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Sapphire Fibres Limited

COMPANY PROFILE

BOARD OF DIRECTORS

Chairman	:	Mr. Mohammad Abdullah
Chief Executive	:	Mr. Shahid Abdullah
Director	:	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Mohammad Yamin Mr. Naveed-ul-Islam
Audit Committee	:	
Chairman		Mr. Nadeem Abdullah
Member		Mr. Amer Abdullah
Member		Mr. Mohammad Yamin
Human Resource & Remuneration Committee	:	
Chairman		Mr. Yousuf Abdullah
Member		Mr. Naveed-ul-Islam
Member		Mr. Mohammad Yamin
Chief Financial Officer	:	Mr. Mujahid Akbar Bozdar
Secretary	:	Mr. Shaukat Mahmud
Auditors	:	Hameed Chaudhri & Company Chartered Accountants
Management Consultant	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Tax Consultants	:	Mushtaq & Company Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Allied Bank Limited, Citi Bank N.A. Habib Bank Limited, Habib Metropolitan Bank Limited National Bank of Pakistan, 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

On behalf of the Board of Directors of Sapphire Fibres Limited, we are pleased to present un-audited financial statements of the company for the quarter ended 30 September, 2013.

The company's sales volume has increased to Rs. 3,935 million as compared to Rs. 3,185 million of the same period of last year showing an increase of 23.55%. Gross profit ratio increased to 18.79% as compared to 15.28% of the last comparable period. Profit after tax increased to Rs. 1,205 million as compared to 257 million of the corresponding period. This was mainly on account of dividend income Rs. 863 million from the subsidiary company.

Performance of the Company

In spite of several challenges faced by the economy, the performance of your company remained satisfactory. Salient features of these accounts are as under:

	30 September	
	2013	2012
	Rupees in thousand	
Sales	3,934,640	3,184,948
Gross profit	739,152	486,560
Profit from operations	1,415,903	371,700
Profit before taxation	1,313,080	281,478
Taxation:		
- Current	113,248	30,631
- Deferred	(4,774)	(5,793)
	108,474	24,838
Profit after taxation	1,204,606	256,640

Earnings per share

The company's earnings per share (EPS) is Rs.61.19 as compared to Rs.13.04 of the same period of the last year.

Future outlook

Though your company has achieved good results for the 1st quarter of the year yet your management is of the view that current year will be a challenging for the industry. Cotton prices are on the higher side whereas yarn prices are not rising in proportionate to the cotton prices.

The management is working hard to moderate profitability by exploring new markets, up-grading plant efficiencies and controlling cost of doing business.

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

For and on behalf of the Board

Karachi
Dated: 31 October, 2013

Shahid Abdullah
Chief Executive

BALANCE SHEET**AS AT 30 SEPTEMBER, 2013 (UN-AUDITED)**

ASSETS	Note	Un-Audited 30 September 2013 Rupees	Audited 30 June 2013 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	5	3,560,276,501	3,557,779,240
Investment property		164,136,996	164,424,860
Intangible assets		4,208,331	4,674,757
Long term investments	6	7,681,592,097	6,820,297,846
Long term loans		408,010	940,540
Long term deposits		27,822,285	19,630,265
		11,438,444,220	10,567,747,508
CURRENT ASSETS			
Stores, spare parts and loose tools		167,002,504	145,290,525
Stock-in-trade		3,704,407,100	3,596,007,453
Trade debts		1,460,728,315	1,295,501,814
Loans and advances		130,837,001	40,575,649
Trade deposits and prepayment		3,551,645	9,749,300
Other receivables		384,401,926	227,158,398
Short term investments		1,129,573,353	1,044,511,205
Tax refunds due from Government		280,002,281	245,985,590
Cash and bank balances		148,067,982	93,155,833
		7,408,572,107	6,697,935,767
TOTAL ASSETS		18,847,016,327	17,265,683,275
EQUITY AND LIABILITIES			
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 19,687,500 ordinary shares of Rs.10 each		196,875,000	196,875,000
Reserves		5,109,923,550	4,811,876,086
Unappropriated profit		8,032,549,800	6,827,943,789
Shareholders' Equity		13,339,348,350	11,836,694,875
NON CURRENT LIABILITIES			
Long term finances		74,073,500	204,581,000
Staff retirement benefits - gratuity		166,295,362	157,919,549
Deferred taxation		33,900,242	38,674,535
Long term security deposit		2,100,000	2,100,000
		276,369,104	403,275,084
CURRENT LIABILITIES			
Trade and other payables		1,314,397,342	1,011,933,374
Accrued Markup/Interest		39,505,184	52,238,618
Short term borrowings		3,318,987,128	3,518,582,681
Current maturity of long term finances		302,202,500	300,000,000
Taxation		256,206,719	142,958,643
		5,231,298,873	5,025,713,316
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		18,847,016,327	17,265,683,275

