

SAPPHIRE FIBRES LIMITED
Half Yearly Accounts December 31, 2014

CONTENTS

COMPANY PROFILE	03
DIRECTORS' REPORT	04
AUDITORS' REPORT	05
BALANCE SHEET	06
PROFIT & LOSS ACCOUNT	07
STATEMENT OF COMPREHENSIVE INCOME	08
CASH FLOW STATEMENT	09
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

COMPANY PROFILE

BOARD OF DIRECTORS

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

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors of the Company are pleased to present un-audited financial statements for the Half Year ended 31 December, 2014 duly reviewed by the auditors.

Financial Highlights

	31 December	
	2014	2013
	Rupees in thousand	
Sales & services	7,039,548	7,458,196
Gross profit	914,086	1,313,233
Profit from operations	1,130,482	1,853,352
Other income	646,049	1,055,026
Profit before taxation	962,961	1,596,995
Taxation:		
- Current	121,420	129,358
- Deferred	5,548	(431)
	126,968	128,927
Profit after taxation	835,993	1,468,068

The Company has earned after tax profit of Rs. 835.993 million as against Rs. 1,468.068 million of the last year's corresponding period. Last year's Profit of Half Year was higher due to better sale rates and of higher dividend income as compared to current year's comparative period.

Earnings per share

The company's earnings per share (EPS) were at Rs.42.46 as compared to Rs. 74.57 of the same period of the last year.

Future outlook

Textile sector in Pakistan is facing challenges of continuous decline in sale rates due to globally depressed demand and of unstable cotton prices in domestic and international markets. This situation is not only resulting un-stability in sales but also making it difficult to work out future production plans. However the management is vigilant of issues and constantly working to mitigate by increasing production efficiencies. The balancing and modernization programs are well under way and we are confident that the Company will take benefit of these measures in coming period of this financial year.

The management is working hard to moderate profitability by exploring new markets, increase in production efficiencies for a diverse customer base and adopting cost reduction plans in order to mitigate rising trend of input costs.

The directors appreciate the hard work and commendable services rendered by staff and workers of the company.

For and on behalf of the Board

Lahore
Dated: 23 February, 2015

Shahid Abdullah
Chief Executive

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **SAPPHIRE FIBRES LIMITED** (the Company) as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended December 31, 2014.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half-year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

KARACHI: February 23, 2015

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

Engagement Partner:
Osman Hameed Chaudhri

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2014**

	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,849,628,265	3,824,088,383
Investment property		162,755,252	163,273,406
Intangible assets		2,316,035	2,871,886
Long term investments	6	8,982,428,007	8,901,214,827
Long term loans		196,000	193,000
Long term deposits		28,050,045	27,822,285
		13,025,373,604	12,919,463,787
Current assets			
Stores, spare parts and loose tools		233,023,921	175,919,748
Stock-in-trade	7	4,199,542,484	3,180,774,748
Trade debts		1,568,262,949	1,392,428,704
Loans and advances		34,955,937	26,658,228
Trade deposits and short term prepayments		13,147,194	3,560,503
Short term investments		1,804,158,272	1,584,090,779
Other receivables		200,372,787	334,578,455
Tax refunds due from Government		345,922,353	331,758,527
Cash and bank balances		230,680,597	149,916,610
		8,630,066,494	7,179,686,302
Total assets		21,655,440,098	20,099,150,089
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 (June 30, 2014: 35,000,000) ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital			
19,687,500 (June 30, 2014: 19,687,500) ordinary shares of Rs.10 each		196,875,000	196,875,000
Reserves		6,614,747,036	6,594,226,401
Unappropriated profit		8,595,566,802	8,005,667,352
		15,407,188,838	14,796,768,753
Liabilities			
Non-current liabilities			
Long term finances		59,014,918	65,371,251
Staff retirement benefit - gratuity		223,215,039	210,997,693
Deferred taxation		57,993,230	56,532,945
Long term security deposit		2,100,000	2,100,000
		342,323,187	335,001,889
Current liabilities			
Trade and other payables		1,245,245,936	1,210,134,150
Accrued mark-up / interest		70,499,021	58,542,707
Short term borrowings	8	4,454,662,108	3,322,831,087
Current portion of long term finances		12,712,666	160,904,749
Provision for taxation		122,808,342	214,966,754
		5,905,928,073	4,967,379,447
Total liabilities		6,248,251,260	5,302,381,336
Contingencies and commitments	9		
Total equity and liabilities		21,655,440,098	20,099,150,089

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore:
Dated: February 23, 2015

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Quarter ended		Half year ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
----- Rupees -----					
Sales - net		3,460,032,861	3,523,555,744	7,039,548,209	7,458,196,203
Cost of sales	10	(3,095,949,331)	(2,949,475,256)	(6,125,462,579)	(6,144,963,292)
Gross profit		364,083,530	574,080,488	914,085,630	1,313,232,911
Distribution cost		(118,015,379)	(126,897,703)	(232,176,110)	(270,719,101)
Administrative expenses		(53,235,518)	(58,032,028)	(106,730,190)	(107,548,088)
Other income	11	534,858,609	85,758,431	646,048,877	1,055,026,777
Other expenses		(63,157,093)	(37,460,301)	(90,745,847)	(136,640,735)
Profit from operations		664,534,149	437,448,887	1,130,482,360	1,853,351,764
Finance cost		(60,263,465)	(153,533,481)	(167,521,509)	(256,356,565)
Profit before taxation		604,270,684	283,915,406	962,960,851	1,596,995,199
Taxation		(74,404,588)	(20,453,374)	(126,967,651)	(128,927,156)
Profit after taxation		529,866,096	263,462,032	835,993,200	1,468,068,043
Basic and diluted earnings per share		26.91	13.38	42.46	74.57

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014**

	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	----- Rupees -----			
Profit after taxation	529,866,096	263,462,032	835,993,200	1,468,068,043
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Unrealised gain / (loss) due to change in fair values of available for sale investments:				
- long term	435,907,021	311,116,903	81,213,180	662,411,154
- short term	(41,247,241)	163,638,343	(70,981,395)	110,391,556
Impact of deferred tax	1,694,007	(4,011,430)	4,087,166	(4,011,430)
Adjustment for (loss) / gain included in profit and loss account upon sale of available-for-sale investments	(165,915)	1,238,794	(2,221,579)	1,238,794
Unrealised gain on re-measurement of forward foreign exchange contracts	8,423,263	-	8,423,263	-
Other comprehensive income for the period	404,611,135	471,982,610	20,520,635	770,030,074
Total comprehensive income for the period	934,477,231	735,444,642	856,513,835	2,238,098,117

