SAPPHIRE HOLDING LIMITED

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI OFFICE:
407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200.
PH: 32638521-4 FAX: 32639843
E-mail: mushtaq_vohra@hotmail.com

LAHORE OFFICE:
20-B, Block-G,
Gulberg-III,
Lahore-54660
PH: 35884926, 35865618 Fax: 35843360
E-mail: najeebvohra@hotmail.com

Member of

Leading Edge

Illinois, USA

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843
Branch Office: 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360
Email Address: mushtaq_vohra@hotmail.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sapphire Holding Limited** 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 the 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, its cash flows and 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:
Date: ____________

mushtaq & Co.
MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A

SAPPHIRE HOLDING LIMITED

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-current assets			
Long term investments	4	364,086,923	-
Current assets			
Tax refundable		431	-
Cash and bank balances	5	16,909	99,720
Total assets		364,104,263	99,720
EQUITY AND LIABILITIES			
Authorised capital		201,000,000	100,000
Capital and reserves			
Issued, Subscribed and Paid up capital	6	200,931,400	100,000
Reserves	7	161,040,863	(60,080)
		361,972,263	39,920
LIABILITIES			
Current liabilities			
Trade and other payables	8	75,000	59,800
Advances from Directors	9	2,057,000	-
		2,132,000	59,800
Total liabilities		2,132,000	59,800
Contingencies and commitments		-	-
Total equity and liabilities		364,104,263	99,720

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

Chief Executive **Director**

Karachi

07 SEP 2011

SAPPHIRE HOLDING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	Year ended June 30, 2011 Rupees	Period ended June 30, 2010 Rupees
Legal and professional charges		25,000	35,000
Bank charges		1,024	280
Fees and subscription		891,477	2,300
Auditors' remuneration		50,000	10,000
Printing and stationery		21,700	-
Postage expenses		3,642	-
Others		1,161,737	12,500
Loss for the year / period		2,154,580	60,080
Loss per share - basic and diluted	10	0.107	0.003

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

Chief Executive **Director**

MUSHTAQ & CO. Karachi CHARTERED ACCOUNTANTS

07 SEP 2011

SAPPHIRE HOLDING LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	Year ended June 30, 2011 Rupees	Period ended June 30, 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year / period		(2,154,580)	(60,080)
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES			
Increase / (Decrease) in current liabilities			
Tax refundable		(431)	-
Increase / (Decrease) in current liabilities			
Trade and other payables		15,200	59,800
Advances from Directors		2,057,000	-
		2,072,200	59,800
Net cash from operating activities		(82,811)	(280)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	100,000
Net cash used in financing activities		-	100,000
Net increase in cash and cash equivalents		(82,811)	99,720
Cash and cash equivalents at the beginning of the year / period		99,720	-
Cash and cash equivalents at the end of the year / period		16,909	99,720

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

Chief Executive **Director**

Karachi CHARTERED ACCOUNTANTS

07 SEP 2011

SAPPHIRE HOLDING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	SHARE CAPITAL	RESERVES			TOTAL
		Reserve arising at de-merger	Unappropriated profit / (loss)	Total	
	(Rupees)				
Issue of shares at incorporation	100,000	-	-	-	100,000
Loss for the period	-	-	(60,080)	(60,080)	(60,080)
Balance as at June 30, 2010	100,000	-	(60,080)	(60,080)	39,920
Balance as at July 1, 2010	100,000	-	(60,080)	(60,080)	39,920
Issue of shares pursuant to the scheme of arrangements for de-merger - note 3	200,831,400	-	-	-	200,831,400
Reserve arising on de-merger	-	163,255,523	-	163,255,523	163,255,523
Loss for the year	-	-	(2,154,580)	(2,154,580)	(2,154,580)
Balance as at June 30, 2011	200,931,400	163,255,523	(2,214,660)	161,040,863	361,972,263

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

Chief Executive **Director**

MUSHTAQ & CO. CHARTERED ACCOUNTANTS Karachi

07 SEP 2011

SAPPHIRE HOLDING LIMITED

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

1 LEGAL STATUS AND NATURE OF OPERATIONS

The company is a limited liability company incorporated in Pakistan on April 21, 2010 and registered under the Companies Ordinance, 1984. The address of its registered office is 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The main business of the Company is to invest in the shares of associated companies and other business as per the Memorandum of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with 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.

2.1.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards 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.

2.2 Overall valuation policy

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

2.3 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 cash with banks on current accounts.

2.4 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.

2.5 Financial assets and liabilities

All financial assets and 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.

3 De-merger of Sapphire Textile Mills Limited

During the year, pursuant to approval by the High Court of Sindh to a scheme of arrangements of de-merger between Sapphire Textile Mills Limited (STML) and its shareholders and the Company and its shareholders, investments in associated group companies by STML were de-merged into the Company against issue of 20,083,140 shares @ Rs. 10 each of the Company to the shareholders of STML.

Shares issued under scheme has been recorded against issue of share capital (note-6) and the difference between the value of investments transferred and par value of shares issued has been taken to de-merger reserve account (note-7).

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

Company Name	No. of shares of Rs 10 each of De-merger
Sapphire Fibres Limited	2,942,243
SFL Limited	2,942,243
Diamond Fabrics Limited	5,699,000
Diamond Limited	5,699,000
Sapphire Finishing Mills Limited	29,468,500

	2011 Rupees	2010 Rupees
4 LONG TERM INVESTMENTS		
Investments in associated companies		
In quoted companies		
Sapphire Fibres Limited 2,942,243 fully paid ordinary shares of Rs. 10 each [Market value per share Rs. 118]	19,928,236	-
In unquoted associated companies		
SFL Limited 2,942,243 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 18.51]	1,158,687	-
Sapphire Finishing Mills Limited 29,468,500 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 15.10]	294,685,000	-
Diamond Fabrics Limited 5,699,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 138.76]	43,554,949	-
Diamond Limited 5,699,000 fully paid ordinary shares of Rs. 10 each [Break-up value per share Rs. 13.63]	4,760,051	-
	364,086,923	-

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

	2011 Rupees	2010 Rupees
5 CASH AND BANK BALANCES		
With banks on current accounts	16,909	99,720
	16,909	99,720

6 SHARE CAPITAL

Authorised share capital

2011 No. of Shares	2010 No. of Shares		2011 Rupees	2010 Rupees
20,100,000	10,000	Ordinary shares of Rs. 10 each	201,000,000	100,000

Issued, subscribed and paid up capital

2011 No. of Shares	2010 No. of Shares	Shares allotted:	2011 Rupees	2010 Rupees
10,000	10,000	for consideration paid in cash	100,000	100,000
20,083,140	-	pursuant to the scheme of arrangements for de-merger - note 3	200,831,400	-
20,093,140	10,000		200,931,400	100,000

Karachi CHARTERED ACCOUNTANTS

	2011 Rupees	2010 Rupees
7 RESERVES		
Reserves arising at de-merger - Note -3	163,255,523	-
Unappropriated loss	(2,214,660)	(60,080)
	161,040,863	(60,080)
8 TRADE AND OTHER PAYABLES		
Accrued Liabilities	25,000	49,800
Audit fees	50,000	10,000
	75,000	59,800
9 ADVANCES FROM DIRECTORS		
Mr. Muhammad Abdullah	1,157,000	-
Mr. Shahid Abdullah	200,000	-
Mr. Muhammad Younus	300,000	-
Mrs. Noshaba Nadeem	400,000	-
	2,057,000	-
10 LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year / period (Rupees)	2,154,580	60,080
Number of ordinary shares	20,093,140	20,093,140
Loss per share - basic and diluted	0.107	0.003

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

MUSHTAQ & CO. Karachi CHARTERED ACCOUNTANTS

11 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees)						
FINANCIAL ASSETS							
Loans and receivables							
Cash and bank balances		-	-	16,909	-	16,909	16,909
June 30, 2011	-	-	-	**16,909**	-	**16,909**	**16,909**
June 30, 2010	-	-	-	99,720	-	99,720	99,720
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	75,000	-	75,000	75,000
Due to Directors	-	-	-	2,057,000	-	2,057,000	2,057,000
June 30, 2011	-	-	-	**2,132,000**	-	**2,132,000**	**2,132,000**
June 30, 2010	-	-	-	59,800	-	59,800	59,800

The carrying values of above financial assets and liabilities reflected in the financial statements approximate their fair values.

12 DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on **September 7, 2011**.

Chief Executive **Director**

MUSHTAQ & CO. Karachi CHARTERED ACCOUNTANTS

07 SEP 2011