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

Karachi:
Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

		September 2013 Rupees	September 2012 Rupees
	Note		
Sales		3,934,640,459	3,184,947,644
Cost of sales	8	<u>3,195,488,036</u>	<u>2,698,387,970</u>
Gross profit		739,152,423	486,559,674
Selling and distribution expenses		<u>143,821,398</u>	<u>124,250,151</u>
Administrative expenses		49,516,060	39,122,486
Other operating expenses		99,180,434	29,794,152
Other operating income		<u>(969,268,346)</u>	<u>(78,306,949)</u>
		<u>(676,750,454)</u>	<u>114,859,840</u>
Operating profit		1,415,902,877	371,699,834
Finance cost		<u>102,823,084</u>	<u>90,221,434</u>
Profit before taxation		1,313,079,793	281,478,400
TAXATION			
Current		<u>113,248,076</u>	<u>30,631,509</u>
Deferred		<u>(4,774,294)</u>	<u>(5,793,320)</u>
		<u>108,473,782</u>	<u>24,838,189</u>
Profit after taxation		<u><u>1,204,606,011</u></u>	<u><u>256,640,211</u></u>
Basic Earnings per share		<u><u>61.19</u></u>	<u><u>13.04</u></u>

The annexed notes from an integral part of these financial statements

Karachi:
Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED 30 SEPTEMBER, 2013 (UN-AUDITED)

	September 2013 Rupees	September 2012 Rupees
PROFIT AFTER TAXATION	1,204,606,011	256,640,211
OTHER COMPREHENSIVE INCOME:		
Fair value gain / (loss) on measurement of available-for-sale:		
- long term investments	351,294,251	308,900,447
- short term investments	(53,246,787)	46,669,786
	298,047,464	355,570,233
Total comprehensive income for the period	1,502,653,475	612,210,444

The annexed notes from an integral part of these financial statements.

Karachi:
Dated: 31 October , 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	September 2013 Rupees	September 2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	1,313,079,793	281,478,400
Adjustments for non cash charges and other items		
Depreciation	79,140,407	70,353,739
Amortisation of intangible assets	466,426	466,426
Staff retirement benefits - gratuity	10,575,000	12,225,000
Provision for workers' (profit) participation / welfare fund	97,317,407	19,816,095
Gain on disposal of tangible fixed assets	(564,722)	(43,072)
Gain on sale of short term investments	(10,763)	-
Gain on sale of stores and spares	(8,482)	(41,475)
Dividend and interest income	(958,829,444)	(71,064,969)
Finance cost	102,823,084	90,221,434
	<u>(669,091,087)</u>	<u>121,933,178</u>
Cash inflow from operating activities before working capital changes	643,988,706	403,411,578
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(22,073,724)	(35,676,391)
Stock in trade	(108,399,647)	155,250,801
Trade debts	(165,226,501)	(277,016,738)
Loans and advances	(90,261,352)	(75,138,045)
Deposits, other receivables and sales tax	(30,049,240)	1,885,697
Increase in trade and other payables	205,156,695	106,342,931
	<u>(210,853,769)</u>	<u>(124,351,745)</u>
CASH INFLOW FROM OPERATING ACTIVITIES	433,134,937	279,059,833
Gratuity paid	(2,199,187)	(2,158,018)
Finance cost paid	(115,556,518)	(100,552,306)
Income taxes paid	(112,180,239)	(52,103,914)
Long term loans and deposits	(7,659,490)	83,719
	<u>(237,595,434)</u>	<u>(154,730,519)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	195,539,503	124,329,314
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(81,637,980)	(97,094,927)
Increase in investment in subsidiary company	(510,000,000)	-
Increase in investment in associated company	-	(60,000,000)
Increase in investments available for sale	(140,413,950)	(30,829,191)
Sale proceeds of tangible fixed assets	852,900	140,000
Sale proceed of short term investments	2,115,775	-
Sale proceeds of stores and spares	370,227	340,219
Dividend, interest and other income received	915,996,355	54,330,811
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	187,283,327	(133,113,088)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - Obtained	21,695,000	-
Long term loans - Repaid	(150,000,000)	(150,000,000)
Dividend paid	(10,128)	-
Short term borrowings - net	(199,595,553)	175,641,748
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	(327,910,681)	25,641,748
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,912,149	16,857,974
CASH AND CASH EQUIVALENTS - at the beginning of the period	93,155,833	88,817,298
CASH AND CASH EQUIVALENTS - at the end of the period	<u>148,067,982</u>	<u>105,675,272</u>

