

SFL LIMITED

FINANCIAL STATEMENTS

**For the year ended
June 30, 2011**



HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
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HAMEED CHAUDHRI & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

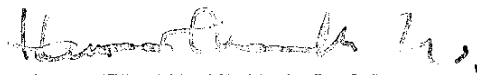
We have audited the annexed balance sheet of SFL Limited ("the Company") as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

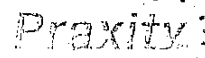
- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the loss, cash flows and its changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI; 07 SEP 2011


HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

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GLOBAL ALLIANCE OF
INDEPENDENT FIRMS

SFL LIMITED
BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Amount in Rupees	2010
ASSETS			
Non-current assets			
Long term investments	7	366,155,000	-
Current assets			
Cash at bank		10,966	99,720
Total assets		<u>366,165,966</u>	<u>99,720</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8	196,975,000	100,000
Reserves - net	9	167,499,366	(50,080)
		<u>364,474,366</u>	<u>49,920</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,691,600	49,800
Total liabilities		<u>1,691,600</u>	<u>49,800</u>
Total equity and liabilities		<u>366,165,966</u>	<u>99,720</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

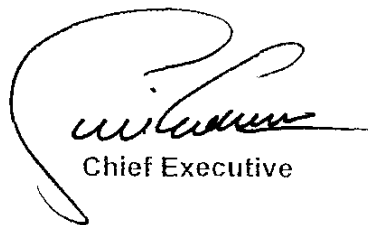

 Chief Executive


 Director

SFL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	Year ended June 30, 2011	Period ended June 30, 2010
		Amount in Rupees	
Legal and professional charges		25,000	35,000
Bank charges		617	280
Fees and subscription		629,477	2,300
Preliminary Expenses		-	12,500
Auditors' remuneration		60,000	-
Stamp duty and postage		994,360	-
Printing and stationery		21,100	-
Loss for the year / period		<u>1,730,554</u>	<u>50,080</u>
Other comprehensive income		-	-
Total comprehensive loss		<u><u>1,730,554</u></u>	<u><u>50,080</u></u>
Loss per share (Rupees)	11	<u><u>0.088</u></u>	<u><u>0.003</u></u>

The annexed notes 1 to 12 form an integral part of these financial statements.


Chief Executive


Director

SFL LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

Year ended
June 30, 2011 Period ended
June 30, 2010
Amount in Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Loss for the year / period	(1,730,554)	(50,080)
Increase in current liabilities		
Increase in Trade and other payable	1,641,800	49,800
Net cash outflow from Operating activities	(88,754)	(280)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of share capital

-	100,000
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Net cash inflow from financing activities

- 100,000

Cash and cash equivalents at beginning of the year / period

99,720

-

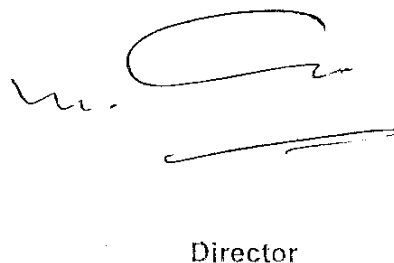
Cash and cash equivalents at end of the year / period

10,966

99,720

The annexed notes 1 to 12 form an integral part of these financial statements.


Chief Executive


Director

SFL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. THE COMPANY AND ITS OPERATIONS

SFL Limited (the Company) was incorporated as a Public Limited Company on April 26, 2010. The registered office is located at 316 - Cotton Exchange Building, I.I Chundrigar Road, Karachi.

2. STATEMENTS OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The area where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies is Long term Investments.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash with banks on current accounts.

5.2 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for services.

5.3 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

5.4 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

5.5 Taxation - current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

5.6 Earnings per share

The Company present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average numbers of ordinary shares outstanding during the period.

6. Demerger of Sapphire Fibres Limited

During the year, pursuant to approval by the High Court of Sindh to a scheme of arrangements of de-merger between Sapphire Fibres Limited (SFL) and its shareholders and the Company and its shareholders, investments in associated group companies by SFL were de-merged into the Company against issue of 19,687,500 shares of the Company to the shareholders of SFL.

Shares issued under scheme has been recorded against issue of share capital (note - 8) and the difference between the value of investments transferred and par value of shares issued has been taken to de-merger reserve account (note - 9).

The detail of associated companies shares transferred to the Company from SFL, in pursuant of above mentioned scheme is as follows.

Company Name	No. of share received as result of De-merger
Sapphire Finishing Mills Limited	25,809,000
Sapphire Dairies (Pvt.) Limited	7,000,000
Diamond Fabrics Limited	4,569,000
Diamond Limited	4,569,000
Amer Cotton Mills (Private) Limited	336,000
Amer Tex (Private) Limited	336,000

Year Ended Period Ended
June 30, 2011 June 30, 2010
Amount in Rupees

7. LONG TERM INVESTMENTS**Investments in associated companies****In unquoted companies**

Sapphire Finishing Mills Limited 25,809,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 15.10 (2010: Nil)]	258,090,000	-
Sapphire Dairies Limited 7,000,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 9.44 (2010: Nil)]	70,000,000	-
Diamond Fabrics Limited 4,569,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 138.76 (2010: Nil)]	33,368,238	-
Diamond Limited 4,569,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 13.67 (2010: Nil)]	3,646,762	-
Amer Cotton Mills (Private) Limited 336,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 254.61 (2010: Nil)]	549,305	-
Amer Tex (Private) Limited 336,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 121.41 (2010: Nil)]	500,695	-
	<u>366,155,000</u>	<u>-</u>

These break-up values are based on latest available audited accounts.

8. SHARE CAPITAL**Authorised share capital**

2011	2010		
No. of Shares			
<u>19,700,000</u>	<u>10,000</u>	Ordinary shares of Rs. 10 each	<u>197,000,000</u> <u>100,000</u>

Issued, subscribed and paid up capital

2011	2010		
No. of Shares		Shares allotted:	
10,000	10,000	for consideration paid in cash	100,000 100,000
19,687,500	-	pursuant to the scheme of arrangements for de-merger - note 6	196,875,000 -
<u>19,697,500</u>	<u>10,000</u>		<u>196,975,000</u> <u>100,000</u>

Year Ended June 30, 2011	Period Ended June 30, 2010
Amount in Rupees	

9. RESERVES

Reserves arising at de-merger - Note - 6	169,280,000	-
Accumulated loss	(1,780,634)	(50,080)
	<u>167,499,366</u>	<u>(50,080)</u>

10. TRADE AND OTHER PAYABLES

Accrued liabilities	25,000	49,800
Audit fees	60,000	-
Advance from directors - unsecured	1,606,600	-
	<u>1,691,600</u>	<u>49,800</u>

The Company has obtained advance from two directors for payment of expenses.

Year Ended June 30, 2011	Period Ended June 30, 2010
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11. LOSS PER SHARE

Loss for the year / period (Rupees)	<u>1,730,554</u>	<u>50,080</u>
Number of ordinary shares	<u>19,697,500</u>	<u>19,697,500</u>
Loss per share	<u>0.088</u>	<u>0.003</u>

There were no convertible dilutive potential ordinary shares outstanding on June 30, 2011 and 2010.

12. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on September 07, 2011


Chief Executive


Director