

# CONTENTS

## Sapphire Fibres Limited

Company Profile	02
Directors' Report	03
Directors' Report (Urdu)	04
Balance Sheet	05
Profit & Loss Account	06
Statement Of Comprehensive Income	07
Cash Flow Statement	08
Statement Of Changes In Equity	09
Notes To The Financial Statements	10

## Company Profile

### BOARD OF DIRECTORS

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

# Directors' Report to the Shareholders

The Directors of the Company are pleased to present un-audited financial statements for the quarter ended 30 September 2016.

## Financial Highlights

	2016	30 September 2015
	Rupees in thousand	
Sales & services	3,266,017	2,999,540
Gross profit	259,743	349,502
Profit from operations	287,080	316,748
Other income	192,931	165,441
Profit before taxation	158,786	242,575
Taxation:		
- Current	41,961	47,615
- Deferred	9,227	8,589
	51,188	56,204
<b>Profit after taxation</b>	<b>107,598</b>	<b>186,371</b>

During the first quarter of this financial year, your company achieved sales of Rs. 3.27 billion compared to Rs. 3.00 billion during corresponding period of last year, an increase of 8.9%. The gross profit as a percentage of sales stood at 7.95% as compared to 11.65% during last year. Whereas, the Company earned profit after tax of Rs. 107.60 million as against Rs. 186.37 million during same period of last year.

## Earnings per share

The earnings per share (EPS) were at Rs.5.47 as compared to Rs.9.47 for the same period of last year.

## Future outlook

The Textile sector is expected to remain under pressure due to subdued demand in both local and international markets and high manufacturing costs in the country. The competitiveness of our exports in global markets has declined considerably in recent past. To improve this situation, textile sector eagerly awaits the announcement of relief package for exporters as promised by the government.

The directors appreciate sincere contributions and the hard work by staff and workers of the company.

For and on behalf of the Board

Lahore:  
Dated: October 31, 2016

**SHAHID ABDULLAH**  
Chief Executive

## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز آپ کے سامنے نہایت مسرت کے ساتھ ۳۰ ستمبر ۲۰۱۶ کو اختتام پذیر ہونے والی سہ ماہی کی غیر آڈٹ شدہ مالی تفصیلات پیش کر رہے ہیں۔  
مالیاتی نتائج:

۳۰ ستمبر

2015

2016

رقم ہزاروں میں

2,999,540	3,266,017	فروخت اور خدمات
349,502	259,743	کُل منافع
316,748	287,080	آپریشن سے منافع
165,441	192,931	دیگر ذرائع سے آمدنی
242,575	158,786	قبل از ٹیکس منافع
		ٹیکس:
47,615	41,961	موجودہ سال
8,589	9,227	موخر
56,204	51,188	
186,371	107,598	بعد از ٹیکس منافع

موجودہ سال کی پہلی سہ ماہی میں کمپنی کی فروخت اور خدمات 3 ارب 27 کروڑ روپے ہیں جبکہ گزشتہ سال 3 ارب روپے تھیں۔ جو کہ پچھلی سہ ماہی سے 8.9 فیصد زیادہ ہے۔ شرح کُل منافع فروخت اور خدمات کا 7.95 فیصد رہا جبکہ یہی شرح پچھلے سال کی سہ ماہی میں 11.65 فیصد تھی۔ موجودہ سہ ماہی کمپنی کا بعد از ٹیکس منافع 10 کروڑ 76 لاکھ روپے رہا جو کہ پچھلے سال 18 کروڑ 63 لاکھ روپے تھا۔

آمدنی فی حصص:

آمدنی فی حصص 5.47 روپے ہے جو کہ پچھلے سال کی پہلی سہ ماہی 9.47 روپے تھا۔

مستقبل کا منظر نامہ:

ٹیکسٹائل انڈسٹری مستقبل میں دباؤ کا شکار رہے گی، جسکی بنیادی وجہ اندرونی اور بیرونی فروخت میں طلب کی کمی اور مقامی مارکیٹ میں مینوفیکچرنگ اخراجات کی بلند قیمتیں ہیں۔ ماضی قریب میں عالمی منڈی میں ہماری برآمدات مسابقت کی دوڑ میں پیچھے رہی ہیں۔ ٹیکسٹائل انڈسٹری کی موجودہ حالت کو بہتر کرنے کے لئے برآمد کنندگان حکومت کی طرف سے اعلان کردہ امدادی پیکیج کا انتظار کر رہے ہیں۔

ڈائریکٹرز، کمپنی کے عملے اور کارکنان کی محنت اور مخلص شراکت داری کو قدر کی نگاہ سے دیکھتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے نامزد

شاہد عبداللہ  
چیف ایگزیکٹو

لاہور

۳۱ اکتوبر، ۲۰۱۶

**Balance Sheet** (Un-audited)**As At September 30, 2016**

	NOTE	Un-Audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	5	8,316,600,128	8,253,968,815
Investment property		31,750,000	31,750,000
Intangible assets		2,441,630	2,878,869
Long term investments	6	8,965,541,530	8,782,567,920
Long term loans		-	20,000
Long term deposits		28,241,645	28,236,645
		<b>17,344,574,933</b>	<b>17,099,422,249</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools		239,620,300	183,035,986
Stock-in-trade		2,841,594,546	2,892,976,240
Trade debts		1,326,771,197	1,265,131,685
Loans and advances		273,371,577	158,626,922
Trade deposits and short term prepayments		4,557,396	3,339,843
Short term investments		3,834,641,909	3,403,993,067
Other receivables		516,873,068	349,536,167
Tax refunds due from Government		676,814,702	1,069,011,845
Cash and bank balances		143,351,616	101,213,600
		<b>9,857,596,311</b>	<b>9,426,865,355</b>
<b>Total Assets</b>		<b>27,202,171,244</b>	<b>26,526,287,604</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised Capital			
35,000,000 ordinary shares of Rs.10 each		<b>350,000,000</b>	350,000,000
Issued, subscribed and paid-up capital			
19,687,500 ordinary shares of Rs.10 each		<b>196,875,000</b>	196,875,000
Reserves		<b>5,508,295,594</b>	5,231,064,026
Unappropriated profit		<b>10,044,074,221</b>	9,936,475,908
<b>Total equity</b>		<b>15,749,244,815</b>	<b>15,364,414,934</b>
<b>Non current liabilities</b>			
Long term finances		<b>2,388,102,382</b>	2,114,448,632
Staff retirement benefits - gratuity		<b>304,530,240</b>	283,847,228
Deferred taxation		<b>228,258,585</b>	179,983,406
		<b>2,920,891,207</b>	<b>2,578,279,266</b>
<b>Current liabilities</b>			
Trade and other payables		<b>1,654,997,036</b>	1,494,734,160
Accrued Markup/Interest		<b>78,514,360</b>	71,181,315
Short term borrowings		<b>6,633,373,143</b>	6,894,488,380
Current portion of long term finances		<b>14,052,666</b>	14,052,666
Provision for taxation		<b>151,098,017</b>	109,136,883
		<b>8,532,035,222</b>	<b>8,583,593,404</b>
<b>Contingencies and commitments</b>			
	7		
<b>Total equity and liabilities</b>		<b>27,202,171,244</b>	<b>26,526,287,604</b>

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

Lahore:

Dated: October 31, 2016

**SHAHID ABDULLAH**

CHIEF EXECUTIVE

**SHAYAN ABDULLAH**

DIRECTOR

## Profit and Loss Account (Un-audited)

For the Quarter ended September 30, 2016

	September, 2016 Rupees	September, 2015 Rupees
	<b>Note</b>	
Sales	<b>3,266,016,595</b>	2,999,539,956
Cost of sales	<b>8 3,006,273,868</b>	2,650,037,727
Gross profit	<b>259,742,727</b>	349,502,229
Distribution cost	<b>88,642,900</b>	113,075,110
Administrative expenses	<b>67,322,820</b>	67,625,118
Other expenses	<b>9,627,939</b>	17,495,539
Other income	<b>(192,930,796)</b>	(165,441,086)
	<b>(27,337,137)</b>	32,754,681
Profit from operations	<b>287,079,864</b>	316,747,548
Finance cost	<b>128,293,714</b>	74,171,959
Profit before taxation	<b>158,786,150</b>	242,575,589
<b>TAXATION</b>		
Current	<b>41,961,134</b>	47,614,682
Deferred	<b>9,226,703</b>	8,589,591
	<b>51,187,837</b>	56,204,273
Profit after taxation	<b>107,598,313</b>	186,371,316
<b>Earnings per share - basic and diluted</b>	<b>5.47</b>	9.47

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

Lahore:  
Dated: October 31, 2016SHAHID ABDULLAH  
CHIEF EXECUTIVESHAYAN ABDULLAH  
DIRECTOR

## Statement of Comprehensive Income (Un-audited)

For the Quarter ended September 30, 2016

	September, 2016 Rupees	September, 2015 Rupees
<b>Profit after taxation</b>	<b>107,598,313</b>	186,371,316
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
Unrealised gain / (loss) due to change in fair value of available for sale investments		
- long term	182,973,610	(563,663,220)
- short term	169,216,202	(146,164,747)
Impact of deferred tax	(39,048,470)	(48,444,495)
Adjustment for gain included in profit and loss account upon sale of available-for-sale investments	(36,250,946)	(31,228,491)
	276,890,396	(789,500,953)
Unrealised gain on remeasurement of forward foreign currency contracts	1,431,394	7,221,213
Reclassification adjustments relating to gain realised on settlement of foreign currency contracts	(1,090,222)	-
	341,172	7,221,213
	277,231,568	(782,279,740)
<b>Total comprehensive profit / (loss) for the period</b>	<b>384,829,881</b>	(595,908,424)

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

Lahore:  
Dated: October 31, 2016SHAHID ABDULLAH  
CHIEF EXECUTIVESHAYAN ABDULLAH  
DIRECTOR



## Cash Flow Statement (Un-audited)

For the Quarter ended September 30, 2016

	September, 2016 Rupees	September, 2015 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period - before taxation	158,786,150	242,575,589
Adjustments for non cash charges and other items		
Depreciation	147,637,043	83,491,056
Amortisation of intangible assets	437,239	437,239
Staff retirement benefits - gratuity	25,080,000	20,010,000
Provision for workers' (profit) participation / welfare fund	9,199,551	16,834,719
Gain on disposal of tangible fixed assets	(2,156,013)	(2,172,614)
Gain on sale of investments	(36,250,946)	(15,428,866)
Gain on sale of stores and spares	(9,919)	(78,015)
Dividend income	(149,406,818)	(138,786,894)
Finance cost	128,293,714	74,171,959
	122,823,851	38,478,584
Cash inflow from operating activities before working capital changes	281,610,001	281,054,173
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(56,776,116)	(13,085,578)
Stock in trade	51,381,694	364,223,978
Trade debts	(61,639,512)	(189,384,065)
Loans and advances	(114,744,655)	(88,738,440)
Deposits, other receivables and sales tax	296,117,901	(6,114,351)
Increase in trade and other payables	149,432,057	27,221,331
	263,771,369	94,122,875
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	545,381,370	375,177,048
Gratuity paid	(4,396,988)	(3,603,121)
Finance cost paid	(119,325,957)	(84,750,801)
Taxes refund / paid (net)	49,578,763	(55,201,794)
Workers' profit participation fund paid	-	(65,277,387)
Long term loans and deposits	15,000	(455,000)
	(74,129,182)	(209,288,103)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	471,252,188	165,888,945
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(211,962,342)	(889,976,536)
Increase in investments available for sale	(367,463,575)	(542,514,977)
Sale proceeds of tangible fixed assets	3,850,000	10,600,000
Sale proceed of short term investments	106,030,935	166,561,778
Sale proceeds of stores and spares	201,721	596,400
Dividend received	27,694,018	87,536,706
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	(441,649,243)	(1,167,196,629)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans - Obtained	280,354,000	485,706,000
Long term loans - Repaid	(6,700,250)	(4,010,417)
Dividend paid	(3,442)	(38,063)
Short term borrowings - net	(261,115,237)	540,776,330
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	12,535,071	1,022,433,850
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	42,138,016	21,126,166
<b>CASH AND CASH EQUIVALENTS- at the beginning of the period</b>	101,213,600	132,197,163
<b>CASH AND CASH EQUIVALENTS- at the end of the period</b>	143,351,616	153,323,329

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

Lahore:

Dated: October 31, 2016

SHAHID ABDULLAH

CHIEF EXECUTIVE

SHAYAN ABDULLAH

DIRECTOR



## Statement of Changes in Equity (Un-audited)

For the Quarter ended September 30, 2016

	Issued, subscribed and paid up capital	Reserves					Unappropriated profit	Total	
		Capital	General	Unrealised gain on available-for- sale	Unrealised gain on hedging instruments	Sub-total			
Rupees									
Balance as at 01 July, 2015	196,875,000	145,740,000	1,183,845,000	4,676,631,187	-	6,006,216,187	8,730,329,881	14,933,421,068	
Total comprehensive income for the period ended 30 Sept, 2015									
Profit for the period	-	-	-	-	-	-	186,371,316	186,371,316	
Other comprehensive (loss) / income	-	-	-	(789,500,953)	7,221,213	(782,279,740)	-	(782,279,740)	
Balance as at 30 Sept, 2015	196,875,000	145,740,000	1,183,845,000	3,887,130,234	7,221,213	5,223,936,447	8,916,701,197	14,337,512,644	
Balance as at 01 July, 2016	196,875,000	145,740,000	1,183,845,000	3,900,388,804	1,090,222	5,231,064,026	9,936,475,908	15,364,414,934	
Total comprehensive income for the period ended 30 Sept, 2016									
Profit for the period	-	-	-	-	-	-	107,598,313	107,598,313	
Other comprehensive income	-	-	-	276,890,396	341,172	277,231,568	-	277,231,568	
Balance as at 30 Sept, 2016	196,875,000	145,740,000	1,183,845,000	4,177,279,200	1,431,394	5,508,295,594	10,044,074,221	15,749,244,815	

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

Lahore:

Dated: October 31, 2016

SHAHID ABDULLAH  
CHIEF EXECUTIVESHAYAN ABDULLAH  
DIRECTOR

## Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

### 1. CORPORATE INFORMATION

The Company was incorporated in Pakistan on 05 June, 1979 as a Public Limited Company and its shares are quoted on Pakistan Stock Exchange. 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, 2016.

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

### 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 preparation of preceding published financial statements of the Company for the year ended 30 June, 2016.

### 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, 2016 except for the changes stated in note 5.3.

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, 2016.

## Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

	Note	Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	7,547,490,176	7,568,105,475
Capital work in progress	5.2	769,109,952	685,863,340
		<b>8,316,600,128</b>	<b>8,253,968,815</b>
<b>5.1 Operating fixed assets</b>			
Opening book value		7,568,105,475	3,811,921,872
Additions during the quarter / year			
- land (freehold)		-	5,530,000
- land (leasehold)		-	9,460,000
- residential buildings and others		-	138,422,512
- leased office improvements		-	5,664,901
- factory buildings on freehold land		-	1,259,299,978
- plant and machinery		102,540,256	2,544,062,266
- electric installations		5,832,575	173,141,723
- mill equipment		-	4,770,988
- computer hardware		138,400	2,903,399
- vehicles		20,204,500	42,028,670
- furniture and fixtures		-	1,756,130
		128,715,731	4,187,040,567
Book value of assets disposed-off during the quarter/year		(1,693,987)	(57,639,739)
Depreciation charge for the quarter/year		(147,637,043)	(373,217,225)
Closing book value		<b>7,547,490,176</b>	<b>7,568,105,475</b>
<b>5.2 Capital work-in-progress</b>			
Building		186,691,464	112,389,415
Plant and machinery		309,022,990	302,858,011
Mills equipment		145,000	-
Furniture and fixture		837,200	-
Computer hardware		64,000	-
Advance payments:			
- land (leasehold)		211,031,800	211,031,800
- factory / office building		45,075,160	40,980,105
- plant & machinery		3,507,078	5,035,858
- vehicles		12,735,260	13,568,151
		<b>769,109,952</b>	<b>685,863,340</b>

## Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

- 5.3 The management, during the current period, has revised the depreciation rates of plant and machinery related to new Denim Plant. Keeping in consideration the assessed useful life of these assets, consequently depreciation rates have been revised to 5% from 10%. Management believes that the said change in estimate reflects more accurately the pattern of consumption of economic benefits of the respective assets. The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effect of this change in accounting estimate has been recognized prospectively in the profit and loss account of the current period. Had there been no revision, profit before taxation for the current period would have been decreased by Rs. 30.12 million whereas the carrying value of operating fixed assets would have been lower by same amount.

	Note	Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>6. LONG TERM INVESTMENTS</b>			
Subsidiary Company - at cost	6.1	3,039,008,316	3,039,008,316
Associated Companies - at cost		165,761,769	165,761,769
Others - available for sale	6.2	5,760,771,445	5,577,797,835
		<u>8,965,541,530</u>	<u>8,782,567,920</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.

	Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>6.2 Others - available for sale</b>		
MCB Bank Limited - Quoted		
18,648,786 ordinary shares of Rs.10 each - cost	907,119,613	907,119,613
Adjustment arising from re-measurement to fair value	3,210,532,335	3,195,986,282
	<u>4,117,651,948</u>	<u>4,103,105,895</u>
Habib Bank Limited - Quoted		
7,244,196 ordinary shares of Rs.10 each - cost	1,217,073,609	1,217,073,609
Adjustment arising from re-measurement to fair value	382,517,310	214,089,753
	<u>1,599,590,919</u>	<u>1,431,163,362</u>
Term finance certificates - Habib Bank Limited		
150 (2016: 150) Term finance certificates of Rs.100,000 each -cost	15,000,000	15,000,000
Adjustment arising from re-measurement to fair value	187,500	187,500
	<u>14,812,500</u>	<u>14,812,500</u>
Novelty Enterprises (Pvt.) Limited - Unquoted		
2,351,995 ordinary shares of Rs.10 each	28,716,078	28,716,078
	<u>5,760,771,445</u>	<u>5,577,797,835</u>

## Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

**7. CONTINGENCIES AND COMMITMENTS**

- 7.1** Guarantees issued by banks to various Government institutions on behalf of the Company aggregate Rs.223.296 million (30 June, 2016: Rs.223.296 million).

		<b>Un-audited 30 September, 2016</b>	<b>Audited 30 June, 2,016</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>7.2</b> Commitments in respect of :			
- letters of credit for capital expenditure		<b>275,947,492</b>	383,657,523
- letters of credit for purchase of raw materials and stores, spare parts & chemicals		<b>106,608,314</b>	157,215,284
- capital expenditure other than letters of credit		<b>25,373,243</b>	36,907,280
- foreign currency forward contract		<b>317,640,000</b>	141,432,994

		<b>Un-audited 30 September, 2016</b>	<b>Un-audited 30 September, 2,015</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>8. COST OF SALES</b>			
Stocks - opening		<b>514,758,796</b>	509,819,710
Cost of goods manufactured	<b>8.1</b>	<b>3,157,874,487</b>	2,647,847,530
Cost of raw materials sold		<b>14,754,174</b>	8,419,762
		<b>3,687,387,457</b>	3,166,087,002
Stocks - closing		<b>681,113,589</b>	516,049,275
		<b>3,006,273,868</b>	2,650,037,727

**8.1 Cost of goods manufactured**

Work in process - opening	<b>160,305,731</b>	156,135,025
Raw materials consumed	<b>1,989,816,091</b>	1,710,779,172
Overheads	<b>1,178,932,884</b>	939,678,882
	<b>3,168,748,975</b>	2,650,458,054
	<b>3,329,054,706</b>	2,806,593,079
Work in process closing	<b>171,180,219</b>	158,745,549
	<b>3,157,874,487</b>	2,647,847,530

## Notes to the Condensed Interim Financial Statements (Un-audited)

**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 30 September, 2016 Rupees	Un-audited 30 September, 2015 Rupees
I. Associates	Sale of goods and services	193,378,612	149,444,776
	Purchase of goods and services	111,966,950	56,886,354
	Electric power purchased	52,303,174	76,217,707
	Assets sold	-	10,000,000
	Expenses charged to	456,811	927,635
	Expenses charged by	5,410,150	6,373,982
II. Other related parties	Contributions towards provident fund	2,292,128	1,378,600

**10. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 31, 2016 by the Board of Directors of the Company.

Lahore:  
Dated: October 31, 2016

**SHAHID ABDULLAH**  
CHIEF EXECUTIVE

**SHAYAN ABDULLAH**  
DIRECTOR

# CONTENTS

## Sapphire Fibres Limited CONSOLIDATED ACCOUNTS

Directors' Report	17
Directors' Report (Urdu)	18
Balance Sheet	19
Profit & Loss Account	20
Statement Of Comprehensive Income	21
Cash Flow Statement	22
Statement Of Changes In Equity	23
Notes To The Financial Statements	24



BLANK

## Directors' Report to the Shareholders

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiary Sapphire Electric Company Limited for the quarter ended 30 September, 2016. 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 68.11% shares of SECL as on 30 September, 2016.

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: 31 October, 2016

**SHAHID ABDULLAH**  
Chief Executive

## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ ۳۰ ستمبر ۲۰۱۶ کو اختتام پذیر ہونے والی سہ ماہی کی مشترکہ غیر آڈٹ شدہ مالی تفصیلات اپنے ذیلی ادارہ، سفارز الیکٹرک کمپنی لمیٹڈ کے ساتھ پیش کر رہے ہیں۔ کمپنی بین الاقوامی اکاؤنٹنگ سٹینڈرڈ 27 کے مطابق اپنی علیحدہ غیر آڈٹ شدہ مالی تفصیلات کے ساتھ مشترکہ مالی تفصیلات بھی پیش کر رہی ہے۔

### سفارز الیکٹرک کمپنی لمیٹڈ کا مختصر جائزہ

سفارز الیکٹرک کمپنی لمیٹڈ ۱۸ جنوری ۲۰۰۵ کو کمپنیز آرڈیننس 1984 کے تحت محدود حصص والی غیر مندرج پبلک کمپنی کے طور پر رجسٹر ہوئی۔ جبکہ یکم جولائی ۲۰۰۸ کو یہ سفارز فاہرز لمیٹڈ کی ذیلی کمپنی بنی۔ ۳۰ ستمبر ۲۰۱۶ کو سفارز فاہرز لمیٹڈ کے پاس اس کے 68.11 فیصد حصص تھے۔

ذیلی کمپنی کی بنیادی سرگرمی ضلع شیخوپورہ میں واقع 212 MW صلاحیت والے کارخانے سے بجلی پیدا کرنا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے نامزد

شاہد عبداللہ  
چیف ایگزیکٹو

لاہور  
۳۱ اکتوبر، ۲۰۱۶

**Balance Sheet (Un-audited)****As At September 30, 2016**

		Un-Audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	6	22,533,325,664	22,610,222,260
Investment Property		31,750,000	31,750,000
Intangible assets		8,054,534	8,491,773
Long term investments	7	6,180,438,701	5,988,603,936
Long term loans - secured		-	20,000
Long term deposits and prepayments		30,341,445	29,466,445
		<b>28,783,910,344</b>	<b>28,668,554,414</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools		239,620,300	183,035,986
Stock-in-trade		2,963,127,444	3,060,816,493
Trade debts		6,013,000,543	5,281,582,714
Loans and advances		289,066,312	168,142,264
Trade deposits and short term prepayments		9,983,406	48,278,847
Short term investments		3,834,641,909	3,403,993,067
Other receivables		627,595,229	466,950,703
Interest receivable		393,297	605,986
Tax refunds due from the Government		697,043,338	1,209,431,227
Cash and bank balances		503,839,147	608,377,326
		<b>15,178,310,925</b>	<b>14,431,214,613</b>
<b>Total Assets</b>		<b>43,962,221,269</b>	<b>43,099,769,027</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
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		5,778,350,633	5,470,837,634
Unappropriated profit		13,431,476,367	12,998,223,115
Equity attributable to shareholders of the Parent Company		19,406,702,000	18,665,935,749
<b>Non-controlling interest</b>		<b>3,015,385,312</b>	<b>2,852,834,074</b>
<b>Total equity</b>		<b>22,422,087,312</b>	<b>21,518,769,823</b>
<b>Non current liabilities</b>			
Long term finances		8,152,294,622	8,249,983,841
Staff retirement benefits - gratuity		304,530,240	283,847,228
Deferred taxation		231,681,418	183,307,893
		<b>8,688,506,280</b>	<b>8,717,138,962</b>
<b>Current liabilities</b>			
Trade and other payables		3,374,876,223	3,182,266,175
Accrued Markup / Interest		269,080,290	291,917,995
Short term borrowings		7,638,707,998	7,909,229,462
Current maturity of long term finances		1,417,865,149	1,371,309,727
Provision for taxation		151,098,017	109,136,883
		<b>12,851,627,677</b>	<b>12,863,860,242</b>
<b>Contingencies and commitments</b>	8		
<b>Total equity and liabilities</b>		<b>43,962,221,269</b>	<b>43,099,769,027</b>

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

Lahore:

Dated: October 31, 2016

**SHAHID ABDULLAH**

CHIEF EXECUTIVE

**SHAYAN ABDULLAH**

DIRECTOR

## Profit and Loss Account (Un-audited)

For the Quarter ended September 30, 2016

		September, 2016 Rupees	September, 2015 Rupees
	Note		
Sales		6,652,908,831	7,438,373,913
Cost of sales	9	5,654,908,581	6,295,979,795
Gross profit		998,000,250	1,142,394,118
Selling and distribution expenses		88,642,900	113,075,110
Administrative expenses		96,788,146	80,836,337
Other expenses		10,033,365	21,284,425
Other income		(193,350,603)	(167,486,964)
		2,113,808	47,708,908
Operating profit		995,886,442	1,094,685,210
Finance cost		327,240,420	351,714,219
		668,646,022	742,970,991
Share of profit of associates		7,524,435	7,136,528
Profit before taxation		676,170,457	750,107,519
<b>TAXATION</b>			
Current		42,096,207	48,272,943
Deferred		9,325,049	8,604,378
		51,421,256	56,877,321
<b>Profit after taxation</b>		624,749,201	693,230,198
<b>Attributable to:</b>			
- Shareholders of the Parent Company		462,197,963	533,864,024
- Non-controlling interest		162,551,238	159,366,174
		624,749,201	693,230,198
<b>Earnings per share</b> - attributable to the shareholders of the Parent Company		23.48	27.12

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

Lahore:  
Dated: October 31, 2016

SHAHID ABDULLAH  
CHIEF EXECUTIVE

SHAYAN ABDULLAH  
DIRECTOR

# Statement of Comprehensive Income (Un-audited)

For the Quarter ended September 30, 2016

	September, 2016 Rupees	September, 2015 Rupees
<b>Profit after taxation</b>	<b>624,749,201</b>	693,230,198
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
Unrealised gain / (loss) due to change in fair value of available for sale investments		
- long term	182,973,610	(563,663,220)
- short term	169,216,202	(146,164,747)
Impact of deferred tax	(39,048,470)	(48,444,495)
Adjustment for gain included in profit and loss account upon sale of available-for-sale investments	(36,250,946)	(31,228,491)
Share of fair value gain on re-measurement of available-for-sale investments of Associated Companies	1,471,858	361,589
	<b>278,362,254</b>	(789,139,364)
<b>Forward foreign exchange contracts</b>		
Unrealised gain on remeasurement of forward foreign exchange contracts	1,431,394	7,248,446
Reclassification adjustments relating to gain realised on settlement of foreign currency contracts	(1,090,222)	-
Re-measurement of hedging instruments of Associated Companies	(13,674)	-
	<b>327,498</b>	7,248,446
<b>Total comprehensive income / (loss) for the period</b>	<b>903,438,953</b>	(88,660,720)
<b>Attributable to:</b>		
- Shareholders of the Parent Company	740,887,715	(248,026,894)
- Non-controlling Interest	162,551,238	159,366,174
	<b>903,438,953</b>	(88,660,720)

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

Lahore:  
Dated: October 31, 2016

**SHAHID ABDULLAH**  
CHIEF EXECUTIVE

**SHAYAN ABDULLAH**  
DIRECTOR

## Cash Flow Statement (Un-audited)

For the Quarter ended September 30, 2016

	September, 2016 Rupees	September, 2015 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period - before taxation and share of profit of associates	668,646,022	742,970,991
Adjustments for non cash charges and other items		
Depreciation	293,568,570	230,657,497
Amortisation of intangible assets	437,239	437,239
Staff retirement benefits - gratuity	25,080,000	20,010,000
Provision for workers' (profit) participation / welfare fund	9,199,551	16,834,719
Gain on disposal of tangible fixed assets	(2,156,013)	(2,172,614)
Gain on sale of investments	(36,250,946)	(15,428,866)
Gain on sale of stores & spares	(9,919)	(78,015)
Dividend, interest and other income	(149,800,115)	(140,723,772)
Exchange fluctuation loss	405,426	3,788,886
Finance cost	327,240,422	351,714,221
	467,714,215	465,039,295
<b>Cash inflow from operating activities before working capital changes</b>	<b>1,136,360,237</b>	<b>1,208,010,286</b>
Decrease/(increase) in current assets		
Stores, spares and loose tools	(10,468,761)	(17,372,308)
Stock in trade	51,381,694	(198,424,808)
Trade debts	(731,417,829)	(189,384,065)
Loans and advances	(114,744,655)	(88,738,440)
Deposits, other receivables and sales tax	456,625,037	76,746,064
Increase in trade and other payables	181,373,801	697,747,887
	(167,250,713)	280,574,330
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>969,109,524</b>	<b>1,488,584,616</b>
Gratuity paid	(4,396,988)	(3,603,121)
Finance cost paid	(348,443,413)	(400,632,903)
Taxes refund / (paid) - net	49,153,277	(55,862,999)
Workers' profit participation fund paid	-	(65,277,387)
Long term loans and deposits	(855,000)	(455,000)
	(304,542,124)	(525,831,410)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>664,567,400</b>	<b>962,753,206</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(218,365,960)	(890,915,986)
Increase in investments available for sale	(367,463,575)	(542,514,977)
Sale proceeds of investments	106,030,935	166,561,778
Sale proceeds of tangible fixed assets	3,850,000	10,600,000
Sale proceeds of stores & spares	201,721	596,400
Dividend, interest and other income received	28,300,004	90,361,648
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(447,446,875)</b>	<b>1,165,311,137</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans - Obtained	280,354,000	485,706,000
Long term loans - Repaid	(331,487,797)	(311,035,671)
Dividend paid	(3,442)	(38,063)
Short term borrowings - net	(270,521,465)	81,477,291
<b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>	<b>(321,658,704)</b>	<b>256,109,557</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(104,538,179)</b>	<b>53,551,626</b>
<b>CASH AND CASH EQUIVALENTS- at the beginning of the period</b>	<b>608,377,326</b>	<b>641,988,395</b>
<b>CASH AND CASH EQUIVALENTS- at the end of the period</b>	<b>503,839,147</b>	<b>695,540,021</b>

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

Lahore:

Dated: October 31, 2016

SHAHID ABDULLAH

CHIEF EXECUTIVE

SHAYAN ABDULLAH

DIRECTOR



## Statement of Changes in Equity (Un-audited)

For the Quarter ended September 30, 2016

	Share capital	Reserves					Unappropriated profit	Total	Non Controlling Interest	
		Capital		General	Unrealised gain on available-for-sale investments	Unrealised gain on hedging instruments				Sub-total
		Share premium	Maintenance reserve							
Rupees										
Balance as at 01 July, 2015	196,875,000	145,740,000	134,825,918	1,183,845,000	4,682,667,471	34,098	6,147,112,487	11,242,405,702	17,586,393,189	2,552,572,810
Total comprehensive income for the period ended 30 Sept, 2015										
Profit for the period	-	-	-	-	-	-	-	533,864,024	533,864,024	159,366,174
Other comprehensive (loss) / income	-	-	-	-	(789,139,364)	7,248,446	(781,890,918)	-	(781,890,918)	-
Transfer to maintenance reserve	-	-	-	-	(789,139,364)	7,248,446	(781,890,918)	533,864,024	(248,026,894)	159,366,174
Effect of items directly credited in equity by associates	-	-	19,655,979	-	-	-	19,655,979	(19,655,979)	-	-
Balance as at 30 Sept, 2015	196,875,000	145,740,000	154,481,897	1,183,845,000	3,893,528,107	7,282,544	5,384,877,548	11,744,146,239	17,325,898,787	2,711,938,984
Balance as at 01 July, 2016	196,875,000	145,740,000	237,251,349	1,183,845,000	3,902,837,075	1,164,210	5,470,837,634	12,998,223,115	18,665,935,749	2,852,834,074
Total comprehensive income for the period ended 30 Sept, 2016										
Profit for the period	-	-	-	-	-	-	-	462,197,963	462,197,963	162,551,238
Other comprehensive income	-	-	-	-	278,362,254	327,498	278,689,752	-	278,689,752	-
Transfer to maintenance reserve	-	-	-	-	278,362,254	327,498	278,689,752	462,197,963	740,887,715	162,551,238
Effect of items directly credited in equity by associates	-	-	28,823,247	-	-	-	28,823,247	(28,823,247)	-	-
Balance as at 30 Sept, 2016	196,875,000	145,740,000	266,074,596	1,183,845,000	4,181,199,329	1,491,708	5,778,350,633	13,431,476,367	19,406,702,000	3,015,385,312

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

Lahore:

Dated: October 31, 2016

**SHAHID ABDULLAH**  
CHIEF EXECUTIVE

**SHAYAN ABDULLAH**  
DIRECTOR

**Notes to the Condensed Interim Financial Statements (Un-audited)****For the Quarter ended September 30, 2016****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 Pakistan Stock Exchange. 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 Sheikhupura.

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 Sheikhupura, 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, 2016 in the Subsidiary Company is 68.11% (30 June, 2016: 68.11%).

**2. BASIS OF PREPARATION**

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, 2016.

This condensed interim consolidated financial information is presented in Pak Rupees, which is the functional currency of the Group. All the financial information presented in Pak Rupees 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, 2016.

**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, 2016 except for the changes stated in note 6.3.

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, 2016.

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended September 30, 2016

		Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>		
Operating fixed assets	<b>6.1</b>	<b>21,548,182,757</b>	21,710,885,357
Capital work in progress	<b>6.2</b>	<b>985,142,907</b>	899,336,903
		<b>22,533,325,664</b>	<b>22,610,222,260</b>
<b>6.1 Tangible fixed assets</b>			
Opening book value		<b>21,710,885,357</b>	18,533,399,691
Additions/Adjustments during the quarter / year			
- land (freehold)		-	5,530,000
- land (leasehold)		-	9,460,000
- residential buildings and others		-	138,422,512
- leased office improvements		-	5,664,901
- factory buildings		-	1,261,608,468
- plant and machinery		<b>102,540,256</b>	2,544,062,266
- electric installations		<b>5,832,575</b>	173,141,723
- mill equipments		-	4,770,988
- office equipments		<b>185,250</b>	93,400
- computer hardware		<b>946,400</b>	2,979,199
- vehicles		<b>22,947,475</b>	45,891,025
- furniture and fixtures		<b>108,000</b>	1,872,130
		<b>132,559,956</b>	4,193,496,612
Book value of assets disposed-off / adjustments during the quarter / year		<b>(1,693,987)</b>	(58,996,334)
Depreciation charge for the quarter/year		<b>(293,568,569)</b>	(957,014,612)
Closing book value		<b>21,548,182,757</b>	<b>21,710,885,357</b>
<b>6.2 Capital work-in-progress</b>			
Building		<b>186,691,464</b>	112,389,415
Plant and machinery		<b>522,857,945</b>	515,331,574
Mills equipment		<b>145,000</b>	-
Furniture and fixtures		<b>837,200</b>	-
Computer hardware		<b>64,000</b>	-
Advance payments:			
- land (leasehold)		<b>211,031,800</b>	211,031,800
- factory / office buildings		<b>45,075,160</b>	40,980,105
- plant and machinery		<b>3,507,078</b>	5,035,858
- vehicles		<b>14,933,260</b>	14,568,151
		<b>985,142,907</b>	<b>899,336,903</b>

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended September 30, 2016

- 6.3** The parent company's management, during the current period, has revised the depreciation rates of plant and machinery related to new Denim Plant. Keeping in consideration the assessed useful life of these assets, consequently depreciation rates have been revised to 5% from 10%. Management believes that the said change in estimate reflects more accurately the pattern of consumption of economic benefits of the respective assets. The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effect of this change in accounting estimate has been recognized prospectively in the profit and loss account of the current period. Had there been no revision, profit before taxation for the current period would have been decreased by Rs. 30.12 million whereas the carrying value of operating fixed assets would have been lower by same amount.

		<b>Un-audited 30 September, 2016 Rupees</b>	<b>Audited 30 June, 2016 Rupees</b>
<b>7. LONG TERM INVESTMENTS</b>			
Associated Companies	<b>7.1</b>	<b>419,667,256</b>	410,806,101
Others - available for sale	<b>7.2</b>	<b>5,760,771,445</b>	5,577,797,835
		<b><u>6,180,438,701</u></b>	<b><u>5,988,603,936</u></b>
<b>7.1 Associates - at equity method</b>			
<b>Quoted</b>			
Reliance Cotton Spinning Mills Limited	<b>7.1.1</b>	<b>27,320,788</b>	26,495,758
SFL Limited	<b>7.1.2</b>	<b>1,468,141</b>	1,506,406
<b>Un quoted</b>			
Sapphire Power Generation Limited	<b>7.1.3</b>	<b>295,214,882</b>	284,676,954
Sapphire Dairies (Private) Limited	<b>7.1.4</b>	<b>95,663,445</b>	98,126,983
		<b><u>419,667,256</u></b>	<b><u>410,806,101</u></b>
<b>Quoted</b>			
<b>7.1.1 Investment in Reliance Cotton Spinning Mills Limited</b>			
138,900 ordinary shares of Rs.10 each		<b>1,306,269</b>	1,306,269
Equity held: 1.35%			
Add: share of post acquisition profit		<b>26,014,519</b>	25,967,184
Less: dividend received during the period / year		<b>-</b>	(777,695)
		<b><u>27,320,788</u></b>	<b><u>26,495,758</u></b>

The Reliance Cotton Spinning Mills Limited (RCSML) was incorporated on June 13,1990 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of RCSML is manufacturing and sale of yarn. The financial information of RCSML for the quarter ended 30 September, 2016 has been used for the purpose of application of equity method, summarized as below;

Total assets	<b>3,513,268,399</b>	3,546,416,292
Total liabilities	<b>1,486,671,556</b>	1,583,174,073
Net assets	<b><u>2,026,596,843</u></b>	<b><u>1,963,242,219</u></b>
Revenue	<b><u>896,850,014</u></b>	<b><u>3,221,146,642</u></b>
Profit after tax	<b><u>57,285,571</u></b>	<b><u>121,897,352</u></b>
Percentage of ownership	<b>1.35%</b>	1.35%
Carrying value	<b><u>27,320,788</u></b>	<b><u>26,495,758</u></b>

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended September 30, 2016

	Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>7.1.2 Investment in SFL Limited</b>		
10,199 ordinary shares of Rs.10 each	100,000	100,000
Equity held: 0.051%		
Add: share of post acquisition profit	1,368,141	1,431,886
Less: dividend received during the period / year	-	(25,480)
	<b>1,468,141</b>	<b>1,506,406</b>

The SFL Limited (SFL) was incorporated on April 26, 2010 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The main business of SFL is investment in the shares of Associated Companies. The financial information of SFL for the quarter ended 30 September, 2016 has been used for the purpose of application of equity method, summarized as below;

Total assets	2,903,503,706	2,978,403,376
Total liabilities	11,349,554	10,869,173
Net assets	<b>2,892,154,152</b>	<b>2,967,534,203</b>
Revenue	290,943	2,235,176
Loss after tax	113,785	101,243,703
Percentage of ownership	0.051%	0.051%
Carrying value	<b>1,468,141</b>	<b>1,506,406</b>

**Un-quoted****7.1.3 Investment in Sapphire Power Generation Limited**

2,824,500 ordinary shares of Rs.10 each	64,355,500	64,355,500
Equity held: 17.63%		
Add: share of post acquisition profit	230,859,382	220,321,454
	<b>295,214,882</b>	<b>284,676,954</b>

The Sapphire Power Generation Limited (SPGL) was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution. The financial information of SPGL for the quarter ended 30 September, 2016 has been used for the purpose of application of equity method, summarized as below;

Total assets	1,851,276,199	1,807,693,170
Total liabilities	176,433,277	192,635,092
Net assets	<b>1,674,842,922</b>	<b>1,615,058,078</b>
Revenue	249,350,448	1,594,592,483
Profit after tax	13,529,271	97,924,874
Percentage of ownership	17.63%	17.63%
Carrying value	<b>295,214,882</b>	<b>284,676,954</b>

# Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended September 30, 2016

	Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>7.1.4 Investment in Sapphire Dairies (Private) Limited</b>		
10,000,000 ordinary shares of Rs.10 each	100,000,000	100,000,000
Equity held: 9.52 %		
Add: share of post acquisition loss	(4,336,555)	(1,873,017)
	<b>95,663,445</b>	<b>98,126,983</b>
The Sapphire Dairies (Private) Limited (SDL) was incorporated as a private limited company and is principally engaged in production and sale of milk and milk products. The financial information of SDL for the quarter ended 30 September, 2016 has been used for the purpose of application of equity method, summarized as below;		
Total assets	1,302,780,567	1,285,736,498
Total liabilities	298,314,396	255,403,176
Net assets	<b>1,004,466,171</b>	<b>1,030,333,322</b>
Revenue	<b>113,639,088</b>	<b>620,643,003</b>
Loss after tax	<b>25,867,151</b>	<b>4,546,103</b>
Percentage of ownership	<b>9.52%</b>	<b>9.52%</b>
Carrying value	<b>95,663,445</b>	<b>98,126,983</b>
<b>7.2 Others - available for sale</b>		
MCB Bank Limited - Quoted		
16,648,786 ordinary shares of Rs.10 each	907,119,613	907,119,613
Adjustment arising from re-measurement to fair value	3,210,532,335	3,195,986,282
	<b>4,117,651,948</b>	<b>4,103,105,895</b>
Habib Bank Limited - Quoted		
7,244,196 ordinary shares of Rs.10 each	1,217,073,609	1,217,073,609
Adjustment arising from re-measurement to fair value	382,517,310	214,089,753
	<b>1,599,590,919</b>	<b>1,431,163,362</b>
Term finance certificates - Habib Bank Limited		
150 Term finance certificates of Rs.100,000 each - <b>cost</b>	15,000,000	15,000,000
Adjustment arising from remeasurement to fair value	187,500	187,500
	<b>14,812,500</b>	<b>14,812,500</b>
Novelty Enterprises (Pvt.) Limited - Unquoted		
2,351,995 ordinary shares of Rs.10 each	28,716,078	28,716,078
	<b>5,760,771,445</b>	<b>5,577,797,835</b>

## Notes to the Condensed Interim Financial Statements (Un-audited)

**8. CONTINGENCIES AND COMMITMENTS**

**8.1** Guarantees issued by banks to various Government institutions on behalf of the Parent and Subsidiary Company aggregate Rs.2,723.300 million (30 June, 2016: Rs.2,723.300 million).

**8.2** During the previous year, SNGPL has claimed late payment surcharge amounting to Rs.142.182 million on account of partial payments made by the Subsidiary Company against the Regasified Liquefied Natural Gas (RLNG) consumed by it prior to the provisional price determination of RLNG dated October 07, 2015 by the Oil and Gas Regulatory Authority (OGRA). The management of the Subsidiary Company is of the view that, as per the terms of the Gas Supply Agreement (GSA) and the Operating Procedures signed by the Subsidiary Company, Ministry of Petroleum and Natural Resources, Ministry of Water and Power, SNGPL and Central Power Purchasing Agency (Guarantee) Limited, the Subsidiary Company is liable to make payments to SNGPL on the basis of the price notified by OGRA and as the provisional price for RLNG was notified by OGRA on October 07, 2015, therefore, the partial payments made by the Subsidiary Company to SNGPL prior to the aforementioned OGRA price determination do not constitute a default on the Subsidiary Company's part. Based on the advice of the Subsidiary Company's legal counsel, management considers that under the terms of GSA and the Operating Procedures, there are meritorious ground to support the Subsidiary Company's stance. Consequently, no provision for the abovementioned amounts has been made in these consolidated financial statements.

**8.3** During the year ended June 30, 2014, a sales tax demand of Rs.830.031 million was raised against the Subsidiary Company through order December 11, 2013 by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the Subsidiary Company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the Subsidiary Company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the Subsidiary Company. Against the aforesaid order, the Subsidiary Company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the Subsidiary Company's other grounds of appeal. Consequently, the Subsidiary Company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the ACIR also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.

Furthermore, during the previous year, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated December 02, 2014 whereby intentions were shown to raise a sales tax demand of Rs 505.540 million by primarily disallowing input sales tax claimed by the Subsidiary Company for the tax periods from July 2012 to June 2013 on the above-mentioned grounds of the ACIR and non-payment of sales tax on interest on delayed payment of energy price. Aggrieved by this show cause notice, the Subsidiary Company filed a writ petition before the Lahore High Court ('LHC') to the extent of the aforesaid matters amounting to Rs 504.909 million, whereby the LHC has granted interim relief by directing the department to halt the proceeding for the time being. Consequently, a demand of remaining amount of Rs.0.631 million was raised by the DCIR through order dated February 02, 2015, against which the Subsidiary Company preferred an appeal before CIR(A). The Subsidiary Company's appeal was disposed off by the CIR(A) through appellate order dated January 25, 2016 and decided in department's favour with regards to the major issues forming the basis of the demand. The management of the Subsidiary Company does not intends to contest this matter further and has accordingly paid and provided for this demand in these consolidated financial statements.

Based on the advice of the Subsidiary Company's legal counsel, management believes that there are meritorious grounds to defend the Subsidiary Company's stance in respect of the abovementioned amount of Rs.504.909 million. Consequently, no provision has been made in these consolidated financial statements.



## Notes to the Condensed Interim Financial Statements (Un-audited)

		Un-audited 30 September, 2016 Rupees	Audited 30 June, 2016 Rupees
<b>8.4</b>	Commitments in respect of :		
	- letters of credit for capital expenditure	<b>275,947,492</b>	383,657,523
	- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<b>106,608,314</b>	157,215,284
	- capital expenditure other than letters of credit	<b>25,373,243</b>	36,907,280
	- foreign currency forward contract	<b>317,640,000</b>	141,432,994
<b>8.5</b>	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 30 September, 2016 Rupees	Un-audited 30 September, 2015 Rupees
<b>9.</b>	<b>COST OF SALES</b>		
		Note	
	Stocks - opening	<b>514,758,796</b>	509,819,710
	Cost of goods manufactured	<b>5,806,509,200</b>	6,293,789,598
	Cost of raw materials sold	<b>14,754,174</b>	8,419,762
		<b>6,336,022,170</b>	6,812,029,070
	Stocks - closing	<b>681,113,589</b>	516,049,275
		<b>5,654,908,581</b>	6,295,979,795
<b>9.1</b>	<b>Cost of goods manufactured</b>		
	Work in process - opening	<b>160,305,731</b>	156,135,025
	Raw materials consumed	<b>4,247,681,865</b>	4,952,132,756
	Overheads	<b>1,569,701,823</b>	1,344,267,366
		<b>5,817,383,688</b>	6,296,400,122
		<b>5,977,689,419</b>	6,452,535,147
	Work in process - closing	<b>171,180,219</b>	158,745,549
		<b>5,806,509,200</b>	6,293,789,598

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended September 30, 2016

## 10 SEGMENT INFORMATION

The Group's reportable segments are as follows:

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

## 10.1 Segment revenues and results

	Spinning	Knitting, Procssing and garments	Denim	Power	Elimination of Inter segment transactions	Total
	----- Rupees -----					
<b>For the period ended 30 September, 2016</b>						
Sales	2,577,291,378	1,584,800,440	15,286,600	3,386,892,236	(911,361,823)	6,652,908,831
Cost of sales	2,251,673,217	1,502,696,458	163,266,016	2,648,634,713	(911,361,823)	5,654,908,581
Gross profit	325,618,161	82,103,982	(147,979,416)	738,257,523	-	998,000,250
Selling and distribution cost	68,828,336	19,558,955	255,609	-	-	88,642,900
Administrative expenses	60,903,211	4,597,285	1,822,324	29,465,326	-	96,788,146
Finance cost	102,173,403	10,060,911	16,059,400	198,946,706	-	327,240,420
	231,904,950	34,217,151	18,137,333	228,412,032	-	512,671,466
<b>Profit before taxation and unallocated income/expenses</b>	93,713,211	47,886,831	(166,116,749)	509,845,491.00	-	485,328,784
<b>Unallocated income and expenses</b>						
Other income						193,350,603
Other expenses						(10,033,365)
Share of profit of associates						7,524,435
Taxation						(51,421,256)
<b>Profit after taxation</b>						624,749,201
	Spinning	Knitting, Procssing and garments	Denim	Power	Elimination of Inter segment transactions	Total
	----- Rupees -----					
<b>For the period ended 30 September, 2015</b>						
Sales	2,429,419,296	570,120,660	-	4,438,833,957	(668,301,906)	6,770,072,007
Cost of sales	2,119,407,032	530,630,695	-	3,645,942,068	(668,301,906)	5,627,677,889
Gross profit	310,012,264	39,489,965	-	792,891,889	-	1,142,394,118
Selling and distribution cost	95,274,580	17,800,530	-	-	-	113,075,110
Administrative expenses	59,183,038	8,442,080	-	13,211,219	-	80,836,337
Finance cost	67,141,461	7,030,498	-	277,542,260	-	351,714,219
	221,599,079	33,273,108	-	290,753,479	-	545,625,666
<b>Profit before taxation and unallocated income/expenses</b>	227,197,324	47,891,329	-	372,380,795	-	596,768,452
<b>Unallocated income and expenses</b>						
Other income						167,486,964
Other expenses						(21,284,425)
Share of profit of associates						7,136,528
Taxation						(56,877,321)
<b>Profit after taxation</b>						693,230,198

## Notes to the Condensed Interim Financial Statements (Un-audited)

## 10.2 Segment assets and liabilities

	Spinning	Knitting, Processing and garments	Denim	Power	Total
	Rupees -----				
<b>As at 30 September, 2016</b>					
Segment assets	7,361,151,185	1,778,210,905	4,193,633,110	19,428,817,789	32,761,812,989
Unallocated assets					<u>11,200,408,280</u>
					<u>43,962,221,269</u>
Segment liabilities	5,113,615,826	1,235,964,652	4,466,062,888	9,973,062,534	20,788,705,900
Unallocated liabilities					<u>751,428,057</u>
					<u>21,540,133,957</u>
<b>As at 30 June, 2016</b>					
Segment assets	7,146,392,020	1,648,129,147	4,126,625,638	19,259,223,831	32,180,370,636
Unallocated assets					<u>10,919,398,391</u>
					<u>43,099,769,027</u>
Segment liabilities	5,264,637,989	1,127,581,963	4,233,338,443	10,305,079,886	20,930,638,281
Unallocated liabilities					<u>650,360,923</u>
					<u>21,580,999,204</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 30 September, 2016 Rupees	Un-audited 30 September, 2015 Rupees
I. Associates	Sale of goods and services	193,378,612	149,444,776
	Purchase of goods and services	111,966,950	56,886,354
	Electric power purchased	52,303,174	76,217,707
	Assets sold	-	10,000,000
	Expenses charged to	456,811	927,635
	Expenses charged by	5,410,150	6,373,982
II. Other related parties	Contributions towards provident fund	2,896,102	1,937,082
	Rent expenses	241,154	1,315,383

## 12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 31, 2016 by the Board of Directors of the Company.

Lahore:  
Dated: October 31, 2016

SHAHID ABDULLAH  
CHIEF EXECUTIVE

SHAYAN ABDULLAH  
DIRECTOR