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

Karachi:
Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	Reserves				Unappropriated profit	Total	
	Share capital	Capital	General	Unrealised gain on available-for-sale investments			Sub-total
----- Rupees -----							
Balance as at 01 July, 2012	196,875,000	145,740,000	1,183,845,000	1,771,245,002	3,100,830,002	5,874,999,004	9,172,704,006
Total comprehensive income for the period ended 30 Sept, 2012							
Profit for the period	0	0	0	0	0	256,640,211	256,640,211
Other comprehensive income	0	0	0	355,570,233	355,570,233	-	355,570,233
	0	0	0	355,570,233	355,570,233	256,640,211	612,210,444
Balance as at 30 Sept, 2012	196,875,000	145,740,000	1,183,845,000	2,126,815,235	3,456,400,235	6,131,639,215	9,784,914,450
Balance as at 01 July, 2013	196,875,000	145,740,000	1,183,845,000	3,482,291,086	4,811,876,086	6,827,943,789	11,836,694,875
Total comprehensive income for the period ended 30 Sept, 2013							
Profit for the period	0	0	0	0	0	1,204,606,011	1,204,606,011
Other comprehensive income	0	0	0	298,047,464	298,047,464	-	298,047,464
	0	0	0	298,047,464	298,047,464	1,204,606,011	1,502,653,475
Balance as at 30 Sept, 2013	196,875,000	145,740,000	1,183,845,000	3,780,338,550	5,109,923,550	8,032,549,800	13,339,348,350

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

Karachi:
Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

1. CORPORATE INFORMATION

The Company was incorporated in Pakistan on 05 June, 1979 as a Public Limited Company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhpura.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been prepared in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 (Interim Financial Reporting). This condensed interim financial information do not include all the information required for annual financial statements and therefore should be read in conjunction with the annual published financial statements of the Company for the year ended 30 June, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding published financial statements of the Company for the year ended 30th June, 2013.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information requires management to make judgments, 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 judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual audited financial statements for the year ended 30 June, 2013.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June, 2013

	Note	Un-audited 30 September, 2013 Rupees	Audited 30 June, 2013 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	5.1	3,408,204,456	3,271,220,504
Capital work in progress	5.2	152,072,045	286,558,736
		3,560,276,501	3,557,779,240
5.1 Tangible fixed assets			
Opening book value		3,271,220,504	2,938,162,595
Additions during the period			
- land (freehold)		4,620,000	79,033,196
- residential buildings and others		-	96,802,921
- factory buildings		25,543,271	103,831,390
- plant and machinery		184,499,993	320,412,467
- electric installations		-	11,387,295
- mill equipment		-	583,000
- computer hardware		199,410	3,866,767
- vehicles		1,262,000	22,585,646
- furniture and fixtures		-	3,578,378
		216,124,674	642,081,060
Book value of assets disposed-off during the Quarter/year		(288,179)	(9,568,853)
Depreciation charge for the quarter/year		(78,852,543)	(299,454,298)
Closing book value		3,408,204,456	3,271,220,504

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

	Note	Un-audited 30 September, 2013 Rupees	Audited 30 June, 2013 Rupees
5.2 Capital work-in-progress			
Building		15,613,330	39,974,474
Plant and machinery		15,579,567	234,618,262
Electric Installations		72,076,174	-
Advance payments:			
- buildings		31,986,974	4,000,000
- plant & machinery		16,816,000	7,966,000
		<u>152,072,045</u>	<u>286,558,736</u>
6. LONG TERM INVESTMENTS			
Subsidiary Company - at cost	6.1	3,015,204,020	2,505,204,020
Associated Companies - at cost		121,154,269	121,154,269
Others - available for sale	6.2	<u>4,545,233,808</u>	<u>4,193,939,557</u>
		<u>7,681,592,097</u>	<u>6,820,297,846</u>
6.1	172,446,420 shares of the Subsidiary Company have been pledged with a financial institution under Share Pledge Agreement dated 16 April, 2007 and Working Capital Support Agreement dated 13 August, 2010 as security against finance facilities advanced to the Subsidiary Company.		
6.2 Others - available for sale			
MCB Bank Limited - Quoted			
17,169,807 ordinary shares of Rs.10 each		918,695,933	918,695,933
Adjustment arising from re-measurement to fair value		3,597,821,797	3,246,527,546
		<u>4,516,517,730</u>	<u>4,165,223,479</u>
Novelty Enterprises (Pvt.) Limited - Unquoted			
2,351,995 ordinary shares of Rs.10 each		28,716,078	28,716,078
		<u>4,545,233,808</u>	<u>4,193,939,557</u>
7. CONTINGENCIES AND COMMITMENTS			
7.1	Guarantees issued by banks to various Government institutions on behalf of the Company aggregate Rs.161.614 million (30 June, 2013: Rs.161.614 million).		
7.2	Stand by Letters of Credit issued by Habib Bank Ltd. and Allied Bank Ltd. on request of the company favouring MCB Ltd. and Sapphire Electric Company Ltd. (subsidiary company) aggregated to Rs. Nil (30 June, 2013: Rs.405 million).		
7.3	Commitments in respect of confirmed letters of credit:		
Raw Materials,Stores, spares and chemicals		86,060,284	96,846,515
Plant and machinery		124,342,067	102,079,920
Other than letters of credit		55,806,000	42,300,000
		<u>266,208,351</u>	<u>241,226,435</u>

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

		Un-audited Quarter ended 30 September, 2013 Rupees	Un-audited Quarter ended 30 September, 2012 Rupees
8. COST OF SALES			
	Note		
Stocks - opening		393,606,498	346,787,722
Cost of goods manufactured	8.1	3,190,128,886	2,728,815,856
Cost of raw materials sold		26,071,593	10,285,995
		3,609,806,977	3,085,889,573
Stocks - closing		414,318,941	387,501,603
		3,195,488,036	2,698,387,970
8.1 Cost of goods manufactured			
Work in process - opening		250,170,763	196,702,362
Raw materials consumed		2,286,916,045	2,053,677,596
Overheads		925,212,063	683,458,361
		3,212,128,108	2,737,135,957
		3,462,298,871	2,933,838,319
Work in process closing		272,169,985	205,022,463
		3,190,128,886	2,728,815,856

9. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its Associated Companies, employee benefit plan, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment .Aggregate transactions with associated companies during the period were as follows:

Relationship with the company	Name of transaction	Un-audited Quarter ended 30 September, 2013 Rupees	Un-audited Quarter ended 30 September, 2012 Rupees
I. Subsidiary Company	Expenses charged to	-	2,400,000
II. Associates	Sale of goods and services	234,988,017	133,616,159
	Purchase of goods and services	96,912,120	212,975,533
	Electric power purchased	57,486,714	56,506,058
	Shares Received	-	100,000,000
	Assets purchased	8,000,000	-
	Expenses charged by	2,288,033	2,341,408
III. Other related parties	Contributions towards provident fund	980,574	921,246

10. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 October, 2013 by the Board of Directors of the Company.

11. PRESENTATION

Figures in the financial statements have been rounded-off to the nearest rupee.

Karachi:
Dated: 31 October , 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

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 quarter ended 30 September, 2013. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements).

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 67.83% shares of SECL as on 30 September, 2013.

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

Karachi:
Dated: 31 October, 2013

Shahid Abdullah
Chief Executive

BALANCE SHEET

AS AT 30 SEPTEMBER, 2013 (UN-AUDITED)

ASSETS	Note	Un-Audited 30 September 2013 Rupees	Audited 30 June 2013 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	6	19,290,865,702	19,431,432,155
Investment Property		164,136,996	164,424,860
Intangible assets		9,821,235	10,287,661
Long term investments	7	4,858,531,171	4,506,388,924
Long term loans - secured		408,010	940,540
Long term deposits and prepayments		28,952,085	20,860,065
		24,352,715,199	24,134,334,205
CURRENT ASSETS			
Stores, spare parts and loose tools		167,002,504	145,290,525
Stock-in-trade		3,881,356,980	3,695,671,569
Trade debts		5,510,122,989	4,882,524,483
Loans and advances		216,618,927	84,974,856
Deposits and prepayments		8,736,469	54,504,906
Other receivables		772,074,793	889,653,416
Interest receivable		590,321	672,477
Short term investments		1,129,573,353	1,044,511,205
Tax refunds due from the Government		418,760,089	271,537,066
Cash and bank balances		682,435,118	1,277,541,056
		12,787,271,543	12,346,881,559
TOTAL ASSETS		37,139,986,742	36,481,215,764
EQUITY AND LIABILITIES			
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		196,875,000	196,875,000
Reserves		5,428,117,109	5,077,277,126
Unappropriated profit		8,332,341,280	8,287,575,299
Shareholders' Equity		13,957,333,389	13,561,727,425
NON CONTROLLING INTEREST		2,362,424,145	2,794,434,833
TOTAL EQUITY		16,319,757,534	16,356,162,258
NON CURRENT LIABILITIES			
Long term finances		9,614,735,417	10,013,467,987
Staff retirement benefits - gratuity		166,295,362	157,919,549
Deferred taxation		35,427,345	39,930,765
Long term security deposit		2,100,000	2,100,000
		9,818,558,124	10,213,418,301
CURRENT LIABILITIES			
Trade and other payables		2,745,341,783	2,002,580,899
Accrued Markup/Interest		544,831,235	320,933,790
Short term borrowings		6,131,721,800	6,157,089,256
Current maturity of long term finances		1,323,569,547	1,288,072,617
Taxation		256,206,719	142,958,643
		11,001,671,084	9,911,635,205
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		37,139,986,742	36,481,215,764

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

Karachi:
Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

		September 2013 Rupees	September 2012 Rupees
	Note		
Sales		7,617,810,711	8,139,471,946
Cost of sales	9	<u>6,215,580,821</u>	<u>6,767,445,160</u>
Gross profit		1,402,229,890	1,372,026,786
Selling and distribution expenses		<u>143,821,398</u>	<u>124,250,151</u>
Administrative expenses		60,717,238	51,733,486
Other operating expenses		116,017,586	38,970,781
Other operating income		<u>(107,003,623)</u>	<u>(80,151,614)</u>
		<u>213,552,599</u>	<u>134,802,804</u>
Operating profit		1,188,677,291	1,237,223,982
Finance cost		<u>495,817,231</u>	<u>688,787,327</u>
		<u>692,860,060</u>	<u>548,436,655</u>
Share of profit of associates		2,581,607	3,068,794
Profit before taxation		<u>695,441,667</u>	<u>551,505,449</u>
TAXATION			
Current		<u>113,454,688</u>	<u>30,788,015</u>
Deferred		<u>(4,503,421)</u>	<u>(5,695,641)</u>
		<u>108,951,267</u>	<u>25,092,374</u>
Profit after taxation		<u>586,490,400</u>	<u>526,413,075</u>
Attributable to:			
Shareholders of the Parent Company		508,501,088	417,237,799
Non controlling interest		<u>77,989,312</u>	<u>109,175,276</u>
		<u>586,490,400</u>	<u>526,413,075</u>
Basic Earnings per share		<u>25.83</u>	<u>21.19</u>

The annexed notes from an integral part of these financial statements

Karachi:
Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED 30 SEPTEMBER, 2013 (UN-AUDITED)

	September 2013 Rupees	September 2012 Rupees
PROFIT AFTER TAXATION	586,490,400	526,413,075
OTHER COMPREHENSIVE INCOME:		
Fair value gain / (loss) on measurement of available-for-sale:		
- long term investments	351,294,251	308,900,447
- short term investments	(53,246,787)	45,587,797
Share of fair value gain / (loss) on re-measurement of available-for-sale investments of Associated Companies	53,868	(10,610)
	298,101,332	354,477,634
Unrealised loss on remeasurement of forward foreign exchange contracts	(55,137)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	884,536,595	880,890,709
Attributable to:		
Shareholders of the Parent Company	806,547,283	772,158,183
Non-controlling Interest	77,989,312	108,732,526
	884,536,595	880,890,709

The annexed notes from an integral part of these financial statements

Karachi:
Dated: 31 October , 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	September 2013 Rupees	September 2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period - before taxation and share of profit of associates	1,555,715,104	548,280,149
Adjustments for non cash charges and other items		
Depreciation	224,808,236	217,783,866
Amortisation of intangible assets	466,426	466,426
Staff retirement benefits - gratuity	10,575,000	12,225,000
Provision for workers' (profit) participation / welfare fund	97,317,407	19,816,095
Gain on disposal of tangible fixed assets	(564,722)	(43,072)
Gain / (loss) on disposal of investments	(10,763)	(1,397,506)
Gain on sale of stores & spares	(8,482)	(41,475)
Dividend, interest and other income	(959,419,765)	(71,512,128)
Exchange fluctuation loss	16,837,152	2,477,181
Finance cost	495,817,233	688,787,327
	(114,182,278)	868,561,714
Cash inflow from operating activities before working capital changes	1,441,532,826	1,416,841,863
Decrease/(increase) in current assets		
Stores, spares and loose tools	(22,073,724)	(35,676,391)
Stock in trade	(185,685,411)	99,597,549
Trade debts	(627,598,506)	740,695,864
Loans and advances	(90,261,352)	(75,138,045)
Deposits, other receivables and sales tax	130,272,514	106,797,011
Increase in trade and other payables	628,616,457	(416,698,448)
	(166,730,022)	419,577,540
CASH INFLOW FROM OPERATING ACTIVITIES	1,274,802,804	1,836,419,403
Gratuity paid	(2,199,187)	(2,158,018)
Finance cost paid	(271,919,786)	(1,133,874,418)
Income taxes paid	(112,804,723)	(52,617,535)
Long term loans and deposits	(7,659,490)	83,719
	(394,583,186)	(1,188,566,252)
NET CASH INFLOW FROM OPERATING ACTIVITIES	880,219,618	647,853,151
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(84,242,095)	(101,276,649)
Increase in investment in subsidiary company	(510,000,000)	-
Increase in investment in associated company	-	(60,000,000)
Increase in investments available for sale	(140,413,950)	(52,343,383)
Sale proceeds of investments	2,115,775	21,514,192
Sale proceeds of tangible fixed assets	852,900	140,000
Sale proceeds of stores & spares	370,227	340,219
Dividend, interest and other income received	916,668,832	55,002,909
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	185,351,689	(136,622,712)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - Obtained	21,695,000	-
Long term loans - Repaid	(384,930,640)	(494,493,956)
Dividend paid	(1,272,074,149)	-
Short term borrowings - net	(25,367,456)	(156,571,880)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(1,660,677,245)	(651,065,836)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(595,105,938)	(139,835,397)
CASH AND CASH EQUIVALENTS - at the beginning of the period	1,277,541,056	324,837,751
CASH AND CASH EQUIVALENTS - at the end of the period	682,435,118	185,002,354

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

Karachi:

Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	Reserves						Sub-total	Unappropri- ated profit	Total	Non Controlling Interest
	Capital		General	Unrealised gain on available-for- sale investments	Unrealised gain on hedging instruments	Unrealised gain on sale instruments				
	Share premium	Maintenance reserve								
Balance as at 01 July, 2012	196,875,000	145,740,000	158,253,530	1,183,845,000	1,775,891,776	-	3,263,730,306	6,535,053,656	9,995,658,962	2,191,427,518
Total comprehensive income for the period ended 30 Sept, 2012										
Profit for the period	-	-	-	-	-	-	-	417,237,799	417,237,799	109,175,276
Other comprehensive income / (loss)	-	-	-	-	354,920,384	44,460	354,964,844	-	354,964,844	(442,750)
	-	-	-	-	354,920,384	44,460	354,964,844	417,237,799	772,202,643	108,732,526
Transfer to maintenance reserve	-	-	31,855,941	-	-	-	31,855,941	(31,855,941)	-	-
Effect of items directly credited in equity by associates	-	-	-	-	-	-	-	6,648,288	6,648,288	-
Balance as at 30 Sept, 2012	196,875,000	145,740,000	190,109,471	1,183,845,000	2,130,812,160	44,460	3,650,551,091	6,927,083,802	10,774,509,893	2,300,160,044
Balance as at 01 July, 2013	196,875,000	145,740,000	261,166,584	1,183,845,000	3,486,456,351	69,191	5,077,277,126	8,287,575,299	13,561,727,425	2,794,434,833
Total comprehensive income for the period ended 30 Sept, 2013										
Profit for the period	-	-	-	-	-	-	-	508,501,088	508,501,088	77,989,312
Other comprehensive income/(loss)	-	-	-	-	298,101,332	(55,137)	298,046,195	-	298,046,195	-
	-	-	-	-	298,101,332	(55,137)	298,046,195	508,501,088	806,547,283	77,989,312
Transfer to maintenance reserve	-	-	52,793,788	-	-	-	52,793,788	(52,793,788)	-	-
Further acquisition	-	-	-	-	-	-	-	-	-	(510,000,000)
Dividend paid	-	-	-	-	-	-	-	(409,208,977)	(409,208,977)	-
Effect of items directly credited in equity by associates	-	-	-	-	-	-	-	(1,732,342)	(1,732,342)	-
Balance as at 30 Sept, 2013	196,875,000	145,740,000	313,960,372	1,183,845,000	3,784,557,683	14,054	5,428,117,109	8,332,341,280	13,957,333,389	2,362,424,145

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

Karachi:

Dated: 31 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

1. LEGAL STATUS AND OPERATIONS

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

The Parent Company was incorporated in Pakistan on 05 June, 1979 as a Public Limited Company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Parent Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhpura.

The Subsidiary Company was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on 18 January, 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. The address of registered office of the Subsidiary Company is 7 - A/K, Main Boulevard, Gulberg - II, Lahore. The Parent Company's direct interest, as at 30 September, 2013 in the Subsidiary Company is 67.83% (30 June, 2013: 59.08%).

2. BASIS OF PREPARATION

2.1 This condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim consolidated financial information does not include all the information required for annual 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 30 June, 2013.

2.2 This condensed interim consolidated financial information is presented in Pak Rupee, which is the functional currency of the Group. All the financial information presented in Pak Rupee has been rounded-off to the nearest Rupee except stated otherwise.

3. PRINCIPLES OF CONSOLIDATION

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid-up capital of the Subsidiary Company.

All Intra-group balances and transactions are eliminated.

Investments in Associated Companies, as defined in the Companies Ordinance, 1984, are accounted for using the equity method of accounting.

Non-controlling interest is calculated on the basis of their proportionate share in the net assets of the Subsidiary Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the annual published consolidated financial statements of the Group for the year ended 30 June, 2013.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim consolidated financial information requires management to make judgments, 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 consolidated financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual audited consolidated financial statements for the year ended 30 June, 2013.

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June, 2013.

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

		Un-audited 30 September, 2013 Rupees	Audited 30 June, 2013 Rupees
6. PROPERTY, PLANT AND EQUIPMENT	Note		
Tangible fixed assets	6.1	19,133,619,262	19,139,699,025
Capital work in progress	6.2	157,246,440	291,733,130
		19,290,865,702	19,431,432,155
6.1 Tangible fixed assets			
Opening book value		19,139,699,025	19,594,004,871
Additions/Adjustments during the period/year			
- land (free hold)		4,620,000	79,033,196
- residential buildings and others		-	96,802,921
- factory buildings		25,543,270	104,121,390
- plant and machinery		184,499,993	95,809,292
- electric installations		-	11,387,295
- mill equipments		-	583,000
- office equipments		149,735	1,032,572
- computer hardware		431,410	4,187,984
- vehicles		3,484,380	24,314,486
- furniture and fixtures		-	7,079,805
		218,728,788	424,351,941
Book value of assets disposed-off during the quarter/year		(288,179)	(10,048,026)
Depreciation charge for the quarter/year		(224,520,372)	(868,609,761)
Closing book value		19,133,619,262	19,139,699,025
6.2 Capital work-in-progress			
Building		20,565,721	44,926,864
Plant and machinery		15,579,567	234,618,262
Electric Installations		72,076,174	-
Advance payments:			
- plant and machinery		17,013,201	8,163,201
- buildings		31,986,974	4,000,000
- furniture and fixtures		24,803	24,803
		157,246,440	291,733,130
7. LONG TERM INVESTMENTS			
Associated Companies	7.1	313,297,363	312,449,367
Others - available for sale	7.2	4,545,233,808	4,193,939,557
		4,858,531,171	4,506,388,924

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

	Un-audited 30 September, 2013 Rupees	Audited 30 June, 2013 Rupees
7.1 Associated Companies		
Quoted		
Reliance Cotton Spinning Mills Limited		
138,900 ordinary shares of Rs.10 each Equity held: 1.35%	1,306,269	1,306,269
Add: share of post acquisition profit	22,328,460	20,976,326
Less: dividend received during the period / year	-	(198,626)
	<u>23,634,729</u>	<u>22,083,969</u>
SFL Limited		
10,199 ordinary shares of Rs.10 each Equity held: 0.051%	100,000	100,000
Add: share of post acquisition profit	1,157,971	1,077,754
	<u>1,257,971</u>	<u>1,177,754</u>
Un-quoted		
Sapphire Power Generation Limited		
1 550 000 ordinary shares of Rs.10 each Equity held: 16.54%	19,748,000	19,748,000
Add: share of post acquisition profit	170,021,937	167,865,773
	<u>189,769,937</u>	<u>187,613,773</u>
Sapphire Dairies (Private) Limited		
10,000,000 ordinary shares of Rs.10 each Equity held: 9.52 %	100,000,000	100,000,000
Add: share of post acquisition profit	(1,365,274)	1,573,871
	<u>98,634,726</u>	<u>101,573,871</u>
	<u>313,297,363</u>	<u>312,449,367</u>
7.2 Others - available for sale		
MCB Bank Limited - Quoted		
17,169,807 ordinary shares of Rs.10 each	918,695,933	918,695,933
Adjustment arising from re-measurement to fair value	3,597,821,797	3,246,527,546
	<u>4,516,517,730</u>	<u>4,165,223,479</u>
Novelty Enterprises (Pvt.) Limited - Unquoted		
2,351,995 ordinary shares of Rs.10 each	28,716,078	28,716,078
	<u>4,545,233,808</u>	<u>4,193,939,557</u>

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

8. CONTINGENCIES AND COMMITMENTS

- 8.1** Guarantees issued by banks to various Government institutions on behalf of the Parent and Subsidiary Company aggregate Rs.1,071.613 million (30 June, 2013: Rs.1,963.114 million).
- 8.2** Claims against the subsidiary company not acknowledged as debt Rs.19.214 million (30 June, 2013: Rs:19.214 million). Provision has not been made in these financial statements for the aforesaid amount as management is confident that it will not materialize.
- 8.3** Standby letters of credit issued by Habib bank Limited and Allied Bank Limited on request of the Parent Company favouring MCB Bank Ltd. and the Subsidiary Company aggregated Rs.Nil (2013: Rs.405 million)

	Un-audited 30 September, 2013	Audited 30 June, 2012
8.4 Commitments in respect of confirmed letters of credit:		
Raw Materials,Stores, spares and chemicals	86,060,284	102,079,920
Plant and machinery	124,342,067	96,846,515
Other than letters of credit	55,806,000	42,300,000
	266,208,351	241,226,435

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

- 8.6** 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 started from the Commercial Operations Date of the power station 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%.

		Un-audited Quarter ended 30 September, 2013	Un-audited Quarter ended 30 September, 2012
9. COST OF SALES			
	Note		
Stocks - opening		393,606,498	346,787,722
Cost of goods manufactured	9.1	6,210,221,671	6,797,873,046
Cost of raw materials sold		26,071,593	10,285,995
		6,629,899,762	7,154,946,763
Stocks - closing		414,318,941	387,501,603
		6,215,580,821	6,767,445,160
9.1 Cost of goods manufactured			
Work in process - opening		250,170,763	196,702,362
Raw materials consumed		4,891,009,477	5,761,702,476
Overheads		1,341,211,416	1,044,490,671
		6,232,220,893	6,806,193,147
		6,482,391,656	7,002,895,509
Work in process - closing		272,169,985	205,022,463
		6,210,221,671	6,797,873,046

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

10 SEGMENT INFORMATION

The Group's reportable segments are as follows:

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

10.1 Segment revenues and results

	Spinning	Knitting, Procssing and garments	Power	Elimination of Inter segment transactions	Total
----- Rupees -----					
For the period ended 30 September, 2013					
Sales	3,137,202,221	1,611,410,668	3,683,170,252	(813,972,430)	7,617,810,711
Cost of sales	2,510,582,686	1,498,877,780	3,020,092,785	(813,972,430)	6,215,580,821
Gross profit	626,619,535	112,532,888	663,077,467	-	1,402,229,890
Selling and distribution cost	104,293,991	39,527,407	-	-	143,821,398
Administrative expenses	43,700,953	5,815,107	11,201,178	-	60,717,238
Finance cost	82,531,771	20,291,313	392,994,147	-	495,817,231
	230,526,715	65,633,827	404,195,325	-	700,355,867

Profit/(loss) before taxation and unallocated income/expenses

	396,092,820	46,899,061	258,882,142	-	701,874,023
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Unallocated income and expenses

Other operating expenses					(116,017,586)
Other operating income					107,003,623
Share of profit of associates					2,581,607
Taxation					(108,951,267)
Profit after taxation					586,490,400

	Spinning	Knitting, Procssing and garments	Power	Elimination of Inter segment transactions	Total
----- Rupees -----					

For the period ended 30 September, 2012

Sales	2,660,247,081	1,026,404,341	4,954,524,302	(501,703,778)	8,139,471,946
Cost of sales	2,218,447,690	981,644,058	4,069,057,190	(501,703,778)	6,767,445,160
Gross profit	441,799,391	44,760,283	885,467,112	-	1,372,026,786
Selling and distribution cost	97,427,382	26,822,769	-	-	124,250,151
Administrative expenses	34,798,724	4,323,762	12,611,000	-	51,733,486
Finance cost	82,650,361	7,571,073	598,565,893	-	688,787,327
	214,876,467	38,717,604	611,176,893	-	864,770,964

Profit/(loss) before taxation and unallocated income/expenses

	226,922,924	6,042,679	274,290,219	-	507,255,822
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Unallocated income and expenses

Other operating expenses					(38,970,781)
Other operating income					80,151,614
Share of profit of associates					3,068,794
Taxation					(25,092,374)
Profit after taxation					526,413,075

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER , 2013

10.2 Segment assets and liabilities

	Spinning	Knitting, Procssing and garments	Power	Total
----- Rupees -----				
As at 30 September, 2013				
Segment assets	7,483,387,675	1,792,984,219	20,841,286,680	30,117,658,574
Unallocated assets				<u>7,022,328,168</u>
				<u>37,139,986,742</u>
Segment liabilities	3,638,561,177	1,317,855,892	15,170,406,661	20,126,823,730
Unallocated liabilities				<u>693,405,478</u>
				<u>20,820,229,208</u>
As at 30 June, 2013				
Segment assets	7,194,609,504	1,592,228,376	21,357,649,563	30,144,487,443
Unallocated assets				<u>6,336,728,321</u>
				<u>36,481,215,764</u>
Segment liabilities	3,927,000,128	1,157,663,415	14,564,234,927	19,648,898,470
Unallocated liabilities				<u>476,155,036</u>
				<u>20,125,053,506</u>

10.3 Geographical information

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

11. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its Associated Companies, employee benefit plan, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment .Aggregate transactions with associated companies during the period were as follows:

Relationship with the company	Name of transaction	Un-audited Quarter ended 30 September, 2013 Rupees	Un-audited Quarter ended 30 September, 2012 Rupees
I. Associates	Sale of goods and services	234,988,017	133,616,159
	Purchase of goods and services	96,912,120	212,975,533
	Electric power purchased	57,486,714	56,506,058
	Shares Received	-	100,000,000
	Assets purchased	8,000,000	-
	Expenses charged by	2,288,033	2,341,408
II. Other related parties	Contribution towards provident fund	1,427,410	1,249,401
	Rent expenses	1,195,803	1,087,095

12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 October, 2013 by the Board of Directors of the Company.

13. PRESENTATION

Figures in the financial statements have been rounded-off to the nearest rupee.

Karachi:
Dated: 31 October , 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR