992
2,636,260	2,396,600	Engro Corporation Ltd.	**700,190,656**	752,196,876	**589,213,189**	589,213,189
4,040,500	4,540,500	Fauji Cement Company Ltd.	**63,557,065**	103,750,425	**119,079,557**	133,814,557
7,766,704	7,766,704	Habib Bank Ltd.	**879,656,895**	1,292,690,214	**1,603,060,152**	1,603,060,152
186,500	186,500	Habib Sugar Mills Ltd.	**5,539,050**	7,553,250	**6,397,292**	6,397,292
10,500	10,500	Haji Muhammad Ismail Mills Ltd.	**-**	-	**126,000**	126,000
77,500	77,500	Honda Atlas Cars (Pakistan) Ltd.	**11,494,800**	24,520,225	**17,952,470**	17,952,470
115,000	100,000	IGI Insurance Ltd.	**17,480,000**	28,800,000	**24,684,626**	24,684,626
12,878,000	12,878,000	K-Electric Ltd.	**56,534,420**	73,147,040	**120,385,975**	120,385,975
303,000	303,000	Lucky Cement Ltd.	**115,282,410**	153,902,790	**117,777,538**	117,777,538
100,000	100,000	Nishat Mills Ltd.	**9,334,000**	14,092,000	**9,115,972**	9,115,972
-	100,000	Packages Ltd.	**-**	48,972,000	**-**	25,060,500
374,112	311,760	Pakistan State Oil Company Ltd.	**63,460,619**	99,236,326	**63,918,848**	63,918,848
251,500	1,000,000	Tariq Glass Industries Ltd.	**19,272,446**	107,160,000	**25,433,425**	101,129,230
90,074	78,326	The Searle Company Ltd.	**13,201,245**	26,591,677	**2,571,487**	2,571,486
431,300	431,300	United Bank Ltd.	**63,564,994**	72,881,074	**80,749,609**	80,749,609
			2,870,179,977	3,760,187,223	**3,382,221,992**	3,497,713,296
		Add: Adjustment arising from re-measurement to fair value			**(512,042,015)**	262,473,927
		Market value			**2,870,179,977**	3,760,187,223

15.2 Debt instruments - at *FVTOCI*

	2019	2018
	------ Rupees ------	
424 (2018: Nil) sales tax refund bonds of Rs.100,000 each - **note 15.2.1 & 15.2.2**	**37,952,506**	-

15.2.1 These represent bonds issued by FBR Refund Settlement Company Limited, against Refund Payment Orders (RPOs) issued in favour of the Company under section 67A of the Sales Tax Act, 1990. These bonds have a face value of Rs.100,000 each and carry simple profit of 10% per annum payable at the time of maturity i.e. three years from the date of issue. These bonds are freely transferable within CDS and the Company can sell / transfer the bonds to any other person / bank / entity with or without any consideration.

15.2.2 Due to non-availability of market for trading of these bonds, the Company has classified these at FVTOCI. As at the reporting date, carrying value of these bonds has been determined by discounting the total receipt at maturity with effective Kibor rate. These bonds have been classified as short term because the Company intends to sale / trade once market for these bonds establishes.

16. OTHER RECEIVABLES

	Note	2019	2018
		------ Rupees ------	
Advance income tax		**330,928,783**	371,017,694
Export rebate & duty drawbacks		**390,332,286**	562,362,066
Dividend receivable		**16,486,128**	4,148,616
Accrued mark-up on term finance certificates		**58,576**	374,726
Due from the related parties			
- Sapphire Cement Company Ltd.	16.1	**168,600**	168,600
- Reliance Cotton Spinning Mills Ltd.	16.2	**285,104**	-
- Amer Cotton Mills (Pvt.) Ltd.	16.2	**1,580,171**	-
Others		**4,759,243**	1,562,689
		744,598,891	939,634,391

16.1 This represents receivable past due for more than one year.

16.2 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.1.531 million (2018: Rs.0.168 million).

17. TAX REFUNDS DUE FROM GOVERNMENT

	Note	2019	2018
		------ Rupees ------	
Sales tax		**428,119,824**	484,625,838
Income tax		**465,085,620**	371,221,217
Excise duty		**21,573,388**	15,075,327
Less: provision for doubtful tax refunds	17.1	**259,551,843**	219,008,407
		655,226,989	651,913,975

17.1 Provision for doubtful tax refunds

		2019	2018
Balance at beginning of the year		**219,008,407**	111,366,369
Add: provision for the year		**40,543,436**	107,642,038
Balance at end of the year		**259,551,843**	219,008,407

18. CASH AND BANK BALANCES

	Note	2019	2018
Cash-in-hand	18.1	**7,308,536**	3,476,101
Balances with banks on:			
- current accounts	18.2	**57,148,307**	9,193,384
- term deposit account (TDA)	18.3	**6,040,000**	6,040,000
- dividend account		**6,215,723**	5,337,641
		69,404,030	20,571,025
		76,712,566	24,047,126

18.1 Cash-in-hand includes Rs.1.514 million (2018: Rs.0.595 million) advanced to employees for various expenses.

18.2 These include foreign currency deposits amounting to US.$ 63,893 (2018: US.$ 13,093).

18.3 Effective rates of profit on TDA, during the year, ranged from 4.35% to 6.68% (2018: 4.00% to 4.35%) 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.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
------- Numbers -------			- - - - - 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 Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

19.2 10,196,896 (2018: 10,196,896) ordinary shares of Rs.10 each are held by the related parties as at year-end.

20. RESERVES

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Share premium - capital reserve	**20.1**	**145,740,000**	145,740,000
General reserve - revenue reserve	**20.2**	**1,183,845,000**	1,183,845,000
Unrealized gain on financial assets at fair value through other comprehensive income	**20.3**	**1,367,081,077**	2,928,444,746
		2,696,666,077	4,258,029,746

20.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued. This reserve can only be utilised for purposes specified in section 81 of the Companies Act, 2017.

20.2 This represents reserves funds set aside from unappropriated profit.

20.3 These represent unrealized gain on re-measurement of investments at fair value through OCI and are not available for distribution.

21. LONG TERM FINANCES - Secured

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
From banking companies:			
- MCB Bank Limited			
- Long term finance facility - I	**21.1**	**69,409,500**	76,586,000
- Long term finance facility - II	**21.2**	**1,414,940,000**	1,293,086,000
- Demand finance	**21.3**	**19,843,823**	26,458,430
		1,504,193,323	1,396,130,430
- Allied Bank Limited	**21.4**	**805,412,350**	912,331,650
- United Bank Limited	**21.5**	**1,636,000,442**	1,373,174,102
- Habib Bank Limited	**21.6**	**500,000,000**	1,000,000,000
		4,445,606,115	4,681,636,182
Less: current portion grouped under current liabilities		**885,792,285**	804,466,175
		3,559,813,830	3,877,170,007

21.1 The Company has arranged long term finance facilities amounting Rs.110 million from MCB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.80.663 million in ten tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate 3.00% to 5.50% (2018: 3.00% to 5.50%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

21.2 The Company has arranged long term finance facilities amounting Rs.1,500 million from MCB Bank Limited to retire import documents of plant and machinery. During the preceding year, the bank against the said facility disbursed Rs.1,293.086 million in the thirty trenches of different amounts. During the current year, the bank has further disbursed Rs.164.934 million in eight tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% to 13.29% (2018: 2.50% to 7.42%) per annum and are secured against first charge of Rs.2,000 million over the specific plant and machinery of the Company.

21.3 MCB Bank Limited, on request of the Company, converted four tranches of long term finance facility amounting Rs.46.302 million into a demand finance facility. This finance facility is repayable in seven equal semi-annual instalments commenced from June, 2017 and carries mark-up at the rate of 3 month Kibor + 1%; effective mark-up rate charged, during the year, ranged from 7.43% to 12.13% (2018: 7.10% to 7.16%) per annum. This finance facility is secured against joint pari passu charge of Rs.200 million over the imported machinery.

21.4 The Company has arranged long term finance facilities amounting Rs.1,000 million from Allied Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.960.357 million in seventeen trenches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate of 2.50% (2018: 2.50%) per annum and are secured against first pari passu charge of Rs.1,333 million with 25% margin over the fixed and movable assets including plant and machinery of the Company.

21.5 The Company has arranged long term finance facilities amounting Rs.1,900 million from United Bank Limited to retire import documents under SBP scheme for imported plant and machinery. During the preceding years, the bank against the said facility disbursed Rs.1,424.113 million in thirty six trenches of different amounts. During the current year, the bank has further disbursed Rs.397.680 million in nine tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% to 11.19% (2018: 2.50% to 3.50%) per annum and are secured against joint pari passu charge of Rs.2,000 million with 25% margin over the specific plant and machinery of the Company.

21.6 The Company has arranged a long term finance facility amounting Rs.1,000 million from Habib Bank Limited to repay the short term borrowings earlier utilized for setup of denim plant. This finance facility is repayable in eight equal quarterly installments commenced September, 2018 and carries mark-up at the rate of 3 month Kibor + 0.12% per annum; effective mark-up rates charged, during the year, ranged from 7.04% to 13.09% (2018: 6.26% to 7.04%) per annum. This finance facility is secured against ranking charge of Rs.1,334 million with 25% margin over the specific plant and machinery of the Company.

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:

		2019	2018
		- - - - - - Rupees	**- - - - - -**
22.1	**Amount recognized in the statement of financial position**		
	Net liability at the beginning of the year	**346,597,468**	322,591,928
	Charge to statement of profit or loss	**105,434,755**	97,246,525
	Remeasurement recognized in statement of other comprehensive income	**(29,644,795)**	8,423,010
	Payments made during the year	**(179,457,285)**	(81,663,995)
	Net liability at the end of the year	**242,930,143**	346,597,468

		2019	2018
		- - - - - - Rupees - - - - - -	
22.2	**Movement in the present value of defined benefit obligation**		
	Balance at beginning of the year	**346,597,468**	322,591,928
	Current service cost	**82,316,561**	75,410,130
	Interest cost	**23,118,194**	21,836,395
	Benefits paid	**(179,457,285)**	(81,663,995)
	Remeasurements on obligation	**(29,644,795)**	8,423,010
	Balance at end of the year	**242,930,143**	346,597,468
22.3	**Expense recognized in statement of profit or loss**		
	Current service cost	**82,316,561**	75,410,130
	Interest cost	**23,118,194**	21,836,395
		105,434,755	97,246,525
22.4	**Remeasurements recognized in statement of other comprehensive income**		
	Experience adjustment	**(34,007,267)**	7,012,797
	Actuarial loss	**4,362,472**	1,410,213
		(29,644,795)	8,423,010
22.5	**Actuarial assumptions used**		
	Discount rate	**14.25%**	9.00%
	Expected rate of increase in future salaries	**13.25%**	8.00%
	Mortality rates (for death in service)	**SLIC (2001-05)**	SLIC (2001-05)

22.6 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in principal assumptions is:

	Change in assump-tions	Increase in assumption	Decrease in assumption
		- - - - - Rupees - - - - -	
Discount rate	1.00%	227,536,433	260,588,486
Increase in future salaries	1.00%	261,286,586	226,631,836

22.7 Based on actuary's advice, the expected charge for the year ending June 30, 2020 amounts to Rs.107.223 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, 2019	**46,548,752**	**105,579,106**	**165,739,216**	**6,854,432,223**	**7,172,299,297**

22.10 Historical information:

	2019	2018	2017	2016	2015
	----------	----------	Rupees	----------	----------
Present value of defined benefit obligation	**242,930,143**	346,597,468	322,591,928	283,847,228	257,188,963
Experience adjustment on obligation / actuarial loss	**(29,644,795)**	8,423,010	8,949,179	(928,950)	26,308,442

23. DEFERRED TAXATION - Net

	2019	2018
	------ **Rupees**	------
The balance of deferred tax is in respect of following major temporary differences		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowance	**139,255,752**	121,819,895
- re-measurement of investments	**-**	28,064,658
	139,255,752	149,884,553
Deductible temporary differences arising in respect of:		
- staff retirement benefit - gratuity	**13,012,068**	18,906,545
- provision for slow moving inventory	**347,709**	334,916
	13,359,777	19,241,461
	125,895,975	130,643,092

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 recognized 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	**2019**	2018
		------ **Rupees**	------
Trade creditors	24.1	**660,670,708**	459,322,066
Accrued expenses	24.2	**1,223,730,187**	788,050,772
Bills payable	24.3	**118,413,886**	213,184,940
Sindh government infrastructure fee	24.4	**206,457,578**	180,292,541
Workers' profit participation fund	24.5	**39,957,753**	60,271,445
Workers' welfare fund	24.6	**815,671**	815,671
Staff provident fund		**350,715**	744,540
Others		**7,612,541**	13,114,579
		2,258,009,039	1,715,796,554

24.1 These balances include the following amounts due to related parties:

	2019	2018
Reliance Cotton Spinning Mills Ltd.	**51,764,933**	31,308,865
Neelam Textile Mills Ltd.	**-**	475
Amer Cotton Mills Ltd.	**92,387,555**	17,977,786
Sapphire Textile Mills Ltd.	**-**	132,065
Sapphire Power Generation Ltd.	**-**	1,871,807
Sapphire Finishing Mills Ltd.	**-**	27,135
	144,152,488	51,318,133

24.2 Preceding year figure included Rs.15.300 million payable to Sapphire Power Generation Limited - a related party.

24.3 These are secured against import documents.

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

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

As at June 30, 2019, the Company has provided bank guarantees aggregating Rs.179.950 million (2018: Rs.161.950 million) in favor of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favor.

		Note	**2019**	2018
			- - - - - - Rupees	**- - - - - -**
24.5	**Workers' profit participation fund**			
	Balance at beginning of the year		**60,271,445**	66,247,556
	Add: interest on funds utilized by the Company		**7,727,955**	3,074,910
			67,999,400	69,322,466
	Less: payments made during the year		**67,999,400**	69,322,466
			-	-
	Add: allocation for the year		**39,957,753**	60,271,445
	Balance at end of the year		**39,957,753**	60,271,445
24.6	**Workers' welfare fund**			
	Balance at beginning of the year		**815,671**	815,671
	Add: charge for the prior year		**-**	85,566
	Less: payment made during the year		**-**	(85,566)
	Balance at end of the year		**815,671**	815,671
25.	**ACCRUED MARK-UP / INTEREST**			
	Mark-up / interest accrued on:			
	- long term finances		**25,983,277**	26,405,987
	- short term borrowings		**191,514,539**	98,656,529
			217,497,816	125,062,516
26.	**SHORT TERM BORROWINGS**			
	Running / cash finances - secured	**26.1**	**10,648,538,051**	7,986,848,681
	Running Musharaka finance	**26.1**	**1,000,000,000**	1,000,000,000
	Temporary bank overdraft - unsecured		**-**	14,749,263
	From related parties - unsecured	**26.2**	**123,907,000**	-
			11,772,445,051	9,001,597,944

26.1 Short term finance facilities available from various commercial / islamic banks under mark-up arrangements aggregate to Rs. 17,200 million (2018: Rs.16,200 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.25% to 13.80% (2018: 2.25% to 7.52%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.35,006 million (2018: Rs.32,729 million) over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Facilities available for opening letters of credit and guarantees aggregate to Rs.7,630 million (2018: Rs.7,380 million) out of which the amount remained unutilized at the year-end was Rs.6,124 million (2018: Rs.4,924 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Company, cash margins and counter guarantee by the Company.

Abovementioned facilities are expiring on various dates upto March 31, 2020.

26.2 The Company, during the year, obtained short term loans aggregated Rs.67.262 million from directors of the Company and their related parties and Rs.56.645 million from its associated companies to meet its working capital requirements. These loans are interest free and are repayable on demand.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.514.468 million (2018: Rs.538.248 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

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

The Company filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.

The dividend paid by the Company for the financial year 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the SHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 7.5% of its profit before tax for the financial year ended June 30, 2017. As at reporting date no charge has been recorded in this respect.

	2019	2018
27.2 Commitments	**- - - - - - Rupees**	**- - - - - -**
Commitments in respect of :		
- letters of credit for capital expenditure	**310,189,435**	145,536,511
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	**243,265,201**	220,464,198
- capital expenditure other than letters of credit	**5,418,822**	205,122,142
- foreign & local bills discounted	**336,152,581**	1,297,115,345

28. SALES - Net

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

For the year ended June 30, 2019

	Spinning	Knits	Denim	Total
	Rupees			
Types of goods and services				
Local sales				
- Yarn	2,393,305,387	11,954,800	11,729,475	2,416,989,662
- Fabric	-	65,792,386	1,145,718,039	1,211,510,425
- Garments	-	25,786,388	-	25,786,388
- Waste	187,386,948	43,971,918	33,691,624	265,050,490
- Raw materials	39,610,650	-	267,120	39,877,770
- Local steam income	12,245,220	-	-	12,245,220
- Processing income	543,064	43,311,057	7,598,467	51,452,588
	2,633,091,269	190,816,549	1,199,004,725	4,022,912,543
Export Sales				
- Yarn	8,898,435,360	313,564,192	-	9,211,999,552
- Fabric	-	888,338,682	3,452,229,013	4,340,567,695
- Garments	-	3,781,855,961	-	3,781,855,961
- Waste	263,319,067	-	-	263,319,067
	9,161,754,427	4,983,758,835	3,452,229,013	17,597,742,275
Export rebate				
- Fabric	-	6,354,637	26,786,700	33,141,337
- Garments	-	113,463,293	-	113,463,293
	-	119,817,930	26,786,700	146,604,630
Less: sales tax	6,900,286	9,753,218	355,700	17,009,204
	11,787,945,410	5,284,640,096	4,677,664,738	21,750,250,244
Timing of revenue recognition				
Goods transferred at a point in time	11,787,402,346	5,241,329,039	4,670,066,271	21,698,797,656
Services rendered at a point in time	543,064	43,311,057	7,598,467	51,452,588
	11,787,945,410	5,284,640,096	4,677,664,738	21,750,250,244

For the year ended June 30, 2018

	Spinning	Knits	Denim	Total
	- Rupees -			
Types of goods and services				
Local sales				
- Yarn	2,121,458,776	5,657,351	9,862,712	2,136,978,839
- Fabric	-	89,809,519	397,255,491	487,065,010
- Garments	-	17,840,939	176,384	18,017,323
- Waste	159,632,411	42,206,587	21,813,643	223,652,641
- Raw materials	58,889,353	-	-	58,889,353
- Local steam income	10,473,840	-	-	10,473,840
- Processing income	821,504	61,023,141	3,788,222	65,632,867
	2,351,275,884	216,537,537	432,896,452	3,000,709,873
Export Sales				
- Yarn	8,263,099,333	402,614,272	-	8,665,713,605
- Fabric	-	309,820,028	1,925,628,258	2,235,448,286
- Garments	-	3,140,256,967	-	3,140,256,967
- Waste	259,016,074	-	-	259,016,074
	8,522,115,407	3,852,691,267	1,925,628,258	14,300,434,932
Export rebate				
- Fabric	256,577,109	20,730,149	55,403,693	332,710,951
- Garments	-	205,959,704	-	205,959,704
	256,577,109	226,689,853	55,403,693	538,670,655
Less: sales tax	4,257,206	5,309,987	2,200,791	11,767,984
	11,125,711,194	4,290,608,670	2,411,727,612	17,828,047,476
Timing of revenue recognition				
Goods transferred at a point in time	11,124,889,690	4,229,585,529	2,407,939,390	17,762,414,609
Services rendered at a point in time	821,504	61,023,141	3,788,222	65,632,867
	11,125,711,194	4,290,608,670	2,411,727,612	17,828,047,476

28.1 This includes indirect export of Rs. 3,129.255 million (2018: Rs.2,037.219 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.748.429 million (2018: Rs.166.711 million) has been included in export sales.

29. COST OF SALES

	Note	2019	2018
		------ Rupees ------	
Finished goods at beginning of the year		**642,813,568**	696,987,720
Cost of goods manufactured	29.1	**19,506,326,267**	15,888,768,827
Cost of raw materials sold		**45,887,283**	59,698,662
		19,552,213,550	15,948,467,489
		20,195,027,118	16,645,455,209
Finished goods at end of the year		**(1,309,473,560)**	(642,813,568)
		18,885,553,558	16,002,641,641

29.1 Cost of goods manufactured

	Note	2019	2018
		------ Rupees ------	
Work-in-process at beginning of the year		**439,022,953**	309,426,974
Raw materials consumed	29.2	**13,602,881,891**	10,662,345,530
Salaries, wages and benefits	29.3	**1,560,775,897**	1,465,445,387
Packing stores consumed		**223,667,742**	208,744,109
General stores consumed		**296,376,951**	294,559,729
Processing charges		**1,467,317,359**	1,119,464,654
Depreciation	5.2	**712,745,017**	640,887,675
Fuel and power		**1,764,830,818**	1,443,881,795
Repair and maintenance		**56,201,836**	38,045,955
Insurance		**29,628,937**	17,607,819
Vehicles' running		**28,471,023**	22,032,353
Travelling and conveyance		**33,106,677**	23,671,875
Printing and stationery		**626,921**	878,495
Legal and professional charges		**66,595,173**	26,092,850
Fee and subscription		**34,104,761**	36,005,750
Entertainment		**11,185,955**	10,037,013
Telephone		**2,560,726**	3,013,637
Postage		**2,500,489**	2,521,083
Rent, rates and taxes		**4,313,495**	3,129,097
		20,336,914,621	16,327,791,780
Work-in-process at end of the year		**(830,588,354)**	(439,022,953)
		19,506,326,267	15,888,768,827

29.2 Raw materials consumed

	2019	2018
Stocks at beginning of the year	**3,301,097,394**	2,533,071,450
Purchases	**14,675,868,370**	11,430,371,474
	17,976,965,764	13,963,442,924
Stocks at end of the year	**(4,374,083,873)**	(3,301,097,394)
	13,602,881,891	10,662,345,530

29.3 Salaries, wages and benefits include Rs.105.434 million (2018: Rs.97.247 million) in respect of staff retirement benefit - gratuity and Rs.16.476 million (2018: 4.251 million) contribution in respect of staff provident fund.

30. DISTRIBUTION COST

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Salaries and other benefits	30.1	**71,655,252**	58,305,696
Travelling, conveyance and entertainment		**20,949,994**	21,024,891
Vehicles' running		**2,719,918**	2,173,330
Telephone		**496,218**	1,055,707
Postage		**12,295,652**	12,318,656
Printing and stationery		**92,088**	49,240
Sample expenses		**2,285,563**	499,682
Commission:			
- local		**7,513,165**	8,191,555
- export		**218,920,938**	161,187,549
		226,434,103	169,379,104
Freight and forwarding:			
- local		**7,775,141**	5,342,250
- export		**302,117,965**	261,516,915
		309,893,106	266,859,165
Export development surcharge		**34,257,754**	28,352,087
Other export expenses		**19,162,808**	20,390,867
Provision for impairment of trade debts - net		**20,778,943**	10,000,000
		721,021,399	590,408,425

30.1 Salaries and other benefits include Rs.1.132 million (2018: Rs.0.729 million) in respect of contribution to staff provident fund.

31. ADMINISTRATIVE EXPENSES

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Directors' remuneration		**33,000,000**	24,483,871
Director's meeting fee		**640,000**	640,000
Salaries and other benefits	31.1	**161,623,560**	160,242,878
Telephone		**10,852,700**	7,205,947
Postage		**543,168**	470,820
Fee and subscription		**4,179,590**	7,374,831
Legal and professional charges		**7,244,684**	15,788,837
Entertainment		**6,731,114**	4,892,700
Travelling and conveyance		**10,213,193**	13,201,005
Printing and stationery		**3,547,069**	3,493,184
Rent, rates and taxes		**8,244,696**	7,416,428
Advertisement		**465,549**	203,929
Electricity, gas and water		**7,679,021**	4,282,066
Repair and maintenance		**16,572,563**	17,655,150
Vehicles' running		**11,750,448**	8,875,063
Charity and donations	31.2	**6,047,379**	3,677,769
Insurance		**2,782,358**	4,095,131
Depreciation	5.2	**19,607,089**	18,205,117
Amortization	7	**1,473,770**	1,351,686
		313,197,951	303,556,412

31.1 Salaries and other benefits include Rs.7.249 million (2018: Rs.6.571 million) in respect of contribution to staff provident fund.

31.2 These include donations amounting Rs.4.100 million (2018: Rs.2.040 million) has been made to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr.Shayan Abdullah have common directorship in both Companies.

32. OTHER INCOME

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Income from financial assets			
Dividend income from:			
- related parties		**1,039,272**	866,586,803
- others		**473,935,381**	514,274,741
		474,974,653	1,380,861,544
Interest income bank deposits		**344,923**	250,478
Mark-up income on loan to a related party	**32.1**	**9,554,669**	6,545,566
Mark-up earned on term finance certificates		**1,381,792**	1,140,190
		486,256,037	1,388,797,778
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	**5.4**	**11,895,356**	6,263,817
Gain on sale of store and spares		**4,539,562**	750,436
Scrap sales [Net of sales tax aggregating Rs.5.376 million (2018: Rs.4.472 million)]		**27,677,176**	24,109,433
		44,112,094	31,123,686
		530,368,131	1,419,921,464

32.1 The Company has entered into a loan agreement with Premier Cement Ltd. (the Subsidiary Company), to provide an unsecured loan amounting Rs.500 million for working capital requirements. This loan carries mark-up at the rate of average borrowing cost of the Company and is repayable at the discretion of the Subsidiary Company. Effective mark-up rate charged by the Company, during the year, ranged from 6.56% to 10% (2018: 6.00%) per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the year was Rs.212.774 million (2018: Rs.164.364 million).

33. OTHER EXPENSES

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Workers' profit participation fund	**24.5**	**39,957,753**	60,271,445
Workers' welfare fund	**24.6**	**-**	85,566
Auditors' remuneration	**33.1**	**2,016,800**	1,871,800
Provision for doubtful tax refunds	**17.1**	**40,543,436**	107,642,038
		82,517,989	169,870,849

		Note	2019	2018
			- - - - - - Rupees - - - - - -	
33.1	**Auditors' remuneration**			
	Fee for:			
	Annual audit		**1,540,800**	1,540,800
	Half yearly review		**210,000**	210,000
	Review of Code of Corporate Governance		**62,000**	62,000
	Audit of retirement funds and workers' profit participation fund		**170,000**	25,000
	Out-of-pocket expenses		**34,000**	34,000
			2,016,800	1,871,800
34.	**FINANCE COST**			
	Mark-up / interest on long term finances		**179,609,656**	153,886,092
	Mark-up / interest on short term borrowings		**1,004,924,133**	462,162,532
	Exchange loss on foreign currency loans		**748,989**	61,735,789
			1,005,673,122	523,898,321
	Interest on workers' profit participation fund	**24.5**	**7,727,955**	3,074,910
	Bank and other financial charges		**69,462,031**	52,017,410
			1,262,472,764	732,876,733
35.	**TAXATION**			
	Current			
	Current tax on profit for the year	**35.1**	**233,296,776**	247,357,052
	Adjustments in respect of prior years		**1,699,262**	36,766,984
			234,996,038	284,124,036
	Deferred			
	Origination and reversal of temporary differences		**21,661,365**	16,520,984
	Impact of change in tax rate		**-**	2,897,959
			21,661,365	19,418,943
			256,657,403	303,542,979

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

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

35.3 During the year, the Company's income tax returns for tax years 2018 have been revised by the Tax Authorities under section 122(5A) of the Ordinance. The excess tax charged in the revised returns mainly pertain to Super tax under section 4B of the Ordinance. After due consideration by the Company's tax department, accepting the stance of Tax Authorities appropriate adjustments have been made in the financial statements.

36. EARNINGS PER SHARE

36.1. Basic earnings per share

	2019	2018
	- - - - - - Rupees - - - - - -	
Net profit for the year	**759,197,311**	1,145,071,901
	------ Number of shares -------	
Weighted average ordinary shares in issues	**19,687,500**	19,687,500
	------------- Rupees -------------	
Earnings per share	**38.56**	58.16

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, 2019 and June 30, 2018 which would have any effect on the earnings per share if the option to convert is exercised.

37. CASH GENERATED FROM / (USED IN) OPERATIONS

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Profit before taxation		**1,015,854,714**	1,448,614,880
Adjustments for non-cash charges and other items:			
Depreciation		**732,352,106**	659,092,792
Amortization		**1,473,770**	1,351,686
Staff retirement benefit - gratuity		**105,434,755**	97,246,525
Provision for slow moving items		**351,860**	4,167,942
Dividend and interest income		**(476,701,368)**	(1,388,797,778)
Gain on sale of stores and spares		**(4,539,562)**	(750,436)
Gain on disposal of operating fixed assets		**(11,895,356)**	(6,263,817)
Provision for workers' profit participation fund		**39,957,753**	60,271,445
Provision for workers' welfare fund		**-**	85,566
Provision for impairment of trade debts - net		**20,778,943**	10,000,000
Provision for doubtful tax refunds		**40,543,436**	107,642,038
Finance cost		**1,262,472,764**	732,876,733
Working capital changes	37.1	**(2,553,216,989)**	(2,211,968,607)
		172,866,826	(486,431,031)

37.1 Working capital changes

	2019	2018
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**(55,177,604)**	(54,017,483)
Stock-in-trade	**(2,034,357,845)**	(963,926,121)
Trade debts	**(1,402,752,681)**	(1,148,105,619)
Loans and advances	**34,310,996**	7,450,227
Deposits, other receivables and sales tax	**147,350,530**	(145,216,806)
	(3,310,626,604)	(2,303,815,802)
Increase in trade and other payables	**757,409,615**	91,847,195
	(2,553,216,989)	(2,211,968,607)

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2019	2018	**2019**	2018	**2019**	2018
	----- Rupees -----					
Managerial remuneration	**22,001,100**	16,000,800	**-**	322,581	**142,037,309**	120,454,755
Contribution to provident fund trust	**-**	-	**-**	-	**11,150,061**	6,783,972
House rent and utilities	**10,998,900**	7,999,200	**-**	161,290	**83,381,604**	55,122,534
Medical	-	-	**-**	-	**2,787,765**	2,522,409
Leave encashment / bonus	-	-	**-**	-	**23,151,869**	15,168,154
Other benefits	-	-	**-**	-	**5,202,636**	954,000
	33,000,000	24,000,000	**-**	483,871	**267,711,244**	201,005,824
Number of persons	**1**	1	**-**	1	**55**	49

38.1 Certain executives are provided with Company maintained vehicles.

38.2 During the year, meeting fees of Rs.640 thousand (2018: Rs.640 thousand) was paid to two non-executive director.

38.3 No remuneration is paid to any other director of the Company.

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Subsidiary Companies, Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Sapphire Electric Company Ltd.	Subsidiary Company	68.11%
Premier Cement Ltd.	Subsidiary Company	100%
Sapphire Energy (Pvt.) Ltd.	Subsidiary Company	100%
Reliance Cotton Spinning Mills Ltd.	Common directorship	1.35%
SFL Ltd.	Common directorship	0.051%
Sapphire Power Generation Ltd.	Common directorship	17.63%
Sapphire Finishing Mills Ltd.	Common directorship	-
Neelam Textile Mills Ltd.	Common directorship	-
Amer Cotton Mills Ltd.	Common directorship	-
Sapphire Textile Mills Ltd.	Common directorship	-
Diamond Fabrics Ltd.	Common directorship	-
Salman Ismail (SMC-Pvt.) Ltd.	Common directorship	-
Sapphire Agencies (Pvt.) Ltd.	Common directorship	-
Crystal Enterprises Ltd.	Common directorship	-
Sapphire Holding Ltd.	Common directorship	-
Four Strength (Pvt) Ltd.	Common directorship	-

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

Significant transactions with the related parties	2019	2018
	--- Rupees---	
i) Subsidiary Companies		
Shares purchased	**283,100,000**	235,000,000
Dividend received	**-**	866,347,800
Loan provided	**140,533,495**	174,169,746
Mark-up charged	**9,554,669**	6,545,566
Expenses charges to	**6,459,362**	1,912,356
ii) Associated Companies		
Sales of:		
- raw material / yarn / fabric / stores	**552,768,120**	815,238,975
- assets	**21,130,000**	-
Purchases:		
- raw material / yarn / fabric / stores	**1,230,142,114**	742,055,623
- assets	**-**	1,700,000
- electricity	**42,116,086**	133,394,848
Services:		
- rendered	**178,318**	2,239,057
- obtained	**916,083**	2,058,865
Expenses charged by	**33,197,235**	28,027,499
Expenses charged to	**24,928,456**	15,615,213
Loans obtained	**56,645,000**	-
Dividend:		
- received	**1,039,272**	239,003
- paid	**122,371,152**	15,294,894
iii) Director and their related parties		
Loans obtained	**67,262,000**	-
iv) Key management personnel		
Salary and other employment benefits	**104,741,939**	80,286,420
v) Retirement Fund		
Contribution towards provident fund	**25,125,072**	11,378,885

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).

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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 minimizes earnings volatility and provide maximum return to shareholders.

(a) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note.40.4, the financial assets exposed to credit risk aggregated to Rs.11,479.488 million as at June 30, 2019 (2018: Rs.11,592.713 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2018: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2019	2018
	- - - - - - Rupees	**- - - - - -**
Long term investments	**4,091,293,395**	4,851,764,286
Long term loans	**442,000**	297,000
Long term deposits	**28,606,645**	28,606,645
Trade debts	**4,283,863,680**	2,881,110,999
Loans and advances	**180,000**	121,000
Trade deposits	**74,228,355**	43,800,651
Short term investments	**2,908,132,483**	3,760,187,223
Other receivables	**23,337,822**	6,254,631
Bank balances	**69,404,030**	20,571,025
	11,479,488,410	11,592,713,460

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. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the Company various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. 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:

	2019	2018
	- - - - - - Rupees	**- - - - - -**
Domestic	**836,960,899**	551,828,963
Export	**3,416,702,781**	2,299,082,036
	4,253,663,680	2,850,910,999

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:

	2019	2018
	- - - - - - Rupees	**- - - - - -**
Yarn	**2,394,187,109**	1,779,703,865
Fabric	**1,253,005,151**	582,150,389
Garments	**549,315,521**	424,204,166
Processing services	**28,562,671**	62,584,439
Waste	**28,593,228**	2,268,140
	4,253,663,680	2,850,910,999

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	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA+	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AA+	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Dubai Islamic Bank	A-1+	AA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

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 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, 2019					
Long term finances	**4,445,606,115**	**4,910,234,326**	**1,025,862,287**	**2,365,271,178**	**1,519,100,861**
Trade and other payables	**2,010,778,037**	**2,010,778,037**	**2,010,778,037**	**-**	**-**
Accrued mark-up / interest	**217,497,816**	**217,497,816**	**217,497,816**	**-**	**-**
Short term borrowings	**11,772,445,051**	**11,960,206,501**	**11,960,206,501**	**-**	**-**
Unclaimed dividend	**5,967,559**	**5,967,559**	**5,967,559**	**-**	**-**
	18,452,294,578	**19,104,684,239**	**15,220,312,200**	**2,365,271,178**	**1,519,100,861**

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
			Rupees		
June 30, 2018					
Long term finances	4,681,636,182	5,193,351,411	955,429,332	2,584,672,929	1,653,249,150
Trade and other payables	1,474,416,897	1,474,416,897	1,474,416,897	-	-
Accrued mark-up / interest	125,062,516	125,062,516	125,062,516	-	-
Short term borrowings	7,986,848,681	9,166,989,727	9,166,989,727	-	-
Unclaimed dividend	5,353,374	5,353,374	5,353,374	-	-
	14,273,317,650	15,965,173,925	11,727,251,846	2,584,672,929	1,653,249,150

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 optimizing the return.

(I) 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, Hong Kong Dollar, Swiss Frank, Singapore Dollar and Japanese Yen. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Chinese Yuan (CNY), Japanese Yen (JPY), Singapore Dollar (SGD) and Swiss Frank (CHF) is as follows:

For the year ended June 30, 2019	**Rupees**	**U.S.$**	**Euro**	**CNY**	**CHF**	**SGD**
Bills payables	**118,413,886**	**219,858**	**439,848**	**-**	**-**	**-**
Advance payments	**266,739,226**	**1,621,515**	**-**	**-**	**-**	**-**
	385,153,112	**1,841,373**	**439,848**	**-**	**-**	**-**
Trade debts	**(3,308,755,621)**	**(20,239,700)**	**-**	**-**	**-**	**-**
Bank balances	**(10,478,432)**	**(63,893)**	**-**	**-**	**-**	**-**
Net balance sheet exposure	**(2,934,080,941)**	**(18,462,220)**	**439,848**	**-**	**-**	**-**
Outstanding letters of credit	**553,454,636**	**1,080,219**	**990,790**	**6,085,640**	**243,796**	**17,868**
	(2,380,626,305)	**(17,382,001)**	**1,430,638**	**6,085,640**	**243,796**	**17,868**

For the year ended June 30, 2018	Rupees	U.S.$	Euro	JPY	CHF
Bills payables	213,184,940	1,065,026	591,070	-	-
Advance payments	99,215,142	815,914	-	-	-
	312,400,082	1,880,940	591,070	-	-
Trade debts	(2,255,439,724)	(18,578,583)	-	-	-
Bank balances	(1,589,490)	(13,093)	-	-	-
Net balance sheet exposure	(1,944,629,132)	(16,710,736)	591,070	-	-
Outstanding letters of credit	366,000,709	1,999,814	134,964	1,753,560	776,156
	(1,578,628,423)	(14,710,922)	726,034	1,753,560	776,156

The following significant exchange rates have been applied:

	Average rate		**Reporting date rate**	
	2019	2018	**2019**	2018
U.S. Dollar to Rupee	**139.21**	115.45	**164.5 / 164**	121.60 / 121.40
Euro to Rupee	**168.39**	165.20	**186.99 / 186.37**	141.57 / 141.33
Chinese Yuan to Rupee	**24.19**	-	**24.19**	-
Swiss Frank to Rupee	**144.65**	113.95	**168.61 / 168.03**	122.32 / 122.11
Singapore Dollar to Rupee	**121.59**	-	**121.59**	-
Japanese Yen to Rupee	**1.5700**	1.0900	**1.5285 / 1.5236**	1.0991 / 1.0973

At June 30, 2019, if Rupee had strengthened by 10% against US Dollar and Euro 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.

	2019	2018
Effect on profit for the year:	**- - - - - - Rupees - - - - - -**	
U.S. Dollar to Rupee	**(302,780,408)**	(202,868,335)
Euro to Rupee	**8,224,718**	8,367,778
	(294,555,690)	(194,500,557)

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

(ii) 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 long & short 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:

	2019	2018	**2019**	2018
	- - - Effective rate - - -		**- - - Carrying amount - - -**	
	%	%	**- - - - - Rupees - - - - -**	
Fixed rate instruments				
Financial assets				
Term deposit account	**4.35 to 6.68**	4.00 to 4.50	**6,040,000**	6,040,000
Financial liabilities				
Long term finances	**2.50 to 13.29**	2.50 to 7.42	**3,925,762,292**	3,647,217,182
Variable rate instruments				
Financial liabilities				
Long term finances	**7.04 to 12.09**	7.10 to 7.16	**519,843,823**	1,034,419,000
Short term borrowings	**2.25 & 13.80**	1.15 & 7.52	**11,648,538,051**	8,986,848,681

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

At June 30, 2019, if the interest rate on the Company's variable rate 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.121.683 million (2018: Rs.100.213 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.

(iii) 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 arising 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.6,961.473 million (2018: Rs.8,582.735 million) are exposed to price risk due to changes in market price.

At June 30, 2019, 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.696.147 million (2018: Rs.858.274 million).

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

40.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The table below analyses 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.6,961.473 million (2018: Rs.8,611.951 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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, maximize 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 statement of financial position) 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 statement of financial position plus net debt.

	2019	2018
	- - - - - - Rupees	**- - - - - -**
Total borrowings	**16,218,051,166**	13,668,484,863
Less: cash and bank balances	**76,712,566**	24,047,126
Net debt	**16,141,338,600**	13,644,437,737
Total equity	**15,287,207,198**	16,283,523,576
Total capital	**31,428,545,798**	29,927,961,313
Gearing ratio	**51%**	46%

40.4 Financial instruments by category

	As at June 30, 2019			As at June 30, 2018		
	Amortised cost	At fair value through OCI	Total	Loans and advances	Available for sale	Total
Financial assets as per statement of financial position	- - - - - - - - - - Rupees - - - - - - - - - -			- - - - - - - - - - Rupees - - - - - - - - - -		
Long term investments	**-**	**4,091,293,395**	**4,091,293,395**	-	4,851,764,286	4,851,764,286
Long term loans	**442,000**	**-**	**442,000**	297,000	-	297,000
Long term deposits	**28,606,645**	**-**	**28,606,645**	28,606,645	-	28,606,645
Trade debts	**4,283,863,680**	**-**	**4,283,863,680**	2,881,110,999	-	2,881,110,999
Loans and advances	**180,000**	**-**	**180,000**	121,000	-	121,000
Trade deposits	**74,228,355**	**-**	**74,228,355**	43,800,651	-	43,800,651
Short term investments	**-**	**2,908,132,483**	**2,908,132,483**	-	3,760,187,223	3,760,187,223
Other receivables	**23,337,822**	**-**	**23,337,822**	5,879,905	-	5,879,905
Cash and bank balances	**76,712,566**	**-**	**76,712,566**	24,047,126	-	24,047,126
	4,487,371,068	**6,999,425,878**	**11,486,796,946**	2,983,863,326	8,611,951,509	11,595,814,835

	Financial liabilities measured at amortised cost	
Financial liabilities as per statement of financial position	- - - - - - Rupees - - - - - -	
Long term finances and accrued mark-up	**4,471,589,392**	4,708,042,169
Trade and other payables	**2,016,745,596**	1,479,770,271
Unclaimed dividend	**5,967,559**	5,353,374
Short term borrowings and accrued mark-up	**11,772,445,051**	9,085,505,210
	18,266,747,598	15,278,671,024

41. RECOCILIATION OF MOVEMENT OF LIABILITES TO CASH FLOWS ARISING FROM FINANCIAL ACTIVITIES

	Liabilities		
	Long term finances	**Short term borrowings**	**Dividend**
	.... **Rupees**		
Balance as at July 01, 2018	4,681,636,182	9,001,597,944	5,353,374
Changes from financing activities			
Finances obtained	626,337,000	2,770,847,107	-
Finances repaid	(862,367,067)	-	-
Dividends paid	-	-	(235,635,815)
Dividend declared	-	-	236,250,000
Total changes from financing cash flows	**4,445,606,115**	**11,772,445,051**	**5,967,559**
Other changes	-	-	-
Balance as at June 30, 2019	**4,445,606,115**	**11,772,445,051**	**5,967,559**

	Long term finances	Short term borrowings	Dividend
	.... Rupees		
Balance as at July 01, 2017	3,711,774,132	7,289,563,613	5,566,966
Changes from financing activities			
Finances obtained	1,103,458,000	1,712,034,331	-
Finances repaid	(133,595,950)	-	-
Dividends paid	-	-	(29,744,842)
Dividend declared	-	-	29,531,250
Total changes from financing cash flows	4,681,636,182	9,001,597,944	5,353,374
Other changes	-	-	-
Balance as at June 30, 2018	4,681,636,182	9,001,597,944	5,353,374

42. CAPACITY AND PRODUCTION

		2019	2018
42.1 Spinning units			
Number of spindles installed		**101,536**	101,136
Number of spindles worked		**99,425**	100,656
Number of shifts worked per day		**3**	3
Total number of days worked		**365**	365
Installed capacity after conversion into 20's count	**Lbs.**	**60,990,604**	62,918,071
Actual production after conversion into 20's count	**Lbs.**	**53,756,861**	55,513,241

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

			2019	2018
42.2	**Dyeing**		**2019**	2018
	Yarn / Fibre Dyeing Unit			
	Total number of days worked		**-**	31
	Installed capacity	**Lbs.**	**8,002,407**	8,002,407
	Actual production	**Lbs.**	**-**	218,605
	Fabric Dyeing Unit			
	Total number of days worked		**364**	364
	Installed capacity	**Lbs.**	**13,965,242**	13,171,579
	Actual production	**Lbs.**	**11,684,161**	11,196,831

42.2.1 Sluggish sale in the local and international markets and less profit margins forced the management to temporarily close its yarn / fibre dyeing unit.

42.3	**Knitting unit**		**2019**	2018
	Total number of days worked		**365**	364
	Installed capacity	**Lbs.**	**14,612,963**	14,612,963
	Actual production	**Lbs.**	**8,951,726**	9,172,284

42.3.1 Low production is due to low demand.

42.4	**Stitching unit**		**2019**	2018
	Installed capacity	**Pcs.**	**1,967,000**	1,967,000

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

42.5	**Denim unit**		**2019**	2018
	Total number of days worked		**358**	351
	Installed capacity	**Mtrs.**	**12,234,000**	8,727,200
	Actual production	**Mtrs.**	**11,639,680**	8,334,428

43.	**NUMBER OF EMPLOYEES**	**2019**	2018
	Average number of employees during the year	**3,975**	3,833
	Number of employees at the June 30,	**4,144**	3,936

44. **PROVIDENT FUND RELATED DISCLOSURE**

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

	2019	2018
	- - - - - - Rupees - - - - - -	
Size of the Fund - Total Assets	**71,780,349**	38,384,950
Cost of investments made	**70,055,035**	37,259,854
Percentage of investments made	**97.60%**	97.07%
Fair value of investments made	**71,321,642**	37,496,410

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

	2019	2018	2019	2018
	- - - Percentage - - -		- - - - Rupees - - - -	
Special account in a scheduled bank	**1.03**	4.35	**720,134**	1,630,034
Government securities	**96.29**	90.23	**67,453,451**	33,831,376
Listed securities	**2.69**	5.43	**1,881,450**	2,035,000
	100.00	100.00	**70,055,035**	37,496,410

44.3 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

45. SUBSEQUENT EVENT

The Board of Directors, in their meeting held on September 26, 2019 has proposed a final cash dividend of Rs.8 per share (2018: Rs.12 per share), for the year ended June 30, 2019 for approval of the members at the Annual General Meeting to be held on October 25, 2019.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2019 by the Board of Directors of the Company.

47. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made in these financial statements.

Karachi: Dated: September 26, 2019	**Shahid Abdullah** Chief Executive	**Shayan Abdullah** Director	**Jawwad Faisal** Chief Financial Officer

Pattern of Shareholding

As At June 30, 2019

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
251	1	100	4,167
157	101	500	38,439
101	501	1000	65,815
79	1001	5000	143,990
14	5001	10000	104,106
4	10001	15000	50,396
2	15001	20000	35,510
2	20001	25000	43,143
1	25001	30000	26,100
1	30001	35000	31,208
3	35001	40000	113,478
1	70001	75000	71,465
1	90001	95000	93,531
1	95001	100000	100,000
1	100001	105000	104,626
1	110001	115000	112,500
1	115001	120000	116,450
1	145001	150000	146,844
1	165001	170000	168,697
1	205001	210000	207,148
1	215001	220000	215,700
1	220001	225000	225,000
1	225001	230000	228,899
1	235001	240000	238,218
1	250001	255000	251,086
1	270001	275000	274,197
1	315001	320000	319,162
1	325001	330000	327,937
1	335001	340000	338,176
1	365001	370000	367,656
1	395001	400000	400,000
1	400001	405000	400,350
1	470001	475000	472,384
1	490001	495000	492,500
2	495001	500000	999,502
2	500001	505000	1,002,693
1	525001	530000	526,893
1	570001	575000	570,751
1	585001	590000	587,306
1	660001	665000	664,161
1	725001	730000	725,167
1	1190001	1195000	1,191,185
1	1210001	1215000	1,212,877
1	1220001	1225000	1,221,225
1	1710001	1715000	1,714,619
1	2940001	2945000	2,942,243
652			**19,687,500**

Categories of Shareholders

As At June 30, 2019

Particulars	No. of Shares Held	Percentage %
Directors, CEO, spouses minor. Children	5,237,553	26.6034
Associated Companies, undertaking, related parties	10,197,596	51.7973
NIT & ICP	587,306	2.9831
Banks, DFI & NBFI	1,718	0.0087
Insurance Companies	238,218	1.2100
Modaraba & Mutual Fund	199	0.0010
General Public (Local)	2,714,083	13.7858
General Public (Foreign)	6,662	0.0338
Others	704,165	3.5767
	19,687,500	**100.0000**

Pattern of Shareholding
As At June 30, 2019

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Sapphire Textile Mills Limited.	145
Neelum Textile Mills (Private) 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	828202
Four Strength (Pvt) Limited	1591185

B) NIT & ICP

CDC Trustee National Investment (UNIT) Trust	587306

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

DIRECTORS & THEIR SPOUSES

Mr. Nadeem Abdullah.	286586
Mr. Amer Abdullah.	326410
Mr. Yousuf Abdullah.	1540387
Mrs. Usma Yousuf	114114
Mrs. Noshaba Nadeem.	362544
Mrs. Ambareen Amer	898688
Mr. Shayan Abdullah	500000
Mr. Tajammal Hussain Bokharee	500
Mr. Nadeem Arshad Elahi	500
Mr. Abdul Sattar	500

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shahid Abdullah.	406234
Mrs. Shireen Shahid.	801090

Pattern of Shareholding
As At June 30, 2019

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
	Prudential Discount & Guarantee House Ltd.	337
	INSURANCE COMPANIES	
	State Life Insurance Corporation of Pakistan	238218
	MODARABAS & MUTUAL FUNDS	
	Modaraba-Al-Mali	112
	MUTUAL FUNDS	
	Golden Arrow Selected Stock Funds Limited	47
	CDC-Trustee Nafa Stock Fund	40
E)	**SHAREHOLDERS HOLDING 10% OR MORE**	
	Sapphire Agencies (Pvt) Ltd.	2258468
	Sapphire Holding Limited	2942243
F)	**TRADING IN THE SHARES OF COMPANY DURING THE YEAR**	
	BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.	NIL

Contents

Directors' Report

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiaries Sapphire Electric Company Limited, Sapphire Hydro Limited, Premier Cement Limited, Sapphire Cement Company Limited and Sapphire Energy (Pvt.) Limited for the year ended 30 June, 2019. 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 (now Companies Act 2017) on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 68.11% shares of SECL as on 30 June, 2019.

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.

SAPPHIRE HYDRO LIMITED

Sapphire Hydro Limited (SHL) was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2017. The principal business of the subsidiary company shall be to construct, establish and setup a Hydro Electric Power generation project having a net capacity of 150 MW with potential of 682 GWh of annual energy generation at Sharmai, Khayber Pakhtunkhawa.

Sapphire Hydro Limited (SHL) is a wholly owned subsidiary of Sapphire Electric Company Limited which is a subsidiary of Sapphire Fibres Limited.

PREMIER CEMENT LIMITED

Premier Cement Limited (PCL) was incorporated in Pakistan as an unlisted public company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 26 July, 2016. SFL holds 100% shares of PCL as on 30 June, 2019.

Subject to necessary approvals, PCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

SAPPHIRE CEMENT COMPANY LIMITED

Sapphire Cement Company Limited (SCCL) was incorporated in Pakistan as an unlisted public company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 28 October, 2016. SFL holds 100% shares of SCCL as on 30 June, 2019.

Subject to necessary approvals, SCCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

SAPPHIRE ENERGY (PRIVATE) LIMITED

Sapphire Energy (Private) Limited (SEPL) was incorporated in Pakistan as a private company limited by shares under Companies Act 2017 on 11 December, 2017. SFL holds 100% shares of SEPL as on 30 June, 2019.

SEPL intends to undertake, develop power projects and make equity investment, acquire or hold shares in companies involved in energy generation and operate a terminal for handling, regasification, storage, treatment and processing of all types of gases and all other related liquids, chemical & petroleum products.

For and on behalf of the Board of Directors

Lahore:	**Amer Abdullah**	**Shahid Abdullah**
Dated: 26 September, 2019	Chairman	Chief Executive

ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 جون 2019ء کوختم ہونے والے سال کے لئے سفائر فائبرز لمیٹڈ اور اسکی ذیلی کمپنیوں سفائر الیکٹرک کمپنی لمیٹڈ، سفائر ہائیڈرو لمیٹڈ، پریمیئر سیمنٹ لمیٹڈ، سفائر سیمنٹ کمپنی لمیٹڈ اور سفائر انرجی (پرائیویٹ) لمیٹڈ کے اشتمال شدہ مالیاتی گوشواروں پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ مالی گوشوارے منسلک کئے ہیں۔

سفائر الیکٹرک کمپنی لمیٹڈ:

سفائر الیکٹرک کمپنی لمیٹڈ (ایس ای سی ایل) 18 جنوری 2005 کوکمپنیز آرڈیننس 1984ء (اب کمپنیز ایکٹ 2017) کے تحت شیئرز کے ذریعے غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ یہ یکم جولائی 2008 کوسفائر فائبرز لمیٹڈ (ایس ایف ایل) کی ذیلی کمپنی بنی۔ ایس ایف ایل 30 جون 2019 کے مطابق ایس ای سی ایل کے 68.11% حصص کی مالک ہے۔

ذیلی کمپنی کی اصل سرگرمی مریدکے، ضلع شیخوپورہ میں 212 میگاواٹ کی خالص صلاحیت کے کمبائنڈ سائیکل پاور سٹیشن کی ملکیت، چلانا اور برقرار رکھنا ہے۔

سفائر ہائیڈرو لمیٹڈ:

سفائر ہائیڈرو لمیٹڈ (ایس ایچ ایل)، 07 ستمبر 2017 کوکمپنیز ایکٹ 2017 کے تحت شیئرز کے ذریعے غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ذیلی کمپنی کا اصل کاروبار شمئی، خیبر پختونخواہ میں GWh 682 کی سالانہ انرجی جنریشن کی پوٹینشل کے ساتھ 150 میگاواٹ کی خالص صلاحیت کا حامل ہائیڈرو الیکٹرک پاور جنریشن پراجیکٹ کی تعمیر، قیام اور چلانا ہوگا۔

ایس ایچ ایل سفائر الیکٹرک کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے جو خود سفائر فائبرز لمیٹڈ کی ایک ذیلی کمپنی ہے۔

پریمیئر سیمنٹ لمیٹڈ:

پریمیئر سیمنٹ لمیٹڈ (پی سی ایل) 26 جولائی 2016 کوکمپنیز آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2019 کے مطابق پی سی ایل کے 100% حصص کی مالک ہے۔

ضروری منظوریوں کے حوالہ سے، پی سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفائر سیمنٹ کمپنی لمیٹڈ:

سفائر سیمنٹ کمپنی لمیٹڈ (ایس سی سی ایل) 28 اکتوبر 2016 کوکمپنیز آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2019 کے مطابق ایس سی سی ایل کے 100% حصص کی مالک ہے۔

ضروری منظوریوں کے حوالہ سے، ایس سی سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفائر انرجی (پرائیویٹ) لمیٹڈ:

سفائر انرجی (پرائیویٹ) لمیٹڈ (SEPL) 11 دسمبر 2017 کوکمپنیز ایکٹ 2017 کے تحت شیئرز کے ذریعے ایک نجی کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2019 کے مطابق ایس ای پی ایل کے 100% حصص کی مالک ہے۔

ایس ای پی ایل بجلی کی پیداوار میں مصروف عمل کمپنیوں میں انڈرٹیک، پاور پروجیکٹس کو ڈویلپ اور ایکوئٹی سرمایہ کاری، حصص رکھنے یا خریدنے کا اور تمام اقسام کی گیسوں اور تمام دیگر متعلقہ مائعات، کیمیکل اینڈ پیٹرولیم مصنوعات کو ہینڈلنگ، ری گیسی فکیشن، سٹوریج، ٹریٹمنٹ اور پروسیسنگ کے لئے ٹرمینل چلانے کا ارادہ رکھتی ہے۔

منجانب بورڈ آف ڈائریکٹرز

لاہور	عامر عبداللہ	شاہد عبداللہ
تاریخ: 26 ستمبر 2019	چیئرمین	چیف ایگزیکٹو

Independent Auditor's Report To the Members of

To the members of Sapphire Fibres Limited
Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Sapphire Fibres Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to notes 13.5 of the annexed consolidated financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1.	First time adoption of **IFRS 9 'Financial Instrument'** and **IFRS 15 'Revenue from Contracts with Customers'** IFRS 9 is effective for the Group for the first time during the current year and replaces the financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'. In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs is complex and involves a number of judgemental assumptions. IFRS 9 also introduces new classification of financial assets based on the Group's business model for managing the financial assets and the contractual terms of the cash flows.	For IFRS 9 we reviewed and understood the requirements. Our audit procedures included the following: - Considered the Group management's process to assess the impact of adoption of IFRS 9 on the Group's consolidated financial statements; - Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Group. Reviewed the working of Group's management for ECL provision; and - Reviewed the new classification of financial assets and financial liabilities of the Group based on the revised criteria of IFRS 9. For IFRS 15 our audit procedures included the following: - We discussed with the Group's management

S. No.	Description	How the matter was addressed in our audit
	IFRS 15 is effective for the Group for the first time during the current year and changes the revenue recognition criteria. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers. In view of the above amendments, assumptions involved, reclassifications of financial assets, additions of new disclosures, we considered this adoption of IFRS 9 and IFRS 15 as a key audit matter.	changes made in the revenue recognition criteria to comply with the requirements of new accounting standard; - Obtained relevant underlying supporting documents for ensuring that management has complied with the revenue recognition criteria as introduced by IFRS 15; and - We assessed the appropriateness of the related disclosure made by the management in the Group's consolidated financial statements.
2.	**Property, plant and equipment** The Group's Property, plant and equipment represent 81.66% (2018: 80.04%) of the total non-current assets of the Group. Further, these represent 41.44% (2018:45.79%) of the total assets of the Group as at the reporting date. The Group during the current year made significant capital expenditure on its manufacturing facilities. Judgement is exercised in determining the following: - useful lives and residual values; - assessing whether there are any indicators of impairment present; and - when performing impairment assessments where indicators have been identified. "Based on the high value of the balance as at reporting date, as well as the judgements involved in determining useful lives and residual values and because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on capitalization of borrowing costs and depreciation charge for the year, this has been identified as a key audit matter."	"Our audit procedures to assess the capitalization ofproperty, plant and equipment are as follows:" - understanding the design and implementation of Group's management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system; - assessing the nature of costs incurred including borrowing costs for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and - "inspecting supporting documents for the dateof capitalization." The following was performed on the assessment of useful lives and residual values: - Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; and - Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate. In considering whether impairment was required, we reviewed the Group's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following procedures were performed: - Mills / plants were inspected to identify any damages or non-operating assets; - Discussions were held with the management, engineers and other technicians to identify any potential impairments; and - Production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators. We reviewed the adequacy of the Group's disclosure in the consolidated financial statement with respect to Property, plant and equipment.

S. No.	Description	How the matter was addressed in our audit
3.	**Valuation of stock-in-trade** The total value of stock in trade as at the reporting date amounts to Rs.6.992 billion representing 24.89% of the Group's total current assets (2018: Rs.4.997 billion, 22.59% of the Group's total current assets). Stock in trade as at reporting date mainly includes raw material and finished goods. (note 12) The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the Group's management in determining the net realisable value (NRV) of finished goods based on whether the items are A Grade or B Grade and in determining the appropriate value of slow moving and obsolete stocks. We identified this matter as key in our audit due to the judgement and assumption applied by the management in determining the cost and NRV of stock in trade at the year-end.	We assessed the appropriateness of Group's management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps: - assessed whether the accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis; - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - assessed the management determination of A Grade and B Grade inventories and NRV of inventories thereon by performing tests on the sale price secured by the Group for similar items; and - tested the cost of inventories for A Grade items and performed NRV test to asses whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices. We reviewed the Group's disclosure in the consolidated financial statement in respect of stock in trade.

Information Other than the Consolidated Financial Statements and Auditors' Report thereon

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Raheel Ahmed.

Karachi;
Dated : October 02, 2019

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Consolidated Statement of Financial Position
as at June 30, 2019

	Note	2019	2018
		------ Rupees ------	
ASSETS			
Non current assets			
Property, plant and equipment	5	**23,634,642,148**	23,665,614,952
Investment property	6	**31,750,000**	31,750,000
Intangible assets	7	**11,705,721**	9,751,241
Long term investments	8	**5,219,025,045**	5,818,143,428
Long term loans	9	**442,000**	297,000
Long term deposits	10	**42,106,445**	41,606,445
		28,939,671,359	29,567,163,066
Current assets			
Stores, spare parts and loose tools	11	**248,085,374**	198,770,544
Stock-in-trade	12	**6,992,281,448**	4,997,559,341
Trade debts	13	**14,867,544,760**	10,557,331,224
Loans and advances	14	**139,485,191**	171,580,598
Trade deposits and short term prepayments	15	**119,201,441**	82,454,092
Short term investments	16	**2,908,132,483**	3,760,187,223
Other receivables	17	**916,496,927**	1,059,715,249
Tax refunds due from Government	18	**826,956,709**	751,998,697
Cash and bank balances	19	**1,064,060,078**	534,201,894
		28,082,244,411	22,113,798,862
Total assets		**57,021,915,770**	51,680,961,928
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 ordinary shares of Rs.10 each		**350,000,000**	350,000,000
Issued, subscribed and paid-up capital	20	**196,875,000**	196,875,000
Reserves	21	**2,799,006,787**	4,293,755,844
Unappropriated profit		**19,214,376,030**	16,434,544,121
Equity attributable to shareholders of the Parent Company		**22,210,257,817**	20,925,174,965
Non-controlling interest		**4,529,981,873**	3,515,865,102
Total equity		**26,740,239,690**	24,441,040,067
Non current liabilities			
Long term finances	22	**4,147,521,687**	6,603,234,422
Staff retirement benefit - gratuity	23	**242,930,143**	346,597,468
Deferred taxation	24	**131,621,754**	135,561,462
		4,522,073,584	7,085,393,352
Current liabilities			
Trade and other payables	25	**3,689,161,254**	2,978,944,755
Contract liabilities		**313,963,434**	118,573,973
Unclaimed dividend		**5,967,559**	5,353,374
Accrued mark-up / interest	26	**414,784,309**	171,898,931
Short term borrowings	27	**17,591,614,934**	13,992,789,726
Current portion of long term finances	22	**3,509,531,264**	2,639,389,553
Provision for taxation		**234,579,742**	247,578,197
		25,759,602,496	20,154,528,509
Total liabilities		**30,281,676,080**	27,239,921,861
Contingencies and commitments	28		
Total equity and liabilities		**57,021,915,770**	51,680,961,928

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

Karachi:	**Shahid Abdullah**	**Shayan Abdullah**	**Jawwad Faisal**
Dated: September 26, 2019	Chief Executive	Director	Chief Financial Officer

Consolidated Statement of Profit or Loss
For the year ended June 30, 2019

	Note	2019	2018
		------ Rupees ------	
			(Re-stated)
Sales	29	**36,623,134,108**	31,026,148,790
Cost of sales	30	**(29,514,785,680)**	(26,031,065,558)
Gross profit		**7,108,348,428**	4,995,083,232
Distribution cost	31	**(721,021,399)**	(590,408,425)
Administrative expenses	32	**(419,447,386)**	(446,679,598)
Other income	33	**543,084,415**	548,792,310
Other expenses	34	**(85,459,952)**	(201,360,679)
Profit from operations		**6,425,504,106**	4,305,426,840
Finance cost	35	**(2,273,872,204)**	(1,508,761,805)
		4,151,631,902	2,796,665,035
Share of profit / (loss) of Associates		**175,049,348**	(16,489,124)
		4,326,681,250	2,780,175,911
Taxation	36	**(259,280,370)**	(305,198,752)
Profit after taxation		**4,067,400,880**	2,474,977,159
Attributable to:			
- Shareholders of the Parent Company		**3,053,284,109**	1,760,583,618
- Non-controlling interest		**1,014,116,771**	714,393,541
		4,067,400,880	2,474,977,159
Earnings per share - attributable to the shareholders of Parent Company	37	**155.09**	89.43

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

Karachi:
Dated: September 26, 2019

Shahid Abdullah	Shayan Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2019

	2019	2018
	------ Rupees ------	
		(Re-stated)
Profit after taxation	**4,067,400,880**	2,474,977,159
Other comprehensive income / (loss)		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised loss on remeasurement of investment at fair value through other comprehensive income		
- long term	**(810,464,891)**	(1,077,522,452)
- short term	**(778,963,436)**	(1,029,475,768)
Impact of deferred tax	**28,064,658**	200,322,904
Realised gain on sale of investment at fair value through other comprehensive income	**14,111,361**	27,683,935
Share of fair value loss on remeasurement of investment at fair value through other comprehensive income by Associates	**(12,079,357)**	(15,394,540)
	(1,559,331,665)	(1,894,385,921)
Loss on remeasurement of staff retirement benefit obligation	**29,644,795**	(8,423,010)
Share of loss on remeasurement of staff retirement benefit obligation of Associates	**176,653**	(27,770)
Impact of deferred tax	**(1,656,176)**	529,394
	28,165,272	(7,921,386)
	(1,531,166,393)	(1,902,307,307)
Items that will be reclassified to statement of profit or loss subsequently		
Forward foreign exchange contracts		
Adjustment for gain realised on settlement of foreign currency contracts	**-**	(140,343)
Share of unrealised gain on remeasurement of hedging instrument of Associates	**123,422**	134,357
	123,422	(5,986)
Other comprehensive loss for the year	**(1,531,042,971)**	(1,902,313,293)
Total comprehensive income for the year	**2,536,357,909**	572,663,866
Attributable to:		
- Shareholders of the Parent Company	**1,522,241,138**	(141,729,675)
- Non-controlling interest	**1,014,116,771**	714,393,541
	2,536,357,909	572,663,866

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

Karachi:
Dated: September 26, 2019

Shahid Abdullah	**Shayan Abdullah**	**Jawwad Faisal**
Chief Executive	Director	Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended June 30, 2019

	Note	2019	2018
		------ Rupees ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	**2,062,046,509**	1,104,239,487
Staff retirement benefit paid		**(179,457,285)**	(81,663,995)
Finance cost paid		**(2,030,986,826)**	(1,481,378,845)
Taxes paid		**(316,280,268)**	(390,380,021)
Workers' profit participation fund paid		**(67,999,400)**	(73,039,069)
Long term loans - net		**(145,000)**	3,458,000
Long term deposits - net		**(500,000)**	(11,265,000)
Net cash used in operating activities		**(533,322,270)**	(930,029,443)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,341,170,164)**	(2,342,105,390)
Proceeds from disposal of operating fixed assets		**56,524,328**	25,996,435
Investment in an Associated Company		**(30,000)**	-
Long and short term investments - net		**93,714,027**	36,275,373
Proceeds from sale of stores and spares		**10,050,483**	8,097,853
Dividend and interest income received		**466,473,411**	526,064,214
Net cash used in investing activities		**(714,437,915)**	(1,745,671,515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		**626,337,000**	1,103,458,000
- repaid		**(2,211,908,024)**	(1,708,143,365)
Dividend paid		**(235,635,815)**	(435,406,074)
Short term borrowings - net		**3,598,825,208**	3,793,274,046
Net cash generated from financing activities		**1,777,618,369**	2,753,182,607
Net increase in cash and cash equivalents		**529,858,184**	77,481,649
Cash and cash equivalents - at beginning of the year		**534,201,894**	456,720,245
Cash and cash equivalents - at end of the year		**1,064,060,078**	534,201,894

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

Karachi:	**Shahid Abdullah**	**Shayan Abdullah**	**Jawwad Faisal**
Dated: September 26, 2019	Chief Executive	Director	Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended June 30, 2019

	Issued, subscribed and paid-up capital	Reserves: Capital: Share premium	Reserves: Revenue: Maintenance reserve	Reserves: Revenue: General	Reserves: Revenue: Unappropri-ated profit	Sub- total	Other components of equity: Unrealised gain / (loss) on financial assets at fair value through other comprehensive income	Other components of equity: Unrealised gain / (loss) on hedging instruments	Other components of equity: Sub-total	Total	Non-Controlling Interest
	Rupees										
Balance as at July 1, 2017	196,875,000	145,740,000	336,444,851	1,183,845,000	14,382,542,389	16,048,572,240	4,850,890,908	174,046	4,851,064,954	21,096,512,194	3,207,187,832
Distribution to owners											
Final dividend for the year ended June 30, 2017 at the rate of Rs.1.50 per share	-	-	-	-	(29,531,250)	(29,531,250)				(29,531,250)	(405,716,271)
Transfer to unappropriated profit	-	-	(301,263,119)	-	301,263,119	-	-	-	-	-	-
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(76,304)	(76,304)	-	-	-	(76,304)	-
Total comprehensive income for the year ended June 30, 2018											
Profit for the year - restated	-	-	-	-	1,760,583,618	1,760,583,618	-	-	-	1,760,583,618	714,393,541
Other comprehensive loss - restated	-	-	-	-	(7,921,386)	(7,921,386)	(1,894,385,921)	(5,986)	(1,894,391,907)	(1,902,313,293)	-
	-	-	-	-	1,752,662,232	1,752,662,232	(1,894,385,921)	(5,986)	(1,894,391,907)	(141,729,675)	714,393,541
Reclassification adjustment of realised gain on sale of investment at fair value through other comprehensive income	-	-	-	-	27,683,935	27,683,935	(27,683,935)	-	(27,683,935)	-	-
Balance as at June 30, 2018 - restated	**196,875,000**	**145,740,000**	**35,181,732**	**1,183,845,000**	**16,434,544,121**	**17,799,310,853**	**2,928,821,052**	**168,060**	**2,928,989,112**	**20,925,174,965**	**3,515,865,102**
Distribution to owners											
Final dividend for the year ended June 30, 2018 at the rate of Rs.12.00 per share	-	-	-	-	(236,250,000)	(236,250,000)	-	-	-	(236,250,000)	-
Transfer to unappropriated profit	-	-	78,570,547	-	(78,570,547)	-	-	-	-	-	-
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(908,286)	(908,286)	-	-	-	(908,286)	-
Total comprehensive income for the year ended June 30, 2019											
Profit for the year	-	-	-	-	3,053,284,109	3,053,284,109	-	-	-	3,053,284,109	1,014,116,771
Other comprehensive income / (loss)	-	-	-	-	28,165,272	28,165,272	(1,559,331,665)	123,422	(1,559,208,243)	(1,531,042,971)	-
	-	-	-	-	3,081,449,381	3,081,449,381	(1,559,331,665)	123,422	(1,559,208,243)	1,522,241,138	1,014,116,771
Reclassification adjustment of realised gain on sale of investment at fair value through other comprehensive income	-	-	-	-	14,111,361	14,111,361	(14,111,361)	-	(14,111,361)	-	-
Balance as at June 30, 2019	**196,875,000**	**145,740,000**	**113,752,279**	**1,183,845,000**	**19,214,376,030**	**20,657,713,309**	**1,355,378,026**	**291,482**	**1,355,669,508**	**22,210,257,817**	**4,529,981,873**

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

Karachi:
Dated: September 26, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

The Parent Company

- Sapphire Fibres Limited

Subsidiary Companies

- Sapphire Electric Company Limited - SECL
- Premier Cement Limited - PCL
- Sapphire Cement Company Limited - SCCL
- Sapphire Energy (Private) Limited - SEL
- Sapphire Hydro Limited - SHL

• **Sapphire Fibres Limited**

The Parent Company was incorporated in Pakistan on June 05, 1979 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The Parent Company is principally engaged in manufacture and sale of yarn, fabrics and garments.

Geographical location and addresses of major business units including mills / plant of the Parent Company are as under:

Karachi	Purpose
316, Cotton Exchange Building, I.I Chundrigar Road	Registered office
Lahore	
7 A/K, Main Boulevard, Gulberg	Head office
3.5 km, Manga Road, Raiwind	Production plant
Sheikhupura	
10 km, sheikhupura / Faisalabad Road, Kharianwala	Production plant
26 km,sheikhupura / Faisalabad Road,Feroze wattoan	Production plant

• **Sapphire Electric Company Limited - SECL**

Sapphire Electric Company Limited - SECL was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) 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. 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.

Geographical location and addresses of major business units including mills / plant of the Subsidiary Company are as under:

Lahore	Purpose
7 A / K, Main Boulevard, Gulberg	Registered office
Sheikhupura	
Muridke, District Sheikhupura	Production plant

- **Premier Cement Limited - PCL**

  Premier Cement Limited - PCL is a wholly owned subsidiary and was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on July 26, 2016.The principal activity of subsidiary company is to manufacture and sale of cement and allied products. The Subsidiary Company obtained license from Directorate General Mines and Minerals, Khyber Pakhtunkhwa for setting up cement plant in D.I Khan district. The Subsidiary Company is expecting to commence operations in the year 2020.

  Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore	**Purpose**
7 - A/K, Main Boulevard, Gulberg	Registered office

- **Sapphire Cement Company Limited - SCCL**

  Sapphire Cement Company Limited - SCCL is a wholly owned subsidiary and was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on October 28, 2016.The principal activity of subsidiary company is to manufacture and sale of cement and allied products. The Subsidiary company is aiming to set up its plant in the province of Punjab, however license application has not been filed with Directorate General Mines and Minerals, Punjab till the reporting date due to delay in grant of requisite approvals.

  Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore	**Purpose**
7 - A/K, Main Boulevard, Gulberg	Registered office

- **Sapphire Energy (Pvt.) Limited - SEL**

  Sapphire Energy (Pvt.) Limited - SEL is a wholly owned subsidiary and was incorporated in Pakistan as a private company limited by shares under the Companies Act, 2017 on December 11, 2018. The principal activity of Subsidiary Company shall be to undertake, develop power projects and make equity investments, acquire or hold shares in companies involved in energy generation and to establish and operate a terminal for the handling, regasification, storage, treatment and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and other related products. The subsidiary company is in setup phase and has not yet commenced commercial operations.

  Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore	**Purpose**
7 - A/K, Main Boulevard, Gulberg	Registered office

- **Sapphire Hydro Limited - SHL**

  Sapphire Hydro Limited - SHL is a wholly owned subsidiary of Sapphire Electric Company Limited - SECL which is a subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2018. The principal business of the subsidiary company is to construct, establish and setup a Hydro Electric Power generation project having a net capacity of 150 MW with potential of 682 GWh of annual energy generation at Sharmai, Khayber Pakhtunkhawa. The subsidiary company is in setup phase and has not yet commenced commercial operations.

  Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore	**Purpose**
7 - A/K, Main Boulevard, Gulberg	Registered office

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS Standards, the provisions of and directives issued under the Act 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 Companies. The Parent Company's direct interest, as at June 30, 2019, in the SECL is 68.11% (2018: 68.11%) and effective holding in SHL is also 68.11% as SHL is wholly owned Subsidiary of SECL. Where as the other three companies PCL, SCCL, SEPL are wholly owned subsidiaries.

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

- it has power to direct the relevant activities of the subsidiary;

- is exposed to variable returns from the subsidiary; and

- decision making power allows the Group to affects its variable returns from the subsidiary.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Parent Company is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements.

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Act, 2017, are accounted for under the equity method of accounting.

2.3 Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4 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.

2.5 Changes in accounting standards and interpretations

2.5.1 Standards, amendments to approved accounting standards effective in current year and are relevant

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2018 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements, except for the following:

(a) IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

(c) IFRIC 22, "Foreign currency transactions and advance consideration' applicable to accounting periods beginning on or after July 01, 2018. This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related assets, expenses or income where an entity pays or receive consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which an entity recognizes the non-monetary assets or liability arising from the advance consideration. If there are multiple payments or receipts for one item a date of transaction should be determined as above for each payment or receipts. The impact of the interpretation is not considered to be material on the consolidated financial statements of the Group.

2.5.2 Exemption from applicability of certain interpretations to standards

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

Under IFRIC 4, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease under IAS 17, 'Leases'. The Group's power plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4. Consequently, if the Group were to follow IFRIC 4 and IAS 17, the effect on the consolidated financial statements would be as follows:

	2019	2018
	------ Rupees ------	
De-recognition of property, plant and equipment	(12,557,921,226)	(13,145,733,903)
De-recognition of trade debts	(5,437,213,219)	(3,557,481,463)
Recognition of lease debtor	13,606,378,012	13,562,194,596
Decrease in un-appropriated profit at the beginning of the year	(3,141,020,770)	(1,983,121,535)
Decrease in profit for the year	(1,247,735,663)	(1,157,899,235)
Decrease in un-appropriated profit at the end of the year	(4,388,756,433)	(3,141,020,770)

2.5.3 Standards, interpretations and amendments to 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, 2018 are considered not to be relevant or to have any significant effect on the Group's financial reporting and are, therefore, not detailed in these consolidated financial statements.

2.5.4 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2018 and have not been early adopted by the Group:

(a) IFRS 16, 'Leases': this standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on consolidated statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets;

however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies that have executed their power purchase agreements before January 1, 2019. Therefore, the standard will not have any impact on the Group's consolidated financial statements.

(b) Amendments to IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Group's consolidated financial statements.

(c) Amendments to IAS 19, 'Employee Benefits' on plan amendment, curtailment or settlement is effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Group is yet to assess the full impact of this amendment on its consolidated financial statements.

(d) IFRIC 23, 'Uncertainty over Income Tax Treatments': is effective for periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is yet to assess the full impact of the interpretation on its consolidated financial statements.

(e) Amendments to IAS 1 and IAS 8 on the definition of material: (effective for periods beginning on or after July 1, 2019). These amendments to IAS 1, 'Presentation of consolidated financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. It is unlikely that these amendments will have any significant impact on the Group's consolidated financial statements.

There are a 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.

2.6 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Group reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Group estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

© **Provision for impairment of trade debts**

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years to base the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery.

(d) **Staff retirement benefits - gratuity**

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 23.

(e) **Income taxes**

In making the estimates for income taxes, the Group takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Group views differs with the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

3. CHANGE IN ACCOUNTING POLICY DUE TO ADDOPTION OF NEW ACCOUNTING STANDRADS

The following changes in accounting policies have taken place effective from July 01, 2018.

3.1 IFRS 15 'Revenue from Contracts with Customers'

3.1.1 Following the application of IFRS 15, the Group policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of Goods

The Group sold its products in separately identifiable contacts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer.

Revenue from local sale of goods is recognized when the Group satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.

Rendering of Services

Revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer.

Export rebate

Export rebate income is recognized on accrual basis as and when the right to receive the income establishes.

Return on Bank deposits

Return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

3.1.2 **Effect of change in accounting policy**

The Group has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entity to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The above mentioned revised policy do not have any significant impact on these financial statements as the revised policy do not have an impact on the timing or the amount of revenue recognition from the contracts with customers.

However, the adoption of IFRS 15 resulted in reclassification of "Advance payments from customers", previously grouped under trade and other payables, to the consolidated statement financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Re-statement	As-restated
As at June 30, 2018	- - - - - - - Rupees - - - - - -		
Effect on statement of financial position			
Trade and other payable	**3,097,518,728**	**(118,573,973)**	**2,978,944,755**
Contract liabilities	**-**	**118,573,973**	**118,573,973**
As at June 30, 2017			
Trade and other payable	3,488,739,443	(258,946,777)	3,229,792,666
Contract liabilities	-	258,946,777	258,946,777

3.2 IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in other comprehensive income, with no recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model of IAS 39. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Following the application of IFRS 9, the Group policy for financial instrument stands amended as follows:

3.2.1 Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Initial recognition and measurement of financial assets

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1).

For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

- Fair value through other comprehensive income (FVTOCI)

  Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value. Reclassification of fair value gains and losses to unappropriated profits shall be made with in statement of changes in equity.

- **Fair value through profit or loss (FVTPL)**

  Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income in the statement of profit or loss as applicable.

  Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Debt Instruments

Subsequent measurement of debt instrument depends on the Group's business model for managing the assets and the cash flows characteristics of the assets. Three categories in which the Group classifies its debt instruments are:

- **Amortized cost**

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method.

- **Fair value through other comprehensive income (FVTOCI)**

  Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI.

- **Fair value through profit or loss (FVTPL)**

  Debt instruments that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

Gains and losses arising on debt instrument measured at amortized cost and as FVTPL are recognized in profit or loss. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on these debt instrument are also recognized in profit or loss. Gains and losses from changes in fair value of debt instruments measured as FVTOCI are recognized in other comprehensive income and are reclassified to profit or loss on derecognition or reclassification.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3.2.2 Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

3.2.3 Impairment of financial assets

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, applying the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL. Based on the management's experience, collection history, historical loss rates / bad debts and normal receivable aging, the shift from an incurred loss model to an ECL model has no material impact on the financial position and / or financial performance of the Group.

3.2.4 Impacts of adoption of IFRS 9 on these financial statements

With the application of IFRS 9 the Group's management has assessed which business model applies to the financial assets held by the Group at the date of initial application of the accounting standard and has reclassified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets reclassified as fair value through other comprehensive income

The Group has designated its long term investment in equity securities and debt instruments as FVTOCI previously classified as available-for-sale, as these investments are not held for trading. Similarly, short term investment in equity securities and debt instruments have also been designated as FVTOCI previously classified as available-for-sale. As a result, financial assets (debt & equity instruments) with a fair value of Rs.8.611 billion were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income and fair value gains of Rs.2.928 billion were reclassified from the available-for-sale financial assets reserve to financial assets at fair value through other comprehensive income reserve.

The Group has applied the change in accounting policy by reclassifying gains / losses on derecognition of equity instruments to other comprehensive income which were previously recognized in profit or loss by restating statement of profit or loss, statement of other comprehensive income, statement of cash flows and earnings per share for the comparative period for better comparison purposes. The change do not require any restatement of opening balances of reserves and unappropriated profits thus requiring no restatement of balances in the consolidated statement of financial position.

However, in respect of companies holding financial assets due from the Government of Pakistan, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period.

For detailed revised classification of financial instruments refer note 41.4 to these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

4.1 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 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 statement of profit and loss.

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.

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalised and apportioned to the respective items of property, plant and equipment on completion.

4.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Group comprises of freehold land 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 5. 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.

4.3 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 6. 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.

4.4 Financial assets

Initial measurement

The Group classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- **Equity Instruments at FVTOCI**

  These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

- **Debt Instruments at FVTOCI**

  These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- **Debt Instruments at FVTPL**

  These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- **Financial Assets measured at amortised cost**

  These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments in Associated Companies

Investments in Associated Companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amounts are increased or decreased to recognise the Group's share of statement of profit or loss of the Investee after the date of acquisition.

The Group’s share of post acquisition profit or loss is recognised in the statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in statement of other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in Associates equals or exceeds its interest in the Associates the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associates.

The Group determines at each reporting date whether there is any objective evidence that the investments in the Associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associates and its carrying values and recognises the amount adjacent to share of profit / loss of Associates in the statement of profit or loss.

Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables due from CPPA-G under the PPA that also includes accrued amounts. As referred to in note 2.2.1(a) to these consolidated financial statements, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy.

4.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated cost of inventory which 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.

4.6 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.

4.7 Trade debts and other receivables and related impairment

Trade debts and other receivables are classified as financial assets at amortised cost according to IFRS 9. Under IAS 39, trade and other receivables were previously classified as loans and receivables.

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

4.8 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 statement of profit or loss as deduction from the relevant expenses on matching basis.

4.9 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.10 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 statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to the statement of profit or loss in the periods in which the hedged item will affect the statement of profit or loss.

(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 statement of profit and loss, 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.

4.11 Offsetting of financial instruments

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

4.12 Impairment

(a) Financial assets

The Group assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Group followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years to base the calculation of ECL.

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

For bank balances, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

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

(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 recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances with banks.

4.14 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 statement of profit or loss over the period of the borrowings as interest expense.

4.15 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 - SECL

SECL 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, 2019 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

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

T**he Subsidiary Company - SECL**

SECL 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.

4.16 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 - SECL 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 - SECL is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

Deferred tax is recognised using the statement of financial position 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 statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income / equity in which case it is included in statement of other comprehensive income / equity.

4.17 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group Companies.

4.18 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.

4.19 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 statement of profit or loss.

4.20 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 local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;

- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;

- revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer;

- export rebate income is recognized on accrual basis as and when the right to receive the income establishes;

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

- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income establishes.

- Revenue from the sale of electricity to NTDC, the sole customer of the Group, is recorded on the following basis:

(i) Capacity revenue is recognised based on the capacity made available to NTDC; and

(ii) Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognised based on the rates determined under the mechanism laid down in the PPA.

Delayed payment markup on amounts due under the PPA is accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPA.

(iii) Energy invoices for Re-Gasified Liquefied Natural Gas (RLNG) fuel are generally raised on a weekly basis to Central Power Purchasing Agency (Guarantee) Limited (CPPA) and are due after 3 days from the date of invoice.

(iv) Energy invoices for High Speed Diesel (HSD) fuel are generally raised on a monthly basis to CPPA and are due after 30 days from the date of invoice.

4.21 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 statement of profit or loss.

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

4.23 Dividend and appropriation to reserves

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

4.24 Earnings per share

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Operating fixed assets	5.1	**23,179,031,125**	22,639,958,482
Capital work-in-progress	5.3	**455,611,023**	1,025,656,470
		23,634,642,148	23,665,614,952

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, 2017																	
Cost	452,111,504	313,245,050	713,039,140	28,636,645	4,151,818,510	24,171,749,418	365,780,581	1,376,608	26,313,356	38,490,680	20,062,609	24,891,622	225,091,805	60,444,633	149,886	248,579	30,593,450,626
Accumulated depreciation	-	-	244,577,077	21,029,623	1,070,651,156	7,060,473,402	96,738,973	750,838	18,515,426	22,543,058	9,584,903	17,256,349	98,384,451	30,879,979	130,885	211,649	8,691,727,769
Net book value	452,111,504	313,245,050	468,462,063	7,607,022	3,081,167,354	17,111,276,016	269,041,608	625,770	7,797,930	15,947,622	10,477,706	7,635,273	126,707,354	29,564,654	19,001	36,930	21,901,722,857
Year ended June 30, 2018																	
Opening net book value	452,111,504	313,245,050	468,462,063	7,607,022	3,081,167,354	17,111,276,016	269,041,608	625,770	7,797,930	15,947,622	10,477,706	7,635,273	126,707,354	29,564,654	19,001	36,930	21,901,722,857
Additions	41,671,750	-	174,366,450	-	315,205,997	1,438,354,179	-	19,145,390	122,000	180,000	421,430	2,628,750	38,231,330	866,938	-	-	2,031,194,214
Disposals:																	
- cost	-	-	-	-	-	111,411,069	-	-	-	-	-	193,063	22,133,349	-	-	-	133,737,481
- accumulated depreciation	-	-	-	-	-	(97,209,262)	-	-	-	-	-	(156,167)	(16,671,191)	-	-	-	(114,036,620)
	-	-	-	-	-	14,201,807	-	-	-	-	-	36,896	5,462,158	-	-	-	19,700,861
Depreciation charge	-	-	27,207,790	1,521,404	223,183,144	923,766,606	26,947,125	661,332	1,080,616	1,612,762	1,051,284	2,696,743	28,611,099	3,598,605	1,900	3,693	1,241,944,103
Adjustment during the year (note.4.1.3)	-	-	-	-	-	(31,313,625)	-	-	-	-	-	-	-	-	-	-	(31,313,625)
Closing net book value	**493,783,254**	**313,245,050**	**615,620,723**	**6,085,618**	**3,173,190,207**	**17,580,348,157**	**242,094,483**	**19,109,828**	**6,839,314**	**14,514,860**	**9,847,852**	**7,530,384**	**130,865,427**	**26,832,987**	**17,101**	**33,237**	**22,639,958,482**
At June 30, 2018																	
Cost	493,783,254	313,245,050	887,405,590	28,636,645	4,467,024,507	25,498,692,528	365,780,581	20,521,998	26,435,356	38,670,680	20,484,039	27,327,309	241,189,786	61,311,571	149,886	248,579	32,490,907,359
Accumulated depreciation	-	-	271,784,867	22,551,027	1,293,834,300	7,918,344,371	123,686,098	1,412,170	19,596,042	24,155,820	10,636,187	19,796,925	110,324,359	34,478,584	132,785	215,342	9,850,948,877
Net book value	**493,783,254**	**313,245,050**	**615,620,723**	**6,085,618**	**3,173,190,207**	**17,580,348,157**	**242,094,483**	**19,109,828**	**6,839,314**	**14,514,860**	**9,847,852**	**7,530,384**	**130,865,427**	**26,832,987**	**17,101**	**33,237**	**22,639,958,482**
Year ended June 30, 2019																	
Opening net book value	493,783,254	313,245,050	615,620,723	6,085,618	3,173,190,207	17,580,348,157	242,094,483	19,109,828	6,839,314	14,514,860	9,847,852	7,530,384	130,865,427	26,832,987	17,101	33,237	22,639,958,482
Additions	180,535,100	627,600	83,640,352	-	287,624,368	1,273,853,514	40,799,859	590,000	115,000	799,885	-	3,743,404	35,207,102	251,177	-	-	1,907,787,361
Disposals:																	
- cost	-	-	-	-	-	93,700,882	-	-	195,000	-	-	95,500	50,809,410	-	-	-	144,800,792
- accumulated depreciation	-	-	-	-	-	(74,225,376)	-	-	(35,750)	-	-	(5,306)	(26,406,220)	-	-	-	(100,672,652)
	-	-	-	-	-	19,475,506	-	-	159,250	-	-	90,194	24,403,190	-	-	-	44,128,140
Depreciation charge	-	6,339	34,493,698	1,217,124	241,630,949	984,416,166	24,561,915	1,950,318	1,035,669	1,458,152	984,785	3,132,403	26,332,692	3,361,334	1,710	3,324	1,324,586,578
Closing net book value	**674,318,354**	**313,866,311**	**664,767,377**	**4,868,494**	**3,219,183,626**	**17,850,309,999**	**258,332,427**	**17,749,510**	**5,759,395**	**13,856,593**	**8,863,067**	**8,051,191**	**115,336,647**	**23,722,830**	**15,391**	**29,913**	**23,179,031,125**
At June 30, 2019																	
Cost	674,318,354	313,872,650	971,045,942	28,636,645	4,754,648,875	26,678,845,160	406,580,440	21,111,998	26,355,356	39,470,565	20,484,039	30,975,213	225,587,478	61,562,748	149,886	248,579	34,253,893,928
Accumulated depreciation	-	6,339	306,278,565	23,768,151	1,535,465,249	8,828,535,161	148,248,013	3,362,488	20,595,961	25,613,972	11,620,972	22,924,022	110,250,831	37,839,918	134,495	218,666	11,074,862,803
Net book value	**674,318,354** (note.4.1.1)	**313,866,311**	**664,767,377**	**4,868,494**	**3,219,183,626**	**17,850,309,999**	**258,332,427**	**17,749,510**	**5,759,395**	**13,856,593**	**8,863,067**	**8,051,191**	**115,336,647**	**23,722,830**	**15,391**	**29,913**	**23,179,031,125**
Depreciation rate (% - per annum)			5	20	3.33 & 10	3.33, 5 & 10	10	10	10	10	10	30 & 33	20	10	10	10	

5.1.1 Freehold land includes Rs.80.685 million representing the Parent Company's 30% share of jointly controlled property located at Block-D/1, Gulberg, Lahore, registered in the name of The Parent Company along with Sapphire Textile Mills Limited, Diamond Fabrics Limited, and Sapphire Finishing Mills Limited (Related Parties).

5.1.2 Particulars of immovable property in the name of Group are as follows:

Location	Usage of immovable property	Total area in square yards
Freehold Land		
- Kharianwala, District Sheikhupura.	Production plant	174,815
- Ferozewattoan, District Sheikhupura.	Production plant	563,771
- Riawind, District Lahore.	Production plant	925,169
- Block-D/1, Gulberg, District Lahore.	Proposed office	1,497
- Muridke, District Sheikhupura.	Production plant	286,010
- Billot Shareef, District Dera Ismail Khan	Proposed production plant	2,870,825
Leasehold Land		
- Nooriabad, Karachi.	Proposed Mill / Factory	135,520
- Port Qasim Authority, Karachi.	Proposed warehouse	14,520
- Defence Housing Authority, Karachi.	Proposed office	666
- Billot Shareef, District Dera Ismail Khan	Proposed production plant	31,469

5.1.3 PA Export, a.s Czech Republic, was the previous principal Engineering, Procurement and Construction (EPC) contractor of the Subsidiary Company - SECL. During financial year 2010, PA Export defaulted on its obligations to fulfil the EPC contracts and had declared insolvency. This adjustment represents amount recovered from the liquidation of PA Export.

5.2	Note	2019	2018
Depreciation charge has been allocated as follows:		**- - - - - - Rupees**	**- - - - - -**
Cost of goods manufactured		**1,302,243,515**	1,221,208,444
Administrative expenses		**22,343,063**	20,735,659
		1,324,586,578	1,241,944,103
5.3 Capital work-in-progress			
Buildings		**12,570,215**	165,158,330
Plant and machinery {including in transit aggregating Rs.78.40 million (June 30, 2018: Rs.79.98)}		**78,404,642**	579,792,490
Equipments		**-**	200,000
Un-allocated capital expenditure	5.3.2	**332,998,181**	189,997,463
Advance payments against:			
- land - freehold		**-**	15,428,500
- factory / office building		**6,668,800**	45,965,772
- plant and machinery		**245,620**	-
- electric installation		**15,764,565**	20,030,273
- vehicles		**8,959,000**	8,113,667
- computer software		**-**	969,975
		31,637,985	90,508,187
		455,611,023	1,025,656,470

5.3.1 During the preceding year, borrowing cost at the rate of 2.50% to 7.42% per annum amounted Rs.3,858 thousand was included in the cost of plant and machinery.

5.3.2 These includes Rs.202.636 million incurred by Subsidiary Company - PCL for its proposed cement project and Rs.130.362 million in respect of pre-commencement expenditure of the Subsidiary Company - SHL. The Subsidiary Company - SHL has submitted feasibility stage tariff petition to NEPRA after necessary approvals from Pakhtunkhwa Energy Development Organisation (PEDO). Furthermore, subsequent to reporting date, hearing for environment social risk assessment was held on September 4, 2019 and a positive outcome is expected. Based on these factors, management is fully confident that the Letter of Support would be issued by PEDO for constructing the hydro power project. Therefore, these costs have been recognised as an asset under International Accounting Standard 16 'Property, Plant and Equipment' since management believes that it is highly probable that the hydro power project will be constructed and future economic benefits associated with these costs will flow to the Group.

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

Particulars of assets	Cost	Accumu-lated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
	-----------------	-----------------	Rupees	-----------------	-----------------		
Assets having net book value exceeding Rs.500,000 each							
Plant and machinery							
Air Aqua Splicers	1,775,995	954,071	821,924	840,000	18,076	Negotiation	Reliance Cotton Spinning Mills Ltd. (Related party)
Gas Generator	30,034,654	18,686,024	11,348,630	11,000,000	(348,630)	Negotiation	------- do -------
Combers E-62 & Unilap 32	22,019,520	18,139,838	3,879,682	6,000,000	2,120,318	Negotiation	------- do -------
Ring Complete Frame	12,815,207	11,501,569	1,313,638	1,500,000	186,362	Negotiation	------- do -------
Rieter Drawing Frame	2,708,356	2,205,128	503,228	600,000	96,772	Negotiation	Olympia Textile International.
	69,353,732	**51,486,630**	**17,867,102**	**19,940,000**	**2,072,898**		
Vehicles							
Toyota Corolla	2,015,500	781,119	1,234,381	1,592,200	357,819	Negotiation	First Habib Modaraba Ltd.
Toyota Corolla	2,017,000	688,469	1,328,531	1,714,300	385,769	As per Group's policy	Mr. Tanveer Alavi. (Employee)
Toyota Corolla	1,880,500	836,195	1,044,305	1,750,000	705,695	Insurance claim	Adamjee Insurance Company Ltd.
Toyota Corolla	2,397,000	119,850	2,277,150	2,150,000	(127,150)	As per Group's policy	Mr. Nadeem Amjad. (Employee)
Toyota Corolla Altis	1,885,500	1,249,639	635,861	1,018,000	382,139	As per Group's policy	Mr.Mujahid Akbar Bozdar. (Employee)
Toyota Corolla Altis	2,249,560	487,401	1,762,159	2,093,578	331,419	As per Group's policy	Mr.Muhammad Umer Rahi (Employee)
Toyota Corolla Altis	2,593,360	112,379	2,480,981	2,578,000	97,019	As per Group's policy	Mr. Faisal Zia Siddiqui (Employee)
Honda Civic	2,378,000	1,464,847	913,153	1,800,000	886,847	Insurance claim	Adamjee Insurance Company Ltd.
Honda City	1,653,000	943,958	709,042	1,129,400	420,358	As per Group's policy	Mr. Wasiq Majid. (Ex-employee)
Honda City	1,707,460	517,930	1,189,530	1,444,763	255,233	As per Group's policy	Mr. Usman Idrees (Employee)
Suzuki Swift	1,463,000	448,653	1,014,347	1,021,200	6,853	As per Group's policy	Ms. Sobia Ilyas. (Employee)
Suzuki Swift	1,327,000	483,617	843,383	1,047,200	203,817	Negotiation	Bank Islami Pakistan Ltd.
Suzuki Swift	1,327,000	514,287	812,713	1,006,400	193,687	As per Group's policy	Mr. Furqan Seith Mall. (Employee)
Suzuki Swift	1,297,000	589,588	707,412	928,800	221,388	Negotiation	Meezan Bank Ltd.
Suzuki Swift	1,327,000	514,287	812,713	968,900	156,187	Negotiation	Meezan Bank Ltd.
Suzuki Wagon R	1,074,000	313,847	760,153	942,600	182,447	As per Group's policy	Mr. Zeeshan Javaid. (Employee)
Suzuki Wagon R	1,019,000	406,695	612,305	612,305	-	As per Group's policy	Mr. Yasir Ali. (Employee)
Suzuki Cultus	1,049,000	515,642	533,358	741,700	208,342	Negotiation	Meezan Bank Ltd.
Suzuki Cultus	1,072,890	697,378	375,512	375,512	-	As per Group's policy	Mr. Mudassar Ahmed (Employee)
	31,732,770	**11,685,781**	**20,046,989**	**24,914,858**	**4,867,869**		
Various assets having net book value upto Rs.500,000 each	**43,714,290**	**37,500,241**	**6,214,049**	**11,669,470**	**5,455,421**		
June 30, 2019	**144,800,792**	**100,672,652**	**44,128,140**	**56,524,328**	**12,396,188**		
June 30, 2018	133,737,481	114,036,620	19,700,861	25,996,435	6,295,574		

6. INVESTMENT PROPERTY

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

6.2 Fair value of the investment property, based on the management estimation, as at June 30, 2019 was Rs.45 million (2018: Rs.45 million).

7. INTANGIBLE ASSETS

	Computer Softwares	Goodwill	Total
	--------------------Rupees--------------------		
At July 1, 2017			
Cost	22,565,021	5,612,904	28,177,925
Accumulated amortization	20,971,898	-	20,971,898
Net book value	1,593,123	5,612,904	7,206,027
Year ended June 30, 2018			
Addition during the year	3,896,900	-	3,896,900
Amortization charge	1,351,686	-	1,351,686
Net book value as at June 30, 2018	4,138,337	5,612,904	9,751,241
Year ended June 30, 2019			
Addition during the year	**3,428,250**	**-**	**3,428,250**
Amortization charge	**1,473,770**	**-**	**1,473,770**
Net book value as at June 30, 2019	**6,092,817**	**5,612,904**	**11,705,721**
At June 30, 2018			
Cost	26,461,921	5,612,904	32,074,825
Accumulated amortization	22,323,584	-	22,323,584
Net book value	4,138,337	5,612,904	9,751,241
At June 30, 2019			
Cost	**29,890,171**	**5,612,904**	**35,503,075**
Accumulated amortization	**23,797,354**	**-**	**23,797,354**
Net book value	**6,092,817**	**5,612,904**	**11,705,721**
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 - SECL .

8. LONG TERM INVESTMENTS

	Note	2019	2018
		------ Rupees ------	
Associates - equity accounted investments	8.1	**1,127,731,650**	966,379,142
Others - equity instruments	8.3	**4,026,985,585**	4,836,963,636
- debt instruments	8.4	**64,307,810**	14,800,650
		5,219,025,045	5,818,143,428

		Note	2019	2018
			- - - - - - Rupees - - - - - -	
8.1	**Associated Companies**			
	Quoted			
	Reliance Cotton Spinning Mills Limited - RCSM	**8.1.1**	**37,768,806**	32,735,607
	SFL Limited - SFLL	**8.1.2**	**1,824,769**	1,475,225
	Unquoted			
	Sapphire Power Generation Limited - SPGL	**8.1.3**	**244,500,471**	251,538,962
	Sapphire Dairies (Private) Limited - SDL	**8.1.4**	**118,705,227**	104,229,348
	Tricon Boston Consulting Corporation (Private) Limited - TBCCL	**8.1.5**	**724,924,525**	576,400,000
	Energas Terminal (Private) Limited - ETL	**8.1.6**	**-**	-
	Energas Marketting (Private) Limited (EML)	**8.1.7**	**7,852**	-
			1,127,731,650	966,379,142

8.1.1 Investment in RCSM represents 138,900 fully paid ordinary shares of Rs.10 each representing 1.35% (2018: 1.35%) of RCSM's issued, subscribed and paid-up capital as at June 30, 2019. RCSM was incorporated on June 13, 1990 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of RCSM is manufacturing and sale of yarn. Market value of the Group's investment in RCSM as at June 30, 2019 was Rs.20.279 million (2018: Rs.22.167 million). RCSM is an associate of the Group due to common directorship.

8.1.2 Investment in SFLL represents 10,199 fully paid ordinary shares of Rs.10 each representing 0.051% (2018: 0.051%) of SFLL's issued, subscribed and paid-up capital as at June 30, 2019. SFLL was incorporated on April 26, 2010 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The main business of SFLL is to investment in the shares of Related Parties. Market value of the Group's investment in SFLL as at June 30, 2019 was Rs.1.632 million (2018: Rs.1.509 million). SFLL is an associate of the Group due to common directorship.

8.1.3 Investment in SPGL represents 2,824,500 fully paid ordinary shares of Rs.10 each representing 17.63% (2018: 17.63%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2019. SPGL was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution. SPGL is an associate of the Group due to common directorship.

8.1.4 Investment in SDL represents 10,000,0000 fully paid ordinary shares of Rs.10 each representing 9.09% (2018: 9.09%) of SDL's issued, subscribed and paid-up capital as at June 30, 2019. SDL was incorporated as a private limited company and is principally engaged in production and sale of milk and milk products. SDL is an associate of the Group due to common directorship.

8.1.5 Investment in TBCCL represents 59,251,500 fully paid ordinary shares of Rs.10 each representing 7.13% (2018: 7.13%) of TBCCL's issued, subscribed and paid-up capital as at June 30, 2019. The Parent Company has pledged these shares through an Onshore Security Trustee under Share Pledge Group Agreement dated May 08, 2018 as security against financing facilities advanced to TBCCL. TBCCL was incorporated as a private limited company by shares and its principal business is to operate and maintain wind power plants to generate and supply electricity. TBCCL is an associate of the Group due to common directorship.

8.1.6 The Subsidiary Company - SEL has made investment in ETL's 3,000 fully paid ordinary shares of Rs.10 each representing 30% of ETL's issued, subscribed and paid-up capital. ETL was incorporated as a private limited company. The principal activity of ETL shall be to undertake, develop power projects and operate a terminal for the handling, regasification, storage, treatment and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and other related products.

ETL during the year incurred loss amounting Rs.17.871 million. Subsidiary Company's - SEL share of loss was recognised upto the extant of cost of investment of Rs.30,000.

8.1.7 The Subsidiary Company - SEL, during the current year, made investment in EML's 3,000 fully paid ordinary shares of Rs.10 each representing 30% of EML's issued, subscribed and paid-up capital as at June 30, 2019. EML was incorporated as a private limited company. The principal activity of EML shall be to import, process and sell natural gas, liquified natural gas all other related items.

8.2 Summarised financial information of associates

The table below summarise the financial information / reconciliation of based on un-audited financial statements of Associates as at June 30, 2019. Financial statements have been amended to reflect adjustments made by

	RCSM 2019	RCSM 2018	SFLL 2019	SFLL 2018	SPGL 2019	SPGL 2018	SDL 2019	SDL 2018
	Rupees							
Summarised Statement of Financial Position								
Non current assets	2,798,087,483	2,188,080,153	3,577,561,001	2,882,902,451	1,208,437,851	1,201,076,072	2,355,473,666	1,340,435,563
Current assets	3,264,523,208	2,392,630,231	36,184,617	113,808,420	310,117,593	400,502,515	316,673,348	341,775,205
	6,062,610,691	4,580,710,384	3,613,745,618	2,996,710,871	1,518,555,444	1,601,578,587	2,672,147,014	1,682,210,768
Non current liabilities	678,986,247	354,715,345	17,109,512	14,078,607	112,705,002	115,579,810	512,215,627	268,939,784
Current liabilities	2,585,089,130	1,800,402,034	1,944,518	76,523,247	18,725,648	58,942,506	854,173,891	266,748,159
	3,264,075,377	2,155,117,379	19,054,030	90,601,854	131,430,650	174,522,316	1,366,389,518	535,687,943
Net assets	2,798,535,314	2,425,593,005	3,594,691,588	2,906,109,017	1,387,124,794	1,427,056,271	1,305,757,496	1,146,522,825
Reconciliation to carrying amount								
Opening net assets	2,425,593,005	2,155,251,899	2,906,109,017	2,931,040,198	1,423,111,081	1,633,017,412	1,145,972,613	1,068,074,945
Profit / (loss) for the year	517,324,312	358,006,395	829,483,606	246,147,031	25,539,768	(128,862,845)	161,136,640	77,871,704
Other comprehensive (loss) / income	(69,893,791)	(70,633,114)	(143,572,374)	(183,523,479)	(60,365,252)	(80,809,892)	(1,351,757)	25,964
Other adjustments	(7,590,212)	(1,595,815)	2,671,339	2,856,950	(1,160,803)	(233,594)	-	-
Issuance of shares	-	-	-	-	-	-	-	-
Dividend paid during the year	(66,898,000)	(15,436,360)	-	(90,411,683)	-	-	-	-
Closing net assets	2,798,535,314	2,425,593,005	3,594,691,588	2,906,109,017	1,387,124,794	1,423,111,081	1,305,757,496	1,145,972,613
Group's share (percentage)	1.35%	1.35%	0.051%	0.051%	17.63%	17.63%	9.09%	9.09%
Carrying amount of investment (Rupees)	37,768,806	32,735,607	1,824,769	1,475,225	244,500,471	250,833,353	118,705,227	97,097,722
Summarised Statement of profit or loss								
Revenue	5,379,009,395	4,398,017,387	3,110,620	650,917	93,065,004	573,175,513	1,088,576,356	890,073,373
Profit / (loss) before tax	550,889,260	396,930,206	833,521,707	250,840,159	36,629,274	(111,434,538)	202,222,259	153,631,237
Profit / (loss) after tax	517,324,312	358,006,395	829,483,606	246,147,031	25,539,768	(128,862,845)	161,136,640	77,871,704
Other comprehensive (loss) / income	(69,893,791)	(70,633,114)	(143,572,374)	(183,523,479)	(60,365,252)	(80,809,892)	(1,351,757)	25,964
Total comprehensive income / (loss)	447,430,521	287,373,281	685,911,232	62,623,552	(34,825,484)	(209,672,737)	159,784,883	77,897,668

	TBCCL 2019	TBCCL 2018	EML 2019	EML 2018	ETL 2019	ETL 2018
Summarised Statement of Financial Position						
Non current assets	41,617,612,189	28,056,903,220	500,000	-	44,399,585	8,832,184
Current assets	7,153,653,893	3,363,802,689	93,178	-	21,649,632	69,578,534
	48,771,266,082	31,420,705,909	593,178	-	66,049,217	78,410,718
Non current liabilities	34,186,550,780	20,022,877,177	-	-	-	80,000,000
Current liabilities	4,410,336,003	3,308,004,171	567,004	-	92,339,673	4,193,924
	38,596,886,783	23,330,881,348	567,004	-	92,339,673	84,193,924
Net assets	10,174,379,299	8,089,824,561	26,174	-	(26,290,456)	(5,783,206)
Reconciliation to carrying amount						
Opening net assets	8,089,824,561	8,181,392,634	-	-	(8,418,722)	-
Profit / (loss) for the year	2,084,554,738	(91,568,073)	(73,826)	-	(17,871,734)	(8,518,722)
Other comprehensive (loss) / income	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Issuance of shares	-	-	100,000	-	-	100,000
Dividend paid during the year	-	-	-	-	-	-
Closing net assets	10,174,379,299	8,089,824,561	26,174	-	(26,290,456)	(8,418,722)
Group's share (percentage)	7.13%	7.13%	30.00%	30.00%	30.00%	30.00%
Carrying amount of investment (Rupees)	724,924,525	576,400,000	7,852	-	-	-
Summarised Statement of profit or loss						
Revenue	6,429,134,362	-	-	-	2,365,926	-
Profit / (loss) before tax	2,099,957,963	(91,519,804)	(73,826)	-	(17,871,734)	(8,518,722)
Profit / (loss) after tax	2,084,554,738	(91,568,073)	(73,826)	-	(17,871,734)	(8,518,722)
Other comprehensive (loss) / income	-	-	-	-	-	-
Total comprehensive income / (loss)	2,084,554,738	(91,568,073)	(73,826)	-	(17,871,734)	(8,518,722)

		2019	2018
8.3	**Equity Instruments - at *FVTOCI***	------ Rupees ------	
	Quoted		
	MCB Bank Limited		
	18,213,195 (2018: 18,213,195) ordinary shares of Rs.10 each - **cost**	**896,451,123**	896,451,123
	Adjustment arising from re-measurement to fair value	**2,280,840,745**	2,705,572,452
		3,177,291,868	3,602,023,575
	Habib Bank Limited		
	7,244,196 ordinary shares of Rs.10 each - **cost**	**1,217,073,609**	1,217,073,609
	Adjustment arising from re-measurement to fair value	**(396,595,970)**	(11,349,626)
		820,477,639	1,205,723,983
	Unquoted		
	Novelty Enterprises (Private) Limited - note 8.3.1		
	2,351,995 ordinary shares of Rs.10 each	**28,716,078**	28,716,078
	TCC Management Services (Private) Limited		
	50,000 ordinary shares of Rs.10 each	**500,000**	500,000
		4,026,985,585	4,836,963,636

8.3.1 "Novelty Enterprises (Private) Limited has not commenced its operations since incorporation dated July 26, 2006. Its statement of financial position mainly comprises of land having fair value above the cost of investment by the Company. The Company held only 4.16% of the paid up capital of Novelty Enterprises (Private) Limited and has no influence over its policies or decision making with regards to its operations in the future. Therefore, calculation of fair value of the Company's investment is not practicable."

		2019	2018
8.4	**Debt Instruments - *at FVTOCI***		
	Habib Bank Limited - term finance certificates (TFCs)	------ Rupees ------	
	150 Term finance certificates of Rs.100,000 each - **cost**	**14,982,000**	14,988,000
	Adjustment arising from re-measurement to fair value	**(674,190)**	(187,350)
		14,307,810	14,800,650
	Advance against purchase of TFCs	**50,000,000**	-
		64,307,810	14,800,650

8.4.1 This represents advance given to Habib Bank Limited (the issuer) in pursuant of an agreement dated May 15, 2019 for purchase of term finance certificates. As per the terms of the agreement the issuer shall issue 500 TFCs of an aggregate face value of Rs.50 million within 90 days of the date of payment. These TFCs shall carry mark-up at the rate of 3 month KIBOR.

			2019	2018
9.	**LONG TERM LOANS** - Secured	**Note**	------ Rupees ------	
	Loans due from employees	**9.1 & 9.2**	**622,000**	418,000
	Less: recoverable within one year and grouped under current assets		**180,000**	121,000
			442,000	297,000

9.1 These represent interest free loans provided to 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. The Group has not provided any long term loan to its Key management personnel.

10. LONG TERM DEPOSITS

These include Rs.10.900 million as long term deposits with the bank against performance guarantee issued in the favour of Directorate General Mines and Minerals, Khyber Pakhtunkhwa on behalf of Subsidiary Company - PCL. The guarantee amounting to Rs.10 million expires on June 21, 2021 and Rs. 0.9 million will expire on August 16, 2022.

11. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Stores		**92,858,971**	59,718,901
Spare parts		**88,189,391**	89,231,466
Loose tools		**117,125**	366,974
Items in transit		**73,411,473**	55,592,929
		254,576,960	204,910,270
Less: provision for slow moving items	11.1	**6,491,586**	6,139,726
		248,085,374	198,770,544

11.1 Provision for slow moving items

		2019	2018
Balance at beginning of the year		**6,139,726**	1,971,784
Add: provision made during the year		**496,244**	4,167,942
Less: provision reversed during the year		**(144,384)**	-
Balance at end of the year		**6,491,586**	6,139,726

12. STOCK-IN-TRADE

	Note	2019	2018
Raw materials:			
- at mills		**4,422,176,340**	3,398,495,196
- in transit		**316,484,292**	413,338,319
- at third party's premises	12.1	**113,558,902**	103,889,305
		4,852,219,534	3,915,722,820
Work-in-process		**830,588,354**	439,022,953
Finished goods:			
- at mills	12.2	**1,222,372,880**	578,638,858
- at third party's premises		**87,100,680**	64,174,710
		1,309,473,560	642,813,568
		6,992,281,448	4,997,559,341

12.1 This stock is lying for processing and finishing.

12.2 Included in the finished goods items costing Rs.664.236 million (2018: Rs.313.979 million) which have been stated at their net realizable value aggregated Rs.597.261 million (2018: Rs.274.562 million). The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.66.975 million (2018: Rs.39.417 million).

13. TRADE DEBTS

	Note	2019	2018
		------ Rupees ------	
Consider good			
Unsecured			
- local	13.1	**836,960,899**	551,828,963
- indirect export		**138,147,160**	73,842,312
		975,108,059	625,671,275
Secured			
- foreign debts		**3,216,050,691**	2,161,477,423
- local	13.5	**10,634,660,023**	7,706,420,225
		13,850,710,714	9,867,897,648
Considered doubtful			
Unsecured - foreign debts	13.4	**92,704,930**	93,962,301
		14,918,523,703	10,587,531,224
Less: provision for impairment		**50,978,943**	30,200,000
		14,867,544,760	10,557,331,224

13.1 These include the following amounts due from Related Parties:

	2019	2018
Diamond Fabrics Limited	**24,037,012**	8,742,558
Reliance Cotton Spinning Mills Limited	**4,758,787**	2,324,950
Sapphire Textile Mills Limited	**4,949,420**	10,953,166
Sapphire Power Generation Limited	**-**	175
Sapphire Finishing Mills Limited	**-**	57,600
	33,745,219	22,020,849

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

	Related Parties		Others	
	2019 Rupees	2018 Rupees	**2019 Rupees**	2018 Rupees
Not past due	**33,745,219**	243,420	**5,701,505,613**	4,850,432,711
Past due 1-30 days	**-**	21,647,940	**3,025,963,517**	2,256,836,373
Past due 31-60 days	**-**	39,000	**1,700,767,912**	1,216,628,768
Past due 61-90 days	**-**	-	**547,762,383**	413,987,339
Past due 91-365 days	**-**	147,914	**2,790,301,052**	877,466,819
Past due one year	**-**	175	**1,067,499,064**	919,900,765
	33,745,219	22,078,449	**14,833,799,541**	10,535,252,775

13.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.140.489 million (2018: Rs.153.001 million).

13.4 These represent doubtful receivables amounting U.S. Dollar 471.198 thousand and U.S. Dollar 163.763 thousand from M/s. Star Knitwear Ltd. Mauritius, Hong Kong and M/s.Cortland Industries Inc. New York, United States respectively.

13.5 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 markup 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 markup charged during the year on outstanding amounts ranges from 8.48% to 17.40% (2018: 8.29% to 13.01%) per annum.

Included in trade debts is an amount of Rs 576.073 million relating to capacity revenue 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.

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 Group cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the Group had taken up this issue at appropriate forums.

On June 28, 2013, the Group 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 Group before the Supreme Court of Pakistan on the above mentioned 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 Group applied for withdrawal of the aforesaid petition in 2013 and on January 25, 2018, the Supreme Court disposed off the petitions filed before it. During the financial year 2014, the Group in consultation with NTDC, appointed an Expert for dispute resolution under PPA.

Also included in trade debts are amounts aggregating Rs 227.610 million relating to capacity revenue not acknowledged by NTDC. The Group's management raised this matter with NTDC, SNGPL and Private Power & Infrastructure Board ('PPIB'), however, the dispute remained unresolved. As a result of the abovementioned MoU, all disputed amounts were agreed to be resolved through the dispute resolution mechanism under the PPA.

Consequently, with respect to both matters discussed above, during the financial year 2014, the Group in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. In August 2015, the Expert gave his determination whereby the aforesaid amount of Rs 576.073 million was determined to be payable to the Group by NTDC while the Group's claim regarding the above-mentioned amount of Rs 227.610 million was not accepted. Pursuant to the Expert's determination, the Group has demanded the payment of the aforesaid amount of Rs 576.073 million from NTDC that has not yet been paid by NTDC.

In addition to the Expert Determination process mentioned above, the Group had also filed requests for arbitration in respect of both the abovementioned disputed amounts in the London Court of International Arbitration ('LCIA') in accordance with the terms of the PPA and GSA against NTDC and SNGPL, whereby Arbitrators were appointed.

In respect of the matter of Rs 227.610 million, the Arbitrator through his order dated March 9, 2016, (the 'First Arbitration') decided the matter in the Group's favor whereby the aforesaid amount of Rs 227.610 million was determined to be payable to the Group by SNGPL. Furthermore, the Arbitrator also awarded interest at the rate of 6% per annum on the aforesaid amount payable as of August 18, 2014 until the date of the actual payment and reimbursement of certain arbitration costs incurred by the Group along with interest at the rate of 6% per annum from the date of award till the date of actual payment. Consequently, under the relevant provisions of the Arbitration Act, 1940, the Group filed an application before the court of Senior Civil Judge, Lahore to pass appropriate directions for the implementation of the Arbitration Award, which is pending adjudication.

In respect of the matter of Rs 576.073 million, in October 2015, the Government of Pakistan ('GOP') through PPIB filed a case in the court of Senior Civil Judge, ("Civil Case 2015"), Lahore, against the aforementioned determination of the Expert, praying it to be illegal, which is pending adjudication.

With respect to the arbitration of the Rs 576.073 million dispute, invitation to participate in arbitration was issued to the PPIB/GOP. PPIB filed separate Civil Suit before the Civil Judge, Lahore, seeking inter alia that the parties should be restrained from participating in the arbitration proceedings in the LCIA (“Civil Case 2016”). The Group filed applications in the Civil Court where the Group prayed that the Civil Court, Lahore lacks the jurisdiction in respect of the cases filed by PPIB. In respect of the aforementioned applications, through its orders dated April 18, 2017, the Civil Court, Lahore rejected Group's pray and granted the pray of PPIB whereby, the court accepted PPIB’s applications for interim relief in 2015 and 2016 Civil Suits. Being aggrieved, the Group challenged before the Additional District Judge, Lahore against the aforementioned orders of the Civil Court and continued to take part in the arbitration proceedings. Furthermore, in response to the Group's continued participation in the arbitration proceedings, PPIB filed contempt petition before Lahore High Court ('LHC') in respect of the decision of the Civil Court, Lahore and the LHC passed an order in those proceedings. The Group challenged the LHC’s order before the Division Bench of LHC, which decided the matter in favor of the Group through its order dated May 31, 2017 whereby, the aforementioned order of the LHC was suspended.

The Arbitrator, on June 08, 2017, declared his Partial Final Award and decided the matter principally in Group's favor and declared that the above mentioned Expert's determination is final and binding on all parties (“Final Partial Award”).

Aggrieved by the Partial Final Award, NTDC challenged the Arbitrator’s decision in Lahore Civil Court (“Civil Case 2017”), which suspended the Final Partial Award on July 10, 2017. In response to this decision of Civil Court, the Group filed a revision petition in District Court and the District Court (“District Case 2017”) while granting interim relief to the Group, suspended the Civil Court’s order on August 12, 2017. Along with challenging the Final Partial Award in Lahore Civil Court, NTDC also challenged the same, on July 06, 2017, in Commercial Court of England. As per advice of foreign legal counsel, the Group also filed a case for anti suit injunction in Commercial Court of England against NTDC on August 14, 2017.

The District Judge, Lahore through its order dated July 8, 2017 set-aside the aforementioned orders of the Civil Judge, Lahore dated April 18, 2017 and accepted Group's appeals but dismissed the Group’s revision petitions concerning the issue of jurisdiction. Aggrieved by this decision, (i) the Group filed writ petitions before the LHC, which announced a favorable decision and suspended the proceedings of Civil Cases 2015 and 2016 till the final decision of LHC; and (ii) GOP/PPIB filed revision petitions in the LHC, which are currently pending adjudication.

On October 29, 2017, the Arbitrator declared his Final Award (the 'Second Arbitration') whereby he ordered NTDC to pay to the Group: i) Rs 576.073 million pursuant to Expert's determination; ii) Rs 133.695 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,311 for the Group’s cost of proceedings; v) GBP 30,157 for Group’s LCIA cost of arbitration and vi) Interest at KIBOR + 4.5% compounded semiannually from the date of Final Award until payment of these amounts by NTDC (“the Final Award”) that works out to Rs 152.6 million upto June 30, 2019.

On November 24, 2017, NTDC challenged the Final Award in Commercial Court of England. On November 29, 2017, Group filed an application before LHC for implementation of Final Award that is also pending adjudication. During the hearing held in December 2017 in London, NTDC withdrew its petitions dated July 06, 2017 and November 24, 2017 filed before Commercial Court of England against the Group, pertaining to Partial Final Award and Final Award respectively.

On May 4, 2018, the Commercial Court of England issued a favorable decision in the case of anti suit injunction, thereby preventing NTDC from pursuing case in Pakistan Civil Courts against Partial Final Award/Final Award and taking any steps outside England to set aside Partial Final Award/Final Award issued by the Arbitrator. Aggrieved by this decision, NTDC has sought permission to file an appeal before the Court of Appeals, London, which was rejected by the Court on October 04, 2018.

Based on the advice of the Group's legal counsel, Expert's determination and Arbitration Awards, management strongly feels the aforesaid under the terms of the PPA, Implementation Agreement and the GSA, there are meritorious grounds to support the Group’s stance and both amounts are likely to be recovered. Consequently, no provision for the abovementioned amounts aggregating Rs 803.683 million has been made in these consolidated financial statements.

Further, on prudence basis, the Group has not recognised the abovementioned amounts in these financial statements for pre-award interest, breach of arbitration agreement, Group’s cost of proceedings, Group’s LCIA cost of arbitration and interest thereon on all these amounts as per the Final Award of the Second Arbitration due to its uncertainty since it is pending adjudication as mentioned above. Such amounts as per Final Award of Second Arbitration would be recognized when it attains finality and it is certain.

14. LOANS AND ADVANCES

	Note	2019	2018
		------ Rupees ------	
- Considered good			
Current portion of long term loans to employees	9	**180,000**	121,000
Due from related party	14.1	**30,000,000**	30,000,000
Advances to:			
- suppliers and contractors		**23,855,773**	76,776,191
- key management personnel	14.2	**220,000**	1,035,000
- employees		**669,100**	2,329,045
- others	14.3	**84,560,318**	60,694,394
		109,305,191	140,834,630
Letters of credit		**-**	624,968
		139,485,191	171,580,598

14.1 The Subsidiary Company - SEL has entered into a loan agreement with Energas Terminal (Private) Limited (a related party), to provide an unsecured loan amounting Rs.30 million for working capital requirements. This loan carries mark-up at the rate of 6 months kibor + 0.25% and is repayable at the discretion of the Associated Company. Effective mark-up rate charged by the SEL, during the year, were 7.29% to 13.28% (2018: 6.69% to 7.15%) per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the year was Rs.30 million.

14.2 These represent unsecured and interest free advances to the following key management personnel given by Subsidiary Company - SECL: Mr. Muhammad Umar Rahi and Mr. Usman Idrees as per their terms of employment. These are recoverable through monthly deductions from their salaries. Maximum aggregate amount due from them at the end of any month during the year was Rs.0.965 million (2018: Rs.1.885 million).

14.3 These include Rs.10 million which was given as advance for purchase of land to Mr. Mubarak Ali and Muhammad Akbar Sheikh. During the year, upon cancelation of deal the Company has entered into an agreement with the parties to pay back the amount.

15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2019	2018
		------ Rupees ------	
Security deposits - unsecured and considered good		**1,154,608**	934,608
Margin against letter of credit		**73,073,747**	42,866,043
Prepayments		**44,973,086**	38,653,441
		119,201,441	82,454,092

16. SHORT TERM INVESTMENTS

	Note	2019	2018
Equity instruments	16.1	**2,870,179,977**	3,760,187,223
Debt instruments	16.2	**37,952,506**	-
		2,908,132,483	3,760,187,223

16.1 Equity Instruments - at *FVTOCI*

(Investment in quoted securities)

2019 No. of shares / certificates	2018 No. of shares / certificates	Name of the investee company	Market value 2019	Market value 2018	Cost 2019	Cost 2018
			Rupees			
54,720	45,600	Attock Petroleum Ltd.	**15,787,267**	26,903,544	**12,153,848**	12,153,848
9,538,500	9,538,500	Bank Al-Habib Ltd.	**747,627,630**	751,919,955	**419,888,054**	419,888,054
310,094	269,647	Charat Packaging Ltd.	**25,005,980**	38,745,577	**35,824,418**	35,824,418
625,000	625,000	Crescent Steel & Allied Products Ltd.	**23,612,500**	56,981,250	**52,616,540**	52,616,540
700,000	700,000	D.G Khan Cement Company Ltd.	**39,578,000**	80,143,000	**81,272,992**	81,272,992
2,636,260	2,396,600	Engro Corporation Ltd.	**700,190,656**	752,196,876	**589,213,189**	589,213,189
4,040,500	4,540,500	Fauji Cement Company Ltd.	**63,557,065**	103,750,425	**119,079,557**	133,814,557
7,766,704	7,766,704	Habib Bank Ltd.	**879,656,895**	1,292,690,214	**1,603,060,152**	1,603,060,152
186,500	186,500	Habib Sugar Mills Ltd.	**5,539,050**	7,553,250	**6,397,292**	6,397,292
10,500	10,500	Haji Muhammad Ismail Mills Ltd.	**-**	-	**126,000**	126,000
77,500	77,500	Honda Atlas Cars (Pakistan) Ltd.	**11,494,800**	24,520,225	**17,952,470**	17,952,470
115,000	100,000	IGI Insurance Ltd.	**17,480,000**	28,800,000	**24,684,626**	24,684,626
12,878,000	12,878,000	K-Electric Ltd.	**56,534,420**	73,147,040	**120,385,975**	120,385,975
303,000	303,000	Lucky Cement Ltd.	**115,282,410**	153,902,790	**117,777,538**	117,777,538
100,000	100,000	Nishat Mills Ltd.	**9,334,000**	14,092,000	**9,115,972**	9,115,972
-	100,000	Packages Ltd.	**-**	48,972,000	**-**	25,060,500
374,112	311,760	Pakistan State Oil Company Ltd.	**63,460,619**	99,236,326	**63,918,848**	63,918,848
251,500	1,000,000	Tariq Glass Industries Ltd.	**19,272,446**	107,160,000	**25,433,425**	101,129,230
90,074	78,326	The Searle Company Ltd.	**13,201,245**	26,591,677	**2,571,487**	2,571,486
431,300	431,300	United Bank Ltd.	**63,564,994**	72,881,074	**80,749,609**	80,749,609
			2,870,179,977	3,760,187,223	**3,382,221,992**	3,497,713,296
		Add: Adjustment arising from re-measurement to fair value			**(512,042,015)**	262,473,927
		Market value			**2,870,179,977**	3,760,187,223

16.2 Debt instruments - at *FVTOCI*

	2019	2018
	Rupees	
424 (2018: Nil) sales tax refund bonds of Rs.100,000 each - **note 16.2.1**	**37,952,506**	-

16.2.1 These represent bonds issued by FBR Refund Settlement Company Limited, against Refund Payment Orders (RPOs) issued in favour of the Company under section 67A of the Sales Tax Act, 1990. These bonds have a face value of Rs.100,000 each and carry simple profit of 10% per annum payable at the time of maturity i.e. three years from the date of issue. These bonds are freely transferable within CDS and the Company can sell / transfer the bonds to any other person / bank / entity with or without any consideration.

Due to non-availability of market for trading of these bonds, the Company has classified these at FVTOCI. As at the reporting date, carrying value of these bonds has been determined by discounting the total receipt at maturity with effective Kibor rate. These bonds have been classified as short term because the Company intends to sale / trade once market for these bonds establishes.

17. OTHER RECEIVABLES

	Note	2019	2018
		------ Rupees ------	
Advance income tax		**333,121,279**	371,215,924
Export rebate and duty drawbacks		**390,332,286**	562,362,066
Dividend receivable		**16,486,128**	4,148,616
Interest receivable	17.1	**3,958,973**	840,411
Claim recoverable from NTDCL for pass through item - Workers' Profit Participation Fund	17.2	**159,114,551**	112,152,262
Due from the related parties			
- Reliance Cotton Spinning Mills Ltd.		**285,104**	-
- Amer Cotton Mills (Pvt.) Ltd.		**1,580,171**	-
Accrued mark-up on term finance certificates		**58,576**	374,726
Others		**11,559,859**	8,621,244
		916,496,927	1,059,715,249

17.1 It represents interest receivable by the Subsidiary Company - SEL from Energas Terminal (Pvt) Limited (a related party).

17.2 Under section 9.3(a) of PPA with NTDC, payments made by the Subsidiary Company - SECL to Workers' Profit Participation Fund are recoverable from NTDC as a pass through item.

18. TAX REFUNDS DUE FROM GOVERNMENT

	Note	2019	2018
		------ Rupees ------	
Sales tax		**535,440,394**	531,001,871
Income tax		**529,494,770**	424,929,906
Excise duty		**21,573,388**	15,075,327
Less: provision for doubtful tax refunds	18.1	**259,551,843**	219,008,407
		826,956,709	751,998,697

18.1 Provision for doubtful tax refunds

		2019	2018
Balance at beginning of the year		**219,008,407**	111,366,369
Add: provision for the year		**40,543,436**	107,642,038
Balance at end of the year		**259,551,843**	219,008,407

19. CASH AND BANK BALANCES

	Note	2019	2018
Cash-in-hand	19.1	**7,326,036**	4,026,101
Balances with banks on:			
- off shore current account	19.2	**430,095,291**	318,375,416
- on shore:			
current accounts	19.3	**95,445,874**	67,117,627
term deposit account (TDA) /	19.4	**524,977,154**	139,345,109
dividend account		**6,215,723**	5,337,641
		1,056,734,042	530,175,793
		1,064,060,078	534,201,894

19.1 Cash-in-hand includes Rs.1.514 million (2018: Rs.0.595 million) advanced to employees for various expenses.

19.2 This represent U.S.$2.814 million (2018: U.S.$ 2.623 million) translated in Pakistan Rupees at the reporting date.

19.3 These include foreign currency deposits amounting to US.$ 0.064 million (2018: US.$ 0.205 million).

19.4 Effective rates of profit on TDA, during the year, ranged from 4.35% to 10.30% (2018: 3.80% to 4.55%) 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.

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
------- Numbers -------			- - - - - - 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

20.1 10,196,896 (2018: 10,196,896) ordinary shares of Rs.10 each are held by Related Parties as at year-end.

20.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholdings of shareholders.

21. RESERVES

	Note	2019	2018
		- - - - - - Rupees - - - - - -	
Capital reserve			
- share premium	**21.1**	**145,740,000**	145,740,000
- maintenance reserve	**21.2**	**113,752,279**	35,181,732
General reserve - revenue reserve	**21.3**	**1,183,845,000**	1,183,845,000
Unrealized gain on financial assets at fair value through other comprehensive income	**21.4**	**1,355,378,026**	2,928,821,052
Unrealised gain on remeasurement of hedging instruments		**291,482**	168,060
		2,799,006,787	4,293,755,844

21.1 This represents excess of consideration received, by the Parent Company, on issue of ordinary shares over the face value of ordinary shares.

21.2 Under the terms of the project agreements, the Subsidiary Company - SECL is required to maintain a Reserve Fund on the basis of operational hours depending upon the type of fuel. The reserve fund can only be utilized to pay expenses on major maintenance for proper operation of the power station.

During the preceding year, i.e. eighth agreement year, major repair and maintenance was carried out for both Gas Turbine Generators as per terms of the Operations and Maintenance (O&M) Agreement. Accordingly, the reserve fund was utilized for the above mentioned purpose.

21.3 This represents reserves funds set aside from unappropriated profit.

21.4 These represent unrealized gain on re-measurement of investments at fair value through OCI and are not available for distribution.

21.5 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 - SECL.

		Note	2019	2018
			------ Rupees ------	
22.	**LONG TERM FINANCES** - Secured			
(a)	**Sapphire Fibres Limited**			
	From banking companies:			
	- MCB Bank Limited			
	- Long term finance facility - I	**22.1**	**69,409,500**	68,625,430
	- Long term finance facility - II	**22.2**	**1,414,940,000**	1,293,086,000
	- Demand finance	**22.3**	**19,843,823**	34,419,000
			1,504,193,323	1,396,130,430
	- Allied Bank Limited	**22.4**	**805,412,350**	912,331,650
	- United Bank Limited	**22.5**	**1,636,000,442**	1,373,174,102
	- Habib Bank Limited	**22.6**	**500,000,000**	1,000,000,000
			4,445,606,115	4,681,636,182
(b)	**Sapphire Electric Company Limited**	**22.7**		
	From banking companies:			
	- National Bank of Pakistan		**433,798,395**	616,092,753
	- Habib Bank Limited		**754,632,165**	1,071,749,945
	- United Bank Limited		**503,088,099**	714,499,952
	- MCB Bank Limited		**503,088,100**	714,499,954
	- Allied Bank Limited		**503,088,102**	714,499,956
	- Bank Alfalah Limited		**320,833,421**	455,656,846
	- Silk Bank Limited		**64,275,462**	91,285,830
	- Meezan Bank Limited		**128,643,092**	182,702,557
			3,211,446,836	4,560,987,793
			7,657,052,951	9,242,623,975
	Less: current portion grouped under current liabilities		**3,509,531,264**	2,639,389,553
			4,147,521,687	6,603,234,422

22.1 The Parent Company has arranged long term finance facilities amounting Rs.110 million from MCB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.80.663 million in ten tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate 3.00% to 5.50% (2018: 3.00% to 5.50%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

22.2 The Parent Company has arranged long term finance facilities amounting Rs.1,500 million from MCB Bank Limited to retire import documents of plant and machinery. During the preceding year, the bank against the said facility disbursed Rs.1,293.086 million in the thirty trenches of different amounts. During the current year, the bank has further disbursed Rs.164.934 million in eight tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% to 13.29% (2018: 2.50% to 7.42%) per annum and are secured against first charge of Rs.2,000 million over the specific plant and machinery of the Parent

22.3 MCB Bank Limited, on request of the Parent Company, converted four tranches of long term finance facility amounting Rs.46.302 million into a demand finance facility. This finance facility is repayable in seven equal semi-annual instalments commenced from June, 2017 and carries mark-up at the rate of 3 month Kibor + 1%; effective mark-up rate charged, during the year, ranged from 7.43% to 12.13% (2018: 7.10% to 7.16%) per annum. This finance facility is secured against joint pari passu charge of Rs.200 million over the imported machinery.

22.4 The Parent Company has arranged long term finance facilities amounting Rs.1,000 million from Allied Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.960.357 million in seventeen trenches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate of 2.50% (2018: 2.50%) per annum and are secured against first pari passu charge of Rs.1,333 million with 25% margin over the fixed and movable assets including plant and machinery of the Parent Company.

22.5 The Parent Company has arranged long term finance facilities amounting Rs.1,900 million from United Bank Limited to retire import documents under SBP scheme for imported plant and machinery. During the preceding years, the bank against the said facility disbursed Rs.1,424.113 million in thirty six trenches of different amounts. During the current year, the bank has further disbursed Rs.397.680 million in nine tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% to 11.19% (2018: 2.50% to 3.50%) per annum and are secured against joint pari passu charge of Rs.2,000 million with 25% margin over the specific plant and machinery of the Parent Company.

22.6 The Parent Company has arranged a long term finance facility amounting Rs.1,000 million from Habib Bank Limited to repay the short term borrowings earlier utilized for setup of denim plant. This finance facility is repayable in eight equal quarterly installments commenced September, 2018 and carries mark-up at the rate of 3 month Kibor + 0.12% per annum; effective mark-up rates charged, during the year, ranged from 7.04% to 13.09% (2018: 6.26% to 7.04%) per annum. This finance facility is secured against ranking charge of Rs.1,334 million with 25% margin over the specific plant and machinery of the Parent Company.

22.7 This represents long term finances 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 - SECL mortgaged project receivables, lien over the project bank accounts, mortgage of immoveable property, hypothecation of all present and future assets and properties of the Subsidiary Company's - SECL (excluding the mortgaged project receivables and the mortgaged immoveable property) and by the collectively agreed pledge of 51% shares of the Subsidiary Company's - SECL held by the sponsors. It carries markup at the rate of three months Karachi Inter-Bank Offered Rate ('KIBOR') plus three percent per annum, payable on quarterly basis. The effective markup rate charged during the year on outstanding balance is 12.01% per annum. As of June 30, 2019, the principal is repayable in six quarterly installments ending on September 30, 2020. The principal repayable as of June 30, 2019 includes an instalment of Rs 485.382 million due on June 30, 2019 that was paid subsequently on July 03, 2019.

23. 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:

		2019	2018
		- - - - - - Rupees - - - - - -	
23.1	**Amount recognised in the statement of financial position**		
	Net liability at the beginning of the year	**346,597,468**	322,591,928
	Charge to statement of profit or loss	**105,434,755**	97,246,525
	Remeasurement recognised in statement of other comprehensive income	**(29,644,795)**	8,423,010
	Payments made during the year	**(179,457,285)**	(81,663,995)
	Net liability at the end of the year	**242,930,143**	346,597,468

		2019	2018
		------ Rupees ------	
23.2	**Movement in the present value of defined benefit obligation**		
	Balance at beginning of the year	**346,597,468**	322,591,928
	Current service cost	**82,316,561**	75,410,130
	Interest cost	**23,118,194**	21,836,395
	Benefits paid	**(179,457,285)**	(81,663,995)
	Remeasurements on obligation	**(29,644,795)**	8,423,010
	Balance at end of the year	**242,930,143**	346,597,468
23.3	**Expense recognised in statement of profit or loss**		
	Current service cost	**82,316,561**	75,410,130
	Interest cost	**23,118,194**	21,836,395
		105,434,755	97,246,525
23.4	**Remeasurements recognised in statement of other comprehensive income**		
	Experience adjustment	**(34,007,267)**	7,012,797
	Actuarial gains	**4,362,472**	1,410,213
		(29,644,795)	8,423,010
23.5	**Actuarial assumptions used**	**2019**	2018
	Discount rate	**14.25%**	9.00%
	Expected rate of increase in future salaries	**13.25%**	8.00%
	Mortality rates (for death in service)	**SLIC (2001-05)**	SLIC (2001-05)

23.6 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
		------ Rupees ------	
Discount rate	1.00%	227,536,433	260,588,486
Increase in future salaries	1.00%	261,286,586	226,631,836

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 recognized within the statement of financial position.

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

23.7 Based on actuary's advice, the expected charge for the year ending June 30, 2020 amounts to Rs.107.223 million.

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

23.9 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, 2019	**46,548,752**	**105,579,106**	**165,739,216**	**6,854,432,223**	**7,172,299,297**

23.10 Historical information:

	2019	2018	2017	2016	2015
	------------------		Rupees		------------------
Present value of defined benefit obligation	**242,930,143**	346,597,468	322,591,928	283,847,228	257,188,963
Experience adjustment on obligation / actuarial gains	**(29,644,795)**	8,423,010	8,949,179	(928,950)	26,308,442

24. DEFERRED TAXATION - Net

	2019	2018
	------ Rupees	------
Credit balances arising in respect of:		
- accelerated tax depreciation allowance / investment in associates	**144,981,531**	126,738,265
- re-measurement of short term investments	**-**	28,064,658
	144,981,531	154,802,923
Debit balances arising in respect of:		
- staff retirement benefit - gratuity	**13,012,068**	18,906,545
- provision for slow moving items	**347,709**	334,916
	13,359,777	19,241,461
	131,621,754	135,561,462

24.1 The Parent 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 recognized as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

24.2 No deferred tax liability / (asset) has arisen on temporary differences with respect to the Subsidiary Companies; SECL, SEL, SCCL, PCL and SHL.

25. TRADE AND OTHER PAYABLES

	Note	**2019**	2018
		------ Rupees	------
Trade creditors	**25.1**	**1,885,582,855**	1,601,754,239
Accrued expenses	**25.2**	**1,256,390,791**	790,230,863
Bills payable	**25.3**	**118,413,886**	213,184,940
Sindh government infrastructure fee	**25.4**	**206,457,578**	180,292,541
Workers' profit participation fund	**25.5**	**199,072,304**	172,423,707
Workers' welfare fund	**25.6**	**815,671**	815,671
Staff provident fund		**350,715**	744,540
Others		**22,077,454**	19,498,254
		3,689,161,254	2,978,944,755

		2019	2018
		------ Rupees ------	
25.1	**These balances include the following amounts due to related parties:**		
	Reliance Cotton Spinning Mills Limited	**51,764,933**	31,308,865
	Neelam Textile Mills Limited	**-**	475
	Amer Cotton Mills Limited	**92,387,555**	17,977,786
	Sapphire Textile Mills Limited	**-**	132,065
	Sapphire Power Generation Limited	**-**	1,871,807
	Sapphire Finishing Mills Limited	**-**	27,135
		144,152,488	51,318,133

25.2 Preceding year figure included Rs.15.300 million payable to Sapphire Power Generation Limited - a related party.

25.3 These are secured against import documents.

25.4 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 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

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

As at June 30, 2019, the Parent Company has provided bank guarantees aggregating Rs.179.950 million (2018: Rs.161.950 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.

		2019	2018
		------ Rupees ------	
25.5	**Workers' profit participation fund**		
	Balance at beginning of the year	**172,423,707**	185,191,331
	Add: interest on funds utilised by the Group companies	**7,727,955**	3,074,910
		180,151,662	188,266,241
	Less: payments made during the year	**180,151,662**	188,266,241
		-	-
	Add: allocation for the year	**199,072,304**	172,423,707
	Balance at end of the year	**199,072,304**	172,423,707

25.6	Workers' welfare fund	2019	2018
		------ Rupees ------	
	Balance at beginning of the year	**815,671**	815,671
	Add: charge for the year	**-**	85,566
	Less: payment made during the year	**-**	(85,566)
	Balance at end of the year	**815,671**	815,671

25.7 Workers' welfare fund has not been provided for by the Parent Company and its Subsidiary Company - SECL based on advice of legal consultant. However, in case the SECL pays WWF, same is recoverable from NTDC as a pass through item under section as 9.3(a) of the PPA with NTDC. Similarly, due to losses no provision has been provided for in respect of Subsidiary Companies; PCL, SCCL and SHL in these consolidated financial statements.

26.	ACCRUED MARK-UP / INTEREST	Note	2019	2018
			------ Rupees ------	
	Mark-up / interest accrued on:			
	- long term finances		**137,995,933**	27,701,492
	- short term borrowings		**276,788,376**	144,197,439
			414,784,309	171,898,931
27.	**SHORT TERM BORROWINGS**			
	Running / cash finances - secured	**27.1**	**15,456,007,634**	11,213,231,299
	Running Musharaka and Murahabha finances - secured	**27.2**	**1,999,998,447**	2,763,183,912
	Temporary bank overdraft - unsecured	**27.3**	**11,701,853**	16,374,515
	From related parties - unsecured	**27.4**	**123,907,000**	-
			17,591,614,934	13,992,789,726

27.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.25,086 million (2018: Rs.21,557 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.25% to 14.50% (2018: 2.25% to 8.50%) per annum. The aggregate short term finance facilities are secured against hypothecation / ranking pari passu charge on all present and future current assets 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.

Facilities available for opening letters of credit and guarantees aggregate to Rs.11,019 million (2018: Rs.10,780 million) out of which the amount remained unutilised at the year-end was Rs.6,638 million (2018: Rs.6,295 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Group, cash margins and counter guarantee.

Abovementioned facilities are expiring on various dates upto March 31, 2020.

27.2 This include Murabaha and musharaka finance facilities available from various commercial banks amount to Rs 2,000 million (2018: Rs 2,983 million) to finance the procurement of multiple oils from fuel suppliers. Markup on murabaha is payable at maturity of respective murabaha transaction. Whereas, the markup on musharaka is payable monthly on the balance outstanding. The markup rate charged during the year on the outstanding balance ranges from 6.06% to 13.30% (2018: 6.29% to 7.00%) per annum.

27.3 This represents book overdraft balance due to unpresented cheques.

27.4 The Parent Company, during the year, obtained short term loans aggregated Rs.67.262 million from directors of the Parent Company and their related parties and Rs.56.645 million from its associated companies to meet its working capital requirements. These loans are interest free and are repayable on demand.

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 Guarantees aggregating Rs.2,538.546 million (2018: Rs.2,567.388 million) have been issued by banks of the Group to various Government institutions and SNGPL.

28.1.2 SNGPL has claimed late payment surcharge amounting to Rs 444.077 million (2018: Rs 345.604 million) on account of partial payments made by the Subsidiary Company - SECL against the RLNG consumed by it prior to the Price Determinations of RLNG by the Oil and Gas Regulatory Authority ('OGRA'). The management of Subsidiary Company - SECL is of the view that, as per the terms of the Gas Supply Agreement ('GSA') and the Operating Procedure signed by the Group, Ministry of Petroleum and Natural Resources, Ministry of Water and Power, SNGPL and Central Power Purchasing Agency (Guarantee) Limited, the Subsidiary Company - SECL is liable to make payments to SNGPL on the basis of the prices notified by OGRA, therefore, the partial payments made by the Subsidiary Company - SECL to SNGPL prior to OGRA price determinations do not constitute a default on the Group's part. Based on the advice of the Group's legal counsel, management considers that under the terms of the GSA and the Operating Procedure, there are meritorious grounds to support the Subsidiary Company - SECL stance. Consequently, no provision for the abovementioned amount has been made in these consolidated financial statements.

28.1.3 A sales tax demand of Rs 830.031 million was raised against the Group through order dated 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 Group on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the Group was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the Group. Against the aforesaid order, the Group 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 Group's other grounds of appeal. Consequently, the Group preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the ACIR also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.

28.1.4 Furthermore, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated December 2, 2014 whereby intentions were shown to raise a sales tax demand of Rs 505.540 million by primarily disallowing input sales tax claimed by the Group for the tax periods from July 2012 to June 2013 on the abovementioned grounds of the ACIR and non-payment of sales tax on interest on delayed payment of energy price. Aggrieved by this show cause notice, the Group filed a writ petition before the Lahore High Court ('LHC') to the extent of aforesaid matters amounting to Rs 504.909 million while the Group has provided for the remaining amount of Rs 0.631 million in these consolidated financial statements. During the year, LHC has disposed of the petition in the Group's favour through its order dated October 31, 2016, by stating that there is no existence of exempt supply. Accordingly, the Group is free to reclaim or deduct input tax under the relevant provisions of Sales Tax Act, 1990. Being aggrieved, the tax department has filed an appeal before the Supreme Court of Pakistan against the aforementioned LHC's order which is pending adjudication.

Based on the advice of the Group's legal counsel and above mentioned LHC's decision dated October 31, 2016, management believes that there are meritorious grounds to defend the Group's stance in respect of the abovementioned amount of Rs 504.909 million. Consequently, no provision has been made in these consolidated financial statements for such amount.

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

The Parent Company filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2018 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.

The dividend paid by the Parent Company for the financial year 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the SHC's decision is not in favor of the Parent Company; the Parent Company will be liable to pay additional tax at the rate of 7.5% of its profit before tax for the financial year ended June 30, 2017. As at reporting date no charge has been recorded in this respect.

28.2 Commitments

28.2.1 The Subsidiary Company - SECL 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 - SECL 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%.

		2019	2018
		- - - - - - Rupees - - - - - -	
28.2.2	Commitments in respect of :		
	- letters of credit for capital expenditure	**326,157,435**	145,536,511
	- letters of credit for purchase of raw materials and stores, spare parts & chemicals	**243,265,201**	220,464,198
	- capital expenditure other than letters of credit	**5,418,822**	205,122,142
	- foreign bills discounted	**336,152,581**	1,297,115,345

29. SALES - Net

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

For the year ended June 30, 2019

	Spinning	Knits	Denim	Power	Total
	---------------------- Rupees ----------------------				
Types of goods and services					
Local sales					
- Yarn	2,393,305,387	11,954,800	11,729,475	-	2,416,989,662
- Fabric	-	65,792,386	1,145,718,039	-	1,211,510,425
- Garments	-	25,786,388	-	-	25,786,388
- Waste	187,386,948	43,971,918	33,691,624	-	265,050,490
- Energy revenue	-	-	-	11,072,582,840	11,072,582,840
- Capacity revenue	-	-	-	4,665,079,493	4,665,079,493
- Delayed payment mark-up	-	-	-	744,825,464	744,825,464
- Raw materials	39,610,650	-	267,120	-	39,877,770
- Local steam income	12,245,220	-	-	-	12,245,220
- Processing income	543,064	43,311,057	7,598,467	-	51,452,588
	2,633,091,269	190,816,549	1,199,004,725	16,482,487,797	20,505,400,340
Export Sales					
- Yarn	8,898,435,360	313,564,192	-	-	9,211,999,552
- Fabric	-	888,338,682	3,452,229,013	-	4,340,567,695
- Garments	-	3,781,855,961	-	-	3,781,855,961
- Waste	263,319,067	-	-	-	263,319,067
	9,161,754,427	4,983,758,835	3,452,229,013	-	17,597,742,275
Export rebate					
- Fabric	-	6,354,637	26,786,700	-	33,141,337
- Garments	-	113,463,293	-	-	113,463,293
	-	119,817,930	26,786,700	-	146,604,630
Less: sales tax	6,900,286	9,753,218	355,700	1,609,603,933	1,626,613,137
	11,787,945,410	5,284,640,096	4,677,664,738	14,872,883,864	36,623,134,108
Timing of revenue recognition					
Goods transferred at a point in time	11,787,402,346	5,241,329,039	4,670,066,271	14,872,883,864	21,698,797,656
Services rendered at a point in time	543,064	43,311,057	7,598,467	-	51,452,588
	11,787,945,410	5,284,640,096	4,677,664,738	14,872,883,864	36,623,134,108

For the year ended June 30, 2018

	Spinning	Knits	Denim	Power	Total
	- Rupees -				
Types of goods and services					
Local sales					
- Yarn	2,121,458,776	5,657,351	9,862,712	-	2,136,978,839
- Fabric	-	89,809,519	397,255,491	-	487,065,010
- Garments	-	17,840,939	176,384	-	18,017,323
- Waste	159,632,411	42,206,587	21,813,643	-	223,652,641
- Energy revenue	-	-	-	10,605,004,750	10,605,004,750
- Capacity revenue	-	-	-	4,059,915,413	4,059,915,413
- Delayed payment mark-up	-	-	-	416,984,046	416,984,046
- Raw materials	58,889,353	-	-	-	58,889,353
- Local steam income	10,473,840	-	-	-	10,473,840
- Processing income	821,504	61,023,141	3,788,222	-	65,632,867
	2,351,275,884	216,537,537	432,896,452	15,081,904,209	18,082,614,082
Export Sales					
- Yarn	8,263,099,333	402,614,272	-	-	8,665,713,605
- Fabric	-	309,820,028	1,925,628,258	-	2,235,448,286
- Garments	-	3,140,256,967	-	-	3,140,256,967
- Waste	259,016,074	-	-	-	259,016,074
	8,522,115,407	3,852,691,267	1,925,628,258	-	14,300,434,932
Export rebate					
- Fabric	256,577,109	20,730,149	55,403,693	-	332,710,951
- Garments	-	205,959,704	-	-	205,959,704
	256,577,109	226,689,853	55,403,693	-	538,670,655
Less: sales tax	4,257,206	5,309,987	2,200,791	1,883,802,895	1,895,570,879
	11,125,711,194	4,290,608,670	2,411,727,612	13,198,101,314	31,026,148,790
Timing of revenue recognition					
Goods transferred at a point in time	11,124,889,690	4,229,585,529	2,407,939,390	13,198,101,314	30,960,515,923
Services rendered at a point in time	821,504	61,023,141	3,788,222	-	65,632,867
	11,125,711,194	4,290,608,670	2,411,727,612	13,198,101,314	31,026,148,790

29.1 This includes indirect export of Rs. 3,129.255 million (2018: Rs.2,037.219 million).

29.2 Waste sales include sale of comber noil.

29.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.748.429 million (2018: Rs.166.711 million) has been included in export sales.

		Note	2019	2018
			------ Rupees ------	
30.	**COST OF SALES**			
	Finished goods at beginning of the year		**642,813,568**	696,987,720
	Cost of goods manufactured	**30.1**	**30,135,558,389**	25,917,192,744
	Cost of raw materials sold		**45,887,283**	59,698,662
			30,181,445,672	25,976,891,406
			30,824,259,240	26,673,879,126
	Finished goods at end of the year		**(1,309,473,560)**	(642,813,568)
			29,514,785,680	26,031,065,558
30.1	**Cost of goods manufactured**			
	Work-in-process at beginning of the year		**439,022,953**	309,426,974
	Raw materials consumed	**30.2**	**22,541,341,349**	18,870,265,303
	Salaries, wages and benefits	**30.3**	**1,634,306,059**	1,532,683,171
	Operations and maintenance		**786,905,126**	964,705,760
	Packing stores consumed		**223,667,742**	208,744,109
	General stores consumed		**296,376,951**	294,559,729
	Processing charges		**1,467,317,359**	1,119,464,654
	Depreciation	**5.2**	**1,302,243,515**	1,221,208,444
	Fuel and power		**1,818,316,629**	1,490,486,799
	Repair and maintenance		**56,201,836**	38,045,955
	Insurance		**176,098,474**	136,786,428
	Vehicles' running		**31,679,256**	25,090,932
	Travelling and conveyance		**33,382,342**	24,096,080
	Printing and stationery		**819,376**	1,193,128
	Legal and professional charges		**66,595,173**	26,092,850
	Fee and subscription		**39,948,898**	41,729,218
	Entertainment		**14,680,462**	13,838,474
	Telephone		**2,560,726**	3,050,583
	Postage		**3,105,405**	2,521,083
	Rent, rates and taxes		**4,313,495**	3,129,097
	Miscellaneous		**27,263,617**	29,096,926
			30,966,146,743	26,356,215,697
	Work-in-process at end of the year		**(830,588,354)**	(439,022,953)
			30,135,558,389	25,917,192,744

30.2 Raw materials consumed

	2019	2018
	------ Rupees ------	
Stocks at beginning of the year	**3,502,384,501**	2,774,342,320
Purchases	**23,574,692,090**	19,598,307,484
	27,077,076,591	22,372,649,804
Stocks at end of the year	**(4,535,735,242)**	(3,502,384,501)
	22,541,341,349	18,870,265,303

30.3

Salaries, wages and benefits include Rs.105.434 million (2018: Rs.97.247 million) in respect of staff retirement benefit - gratuity and Rs.18.772 million (2018: Rs.6.390 million) contribution in respect of to staff provident fund.

31. DISTRIBUTION COST

	Note	2019	2018
		------ Rupees ------	
Salaries and other benefits	31.1	**71,655,252**	58,305,696
Travelling, conveyance and entertainment		**20,949,994**	21,024,891
Vehicles' running		**2,719,918**	2,173,330
Telephone		**496,218**	1,055,707
Postage		**12,295,652**	12,318,656
Printing and stationery		**92,088**	49,240
Sample expenses		**2,285,563**	499,682
Commission:			
- local		**7,513,165**	8,191,555
- export		**218,920,938**	161,187,549
		226,434,103	169,379,104
Freight and forwarding:			
- local		**7,775,141**	5,342,250
- export		**302,117,965**	261,516,915
		309,893,106	266,859,165
Export development surcharge		**34,257,754**	28,352,087
Other export expenses		**19,162,808**	20,390,867
Provision for impairment of trade debts		**20,778,943**	10,000,000
		721,021,399	590,408,425

31.1 Salaries and other benefits include Rs.1.132 million (2018: Rs.0.729 million) in respect of contribution to staff provident fund.

32.	ADMINISTRATIVE EXPENSES	Note	2019	2018
			------ Rupees ------	
	Directors' remuneration		**33,000,000**	24,483,871
	Directors' meeting fee		**640,000**	640,000
	Salaries and other benefits	**32.1**	**230,334,603**	203,496,026
	Telephone		**11,465,082**	7,705,271
	Postage		**543,168**	470,820
	Fee and subscription		**5,015,266**	10,349,170
	Legal and professional charges		**26,535,433**	90,505,888
	Entertainment		**7,113,779**	5,334,896
	Travelling and conveyance		**13,096,799**	17,329,226
	Printing and stationery		**5,261,052**	4,674,455
	Rent, rates and taxes	**32.2**	**12,819,204**	11,225,559
	Advertisement		**465,549**	203,929
	Electricity, gas and water		**8,283,234**	4,943,679
	Repair and maintenance		**17,605,155**	18,765,464
	Vehicles' running		**13,887,880**	10,563,758
	Charity and donations	**32.3**	**6,047,379**	3,677,769
	Insurance		**3,112,018**	4,447,403
	Depreciation	**5.2**	**22,343,063**	20,735,659
	Amortisation	**7**	**1,473,770**	1,351,686
	Security expenses		**-**	1,033,560
	Training expenses		**-**	2,760,904
	Market research consultancy		**-**	1,250,000
	Others		**404,952**	730,605
			419,447,386	446,679,598

32.1 Salaries and other benefits include Rs.8.831 million (2018: Rs.7.989 million) in respect of contribution to staff provident fund.

32.2 Rent ,rates and taxes includes Rs.0.210 million (2018: Rs. Nil) paid to Yousuf Agencies (Private) Limited (a related party).

32.3 Donation amounting Rs.4.100 million (2018: Rs.2.040 million) has been made to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr.Shayan Abdullah have common directorship in Group Companies.

		Note	2019	2018
			------ Rupees ------	
33.	**OTHER INCOME**			
	Income from financial assets			
	Dividend income		**473,935,381**	514,274,741
	Interest income		**3,492,241**	1,645,931
	Mark-up earned on term finance certificates		**4,722,538**	1,140,190
			482,150,160	517,060,862
	Income from assets other than financial assets			
	Gain on disposal of operating fixed assets	**5.4**	**12,396,188**	6,295,574
	Gain on sale of store and spares		**4,539,562**	750,436
	Exchange gain		**15,565,769**	-
	Scrap sales [Net of sales tax aggregating Rs.5.376 million (2018: Rs.4.472 million)]		**28,432,736**	24,685,438
			60,934,255	31,731,448
			543,084,415	548,792,310
34.	**OTHER EXPENSES**			
	Workers' profit participation fund	**25.5**	**39,957,753**	60,271,445
	Workers' welfare fund	**25.6**	**-**	85,566
	Auditors' remuneration	**34.1**	**4,958,763**	5,776,518
	Provision for doubtful tax refunds		**40,543,436**	107,642,038
	Exchange loss		**-**	27,585,112
			85,459,952	201,360,679
34.1	**Auditors' remuneration**			
	ShineWing Hameed Chaudhri & Co.			
	- annual audit		**1,590,800**	1,590,800
	- half yearly review		**210,000**	210,000
	- review of Code of Corporate Governance		**62,000**	62,000
	- audit of retirement funds		**170,000**	25,000
	- out-of-pocket expenses		**34,000**	34,000
			2,066,800	1,921,800
	A.F. Ferguson & Co.			
	- audit fee		**1,600,000**	1,500,000
	- tax services		**832,125**	202,125
	- reimbursement of expenses		**228,338**	182,093
	- assurance and other certification services		**31,500**	195,500
			2,691,963	2,079,718
	KPMG Taseer Hadi & Co.			
	- audit fee		**200,000**	200,000
	- advisory services		**-**	1,575,000
			200,000	1,775,000
			4,958,763	5,776,518

		Note	2019	2018
			------ Rupees ------	
35.	**FINANCE COST**			
	Mark-up / interest on long term finances		**646,350,125**	666,893,774
	Mark-up / interest on short term borrowings		**1,538,272,651**	711,863,163
	Exchange loss / (gain) on foreign currency loans		**748,989**	61,735,789
			1,539,021,640	773,598,952
	Interest on workers' profit participation fund accrued	**25.5**	**7,727,955**	3,074,910
	Bank and other financial charges		**79,272,484**	63,694,169
	Loan arrangement fee		**1,500,000**	1,500,000
			2,273,872,204	1,508,761,805
36.	**TAXATION**			
	Current			
	Current tax on profit for the year	**36.1**	**235,112,332**	247,740,546
	Adjustments in respect of prior years		**1,699,262**	36,766,984
			236,811,594	284,507,530
	Deferred			
	Origination and reversal of temporary differences		**22,468,776**	17,793,263
	Impact of change in tax rate		**-**	2,897,959
			22,468,776	20,691,222
			259,280,370	305,198,752

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

36.2 During the year, the Parent Company's income tax returns for tax years 2018 have been revised by the Tax Authorities under section 122(5A) of the Ordinance. The excess tax charged in the revised returns mainly pertain to Super tax under section 4B of the Ordinance. After due consideration by the Group tax department, accepting the stance of Tax Authorities appropriate adjustments have been made in these consolidated financial statements.

36.3 Numeric tax rate reconciliation is not presented as the Parent Company's income is chargeable to tax under presumptive tax regime and income of Subsidiary Company - SECL is mainly exempt from tax in terms of clause 132 of part I of Second Schedule to the Ordinance. Income of Subsidiary Companies; PCL, SCCL, SEL and SHL is not taxable due to losses; however, provision against any other sources of income has been provided for in these consolidated financial statements.

		2019	2018
37.	**EARNINGS PER SHARE**	------ Rupees ------	
			(Re-stated)
37.1	**Basic earnings per share**		
	Net profit for the year	**3,053,284,109**	1,760,583,618
		------ Number of shares -------	
	Weighted average ordinary shares in issues	**19,687,500**	19,687,500
		------------- Rupees -------------	
	Earnings per share	**155.09**	89.43

37.2 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, 2019 and June 30, 2018 which would have any effect on the earnings per share if the option to convert is exercised.

38. CASH GENERATED FROM OPERATIONS

	Note	2019	2018
		------ Rupees ------	
Profit before taxation		**4,151,631,902**	2,796,665,035
Adjustments for non-cash charges and other items:			
Depreciation		**1,324,586,578**	1,241,944,103
Amortisation		**1,473,770**	1,351,686
Staff retirement benefit - gratuity		**105,434,755**	97,246,525
Dividend and interest income		**(482,150,160)**	(517,060,862)
Gain on sale of stores and spares		**(4,539,562)**	(750,436)
Gain on disposal of operating fixed assets		**(12,396,188)**	(6,295,574)
Exchange (gain) / loss		**(15,565,769)**	27,585,112
Provision for workers' profit participation fund		**39,957,753**	60,271,445
Provision for workers' welfare fund		**-**	85,566
Provision for doubtful tax refunds		**40,543,436**	107,642,038
Finance cost		**2,273,872,204**	1,508,761,805
Provision for impairment of trade debts		**20,778,943**	10,000,000
Working capital changes	38.1	**(5,381,581,153)**	(4,223,206,956)
		2,062,046,509	1,104,239,487

38.1 Working capital changes

	2019	2018
	------ Rupees ------	
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**(57,014,107)**	(54,017,483)
Stock-in-trade	**(1,994,722,107)**	(923,942,358)
Trade debts	**(4,330,992,479)**	(2,652,339,492)
Loans and advances	**32,095,407**	(1,370,842)
Deposits, other receivables and sales tax	**69,461,106**	(212,431,080)
	(6,281,172,180)	(3,844,101,255)
Increase / (decrease) in trade and other payables	**899,591,027**	(379,105,701)
	(5,381,581,153)	(4,223,206,956)

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive 2019	Chief Executive 2018	Directors 2019	Directors 2018	Executives 2019	Executives 2018
	------ Rupees ------					
Managerial remuneration	**47,605,853**	27,107,725	**-**	8,362,581	**192,842,647**	158,295,158
Contribution to provident fund trust	-	-	**-**	-	**14,023,406**	9,399,403
House rent and utilities	**22,153,523**	13,469,775	**-**	4,121,290	**93,958,606**	73,293,084
Medical	**589,908**	278,801	**-**	160,000	**6,318,629**	3,726,744
Leave encashment / bonus	**201,000**	-	**-**	446,667	**29,878,551**	21,276,001
Other benefits	**-**	-	**-**	-	**5,874,132**	1,247,996
	70,550,284	40,856,301	**-**	13,090,538	**342,895,971**	267,238,386
Number of persons	**2**	1	**-**	2	**66**	61

39.1 Certain executives are provided with Company maintained vehicles.

39.2 During the year, meeting fees of Rs.640 thousand (2018: Rs.640 thousand) was paid to two non-executive director.

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Group in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Parent Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Reliance Cotton Spinning Mills Limited	**Common directorship**	1.35%
SFL Limited	**Common directorship**	0.051%
Sapphire Power Generation Limited	**Common directorship**	17.63%
Sapphire Dairies (Pvt.) Limited	**Common directorship**	9.09%
Tricon Boston Consulting Corporation (Pvt.) Limited (TBCCL)	**Common directorship**	7.13%
Energas Terminal (Pvt) Limited	**Common directorship**	30.00%
Energas Marketting (Pvt) Limited	**Common directorship**	30.00%
Neelam Textile Mills Limited	**Common directorship**	-
Amer Cotton Mills Limited	**Common directorship**	-
Sapphire Textile Mills Limited	**Common directorship**	-
Diamond Fabrics Limited	**Common directorship**	-
Salman Ismail (SMC-Pvt.) Limited	**Common directorship**	-
Sapphire Agencies (Pvt.) Limited	**Common directorship**	-
Crystal Enterprises Limited	**Common directorship**	-
Sapphire Holding Limited	**Common directorship**	-
Four Strength (Pvt.) Ltd.	**Common directorship**	-
Yousuf Agencies (Pvt.) Ltd.	**Common directorship**	-

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Group considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

Significant transactions with the related parties	2019	2018
	------ Rupees ------	
i) Associated Companies		
Sales of:		
- raw material / yarn / fabric / stores	**552,768,120**	815,238,975
- assets	**21,130,000**	-
Purchases:		
- raw material / yarn / fabric / stores	**1,230,142,114**	742,055,623
- assets	**-**	1,700,000
- electricity	**42,116,086**	133,394,848
Services:		
- rendered	**178,318**	2,239,057
- obtained	**916,083**	2,058,865
Expenses charged by	**33,197,235**	28,027,499
Expenses charged to	**24,928,456**	15,615,213
Loans obtained	**56,645,000**	-
Dividend:		
- received	**1,039,272**	239,003
- paid	**122,371,152**	287,296,725
Shares purchased	**30,000**	30,000
Loan given	**-**	30,000,000
Interest charged	**3,118,561**	840,411
ii) Director and their related parties		
Loans obtained	**67,262,000**	-
iii) Key management personnel		
Salary and other employment benefits	**171,792,826**	125,181,381
iv) Retirement Fund		
Contribution towards provident fund	**25,125,072**	11,378,885

41. FINANCIAL RISK MANAGEMENT

41.1 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.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets (note 41.4), the financial assets exposed to credit risk aggregated to Rs.23,130.304 million (2018: Rs.19,847.553 million) as at June 30, 2019. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2018: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2019	2018
	- - - - - - Rupees - - - - - -	
Long term investments	**4,091,293,395**	4,851,764,286
Long term deposits	**42,106,445**	41,606,445
Trade debts	**14,918,523,703**	10,587,531,224
Loans and advances	**85,409,418**	63,144,439
Short term investments	**2,908,132,483**	3,760,187,223
Other receivables	**28,104,563**	13,144,586
Bank balances	**1,056,734,042**	530,175,793
	23,130,304,049	19,847,553,996

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:

	2019	2018
	- - - - - - Rupees - - - - - -	
Domestic	**11,501,820,922**	8,288,449,188
Export	**3,416,702,781**	2,299,082,036
	14,918,523,703	10,587,531,224

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:

	2019	2018
	- - - - - - Rupees - - - - - -	
Yarn	**2,394,187,109**	1,779,703,865
Fabric	**1,253,005,151**	582,150,389
Garments	**579,515,521**	454,404,166
Power	**10,634,660,023**	7,706,420,225
Processing services	**28,562,671**	62,584,439
Waste	**28,593,228**	2,268,140
	14,918,523,703	10,587,531,224

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:

Name of Bank	Rating short	Rating long term	Rating agency
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA+	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AA+	PACRA
Soneri Bank Limited	A-1	AA-	PACRA
Dubai Islamic Bank	A-1+	AA-	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

(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:

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**More than 5 years**
	Rupees				
June 30, 2019					
Long term finances	**7,657,052,951**	**8,121,681,162**	**3,649,601,266**	**2,952,979,035**	**1,519,100,861**
Trade and other payables	**3,282,815,701**	**3,282,815,701**	**3,282,815,701**	**-**	**-**
Accrued mark-up / interest	**414,784,309**	**414,784,309**	**414,784,309**	**-**	**-**
Short term borrowings	**17,579,913,081**	**17,767,674,531**	**17,767,674,531**	**-**	**-**
Unclaimed dividend	**5,967,559**	**5,967,559**	**5,967,559**	**-**	**-**
	28,940,533,601	**29,592,923,262**	**25,120,843,366**	**2,952,979,035**	**1,519,100,861**

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2018					
Long term finances	9,242,623,975	9,754,339,204	2,790,352,710	5,310,737,344	1,653,249,150
Trade and other payables	2,625,412,836	2,625,412,836	2,625,412,836	-	-
Accrued mark-up / interest	171,898,931	144,515,971	144,515,971	-	-
Short term borrowings	13,976,415,211	14,156,556,257	14,156,556,257	-	-
Unclaimed dividend	5,353,374	5,353,374	5,353,374		
	26,021,704,327	26,686,177,642	19,722,191,148	5,310,737,344	1,653,249,150

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, Hong Kong Dollar, Swiss Frank, Singapore Dollar and Japanese Yen. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Chinese Yuan (CNY), Japanese Yen (JPY), Singapore Dollar (SGD) and Swiss Frank (CHF) is as follows:

June 30, 2019	**Rupees**	**U.S.$**	**Euro**	**CNY**	**CHF**	**SGD**
Bills payables	**500,054,405**	**2,454,621**	**514,836**	**-**	**-**	**-**
Advance payments	**266,739,226**	**1,621,515**	**-**	**-**	**-**	**-**
	766,793,631	**4,076,136**	**514,836**	**-**	**-**	**-**
Trade debts	**(3,308,755,621)**	**(20,239,700)**	**-**	**-**	**-**	**-**
Bank balances	**(472,111,208)**	**(2,878,727)**	**-**	**-**	**-**	**-**
Net reporting date exposure	**(3,014,073,198)**	**(19,042,291)**	**514,836**	**-**	**-**	**-**
Outstanding letters of credit	**553,454,636**	**1,080,219**	**990,790**	**6,085,640**	**243,796**	**17,868**
	(2,460,618,562)	**(17,962,072)**	**1,505,626**	**6,085,640**	**243,796**	**17,868**

June 30, 2018	Rupees	U.S.$	JPY	Euro	CHF
Bills payables	213,184,940	1,065,026	-	591,070	-
Advance payments	99,215,142	815,914	-	-	-
	312,400,082	1,880,940	-	591,070	-
Trade debts	(2,255,439,724)	(18,578,583)	-	-	-
Bank balances	(316,310,437)	(2,827,928)	-	-	-
Net reporting date exposure	(2,259,350,079)	(19,525,571)	-	591,070	-
Outstanding letters of credit	366,000,709	1,999,814	1,753,560	134,964	776,156
	(1,893,349,370)	(17,525,757)	1,753,560	726,034	776,156

The following significant exchange rates have been applied:

	Average rate 2019	2018	Reporting date rate 2019	2018
U.S. Dollar to Rupee	**139.21**	115.45	**164.5 / 164**	121.60 / 121.40
Euro to Rupee	**168.39**	165.20	**186.99 / 186.37**	141.57 / 141.33
Japanese Yen to Rupee	**1.5700**	1.0900	**1.5285 / 1.5236**	1.0991 / 1.0973
Swiss Frank to Rupee	**144.65**	113.95	**168.61 / 168.03**	122.32 / 122.11
Chinese Yuan to Rupee	**24.19**	-	**24.19**	-
Singapore Dollar to Rupee	**121.59**	-	**121.59**	-

At June 30, 2019, if Rupee had strengthened by 10% against US Dollar and Euro 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.

	2019	2018
Effect on profit for the year:	------ Rupees ------	
U.S. Dollar to Rupee	**(313,245,687)**	(237,040,432)
Euro to Rupee	**9,594,999**	8,367,778
	(303,650,688)	(228,672,654)

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:

	2019	2018	2019	2018
	--- Effective rate ---		--- Carrying amount ---	
	%	%	Rupees	Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	**4.35 to 6.68**	3.80 to 4.55	**524,977,154**	139,345,109
Financial liabilities				
Long term finances	**2.50 to 13.29**	2.50 to 7.42	**3,925,762,292**	3,647,217,182
Variable rate instruments				
Financial assets				
Trade debts	**8.48 to 17.40**	8.29 to 13.01	**10,634,660,023**	7,706,420,225
Financial liabilities				
Long term finances	**7.04 to 12.09**	6.26 to 9.59	**3,731,290,659**	5,595,406,793
Short term borrowings	**2.25 to 13.80**	1.15 to 8.50	**17,456,006,081**	13,976,415,211

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

At June 30, 2019, 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.211.872 million (2018: Rs.195.718 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.

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 arising 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.6,961.473 million (2018: Rs.8,582.735 million) are exposed to price risk due to changes in market price.

At June 30, 2019, 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.696.147 million (2018: Rs.858.274 million).

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

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.6,961.473 million (2018: Rs.8,611.951 million). The carrying values of other financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

41.3 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 statement of financial position) 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 statement of financial position plus net debt.

	2019	2018
	- - - - - - Rupees	**- - - - - -**
Total borrowings	**25,236,966,032**	23,219,039,186
Less: cash and bank balances	**1,064,060,078**	534,201,894
Net debt	**24,172,905,954**	22,684,837,292
Total equity	**22,210,257,817**	20,925,174,965
Total capital	**46,383,163,771**	43,610,012,257
Gearing ratio	**52%**	52%

41.4 Financial instrument by category

	As at June 30, 2019			As at June 30, 2018		
	Amortised cost	**At fair value through OCI**	**Total**	Loans and advances	Available for sale	Total
Financial assets as per statement of financial position	**- - - - - - - - - - Rupees**	**- - - - - - - - - -**		- - - - - - - - - - Rupees	- - - - - - - - - -	
Long term investments	**-**	**4,091,293,395**	**4,091,293,395**	-	4,851,764,286	4,851,764,286
Long term loans	**442,000**	**-**	**442,000**	297,000	-	297,000
Long term deposits	**42,106,445**	**-**	**42,106,445**	41,606,445	-	41,606,445
Trade debts	**14,918,523,703**	**-**	**14,918,523,703**	10,587,531,224	-	10,587,531,224
Loans and advances	**115,629,418**	**-**	**115,629,418**	94,179,439	-	94,179,439
Trade deposits	**74,228,355**	**-**	**74,228,355**	43,800,651	-	43,800,651
Short term investments	**-**	**2,908,132,483**	**2,908,132,483**	-	3,760,187,223	3,760,187,223
Other receivables	**33,928,811**	**-**	**33,928,811**	13,984,997	-	13,984,997
Cash and bank balances	**1,064,060,078**	**-**	**1,064,060,078**	534,201,894	-	534,201,894
	16,248,918,810	**6,999,425,878**	**23,248,344,688**	11,315,601,650	8,611,951,509	19,927,553,159

	Financial liabilities measured at amortised cost	
Financial liabilities as per statement of financial position	**- - - - - - Rupees**	**- - - - - -**
Long term finances and accrued mark-up	**7,795,048,884**	9,270,325,467
Trade and other payables	**3,282,815,701**	2,625,412,836
Unclaimed dividend	**5,967,559**	5,353,374
Short term borrowings and accrued mark-up	**17,868,403,310**	14,136,987,165
	28,952,235,454	26,038,078,842

			2019	2018
42.	**CAPACITY AND PRODUCTION**		**2019**	2018
42.1	**Spinning units**			
	Number of spindles installed		**101,536**	101,136
	Number of spindles worked		**99,425**	100,656
	Number of shifts worked per day		**3**	3
	Total number of days worked		**365**	365
	Installed capacity after conversion into 20's count	**Lbs.**	**60,990,604**	62,918,071
	Actual production after conversion into 20's count	**Lbs.**	**53,756,861**	55,513,241

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

42.2	**Dyeing**		**2019**	2018
	Yarn / Fibre Dyeing Unit			
	Total number of days worked		**-**	351
	Installed capacity	**Lbs.**	**8,002,407**	8,002,407
	Actual production	**Lbs.**	**-**	218,605
	Fabric Dyeing Unit			
	Total number of days worked		**364**	364
	Installed capacity	**Lbs.**	**13,965,242**	13,171,579
	Actual production	**Lbs.**	**11,684,161**	11,196,831

42.2.1 Sluggish sale in the local and international markets and less profit margins forced the management to temporarily close its yarn / fibre dyeing unit.

42.3	**Knitting unit**		**2019**	2018
	Total number of days worked		**365**	364
	Installed capacity	**Lbs.**	**14,612,963**	14,612,963
	Actual production	**Lbs.**	**8,951,726**	9,172,284

42.3.1 Low production is due to low demand.

42.4	**Stitching unit**			
	Installed capacity	**Pcs.**	**1,967,000**	1,967,000

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

42.5	**Denim unit**		**2019**	2018
	Total number of days worked		**358**	351
	Installed capacity	**Mtrs.**	**12,234,000**	8,727,200
	Actual production	**Mtrs.**	**11,639,680**	8,334,428
42.6	**Power**			
	De-rated capacity [based on 8,760 hours (2018: 8,760 hours)	**MWH**	**1,789,216**	1,789,216
	Actual energy delivered	**MWH**	**808,511**	814,960

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

42.7 The Subsidiary Companies; SEL, SCCL, PCL and SHL are in setup phase and their plants are yet to be constructed.

43. SEGMENT INFORMATION

The Group's reportable segments are as follows:

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

43.1 Segment revenues and results

	Spinning	Knitting, processing and garments	Denim	Power	Elimination of inter segment transactions	Total
	---------- Rupees ----------					
For the year ended June 30, 2019						
Sales	**13,824,588,776**	**5,284,640,102**	**4,677,664,737**	**14,872,883,864**	**(2,036,643,371)**	**36,623,134,108**
Cost of sales	**(11,832,484,061)**	**(4,490,543,642)**	**(4,599,169,226)**	**(10,629,232,122)**	**2,036,643,371**	**(29,514,785,680)**
Gross profit / (loss)	**1,992,104,715**	**794,096,460**	**78,495,511**	**4,243,651,742**	**-**	**7,108,348,428**
Selling and distribution expenses	**(434,663,772)**	**(165,849,766)**	**(120,507,861)**	**-**	**-**	**(721,021,399)**
Profit / (loss) before taxation and unallocated income and expenses	**1,557,440,943**	**628,246,694**	**(42,012,350)**	**4,243,651,742**	**-**	**6,387,327,029**
Unallocatable income and expenses						
Other income						**543,084,415**
Other expenses						**(85,459,952)**
Administrative expenses						**(419,447,386)**
Finance cost						**(2,273,872,204)**
Share of profit of Associates						**175,049,348**
Taxation						**(259,280,370)**
Profit after taxation						**4,067,400,880**

	Spinning	Knitting, processing and garments	Denim	Power	Elimination of inter segment transactions	Total
	---------- Rupees ----------					
For the year ended June 30, 2018						
Sales	12,187,218,028	4,290,608,672	2,412,810,783	13,198,101,313	(1,062,590,006)	31,026,148,790
Cost of sales	(10,572,154,879)	(3,799,354,168)	(2,693,722,604)	(10,028,423,913)	1,062,590,006	(26,031,065,558)
Gross profit / (loss)	1,615,063,149	491,254,504	(280,911,821)	3,169,677,400	-	4,995,083,232
Selling and distribution expenses	(352,560,851)	(131,140,882)	(106,706,692)	-	-	(590,408,425)
Profit / (loss) before taxation and unallocated income and expenses	1,262,502,298	360,113,622	(387,618,513)	3,169,677,400	-	4,404,674,807
Unallocatable income and expenses						
Other income						548,792,310
Other expenses						(201,360,679)
Administrative expenses						(446,679,598)
Finance cost						(1,508,761,805)
Share of profit of Associates						(16,489,124)
Taxation						(305,198,752)
Profit after taxation						2,474,977,159

43.2 Segment assets and liabilities

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

	Spinning	Knitting, processing and garments	Denim	Power	Total
	---------- Rupees ----------				
As at June 30, 2019					
Segment assets	**8,804,619,975**	**3,019,297,370**	**7,559,246,293**	**24,701,731,474**	**44,084,895,112**
Unallocatable assets					**12,937,020,658**
Total assets as per statement of financial position					**57,021,915,770**
Segment liabilities	**7,813,374,935**	**1,662,202,238**	**10,013,081,249**	**10,496,190,584**	**29,984,849,006**
Unallocatable liabilities					**296,827,074**
Total liabilities as per statement of financial position					**30,281,676,080**
As at June 30, 2018					
Segment assets	7,373,735,353	2,170,458,525	6,346,616,964	21,775,061,194	37,665,872,036
Unallocatable assets					14,015,089,892
Total assets as per statement of financial position					51,680,961,928
Segment liabilities	6,371,037,579	1,403,458,636	8,158,431,063	10,749,566,624	26,682,493,902
Unallocatable liabilities					557,427,959
Total liabilities as per statement of financial position					27,239,921,861

43.3 Sales to domestic customers (excluding Indirect export) in Pakistan are 53.82% (2018: 52.53%) and to customers outside Pakistan (including indirect export) are 46.18% (2018: 47.477%) of the total sales during the year.

43.4 The Group sells its manufactured products to local and foreign companies / organisations / institutions. One (2018: One) of the Group's customers contributed towards 43.26% (2018: 42.54%) of the local sales during the year aggregating Rs.16,482.488 million (2018: Rs.13,198.101 million) which exceeds 10% of the local sales of the Group.

43.5 Geographical information

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

44. PROVIDENT FUND RELATED DISCLOSURE

Sapphire Fibres Limited

44.1 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

	2019	2018
	------ Rupees ------	
Size of the Fund - Total Assets	**71,780,349**	38,384,950
Cost of investments made	**70,055,035**	37,259,854
Percentage of investments made	**97.60%**	97.07%
Fair value of investments made	**71,321,642**	37,496,410

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

	2019	2018	2019	2018
	--- Percentage ---		- - - - - - Rupees - - - - - -	
Special account in a scheduled bank	**1.03**	4.35	**720,134**	1,630,034
Government securities	**96.29**	90.23	**67,453,451**	33,831,376
Listed securities	**2.68**	5.43	**1,881,450**	2,035,000
	100.00	100.00	**70,055,035**	37,496,410

44.1.2 The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

Sapphire Electric Company Limited

44.2 The Subsidiary Company - SECL 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.

	2019	2018
	- - - - - - Rupees - - - - - -	
Size of the Fund - Total Assets	**27,303,651**	21,376,054
Cost of investments made	**24,840,032**	19,747,614
Percentage of investments made	**90.98%**	92.38%
Fair value of investments made	**25,094,069**	19,848,958

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

	2019	2018	2019	2018
	--- Percentage ---		- - - - - - Rupees - - - - - -	
Special account in a scheduled bank	**9.40**	6.00	2,565,364	1,282,096
Government securities	**59.87**	66.07	**16,346,619**	14,122,639
Mutual funds	**22.64**	26.79	**6,182,086**	5,726,319
Loan to members	**8.09**	1.15	**2,209,582**	245,000
	100.00	100.00	**27,303,651**	21,376,054

44.2.2 The figures for year ended June 30, 2019 are based on un-audited financial statements of the Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

45. NUMBER OF EMPLOYEES

	2019	2018
Average number of employees during the year	**4,023**	3,882
Number of employees at the June 30,	**4,195**	3,991

46. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors, of the Parent Company in their meeting held on September 26, 2019 has proposed a final cash dividend of Rs.8 per share (2018: Rs.12 per share), for the year ended June 30, 2019 for approval of the members at the Annual General Meeting to be held on October 25, 2019.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 26, 2019 by the Board of Directors of the Parent Company.

48. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made in these consolidated financial statements.

Karachi:	**Shahid Abdullah**	**Shayan Abdullah**	**Jawwad Faisal**
Dated: September 26, 2019	Chief Executive	Director	Chief Financial Officer


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*Mobile apps are also available for download for android and ios devices
Jama Punji is an Investor Education Initiative of Securites and Exchange Commission of Pakistan
SECP

Form of Proxy

Sapphire Fibres Limited

I / we ______________________________

Folio No. ______________________ 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 40th Annual General Meeting of the Company to be held on Friday the 25th October, 2019 at 04:45p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this________ day of ________________ 2019

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.

فارم برائے قائم مقام/متبادل

سفائر فایبرُز لمیٹڈ

میں/ہم ______________________________

پتہ: ______________________________

سفائر فایبرُز لمیٹڈ کے ممبر ہونے کے ناطے اپنا/اپنے مندرجہ ذیل قائم مقام/متبادل مقرر کرتا ہوں/کرتے ہیں۔

نام (جناب/محترمہ ______________________________

پتہ: ______________________________

اور/اُن کی غیر موجودگی میں جناب/محترمہ ______________________________

پتہ: ______________________________

میری/ہماری غیر موجودگی میں قائم مقام/متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز جمعہ 25 اکتوبر 2019ء کو بوقت 4:45 بجے شام، ٹریڈنگ ہال، کاٹن ایکسچینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہوگی۔

ریوینیو ٹکٹ
پانچ روپے

اس دستاویز پر مورخہ ____________ 2019 کو دستخط ہوئے۔

شیئر ہولڈر کے دستخط ______________________________

شیئر ہولڈر کا فولیو نمبر: ______________________________

شریک ہونے والے کا ID نمبر ______________________________

اور/یا CDC ______________________________

اور سب اکاؤنٹ نمبر ______________________________

نوٹس:

۱۔ کوئی بھی پراکسی اس وقت تک درست نہیں سمجھی جائے گی جب تک اس پر پانچ (05) روپے کا محصول ٹکٹ نہ لگایا جائے۔

۲۔ بینک یا کمپنی کی صورت میں پراکسی فارم پر authorized person کے دستخط کے ساتھ کمپنی کی مشترکہ مہر لازم ہوگی۔

۳۔ پاور آف اٹرنی یا دیگر authority کی صورت میں پراکسی فارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔

۴۔ دستخط شدہ پراکسی فارم کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔

سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں

(i) پراکسی فارم پر دو افراد تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر فارم پر موجود ہونا چاہیے۔

(ii) Beneficial owners کی CNIC یا پاسپورٹ کی تصدیق شدہ کاپی اور پراکسی پیش کیا جائے فارم کے ساتھ۔

(iii) پراکسی میٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔

(iv) کارپوریٹ اینٹیٹی کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution/ power of attorny بمعہ پراکسی ہولڈر کے دستخط بھی جمع کروائے جائیں گے (جب تک یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1)		(2)	
دستخط:	____________	دستخط:	
نام:	____________	نام:	
پتہ:	____________	پتہ:	
CNIC یا پاسپورٹ نمبر	____________	CNIC یا پاسپورٹ نمبر	