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Half year ended	
		December 31, 2014 Rupees	December 31, 2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	12	(465,651,318)	(1,587,389,566)
Staff retirement benefits paid		(15,832,652)	(13,166,112)
Finance cost paid		(152,387,620)	(208,268,314)
Taxes paid		(54,972,823)	(182,921,410)
Workers' profit participation fund paid		(83,860,355)	(82,520,733)
Long term loans - net		(3,000)	639,540
Long term deposits - net		(227,760)	(8,192,020)
Net cash used in operating activities		(772,935,528)	(2,081,818,615)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(194,505,915)	(484,833,449)
Proceeds from disposal of operating fixed assets		600,000	3,040,400
Investments in Subsidiary Company		-	(510,000,000)
Short term investments acquired		(321,058,347)	(213,923,795)
Proceeds from sale of short term investments		29,041,960	33,609,252
Proceeds from sale of stores and spares		577,423	488,472
Dividend and interest income received		623,540,496	1,029,097,525
Net cash generated from / (used in) investing activities		138,195,617	(142,521,595)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		-	21,695,000
- repaid		(154,548,416)	(150,000,000)
Dividend paid		(245,019,140)	(98,061,179)
Short term borrowings - net		1,115,071,454	2,545,198,580
Net cash generated from financing activities		715,503,898	2,318,832,401
Net increase in cash and cash equivalents		80,763,987	94,492,191
Cash and cash equivalents - at beginning of the period		149,916,610	93,155,833
Cash and cash equivalents - at end of the period		230,680,597	187,648,024

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Reserves					Sub - total	Unappropriated profit	Total
	Issued, subscribed and paid-up capital	Capital	General	Unrealised gain on available for sale investments	Unrealised gain on hedging instrument			
Balance as at July 1, 2013	196,875,000	145,740,000	1,183,845,000	3,482,291,086	-	4,811,876,086	6,816,488,488	11,825,239,574
Transaction with owners								
Final cash dividend for the year ended June 30, 2013 at the rate of Rs.5 per share	-	-	-	-	-	-	(98,437,500)	(98,437,500)
Total comprehensive income for the half year ended December 31, 2013								
Profit for the period	-	-	-	-	-	-	1,468,068,043	1,468,068,043
Other comprehensive income	-	-	-	770,030,074	-	770,030,074	-	770,030,074
	-	-	-	770,030,074	-	770,030,074	1,468,068,043	2,238,098,117
Balance as at December 31, 2013	196,875,000	145,740,000	1,183,845,000	4,252,321,160	-	5,581,906,160	8,186,119,031	13,964,900,191
Balance as at July 1, 2014	196,875,000	145,740,000	1,183,845,000	5,264,641,401	-	6,594,226,401	8,005,667,352	14,796,768,753
Transaction with owners								
Final cash dividend for the year ended June 30, 2014 at the rate of Rs.12.50 per share	-	-	-	-	-	-	(246,093,750)	(246,093,750)
Total comprehensive income for the half year ended December 31, 2014								
Profit for the period	-	-	-	-	-	-	835,993,200	835,993,200
Other comprehensive income	-	-	-	12,097,372	8,423,263	20,520,635	-	20,520,635
	-	-	-	12,097,372	8,423,263	20,520,635	835,993,200	856,513,835
Balance as at December 31, 2014	196,875,000	145,740,000	1,183,845,000	5,276,738,773	8,423,263	6,614,747,036	8,595,566,802	15,407,188,838

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore:

Dated: February 23, 2015

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Sapphire Fibres Limited (the Company) is a public limited company incorporated in Pakistan and is listed on Karachi, Islamabad and Lahore Stock Exchanges. The Company is principally engaged in manufacture and sale of yarn, fabrics and garments.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half-year ended December 31, 2014 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2014.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2014 except as follows:

The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2014. The adoption of these new and amended standards did not have any effect on this condensed interim financial information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the audited annual financial statements for the year ended June 30, 2014.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Operating fixed assets	5.1	3,671,643,926	3,763,786,358
Capital work-in-progress	5.2	177,984,339	60,302,025
		3,849,628,265	3,824,088,383

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
5.1 Operating fixed assets			
Net book value at beginning of the period / year		3,763,786,358	3,271,220,504
Additions during the period / year	5.1.1	76,823,601	839,700,791
Disposals costing Rs.0.781 million (June 30, 2014: Rs.31.525 million) - at net book value		(56,988)	(7,055,398)
Depreciation charge for the period / year		(168,909,045)	(340,079,539)
Net book value at end of the period / year		<u>3,671,643,926</u>	<u>3,763,786,358</u>
5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:			
Freehold land		14,728,600	58,377,375
Residential buildings and others on freehold land		1,383,308	207,642,599
Factory buildings on freehold land		18,365,272	84,702,868
Plant and machinery		23,572,563	399,971,382
Electrical installations		8,951,945	75,020,875
Office equipment		711,000	-
Mills equipment		-	234,475
Computer hardware		407,193	893,934
Vehicles		5,737,300	11,807,120
Furniture and fixtures		2,966,420	1,050,163
		<u>76,823,601</u>	<u>839,700,791</u>
5.2 Capital work-in-progress			
Buildings		26,439,503	17,463,693
Plant and machinery		34,456,892	25,031,913
Furniture and fixtures		1,397,076	465,865
Advance payments against:			
- freehold land		87,500,000	-
- factory / office building		9,558,345	7,668,800
- plant and machinery		7,511,000	8,432,000
- computer hardware		3,387,023	200,754
- vehicles		7,734,500	1,039,000
		<u>115,690,868</u>	<u>17,340,554</u>
		<u>177,984,339</u>	<u>60,302,025</u>

6. LONG TERM INVESTMENTS	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Subsidiary Company - at cost	6.1	3,015,204,020	3,015,204,020
Associated Companies - at cost		165,761,769	165,761,769
Others - available for sale	6.2	5,801,462,218	5,720,249,038
		<u>8,982,428,007</u>	<u>8,901,214,827</u>
6.1 Subsidiary Company - unquoted			
Sapphire Electric Company Limited (SECL)			
287,618,348 (June 30, 2014: 287,618,348) ordinary shares of Rs.10 each	6.1.1	<u>3,015,204,020</u>	<u>3,015,204,020</u>
Equity held: 67.83% (June 30, 2014: 67.83%) Break-up value per share on the basis of un-audited financial statements Rs.16.13 (June 30, 2014: Rs.15.53)			
6.1.1 The Company has pledged 172,446,420 shares of SECL with a financial institution under Share Pledge Agreement dated April 16, 2007 and Working Capital Support Agreement dated August 13, 2010 as security against financing facilities advanced by these financial institution to SECL.			
6.2 Others - available for sale		Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Quoted			
MCB Bank Limited			
18,886,786 (June 30, 2014: 18,886,786) ordinary shares of Rs.10 each - cost		918,695,933	918,695,933
Adjustment arising from re-measurement to fair value		4,854,050,207	4,772,837,027
		<u>5,772,746,140</u>	<u>5,691,532,960</u>
Unquoted			
Novelty Enterprises (Private) Limited			
2,351,995 (June 30, 2014: 2,351,995) ordinary shares of Rs.10 each		28,716,078	28,716,078
		<u>5,801,462,218</u>	<u>5,720,249,038</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
7. STOCK-IN-TRADE		
Raw materials:		
- at mills	3,354,931,883	2,265,943,835
- in transit	169,766,065	134,809,526
- at third party's premises	33,595,302	28,469,855
	3,558,293,250	2,429,223,216
Work-in-process	190,304,608	211,059,838
Finished goods:		
- at mills	382,919,256	464,125,407
- at third party's premises	68,025,370	76,366,287
	450,944,626	540,491,694
	4,199,542,484	3,180,774,748

8. SHORT TERM BORROWINGS - Secured

The Company has short term running and cash finance facilities aggregating Rs.8,039 million (June 30, 2014: Rs.7,865 million) from various commercial banks under mark-up arrangements. These finance facilities are secured against hypothecation charge over current and fixed assets of the Company, lien on export / import documents and trust receipts. These finances carry mark-up at the rates ranging from 7.00% to 11.94% (June 30, 2014: 8.70% to 11.83%) per annum. These facilities are expiring on various dates upto June 2015.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.209.746 million (June 30, 2014: Rs.199.750 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

9.1.2 Claims not acknowledged as debt

During the year ended June 30, 2014, it was discovered that there were unauthorised withdrawals of funds from one of the Company's bank accounts using forged signatures on cheques from cheque books issued by the Bank's staff without the Company's authority. On becoming aware of the matter, an FIR has been lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believes that the Company does not have any liability whatsoever in respect of such unauthorised net withdrawal of funds accumulating to Rs.33.157 million inclusive of mark-up and other charges.

Furthermore the Company has filed a suit on March 21, 2014 in the honourable Sindh High Court, which has granted a stay order on April 8, 2014 in favour of the Company whereby the bank has been restrained from placing the Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Company.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
9.2 Commitments in respect of :		
- letters of credit for capital expenditure	165,257,335	16,093,704
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	84,908,655	175,253,535
- capital expenditure other than through letters of credit	7,873,715	12,788,386
- foreign bills discounted	539,266,000	996,888,621
- forward foreign exchange contracts	1,017,320,000	-

10. COST OF SALES

	----- Un-audited -----			
	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Note	----- Rupees -----			
Finished goods at beginning of the period	506,617,612	414,318,941	540,491,694	393,606,498
Cost of goods manufactured	3,032,950,239	3,232,978,719	6,003,272,516	6,423,107,605
Cost of raw materials sold	7,326,106	11,255,081	32,642,995	37,326,674
	3,040,276,345	3,244,233,800	6,035,915,511	6,460,434,279
	3,546,893,957	3,658,552,741	6,576,407,205	6,854,040,777
Finished goods at end of the period	(450,944,626)	(709,077,485)	(450,944,626)	(709,077,485)
	3,095,949,331	2,949,475,256	6,125,462,579	6,144,963,292

**10.1 Cost of goods
manufactured**

Work-in-process at beginning of the period	193,677,019	272,169,985	211,059,838	250,170,763
Raw materials consumed	2,006,066,600	2,252,954,960	3,951,924,809	4,539,871,005
Direct labour and other overheads	1,023,511,228	976,764,410	2,030,592,477	1,901,976,473
	3,029,577,828	3,229,719,370	5,982,517,286	6,441,847,478
	3,223,254,847	3,501,889,355	6,193,577,124	6,692,018,241
Work-in-process at end of the period	(190,304,608)	(268,910,636)	(190,304,608)	(268,910,636)
	3,032,950,239	3,232,978,719	6,003,272,516	6,423,107,605

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

11. OTHER INCOME

The Company, during the current period, received dividend amounting Rs.431.428 million (December 31, 2013: Rs.862.855 million) from Sapphire Electric Company Limited - Subsidiary Company.

12. CASH USED IN OPERATIONS

	Note	Un-audited Half year ended	
		December 31, 2014 Rupees	December 31, 2013 Rupees
Profit before taxation		962,960,851	1,596,995,199
Adjustments for non-cash and other items:			
Depreciation		168,909,045	160,144,997
Depreciation of investment property		518,154	575,727
Amortization of intangible assets		555,851	932,852
Staff retirement benefit - gratuity		28,050,000	24,550,000
Provision for workers' profit participation fund		51,716,480	85,767,250
Provision for workers' welfare fund		19,652,262	32,591,555
Gain on disposal of operating fixed assets		(543,012)	(1,391,720)
(Gain) / loss on sale of short term investments		(1,254,079)	2,591,213
Gain on sale of stores and spares		(19,386)	(17,853)
Dividend and interest income		(623,540,496)	(1,029,097,525)
Finance cost		167,521,509	256,356,565
Exchange loss / (gain)		16,759,567	(5,016,345)
Working capital changes	12.1	(1,256,938,064)	(2,712,371,481)
		(465,651,318)	(1,587,389,566)
12.1 Working capital changes			
Increase in current assets:			
- Stores, spare parts and loose tools		(57,662,210)	(27,658,245)
- Stock-in-trade		(1,018,767,736)	(2,713,964,820)
- Trade debts		(175,834,245)	(12,829,244)
- Loans and advances		(8,297,709)	(6,149,791)
- Deposits, other receivables and sales tax		(39,727,378)	(30,764,127)
		(1,300,289,278)	(2,791,366,227)
Increase in trade and other payables		43,351,214	78,994,746
		(1,256,938,064)	(2,712,371,481)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2014

13. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2014, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

This condensed interim financial information does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2014.

14. TRANSACTIONS WITH RELATED PARTIES

14.1 Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	Un-audited Half year ended	
		December 31, 2014 Rupees	December 31, 2013 Rupees
(i) Subsidiary	Dividend received	431,427,522	862,855,044
(ii) Associates	Sales of raw material / yarn / fabric / stores	217,846,143	448,680,029
	Purchases:		
	- raw material / yarn / fabric / stores	201,310,278	215,450,926
	- electricity	83,343,273	115,531,911
	- assets	-	8,000,000
	Expenses charged by	8,508,284	7,305,040
	Expenses charged to	1,453,852	34,000
	Dividend:		
	- received	233,970	324,256
	- paid	127,454,952	50,763,515
(iii) Key management personnel	Remuneration and other benefits	82,142,171	64,407,639
(iv) Retirement fund	Contribution made	2,417,564	1,919,008
		Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees

14.2 Period / year end balances are as follows:

Receivables from related parties

Investments	3,180,965,789	3,180,965,789
Trade debts	25,983,423	87,288,605
Other receivables	5,273,885	6,788,404

Payable to related parties

Trade and other payables	79,112,840	111,935,199
--------------------------	------------	-------------

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014****15. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2014, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial information of the Company for the half year ended December 31, 2013.

16. GENERAL

16.1 This condensed interim financial information was approved by the Board of Directors and authorised for issue on February 23, 2015.

16.2 Figures have been rounded off to the nearest rupee unless otherwise stated.

Lahore:
Dated: February 23, 2015

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

SAPPHIRE FIBRES LIMITED
Half Yearly Accounts December 31, 2014
CONSOLIDATED ACCOUNTS

CONTENTS

DIRECTORS' REPORT	21
BALANCE SHEET	22
PROFIT & LOSS ACCOUNT	23
STATEMENT OF COMPREHENSIVE INCOME	24
CASH FLOW STATEMENT	25
STATEMENT OF CHANGES IN EQUITY	26
NOTES TO THE FINANCIAL STATEMENTS	27

DIRECTORS' REPORT

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiary Sapphire Electric Company Limited for the half year ended 31 December, 2014. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 67.83% shares of SECL as on 31 December, 2014.

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

For and on behalf of the Board of Directors

Lahore:
Dated: 23 February, 2015

Shahid Abdullah
Chief Executive

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2014

	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,858,587,860	19,122,928,560
Investment property		162,755,252	163,273,406
Intangible assets		7,928,939	8,484,790
Long term investments	6	6,195,159,774	6,109,020,290
Long term loans		196,000	193,000
Long term deposits		29,279,845	29,052,085
		25,253,907,670	25,432,952,131
Current assets			
Stores, spare parts and loose tools		233,023,921	175,919,748
Stock-in-trade	7	4,611,301,683	3,417,200,030
Trade debts	8	5,511,151,122	6,814,141,193
Loans and advances		150,641,674	54,915,786
Trade deposits and short term prepayments		163,913,254	54,268,348
Short term investments		1,804,158,272	1,584,090,779
Other receivables		496,978,356	816,970,192
Interest receivable		5,255,201	2,397,851
Tax refunds due from Government		501,848,356	390,912,030
Cash and bank balances		995,318,378	981,697,073
		14,473,590,217	14,292,513,030
Total assets		39,727,497,887	39,725,465,161
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 (June 30, 2014: 35,000,000) ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital			
19,687,500 (June 30, 2014: 19,687,500) ordinary shares of Rs.10 each		196,875,000	196,875,000
Reserves		6,688,451,358	6,629,526,238
Unappropriated profit		10,378,491,093	9,652,794,091
Equity attributable to shareholders of the Parent Company		17,263,817,451	16,479,195,329
Non-controlling interest		2,200,621,816	2,120,248,780
Total Equity		19,464,439,267	18,599,444,109
Liabilities			
Non-current liabilities			
Long term finances		8,147,534,059	8,745,012,465
Staff retirement benefit - gratuity		223,215,039	210,997,693
Deferred taxation		59,668,053	58,039,959
Long term security deposit		2,100,000	2,100,000
		8,432,517,151	9,016,150,117
Current liabilities			
Trade and other payables		2,782,945,204	2,790,861,843
Accrued mark-up / interest		489,215,135	510,171,778
Short term borrowings	9	7,248,093,094	7,303,720,038
Current portion of long term finances		1,187,479,694	1,290,150,522
Provision for taxation		122,808,342	214,966,754
		11,830,541,469	12,109,870,935
		20,263,058,620	21,126,021,052
Contingencies and commitments	10		
Total equity and liabilities		39,727,497,887	39,725,465,161

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

Lahore:

Dated: February 23, 2015

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

**CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Quarter ended		Half year ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
----- Rupees -----					
Sales - net		6,421,224,086	7,705,927,439	16,664,898,171	15,323,738,150
Cost of sales	11	(5,097,686,262)	(6,278,170,230)	(13,962,085,162)	(12,493,751,051)
Gross profit		1,323,537,824	1,427,757,209	2,702,813,009	2,829,987,099
Distribution cost		(118,015,379)	(126,897,703)	(232,176,110)	(270,719,101)
Administrative expenses		(68,327,159)	(73,891,731)	(137,520,788)	(134,608,969)
Other income		107,425,870	424,506,457	219,449,543	531,510,080
Other expenses		(62,428,365)	(35,862,342)	(96,444,797)	(151,879,928)
Profit from operations		1,182,192,791	1,615,611,890	2,456,120,857	2,804,289,181
Finance cost		(488,772,267)	(569,597,255)	(1,037,223,644)	(1,065,414,486)
		693,420,524	1,046,014,635	1,418,897,213	1,738,874,695
Share of Profit of Associated Companies		2,807,157	6,015,495	3,245,844	8,597,102
Profit before taxation		696,227,681	1,052,030,130	1,422,143,057	1,747,471,797
Taxation		(75,945,938)	(20,741,472)	(128,884,775)	(129,692,739)
Profit after taxation		620,281,743	1,031,288,658	1,293,258,282	1,617,779,058
Attributable to:					
- Shareholders of the Parent Company		453,208,336	769,389,589	1,008,280,807	1,277,890,677
- Non-controlling interest		167,073,407	261,899,069	284,977,475	339,888,381
		620,281,743	1,031,288,658	1,293,258,282	1,617,779,058
Earnings per Share					
- attributable to the shareholders of Parent Company		23.02	39.08	51.21	64.91

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014

	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
----- Rupees -----				
Profit after taxation	620,281,743	1,031,288,658	1,293,258,282	1,617,779,058
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss				
Unrealised gain / (loss) due to change in fair values of available for sale investments:				
- long term	435,907,021	311,116,903	81,213,180	662,411,154
- short term	(41,247,241)	163,638,343	(70,981,395)	110,391,556
Related deferred tax	1,694,007	(4,011,430)	4,087,166	(4,011,430)
Reclassification adjustment relating to (loss)/ gain realised on disposal of available-for-sale investments	(165,915)	1,238,794	(2,221,579)	1,238,794
Share of fair value gain on re-measurement of available-for-sale investments of Associated Companies	933,478	-	955,833	53,868
	397,121,350	471,982,610	13,053,205	770,083,942
Forward foreign exchange contracts				
Unrealised gain on re-measurement of forward foreign exchange contracts	8,423,263	-	8,423,263	-
Share of unrealised gain / (loss) on re-measurement of hedging instruments of Associated Companies	58,390	20,186	54,366	(34,951)
	8,481,653	20,186	8,477,629	(34,951)
Other comprehensive income for the period	405,603,003	472,002,796	21,530,834	770,048,991
Total comprehensive income for the period	1,025,884,746	1,503,291,454	1,314,789,116	2,387,828,049
Attributable to:				
- Shareholders of the Parent Company	858,811,339	1,241,392,385	1,029,811,641	2,047,939,668
- Non-controlling interest	167,073,407	261,899,069	284,977,475	339,888,381
	1,025,884,746	1,503,291,454	1,314,789,116	2,387,828,049

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Half year ended	
		December 31, 2014 Rupees	December 31, 2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	12	2,743,149,229	(939,871,415)
Staff retirement benefits paid		(15,832,654)	(13,166,112)
Finance cost paid		(1,055,002,710)	(896,045,343)
Taxes paid		(60,584,810)	(183,869,611)
Workers' profit participation fund paid		(83,860,355)	(82,520,733)
Long term loans - net		(3,000)	639,540
Long term deposits - net		(327,760)	(8,192,020)
Net cash generated from / (used in) operating activities		1,527,537,940	(2,123,025,694)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(195,319,016)	(485,643,952)
Investments in an Subsidiary Company		-	(510,000,000)
Short term investments acquired		(321,058,347)	(213,923,795)
Proceeds from disposal of short term investments		29,041,960	33,609,252
Proceeds from disposal of operating fixed assets		600,000	3,040,400
Proceeds from disposal of stores and spares		577,423	488,472
Dividend and interest income received		194,400,669	166,953,767
Net cash used in investing activities		(291,757,311)	(1,005,475,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		(700,149,234)	(606,018,476)
Dividend paid		(449,623,579)	(507,270,156)
Short term borrowings - net		(72,386,511)	3,765,983,088
Net cash (used in) / generated from financing activities		(1,222,159,324)	2,652,694,456
Net increase / (decrease) in cash and cash equivalents		13,621,305	(475,807,094)
Cash and cash equivalents - at beginning of the period		981,697,073	1,277,541,056
Cash and cash equivalents - at end of the period		995,318,378	801,733,962

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Reserves							Total	Non-controlling interest	
	Issued, subscribed and paid-up capital	Share premium	Maintenance reserve	General	Unrealised gain on available-for-sale investments	Unrealised gain / (loss) on hedging instruments	Sub-total			Unappropriated profit
Balance as at July 1, 2013	196,875,000	145,740,000	261,166,584	1,183,845,000	3,486,456,351	69,191	5,077,277,126	8,276,119,998	13,550,272,124	2,794,434,833
Transaction with owners										
Cash dividend for the year ended June 30, 2013 at the rate of Rs.5 per share	-	-	-	-	-	-	-	(98,437,500)	(98,437,500)	(409,208,977)
Total comprehensive income for the half-year ended December 31, 2013										
Profit for the period	-	-	-	-	-	-	-	1,277,890,677	1,277,890,677	339,888,381
Other comprehensive income	-	-	-	-	770,083,942	(34,951)	770,048,991	-	770,048,991	-
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	770,083,942	(34,951)	770,048,991	1,277,890,677	2,047,939,668	339,888,381
Transfer to maintenance reserve	-	-	83,217,161	-	-	-	83,217,161	(83,217,161)	-	-
Utilisation of maintenance reserve	-	-	(375,609,675)	-	-	-	(375,609,675)	-	(375,609,675)	(192,071,548)
Adjustment in reserves / non-controlling interest due to further acquisition	-	-	31,225,930	-	-	-	31,225,930	63,598,801	94,824,731	(604,824,730)
Balance as at December 31, 2013	196,875,000	145,740,000	-	1,183,845,000	4,256,540,293	34,240	5,586,159,533	9,438,975,813	15,222,010,346	1,928,217,959
Balance as at July 1, 2014	196,875,000	145,740,000	30,512,398	1,183,845,000	5,269,341,352	87,488	6,629,526,238	9,652,794,091	16,479,195,329	2,120,248,780
Transaction with owners										
Cash dividend for the year ended June 30, 2014 at the rate of Rs.12.5 per share	-	-	-	-	-	-	-	(246,093,750)	(246,093,750)	(204,604,439)
Total comprehensive income for the half-year ended December 31, 2014										
Profit for the period	-	-	-	-	-	8,477,629	21,530,834	1,008,280,807	1,008,280,807	284,977,475
Other comprehensive income	-	-	-	-	13,063,205	(8,477,629)	21,530,834	-	21,530,834	-
Transfer to maintenance reserve	-	-	37,394,286	-	13,063,205	8,477,629	21,530,834	1,008,280,807	1,029,811,641	284,977,475
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	-	-	37,394,286	(37,394,286)	-	-
Balance as at December 31, 2014	196,875,000	145,740,000	67,906,684	1,183,845,000	5,282,394,557	8,565,117	6,688,451,358	10,378,491,093	17,263,817,451	2,200,621,816

Lahore:

Dated: February 23, 2015

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014****1. THE GROUP AND ITS OPERATIONS**

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

The Parent Company is a public limited company incorporated in Pakistan and is listed on Karachi, Islamabad and Lahore Stock Exchanges. The Parent Company is principally engaged in manufacture and sale of yarn, fabrics and garments.

The Subsidiary Company was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on January 18, 2005. The principal activity of the Subsidiary Company is to build, own, operate and maintain a combined cycle power station having a net capacity of 212 MW at Muridke, District Sheikhpura, Punjab.

2. BASIS OF PREPARATION

This condensed interim consolidated financial information of the Group for the half year ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provision of and directive issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of and directive issued under the Companies Ordinance, 1984 have been followed. This condensed interim consolidated financial information of the Group does not include all of the information required for annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Group as at and for the year ended June 30, 2014.

These consolidated financial statements of the Group include the financial statements of Parent Company and of its Subsidiary Company. The Parent Company's direct interest in the Subsidiary Company, as at December 31, 2014 is 67.83% (June 30, 2014: 67.83%).

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are consistent with those applied in the preparation of audited annual consolidated financial statements for the year ended June 30, 2014 except as follows:

The Group has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2014. The adoption of these new and amended standards did not have any effect on this condensed interim consolidated financial information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended June 30, 2014.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Operating fixed assets	5.1	18,680,212,897	19,060,155,648
Capital work-in-progress	5.2	178,374,963	62,772,912
		18,858,587,860	19,122,928,560

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

		Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
5.1 Operating fixed assets	Note		
Net book value at beginning of the period / year		19,060,155,648	19,139,699,025
Additions during the period / year	5.1.1	79,716,965	894,742,140
Disposals costing Rs.0.781 million (June 30, 2014: Rs.31.525 million) - at net book value		(56,988)	(7,055,398)
Depreciation charge for the period / year		(459,602,728)	(917,382,266)
Adjustment during the period / year		-	(49,847,853)
Net book value at end of the period / year		<u>18,680,212,897</u>	<u>19,060,155,648</u>
5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year were as follows:			
Freehold land		14,728,600	58,377,375
Residential buildings and others on freehold land		1,383,308	207,642,599
Factory buildings on freehold land		18,767,872	90,814,180
Plant and machinery		25,652,827	439,063,920
Electrical installations		8,951,945	75,020,875
Office equipment		829,000	1,188,534
Mills equipment		292,500	234,475
Computer hardware		407,193	1,554,412
Vehicles		5,737,300	16,979,520
Furniture and fixtures		2,966,420	3,866,250
		<u>79,716,965</u>	<u>894,742,140</u>
5.2 Capital work-in-progress			
Buildings		26,439,503	17,463,693
Plant and machinery		34,654,092	25,229,113
Furniture and fixtures		1,397,076	465,865
Advance payments against:			
- freehold land		87,500,000	-
- factory / office building		9,558,345	7,668,800
- plant and machinery		7,511,000	10,512,263
- mills equipment		193,424	193,424
- vehicles		7,734,500	1,039,000
- computer hardware		3,387,023	200,754
		<u>115,884,292</u>	<u>19,614,241</u>
		<u>178,374,963</u>	<u>62,772,912</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

6. LONG TERM INVESTMENTS	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Associated Companies	6.1	393,697,556	388,771,252
Others - available for sale	6.2	5,801,462,218	5,720,249,038
		6,195,159,774	6,109,020,290
6.1 Associated Companies - equity method			
Quoted			
Reliance Cotton Spinning Mills Limited			
138,900 (June 30, 2014:138,900) ordinary shares of Rs.10 each - cost		1,306,269	1,306,269
Equity held: 1.35%			
Fair value: Rs.12.457 million (June 30, 2014: Rs.12.070 million)			
Add: share of post acquisition profit		24,948,024	23,393,388
Less: dividend received during the period / year		(233,970)	(314,064)
		26,020,323	24,385,593
SFL Limited			
10,199 (June 30, 2014:10,199) ordinary shares of Rs.10 each - cost		100,000	100,000
Fair value: Rs.0.683 million (June 30, 2014: Rs.0.653 million)			
Equity held: 0.051%			
Add: share of post acquisition profit		1,327,325	1,294,163
Less: dividend received during the period / year		-	(10,192)
		1,427,325	1,383,971
Unquoted			
Sapphire Power Generation Limited			
2,824,500 (June 30, 2014: 2,824,500) ordinary shares of Rs.10 each - cost		64,355,500	64,355,500
Equity held: 17.63% (June 30, 2014: 17.63%)			
Add: share of post acquisition profit		207,926,715	199,263,408
		272,282,215	263,618,908
Sapphire Dairies (Private) Limited			
10,000,000 (June 30, 2014: 10,000,000) ordinary shares of Rs.10 each - cost		100,000,000	100,000,000
Equity held: 9.52%			
Add: share of post acquisition loss		(6,032,307)	(617,220)
		93,967,693	99,382,780
		393,697,556	388,771,252

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
6.2 Others - available for sale		
Quoted		
MCB Bank Limited		
18,886,786 (June 30, 2014: 18,886,786) ordinary shares of Rs.10 each - cost	918,695,933	918,695,933
Adjustment arising from re-measurement to fair value	4,854,050,207	4,772,837,027
	5,772,746,140	5,691,532,960
Unquoted		
Novelty Enterprises (Private) Limited		
2,351,995 (June 30, 2014: 2,351,995) ordinary shares of Rs.10 each	28,716,078	28,716,078
	5,801,462,218	5,720,249,038
7. STOCK-IN-TRADE		
Raw materials:		
- at mills	3,766,691,082	2,502,369,117
- in transit	169,766,065	134,809,526
- at third party's premises	33,595,302	28,469,855
	3,970,052,449	2,665,648,498
Work-in-process	190,304,608	211,059,838
Finished goods:		
- at mills	382,919,256	464,125,407
- at third party's premises	68,025,370	76,366,287
	450,944,626	540,491,694
	4,611,301,683	3,417,200,030
8. TRADE DEBTS		
8.1	These include trade receivables aggregating Rs.3,943 million (June 30, 2014: Rs.5,422 million) from National Transmission and Despatch Company Limited (NTDC) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of 3 months KIBOR plus 4.50% is charged in case the amounts are not paid within due dates. The effective rate of delayed payment mark-up charged during the period on outstanding amounts ranged from 14.14% to 14.73% (June 30, 2014: 13.39% to 14.73%) per annum.	
8.2	Included in trade debts is an amount of Rs.576.073 million (June 30, 2014: Rs.576.073 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilisation 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, it believes that the Subsidiary Company can not be penalised in the form of payment deductions due to NTDC's default of making timely payments under the Power Purchase Agreement (PPA). Hence, the Subsidiary Company had taken up this issue at appropriate forums. On June 28, 2013, the Subsidiary Company entered into a Memorandum of Understanding	

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

(MoU) for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the Subsidiary Company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per the terms of MoU, the Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan.

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

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

9. SHORT TERM BORROWINGS - Secured

The Group has short term running and cash finance facilities limits aggregating Rs.15,070 million (June 30, 2014: Rs.14,497 million) from various commercial banks under mark-up arrangements. The aggregate short term finance facilities are secured against hypothecation / ranking pari passu charge on all present and future current and fixed 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 and trust receipts. These finances carry mark-up at the rates ranging from 7% to 12.18% (June 30, 2014: 8.70% to 12.18%) per annum.

10. CONTINGENCIES AND COMMITMENTS**10.1 Contingencies**

10.1.1 Guarantees aggregating Rs.1,119.746 million (June 30, 2014: Rs.1,109.750 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

10.1.2 Claims against the Subsidiary Company not acknowledged as debts amount to Rs.7.586 million (June 30, 2014: Rs.7.586 million). Provision has not made in this condensed interim consolidated financial information for the aforesaid amount as management is confident that it will not materialize.

10.1.3 During the year ended June 30, 2014, it was discovered that there were unauthorised withdrawals of funds from one of the Parent Company's bank accounts using forged signatures on cheques from cheque books issued by the Bank's staff without the Parent Company's authority. On becoming aware of the matter, FIR has been lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believes that the Parent Company does not have any liability whatsoever in respect of such net unauthorised withdrawals of funds accumulating to Rs.33.157 million inclusive of mark-up and other charges.

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

10.2 Commitments

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
10.2.2 Commitments in respect of :		
- letters of credit for capital expenditure	<u>165,257,335</u>	<u>16,093,704</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>84,908,655</u>	<u>175,253,535</u>
- capital expenditure other than through letters of credit	<u>7,873,715</u>	<u>12,788,386</u>
- foreign bills discounted	<u>539,266,000</u>	<u>996,888,621</u>
- forward foreign exchange contract	<u>1,017,320,000</u>	<u>-</u>

11. COST OF SALES

Note	----- Un-audited -----			
	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	----- Rupees -----			
Finished goods at beginning of the period	506,617,612	414,318,941	540,491,694	393,606,498
Cost of goods manufactured	5,034,687,170	6,561,673,693	13,839,895,099	12,771,895,364
Cost of raw materials sold	7,326,106	11,255,081	32,642,995	37,326,674
	<u>5,042,013,276</u>	6,572,928,774	<u>13,872,538,094</u>	12,809,222,038
	<u>5,548,630,888</u>	6,987,247,715	<u>14,413,029,788</u>	13,202,828,536
Finished goods at end of the period	(450,944,626)	(709,077,485)	(450,944,626)	(709,077,485)
	<u>5,097,686,262</u>	6,278,170,230	<u>13,962,085,162</u>	12,493,751,051

**11.1 Cost of goods
manufactured**

Work-in-process at beginning of the period	193,677,019	272,169,985	211,059,838	250,170,763
Raw materials consumed	3,709,351,445	5,168,912,065	11,083,463,542	10,059,921,542
Direct labour and other overheads	1,321,963,314	1,389,502,279	2,735,676,327	2,730,713,695
	<u>5,031,314,759</u>	6,558,414,344	<u>13,819,139,869</u>	12,790,635,237
	<u>5,224,991,778</u>	6,830,584,329	<u>14,030,199,707</u>	13,040,806,000
Work-in-process at end of the period	(190,304,608)	(268,910,636)	(190,304,608)	(268,910,636)
	<u>5,034,687,170</u>	6,561,673,693	<u>13,839,895,099</u>	12,771,895,364

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

CASH GENERATED FROM / (USED IN) OPERATIONS		Un-audited	
		Half year ended	
	Note	December 31, 2014 Rupees	December 31, 2013 Rupees
Profit before taxation		1,418,897,213	1,738,874,695
Adjustments for non-cash and other items:			
Depreciation		459,602,728	451,162,715
Depreciation of investment property		518,154	575,727
Amortization of intangible assets		555,851	932,852
Staff retirement benefit - gratuity		28,050,000	24,550,000
Provision for workers' profit participation / workers' welfare fund		71,368,742	118,358,805
Gain on disposal of operating fixed assets		(543,012)	(1,391,720)
(Gain) / loss on sale of short term investments		(1,254,079)	2,591,213
Gain on sale of stores and spares		(19,386)	(17,853)
Dividend and interest income		(197,024,047)	(167,330,603)
Finance cost		1,037,223,644	1,065,414,486
Exchange loss		22,458,517	10,222,848
Working capital changes	12.1	(96,685,096)	(4,183,814,580)
		2,743,149,229	(939,871,415)
12.1 Working capital changes			
(Increase) / decrease in current assets:			
- Stores, spare parts and loose tools		(57,662,210)	(27,658,245)
- Stock-in-trade		(1,194,101,653)	(2,721,308,642)
- Trade debts		1,302,990,071	(1,421,326,144)
- Loans and advances		(8,297,709)	(23,619,514)
- Deposits, other receivables and sales tax		(134,237,432)	(160,660,876)
		(91,308,933)	(4,354,573,421)
(Decrease) / increase in trade and other payables		(5,376,163)	170,758,841
		(96,685,096)	(4,183,814,580)

13. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

This condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the audited annual consolidation financial statements and should be read in conjunction with the audited annual consolidated financial statement for the year ended June 30, 2014.

There has been no change in Group's sensitivity to these risks since June 30, 2014 except for the changes in exposure from liquidity risks due to increase in short term borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in the risk management policies during the period.

There have been no significant changes in the business or economic circumstances during the period that would have affected the fair values of the financial assets of the Group. Further, no re-classifications in the categories of financial assets have been made since June 30, 2014.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

14. SEGMENT REPORTING

14.1 Reportable segments

The Group's reportable segments are as follows:

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

Information regarding the Group's reportable segments is presented below.

14.2 Segment revenues and results

	Spinning	Knitting, processing and garments	Power	Elimination of inter segment transactions	Total
	----- Rupees -----				
For the half year ended December 31, 2014					
Sales	5,521,051,362	3,054,525,432	9,625,349,962	(1,536,028,585)	16,664,898,171
Cost of sales	(4,695,996,638)	(2,965,494,526)	(7,836,622,583)	(1,536,028,585)	(13,962,085,162)
Gross profit	825,054,724	89,030,906	1,788,727,379	-	2,702,813,009
Distribution cost	(190,026,089)	(42,150,021)	-	-	(232,176,110)
Administrative expenses	(89,391,163)	(17,339,027)	(30,790,598)	-	(137,520,788)
Finance cost	(136,323,487)	(31,198,022)	(869,702,135)	-	(1,037,223,644)
	(415,740,739)	(90,687,070)	(900,492,733)	-	(1,406,920,542)
Profit / (loss) before and unallocated income and expenses	409,313,985	(1,656,164)	888,234,646	-	1,295,892,467
Unallocatable income and expenses					
Other expenses					(96,444,797)
Other income					219,449,543
Share of profit of Associated Companies					3,245,844
Taxation					(128,884,775)
Profit after taxation					1,293,258,282

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Spinning	Knitting, processing and garments	Power	Elimination of inter segment transactions	Total
----- Rupees -----					
For the half year ended December 31, 2013					
Sales	5,869,603,949	3,202,132,351	7,865,541,947	(1,613,540,097)	15,323,738,150
Cost of sales	(4,761,104,749)	(2,997,398,640)	(6,348,787,759)	(1,613,540,097)	(12,493,751,051)
Gross profit	1,108,499,200	204,733,711	1,516,754,188	-	2,829,987,099
Distribution cost	(198,149,894)	(72,569,207)	-	-	(270,719,101)
Administrative expenses	(96,349,032)	(11,199,056)	(27,060,881)	-	(134,608,969)
Finance cost	(212,536,696)	(43,819,869)	(809,057,921)	-	(1,065,414,486)
	(507,035,622)	(127,588,132)	(836,118,802)	-	(1,470,742,556)
Profit before taxation and unallocated income and expenses	601,463,578	77,145,579	680,635,386	-	1,359,244,543
Unallocatable income and expenses					
Other expenses					(151,879,928)
Other income					531,510,080
Share of profit of Associated Companies					8,597,102
Taxation					(129,692,739)
Profit after taxation					1,617,779,058

14.3 **Segment assets and liabilities**

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

	Spinning	Knitting, processing and garments	Power	Total
----- Rupees -----				
As at December 31, 2014				
Segment assets	8,580,348,635	1,631,627,091	20,515,456,426	30,727,432,152
Unallocatable assets				9,000,065,735
Total assets as per balance sheet				39,727,497,887
Segment liabilities	4,683,334,408	1,187,363,638	13,934,442,496	19,805,140,542
Unallocatable liabilities				457,918,078
Total liabilities as per balance sheet				20,263,058,620
As at June 30, 2014				
Segment assets	7,093,227,507	1,734,131,670	22,171,412,513	30,998,771,690
Unallocatable assets				8,726,693,471
Total assets as per balance sheet				39,725,465,161
Segment liabilities	3,558,235,530	1,267,655,039	15,743,442,661	20,569,333,230
Unallocatable liabilities				556,687,822
Total liabilities as per balance sheet				21,126,021,052

14.4 **Geographical information**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

15. TRANSACTIONS WITH RELATED PARTIES

15.1 Significant transactions with related parties are as follows:

Relationship with the Group	Nature of transactions	Un-audited Half year ended	
		December 31, 2014 Rupees	December 31, 2013 Rupees
(i) Associates	Sales of raw material / yarn / fabric / stores	217,846,143	448,680,029
	Purchases:		
	- raw material / yarn / fabric / stores	201,310,278	215,450,926
	- electricity	83,343,273	115,531,911
	- assets	-	8,000,000
	Expenses charged by	8,508,284	7,305,040
	Expenses charged to	1,453,852	34,000
	Dividend:		
	- received	233,970	324,256
	- paid	127,454,952	50,763,515
(ii) Key management personnel	Remuneration and other benefits	100,177,883	80,120,361
(iii) Retirement fund	Contribution made	3,287,830	2,861,199
(iv) Other	Rent expense	2,630,766	2,391,606
		Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees

15.2 Period / year end balances are as follows:

Receivables from related parties

Investments	393,697,556	388,771,252
Trade debts	25,983,423	87,288,605
Other receivables	5,273,885	6,788,404

Payable to related parties

Trade and other payables	79,146,908	111,935,199
--------------------------	------------	-------------

16. GENERAL

16.1 This condensed interim consolidated financial information has been authorized for issue by the Board of Directors of the Parent Company on February 23, 2015.

16.2 Figures have been rounded off to the nearest rupee unless otherwise stated.

Lahore:
Dated: February 23, 2015

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR