

**ANNUAL REPORT**  
**2014**

**SFL LIMITED**

# SFL LIMITED

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## COMPANY PROFILE

### Board Of Directors

|                                            |   |                                                                                                                                  |
|--------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------|
| Chairman                                   | : | Mr. Mohammad Abdullah                                                                                                            |
| Chief Executive                            | : | Mr. Shahid Abdullah                                                                                                              |
| Director                                   | : | Mr. Nadeem Abdullah<br>Mr. Amer Abdullah<br>Mr. Yousuf Abdullah<br>Mr. Mohammad Yamin<br>Mr. Mazhar Saleem, Independent Director |
| Audit Committee                            | : |                                                                                                                                  |
| Chairman                                   | : | Mr. Nadeem Abdullah                                                                                                              |
| Member                                     | : | Mr. Amer Abdullah                                                                                                                |
| Member                                     | : | Mr. Mazhar Saleem                                                                                                                |
| Human Resource &<br>Remuneration Committee | : |                                                                                                                                  |
| Chairman                                   | : | Mr. Yousuf Abdullah                                                                                                              |
| Member                                     | : | Mr. Mazhar Saleem                                                                                                                |
| Member                                     | : | Mr. Mohammad Yamin                                                                                                               |
| Chief Financial Officer                    | : | Mr. Mujahid Akber Bozdar                                                                                                         |
| Secretary                                  | : | Mr. Shaukat Mahmud                                                                                                               |
| Auditors                                   | : | Hameed Chaudhri & Company<br>Chartered Accountants                                                                               |
| Tax Consultants                            | : | Mushtaq & Company<br>Chartered Accountants                                                                                       |
| Legal Advisor                              | : | Mr. Saleem Ikram, Advocate                                                                                                       |
| Bankers                                    | : | Habib Bank Limited                                                                                                               |
| Registered Office                          | : | 316, Cotton Exchange Building,<br>I. I. Chundrigar Road, Karachi.                                                                |
| Share Registrars                           | : | Thk Associates (Pvt.) Ltd.<br>Second Floor, State Life Building-3,<br>Dr. Ziauddin Ahmed Road, Karachi.                          |

## **VISION STATEMENT**

To be a leading diversified enterprise pursuing value creation for its shareholders and other stakeholders.

## **MISSION STATEMENT**

To create value for our shareholders and other stakeholders, including employees and community, by investing in related parties and new ventures in various avenues / sectors.

We are a talented workforce, committed to reliability and consistency, capturing relevant investment opportunities.

We will continue our tradition of honesty, fairness and integrity in relationship with our associates, shareholders, community at large and other stakeholders.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 05th Annual General Meeting of SFL LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Friday the 24th day of October, 2014 at 06:00 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
2. Appointment and fixation of remuneration of auditors.
3. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.  
Dated : 01st October, 2014

**(SHAUKAT MAHMUD)**  
Secretary

### NOTES

#### 1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18th October, 2014 to 24th October, 2014 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi up to 17th October, 2014 will be considered in time for the payment of dividend.

#### 2. Participation in the annual general meeting:

A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.

3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 316, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.

5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

##### A. For attending the meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

##### B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2013 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.

7. As per the directions to all Listed Companies by SECP vide Letter No.SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.

## **DIRECTORS' REPORT**

The Board of Directors of SFL Limited have pleasure in presenting their report together with audited financial statements of the company for the year ended June 30, 2014.

### **OPERATIONS**

The company earned dividend income and change in fair value of investments in funds of Rs.73,160,388 during the year. After meeting administrative and general expenses of Rs.1,041,686 and provision for taxation of Rs.6,983,956 net profit after tax comes to Rs.65,134,746 for the year.

### **DIVIDEND**

The Board of Directors of the Company is pleased to recommend cash dividend Rs.Nil for the year ended June 30, 2014 Rs. Nil (2013 10% Cash Dividend).

### **EARNING PER SHARE**

The earning per share for the year ended June 30, 2014 is Rs.3.24 per share as compared to Rs.0.77 in the last year.

### **FUTURE OUTLOOK**

Profitability of the company depends during next year on Dividend Income and return on investments.

### **SUBSIDIARY OF SFL LIMITED**

SFL Corporation (Private) Limited the 100% subsidiary of the Company has not carried out any operational activity during the year.

### **RELATED PARTIES**

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchanges in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

### **ENVIRONMENT, HEALTH, SAFETY AND SOCIAL ACTIONS**

The Company maintains working conditions which are safe and without risk to the health of all employees and public at large the management has maintained safe environment in all its operations throughout the year.

### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK**

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The company has maintained proper books of account.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further
6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts.

## **DIRECTORS' REPORT**

7. There is no doubt about the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
9. The board of directors in compliance with the Code of Corporate Governance has established an audit committee; the names of its members are given in the Company's profile.
10. Operating and financial data and key ratios of five years are annexed as the company was incorporated on April 26, 2010.
11. Except as stated hereunder, no trades in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Finance Officer, Company Secretary, their spouses and minor children:  
  
Shares purchased during the year by Mrs. Shamshad Begum 17,500
12. During the year eleven meetings of the Board of Directors were held. Attendance by each Director is as follows:  
  

|                       |     |
|-----------------------|-----|
| Mr. Mohammad Abdullah | =8= |
| Mr. Shahid Abdullah   | =7= |
| Mr. Nadeem Abdullah   | =5= |
| Mr. Amer Abdullah     | =8= |
| Mr. Yousuf Abdullah   | =6= |
| Mr. Mohammad Yamin    | =5= |
| Mr. Naveed-ul-Islam   | =2= |
| Mr. Mazhar Saleem     | =4= |
13. During the year five meetings of the Audit Committee were held. Attendance by each Director is as follows:  
  

|                     |     |
|---------------------|-----|
| Mr. Nadeem Abdullah | =3= |
| Mr. Amer Abdullah   | =3= |
| Mr. Naveed-ul-Islam | =2= |
| Mr. Mazhar Saleem   | =2= |
14. During the year one meetings of the HR & R Committee was held and attended by all the members.
15. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

### **PATTERN OF SHAREHOLDING:**

The pattern of shareholding of the Company as at 30 June, 2014 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

### **AUDITORS:**

The present Auditors, Hameed Chaudhri & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment for the year 2014-2015. Audit Committee and Board of Directors have also recommended their appointment as auditor for the year ending 30 June, 2015.

### **ACKNOWLEDGEMENTS:**

The Management would like to place on record its appreciation for the support of the Board of Directors, Shareholders, regulatory authorities, financial institutions, customers, suppliers' dedication and hard work of the Staff and Workers.

ON BEHALF OF THE BOARD

Karachi  
Dated : 01st October, 2014

**SHAHID ABDULLAH**  
CHIEF EXECUTIVE

## FINANCIAL HIGHLIGHTS

(Rupees in Million)  
Except as indicated

| YEARS                               |     | 2014   | 2013   | 2012   | 2011   | 2010   |
|-------------------------------------|-----|--------|--------|--------|--------|--------|
| Total Revenue                       |     | 73.160 | 18.706 | 12.255 | 0      | 0      |
| operating & Administrative expenses |     | 1.041  | 1.29   | 0.82   | 1.73   | 0.05   |
| Profit / (Loss) Before Tax          |     | 72.18  | 17.42  | 11.43  | -1.73  | -0.05  |
| Profit / (Loss) After Tax           |     | 65.13  | 15.55  | 10.22  | -1.73  | -0.05  |
| Share Capital                       |     | 200.91 | 200.91 | 200.91 | 196.98 | 0.1    |
| shareholder's Equity                |     | 435.28 | 390.24 | 374.69 | 364.47 | 1.05   |
| Total Assets                        |     | 435.64 | 391.06 | 374.8  | 366.17 | 0.1    |
| Current Assets                      |     | 69.35  | 24.77  | 8.55   | 0.01   | 0.1    |
| Curren Liabilities                  |     | 0.36   | 0.82   | 0.11   | 1.69   | 0.05   |
| Dividend- Cash                      | %   | -      | 10     | -      | -      | -      |
| Dividend- Stock                     | %   | -      | -      | 2      | -      | -      |
| Ratios:                             |     |        |        |        |        |        |
| Return to Shareholders              |     |        |        |        |        |        |
| R.O.E- Before Tax                   | %   | 16.59  | 4.46   | 3.05   | -0.47  | -100.2 |
| R.O.E- After Tax                    | %   | 14.96  | 3.98   | 2.73   | -0.47  | -100.2 |
| Basic E.P.S- After Tax              | Rs. | 3.24   | 0.77   | 0.51   | -0.088 | -0.003 |
| Current Ratio                       |     | 193.73 | 30.06  | 78.73  | 0.01   | 2      |
| Break up value per share            | Rs. | 21.66  | 19.42  | 18.65  | 18.5   | 4.99   |

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company **SFL LIMITED** year ended June 30, 2014.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Category                | Names                                                                                 |
|-------------------------|---------------------------------------------------------------------------------------|
| Independent Directors   | Mr. Mazhar Saleem                                                                     |
| Executive Directors     | Mr. Mohammad Abdullah<br>Mr. Shahid Abdullah                                          |
| Non-Executive Directors | Mr. Nadeem Abdullah<br>Mr. Amer Abdullah<br>Mr. Yousuf Abdullah<br>Mr. Mohammad Yamin |

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs. None of the Directors is a member of a stock exchange.
4. During the year election of directors was held. Mr. Naveed-ul-Islam retired from the office of director of the Company and Mr. Mazhar Saleem was elected as an independent director of the company. No casual vacancies occurred in the board of directors.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the power of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met at least once in every quarter. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, Six of the Directors of the Company are exempted from the requirement of directors' training program and one of the Directors to be trained within specified time.

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

10. There was no new appointment of CFO/Company Secretary during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set up an effective Internal Audit Function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi  
Dated: 01st October, 2014

**SHAHID ABDULLAH**  
CHIEF EXECUTIVE

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **SFL Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

KARACHI;  
Date : October 01, 2014

**HAMEED CHAUDHRI & CO.,**  
CHARTERED ACCOUNTANTS  
**Engagement Partner:**  
Muhammad Ali

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of SFL Limited as at June 30, 2014 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 conduct 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, 2014 and of the profit, 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;  
Dated : October 01, 2014

**HAMEED CHAUDHRI & CO.,**  
CHARTERED ACCOUNTANTS  
Engagement Partner:  
Muhammad Ali

## BALANCE SHEET AS AT JUNE 30, 2014

|                                      | Note | 2014<br>Rupees     | 2013<br>Rupees     |
|--------------------------------------|------|--------------------|--------------------|
| <b>ASSETS</b>                        |      |                    |                    |
| <b>Non current assets</b>            |      |                    |                    |
| Long term investments                | 4    | 366,255,000        | 366,255,000        |
| Long term deposit                    |      | 37,500             | 37,500             |
|                                      |      | <b>366,292,500</b> | <b>366,292,500</b> |
| <b>Current assets</b>                |      |                    |                    |
| Short term investments               | 5    | 66,073,275         | 22,752,437         |
| Taxation - net                       |      | 157                | -                  |
| Cash and bank balances               | 6    | 3,274,301          | 2,018,019          |
|                                      |      | <b>69,347,733</b>  | <b>24,770,456</b>  |
| <b>Total assets</b>                  |      | <b>435,640,233</b> | <b>391,062,956</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                    |                    |
| <b>Share capital and reserves</b>    |      |                    |                    |
| Share capital                        | 7    | 200,914,500        | 200,914,500        |
| Reserve arisen upon de-merger        |      | 165,340,500        | 165,340,500        |
| Unappropriated profit                |      | 69,027,285         | 23,983,989         |
| <b>Total equity</b>                  |      | <b>435,282,285</b> | <b>390,238,989</b> |
| <b>Current liabilities</b>           |      |                    |                    |
| Accrued and other liabilities        | 8    | 357,948            | 771,710            |
| Taxation - net                       |      | -                  | 52,257             |
| <b>Total liabilities</b>             |      | <b>357,948</b>     | <b>823,967</b>     |
| <b>Contingencies and commitments</b> | 9    |                    |                    |
| <b>Total equity and liabilities</b>  |      | <b>435,640,233</b> | <b>391,062,956</b> |

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

|                                                                          | Note | 2014<br>Rupees    | 2013<br>Rupees |
|--------------------------------------------------------------------------|------|-------------------|----------------|
| <b>Revenue</b>                                                           |      |                   |                |
| Dividend income                                                          | 10   | 69,839,550        | 17,473,500     |
| Interest on treasury bills                                               |      | -                 | 279,968        |
| Change in fair value of investments at fair value through profit or loss |      | 3,320,838         | 952,437        |
|                                                                          |      | <b>73,160,388</b> | 18,705,905     |
| Administrative expenses                                                  | 11   | 1,041,686         | 1,290,431      |
| <b>Profit before taxation</b>                                            |      | <b>72,118,702</b> | 17,415,474     |
| Taxation                                                                 | 12   | 6,983,956         | 1,868,244      |
| <b>Profit after taxation</b>                                             |      | <b>65,134,746</b> | 15,547,230     |
| Other comprehensive income                                               |      | -                 | -              |
| <b>Total comprehensive income</b>                                        |      | <b>65,134,746</b> | 15,547,230     |
| <b>Earnings per share</b> - basic and diluted                            | 13   | <b>3.24</b>       | 0.77           |

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

|                                                                          | 2014<br>Rupees | 2013<br>Rupees |
|--------------------------------------------------------------------------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                |                |
| Profit before taxation                                                   | 72,118,702     | 17,415,474     |
| <b>Adjustments for non-cash items:</b>                                   |                |                |
| Interest on treasury bills                                               | -              | (279,968)      |
| Change in fair value of investments at fair value through profit or loss | (3,320,838)    | (952,437)      |
|                                                                          | (3,320,838)    | (1,232,405)    |
| <b>Operating profit before working capital changes</b>                   | 68,797,864     | 16,183,069     |
| <b>Working capital changes</b>                                           |                |                |
| (Decrease) / increase in accrued and other liabilities                   | (483,610)      | 663,179        |
| <b>Cash generated from operations</b>                                    | 68,314,254     | 16,846,248     |
| Taxes paid                                                               | (7,036,370)    | (1,815,987)    |
| Long term deposit paid                                                   | -              | (37,500)       |
| <b>Net cash generated from operating activities</b>                      | 61,277,884     | 14,992,761     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |                |                |
| Short term investments acquired                                          | (40,000,000)   | (21,800,000)   |
| Short term investments matured                                           | -              | 6,870,000      |
| <b>Net cash used in investing activities</b>                             | (40,000,000)   | (14,930,000)   |
| <b>CASH USED IN FINANCING ACTIVITIES</b>                                 |                |                |
| Dividend paid                                                            | (20,021,602)   | -              |
| <b>Net increase in cash and cash equivalents</b>                         | 1,256,282      | 62,761         |
| <b>Cash and cash equivalents - at beginning of the year</b>              | 2,018,019      | 1,955,258      |
| <b>Cash and cash equivalents - at end of the year</b>                    | 3,274,301      | 2,018,019      |

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2014

|                                                                                    | Share<br>capital   | Reserve<br>arisen upon<br>de-merger | Unappro-<br>priated<br>profit | Total              |
|------------------------------------------------------------------------------------|--------------------|-------------------------------------|-------------------------------|--------------------|
|                                                                                    | ----- Rupees ----- |                                     |                               |                    |
| <b>Balance as at July 1, 2012</b>                                                  | 200,914,500        | 165,340,500                         | 8,436,759                     | 374,691,759        |
| Total comprehensive income<br>for the year                                         | -                  | -                                   | 15,547,230                    | 15,547,230         |
| <b>Balance as at June 30, 2013</b>                                                 | <b>200,914,500</b> | <b>165,340,500</b>                  | <b>23,983,989</b>             | <b>390,238,989</b> |
| <b>Transaction with owners</b>                                                     |                    |                                     |                               |                    |
| Cash dividend for the year ended<br>June 30, 2013 at the rate<br>of Re.1 per share | -                  | -                                   | (20,091,450)                  | (20,091,450)       |
| <b>Total comprehensive income<br/>for the year</b>                                 | -                  | -                                   | 65,134,746                    | 65,134,746         |
| <b>Balance as at June 30, 2014</b>                                                 | <b>200,914,500</b> | <b>165,340,500</b>                  | <b>69,027,285</b>             | <b>435,282,285</b> |

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 1. THE COMPANY AND ITS OPERATIONS

SFL Limited (the Company) was incorporated as public limited company on April 26, 2010 and its shares has been listed on Karachi Stock Exchange (Guarantee) Limited with effect from January 7, 2013. The registered office of the Company is located at 316 - 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 Association of the Company.

### 2. BASIS OF PREPARATION

#### 2.1 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.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investment in mutual fund securities which is carried at fair value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee except stated otherwise.

#### 2.4 New and amended standards and interpretations

##### 2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 1, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

##### 2.4.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Company:

- (a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24 'Related Party Disclosures' and IAS 38, 'Intangible

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

assets'. The Company does not expect to have material impact on its financial statements due to application of these amendments.

- (b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Company's financial statements.
- (c) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Company shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its financial statements.
- (d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

### **2.5 Use of estimates and judgements**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- fair value of investments: and
- provision for taxation.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

### **3.1 Investments**

Investments of the Company are classified into the following categories:

#### **(a) Investments in Subsidiary and Associated Companies**

Investments in Subsidiary and Associates are carried at cost less impairment, if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in profit and loss account.

#### **(b) Held-to-maturity**

Investments with fixed maturity, where the management has both the intent and the ability to hold the investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

#### **(c) At fair value through profit or loss**

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as investments at fair value through profit or loss. All transaction costs are recognised directly in profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

### **3.2 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 in hand and bank balances.

### **3.3 Equity instruments**

These are recorded at their face value.

### **3.4 Accrued and other liabilities**

These are carried at cost which is the fair value of the consideration to be paid in future for services.

### **3.5 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.

### **3.6 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### **3.7 Financial assets and liabilities**

Financial assets and financial liabilities are recognised at the time 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 is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet includes long term deposit, short term investments, bank balances and accrued & other liabilities. All financial assets and liabilities are initially measured at cost, which is the fair value of 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. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### **3.8 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.

### **3.9 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- dividend income from investments is recognised when the Company's right to receive dividend is established; and
- return on investments is recognised on 'accrual basis'.

### **3.10 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.

### **3.11 Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 16 to these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| 4. LONG TERM INVESTMENTS                                                                                                                                                                                      | Note         | 2014<br>Rupees            | 2013<br>Rupees            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------------|---------------------------|
| <b>Subsidiary Company-</b> at cost                                                                                                                                                                            |              |                           |                           |
| SFL Corporation (Private) Limited<br>1,000 (2013: 1,000) ordinary shares of<br>Rs.100 each - <b>cost</b><br>Equity held: 100% (2013: 100%)                                                                    |              | <b>100,000</b>            | 100,000                   |
| <b>Associated Companies-</b> at cost                                                                                                                                                                          | <b>4.1</b>   | <b>366,155,000</b>        | 366,155,000               |
|                                                                                                                                                                                                               |              | <b><u>366,255,000</u></b> | <b><u>366,255,000</u></b> |
| <b>4.1 Associated Companies-</b> unquoted                                                                                                                                                                     |              |                           |                           |
| Sapphire Finishing Mills Limited<br>25,809,000 (2013: 25,809,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 28.05% (2013: 28.05%)<br>Break-up value per share Rs. 32.67 (2013: Rs.26.07) | <b>4.1.1</b> | <b>258,090,000</b>        | 258,090,000               |
| Sapphire Dairies Limited<br>7,000,000 (2013: 7,000,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 6.67% (2013: 6.67%)<br>Break-up value per share Rs. 9.94 (2013: Rs.10.15)              | <b>4.1.1</b> | <b>70,000,000</b>         | 70,000,000                |
| Diamond Fabrics Limited<br>4,569,000 (2013: 4,569,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 30.69% (2013: 30.69%)<br>Break-up value per share Rs. 276.49 (2013: Rs.242.47)          | <b>4.1.1</b> | <b>33,368,238</b>         | 33,368,238                |
| Amer Cotton Mills (Private) Limited<br>336,000 (2013: 336,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 8.40% (2013: 8.40%)<br>Break-up value per share Rs. 326.86 (2013: Rs. 348.54)   | <b>4.1.1</b> | <b>549,305</b>            | 549,305                   |
| Amer Tex (Private) Limited<br>790,428 (2013: 790,428) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 14.41% (2013: 14.41%)<br>Break-up value per share Rs. 146.95 (2013: Rs.138.39)           | <b>4.1.1</b> | <b>4,147,457</b>          | 4,147,457                 |
|                                                                                                                                                                                                               |              | <b><u>366,155,000</u></b> | <b><u>366,155,000</u></b> |

**4.1.1** These represent investments acquired by the Company against issue of 19,687,500 ordinary shares of the Company to the shareholders of Sapphire Fibres Limited (SFL) in pursuant to an approved scheme of arrangement of de-merger between SFL & its shareholders and the Company & its shareholders.

**4.1.2** The abovementioned break-up values are based on latest available un-audited financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 5. SHORT TERM INVESTMENTS

- at fair value through profit or loss

| 2014<br>--- (Number of units) --- | 2013         |                               | 2014<br>Rupees    | 2013<br>Rupees    |
|-----------------------------------|--------------|-------------------------------|-------------------|-------------------|
| 154,763.9409                      | 141,411.8902 | Pakistan Cash Management Fund | 7,738,197         | 7,136,478         |
| 168,168.6416                      | 156,040.8414 | UBL Liquidity Plus Fund       | 16,878,498        | 15,615,959        |
| 413,236.8268                      | -            | HBL Money Market Fund         | 41,456,580        | -                 |
|                                   |              |                               | <u>66,073,275</u> | <u>22,752,437</u> |

### 6. CASH AND BANK BALANCES

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Cash in hand                     | -                | 685,350          |
| Cash at bank in current accounts | 3,274,301        | 1,332,669        |
|                                  | <u>3,274,301</u> | <u>2,018,019</u> |

### 7. SHARE CAPITAL

| 2014<br>--- Number of shares --- | 2013              |                                                                                               | 2014               | 2013               |
|----------------------------------|-------------------|-----------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                  |                   | <b>Authorised capital</b>                                                                     |                    |                    |
| <u>20,200,000</u>                | <u>20,200,000</u> | Ordinary shares of Rs.10 each                                                                 | <u>202,000,000</u> | <u>202,000,000</u> |
|                                  |                   | <b>Issued, subscribed and paid-up capital</b>                                                 |                    |                    |
| 10,000                           | 10,000            | Ordinary shares of Rs.10 each, fully paid in cash                                             | 100,000            | 100,000            |
| 19,687,500                       | 19,687,500        | Ordinary shares of Rs.10 each, issued in pursuant to the scheme of arrangements for de-merger | 196,875,000        | 196,875,000        |
| 393,950                          | 393,950           | Ordinary shares of Rs.10 each, issued as fully paid bonus shares                              | 3,939,500          | 3,939,500          |
| <u>20,091,450</u>                | <u>20,091,450</u> |                                                                                               | <u>200,914,500</u> | <u>200,914,500</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| 7.1 Ordinary shares of the Company held by the related parties as at June 30, | 2014<br>-- Number of shares -- | 2013                   |
|-------------------------------------------------------------------------------|--------------------------------|------------------------|
| Sapphire Fibres Limited                                                       | 10,199                         | 10,199                 |
| Sapphire Textile Mills Limited                                                | 147                            | 147                    |
| Neelum Textile Mills (Private) Limited                                        | 2,812,130                      | 2,812,130              |
| Sapphire Agencies (Private) Limited                                           | 602,863                        | 602,863                |
| Crystal Enterprises (Private) Limited                                         | 5,518                          | 5,518                  |
| Sapphire Power Generation Limited                                             | 64,534                         | 64,534                 |
| Salman Ismail (SMC-Pvt.) Limited                                              | 21,514                         | 21,514                 |
| Reliance Cotton Spinning Mills Limited                                        | 401,570                        | 401,570                |
| Sapphire Holding Limited                                                      | 3,001,087                      | 3,001,087              |
| Amer Tex (Private) Limited                                                    | 2,443,598                      | 2,443,598              |
|                                                                               | <b>2014<br/>Rupees</b>         | <b>2013<br/>Rupees</b> |
| 8. ACCRUED AND OTHER LIABILITIES                                              |                                |                        |
| Accrued liabilities                                                           | 38,100                         | 521,710                |
| Audit fee                                                                     | 250,000                        | 250,000                |
| Unclaimed dividend                                                            | 69,848                         | -                      |
|                                                                               | <b>357,948</b>                 | <b>771,710</b>         |

### 9. CONTINGENCIES AND COMMITMENTS

- 9.1 The Workers' Welfare Fund Ordinance, 1971 (the Ordinance) was amended by the Finance Acts of 2006 and 2008 to modify the basis of calculating WWF payable and expand the net of WWF to include 'non-manufacturing' companies respectively. Amendments issued under the amended Ordinance were challenged by the Group Companies and certain other companies. In 2010 a division bench of the Sindh High Court (SHC) upheld these amendments. This matter then went before full bench of SHC which also upheld these amendments through order dated March 1, 2013. This decision of the SHC has been challenged in Supreme Court of Pakistan by the Group Companies and certain other companies, which is pending adjudication.

Based on above, the Company has not provided for workers' welfare fund charge amounting Rs.1,442,374 (2013: Rs.348,309) for the year ended June 30, 2014 and aggregate amount of Rs.1,790,683 has not been provided for in respect of workers' welfare fund charge for current and preceding year.

- 9.2 There was no capital commitment as at June 30, 2014 and June 30, 2013.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| 10. DIVIDEND INCOME                                    |      | 2014<br>Rupees | 2013<br>Rupees |
|--------------------------------------------------------|------|----------------|----------------|
| Dividend received from following Associated Companies: |      |                |                |
| - Sapphire Finishing Mills Limited                     |      | 24,518,550     | 12,904,500     |
| - Diamond Fabrics Limited                              |      | 41,121,000     | 4,569,000      |
| - Amer Cotton Mills (Private) Limited                  |      | 4,200,000      | -              |
|                                                        |      | 69,839,550     | 17,473,500     |
| 11. ADMINISTRATIVE EXPENSES                            |      |                |                |
|                                                        | Note | 2014<br>Rupees | 2013<br>Rupees |
| Legal and professional charges                         |      | 152,900        | 633,900        |
| Directors' fee                                         |      | 10,000         | -              |
| Fee and subscription                                   |      | 218,655        | 75,211         |
| Professional tax                                       |      | 100,000        | 110,000        |
| Printing and stationery                                |      | 160,059        | 80,342         |
| Auditors' remuneration                                 | 11.1 | 250,000        | 250,000        |
| Advertisement                                          |      | 52,500         | 7,500          |
| CDC annual fee                                         |      | 39,375         | 67,500         |
| Stamp duty and postage                                 |      | 33,582         | 12,900         |
| Bank charges                                           |      | 770            | 555            |
| Provincial sales taxes                                 |      | 11,940         | -              |
| Others                                                 |      | 11,905         | 52,523         |
|                                                        |      | 1,041,686      | 1,290,431      |
| 11.1 Auditors' remuneration                            |      |                |                |
| Fee for:                                               |      |                |                |
| Annual audit                                           |      | 150,000        | 150,000        |
| Half yearly review                                     |      | 65,000         | 65,000         |
| Review of Code of Corporate Governance                 |      | 35,000         | 35,000         |
|                                                        |      | 250,000        | 250,000        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

|                                                                                                                                                                                                                              | 2014<br>Rupees           | 2013<br>Rupees    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------|
| <b>12. TAXATION</b>                                                                                                                                                                                                          |                          |                   |
| Current year                                                                                                                                                                                                                 | 6,983,955                | 1,838,216         |
| Adjustment of prior year                                                                                                                                                                                                     | 1                        | 30,028            |
|                                                                                                                                                                                                                              | <u>6,983,956</u>         | <u>1,868,244</u>  |
| <b>12.1 Relationship between tax expense and accounting profit</b>                                                                                                                                                           |                          |                   |
| Profit before taxation                                                                                                                                                                                                       |                          | <u>17,415,474</u> |
| Tax at the applicable rate of 35%                                                                                                                                                                                            |                          | 6,095,416         |
| Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account                                                                                                                   |                          | 444,528           |
| Tax effect of income subject to lower tax regime                                                                                                                                                                             |                          | (4,368,375)       |
| Tax effect of income exempt from tax                                                                                                                                                                                         |                          | (333,353)         |
| Effect of prior years' tax                                                                                                                                                                                                   |                          | 30,028            |
|                                                                                                                                                                                                                              |                          | <u>1,868,244</u>  |
| <b>12.2</b> No numeric tax rate reconciliation for the current year is given in these financial statements, as provision made for the current year represents tax charged under section 5 of the Income Tax Ordinance, 2001. |                          |                   |
| <b>12.3</b> Income tax assessments of the Company have been completed upto the Tax Year 2013; the return for the said year has not been taken-up for audit till June 30, 2014.                                               |                          |                   |
| <b>13. EARNINGS PER SHARE</b>                                                                                                                                                                                                | 2014<br>Rupees           | 2013<br>Rupees    |
| Net profit for the year                                                                                                                                                                                                      | <u>65,134,746</u>        | <u>15,547,230</u> |
|                                                                                                                                                                                                                              | --- Number of shares --- |                   |
| Weighted average ordinary shares<br>in issue during the year                                                                                                                                                                 | <u>20,091,450</u>        | <u>20,091,450</u> |
|                                                                                                                                                                                                                              | ----- Rupees -----       |                   |
| Basic earnings per share                                                                                                                                                                                                     | <u>3.24</u>              | <u>0.77</u>       |

**13.1** There is no dilutive effect on the basic earnings per share of the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 14. FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk;                      - Liquidity risk; and                      - Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management framework.

The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

#### 14.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Credit risk mainly arises from long term deposit, investment in mutual fund securities and deposits with banks.

The credit risk on liquid funds maintained with banks and investments in mutual fund securities is limited as such banks and funds enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The maximum exposure to credit risk at the end of the reporting period is as follows:

|                        | 2014<br>Rupees | 2013<br>Rupees |
|------------------------|----------------|----------------|
| Long term deposit      | 37,500         | 37,500         |
| Short term investments | 66,073,275     | 22,752,437     |
| Bank balances          | 3,274,301      | 1,332,669      |
|                        | 69,385,076     | 24,122,606     |

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

#### 14.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as all obligations of the Company are short term in nature and are restricted to the extent of available liquidity. As at reporting date, accrued and other liabilities are the only financial liability of the Company that are due within next twelve months.

#### 14.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

**(a) Currency risk**

Foreign currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to foreign exchange risk as it does not have any foreign currency receivables or payables.

**(b) Interest rate risk**

Interest rate risk is the risk that fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

As the Company has no significant interest bearing assets and liabilities the Company's income and operating cash flows are substantially independent of changes in market interest rates.

**(c) Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's investments in mutual fund securities amounting to Rs.66,073,275 (2013: Rs.22,752,437) are exposed to price risk due to changes in Net Asset Value (NAV) of such funds.

A change of 1% in NAV of mutual funds at the reporting date would have increased / (decreased) profit before taxation for the year and investments by the amounts shown below.

|                                  | <b>2014<br/>Rupees</b> | 2013<br>Rupees |
|----------------------------------|------------------------|----------------|
| Effect on profit before taxation | <b>660,733</b>         | 227,524        |
| Effect on investments            | <b>660,733</b>         | 227,524        |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / investments of the Company.

### 14.4 Fair value hierarchy

The below table analysis financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities:
- Level 2: Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices): and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Investments in units of mutual funds is valued using quoted price, hence, fair value of such investments fall within level 1 in fair value hierarchy as mentioned above.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

### **14.5 Capital risk management**

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders.

The capital structure of the Company is equity based with no financing through long term or short term borrowings at the reporting date.

There was no change in the Company's approach to capital management during the year.

### **15. TRANSACTIONS WITH RELATED PARTIES**

There are no significant transactions with related parties during the current year except for dividend income aggregating Rs.69,839,550 (2013: Rs.17,473,500) received from Associated Companies and meeting fees amounting Rs.10,000 paid to a non-executive director.

### **16. OPERATING SEGMENTS**

These financial statements have been prepared on the basis of single reportable segment.

- (a) Dividend income represents 95.46% (2013: 93.41%) of the total revenue of the Company.
- (b) All non-current assets of the Company as at June 30, 2014 are located in Pakistan.
- (c) All revenues of the Company are earned from investments in Pakistan.

### **17. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

No remuneration has been paid or is payable by the Company on account of remuneration of Chief executive officer, directors and executives for the year.

### **18. NUMBER OF EMPLOYEES**

The total and average number of employees as at year end was 4 (2013: 4).

### **19. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors, in their meeting held on October 01, 2014, has proposed a final cash dividend of Rs. Nil (2013: Re.1) per share amounting to Rs. Nil (2013: Rs.20,091,450) for the year ended June 30, 2014. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24th, 2014. These financial statements do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2015.

### **20. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue on October 01, 2014 by the Board of Directors of the Company.

**Chief Executive**

**Director**

## PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2014

| NUMBER<br>OF SHARE<br>HOLDERS | FROM      | TO        | TOTAL<br>SHARES<br>HELD |
|-------------------------------|-----------|-----------|-------------------------|
| 385                           | 1         | 100       | 3,508                   |
| 154                           | 101       | 500       | 34,192                  |
| 129                           | 501       | 1,000     | 80,491                  |
| 92                            | 1,001     | 5,000     | 170,882                 |
| 15                            | 5,001     | 10,000    | 101,943                 |
| 3                             | 10,001    | 15,000    | 35,760                  |
| 3                             | 20,001    | 25,000    | 66,955                  |
| 3                             | 30,001    | 35,000    | 95,382                  |
| 1                             | 35,001    | 40,000    | 37,179                  |
| 1                             | 40,001    | 45,000    | 42,233                  |
| 1                             | 45,001    | 50,000    | 46,203                  |
| 1                             | 60,001    | 65,000    | 64,534                  |
| 1                             | 70,001    | 75,000    | 73,783                  |
| 1                             | 85,001    | 90,000    | 89,791                  |
| 1                             | 90,001    | 95,000    | 91,476                  |
| 1                             | 130,001   | 135,000   | 133,138                 |
| 1                             | 165,001   | 170,000   | 168,697                 |
| 1                             | 170,001   | 175,000   | 174,993                 |
| 1                             | 225,001   | 230,000   | 229,500                 |
| 1                             | 230,001   | 235,000   | 232,379                 |
| 1                             | 305,001   | 310,000   | 306,955                 |
| 1                             | 375,001   | 380,000   | 375,009                 |
| 1                             | 395,001   | 400,000   | 400,000                 |
| 1                             | 510,001   | 515,000   | 511,107                 |
| 1                             | 600,001   | 605,000   | 602,863                 |
| 1                             | 615,001   | 620,000   | 619,546                 |
| 1                             | 920,001   | 925,000   | 921,469                 |
| 1                             | 1,145,001 | 1,150,000 | 1,147,615               |
| 1                             | 1,215,001 | 1,220,000 | 1,215,174               |
| 1                             | 1,235,001 | 1,240,000 | 1,237,134               |
| 1                             | 1,350,001 | 1,355,000 | 1,350,276               |
| 1                             | 1,355,001 | 1,360,000 | 1,355,029               |
| 1                             | 1,570,001 | 1,575,000 | 1,574,996               |
| 1                             | 1,690,001 | 1,695,000 | 1,694,207               |
| 1                             | 1,805,001 | 1,810,000 | 1,805,964               |
| 1                             | 3,000,001 | 3,005,000 | 3,001,087               |
| Total : -                     |           |           | 20,091,450              |
| 812                           |           |           |                         |

## **PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2014**

| <b>CATEGORIES OF SHAREHOLDERS</b>                   | <b>SHARES HELD</b> | <b>PERCANTAGE</b> |
|-----------------------------------------------------|--------------------|-------------------|
| Director, CEO, spouses and Minor Children           | 10,197,851         | 50.76             |
| Associated Companies, undertakings, related parties | 9,363,160          | 46.60             |
| Banks, DFI & NBF                                    | 18,479             | 0.09              |
| Insurance Companies                                 | 4,764              | 0.02              |
| Modaraba & Mutual Funds                             | 114                | 0.00              |
| General Public (Local)                              | 488,847            | 2.43              |
| General Public (Foreign)                            | 2,966              | 0.01              |
| Other Companies                                     | 15,269             | 0.08              |
|                                                     | <u>20,091,450</u>  | <u>100.00</u>     |

## PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2014

### ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

|                                         |         |
|-----------------------------------------|---------|
| Sapphire Fibres Limited                 | 10199   |
| Reliance Cotton Spinning Mills Limited  | 401570  |
| Neelum Textile Mills (Private) Limited. | 2812130 |
| Sapphire Power Generation Limited       | 64534   |
| Sapphire Holding Limited.               | 3001087 |
| Amer Tex (Pvt.) Limited                 | 2443598 |
| Crystal Enterprises (Private) Limited   | 5518    |
| Salman Ismail (SMC-Private) Limited     | 21514   |
| Sapphire Textile Mills Limited          | 147     |
| Sapphire Agencies (Private) Limited     | 602863  |

### DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN

#### DIRECTORS & THEIR SPOUSES

|                       |         |
|-----------------------|---------|
| Mr.Muhammad Abdullah  | 89791   |
| Mrs.Shamshad Begum    | 1920541 |
| Mr.Nadeem Abdullah    | 534057  |
| Mr.Amer Abdullah      | 659593  |
| Mr.Yousuf Abdullullah | 2380957 |
| Mrs.Noshaba Nadeem    | 1353948 |
| Mrs.Ambareen Amer     | 1221398 |
| Mr.Muhammad Yamin     | 717     |
| Mr. Mazhar Saleem     | 500     |
| Mrs. Usma Yousuf      | 42233   |

#### CHIEF EXECUTIVE OFFICER & THEIR SPOUSES

|                    |         |
|--------------------|---------|
| Mr.Shahid Abdullah | 406708  |
| Mrs.Shireen Shahid | 1587408 |

### BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS

#### BANKS, DFI & NBF

|                           |       |
|---------------------------|-------|
| National Bank of Pakistan | 15419 |
| Faysal Bank Limited       | 3060  |

#### INSURANCE COMPANY

|                                              |      |
|----------------------------------------------|------|
| State Life Insurance Corporation of Pakistan | 4764 |
|----------------------------------------------|------|

#### MODARABAS & MUTUAL FUNDS

|                  |     |
|------------------|-----|
| Modaraba-AI-Mali | 114 |
|------------------|-----|

## **PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2014**

### **SHAREHOLDERS HOLDING 5% OR MORE**

|                               |         |
|-------------------------------|---------|
| Neelum Textile Mills Limited. | 2812130 |
| Sapphire Holding Limited      | 3001087 |
| Amer Tex (Pvt.) Limited       | 2443598 |
| Mrs.Shamshad Begum            | 1903041 |
| Mr.Yousuf Abddullah           | 2380957 |
| Mrs.Noshaba Nadeem            | 1353948 |
| Mrs.Ambareen Amer             | 1221398 |
| Mrs.Shireen Shahid            | 1587408 |

### **TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.**

|                                |       |
|--------------------------------|-------|
| Mrs. Shamshad Begum purchased. | 17500 |
|--------------------------------|-------|

# **SFL LIMITED**

## **Consolidated Accounts**

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## **DIRECTORS' REPORT**

The Directors of the Holding Company of SFL Corporation (Private) Limited are pleased to place before you the Directors' report together with the Audited Consolidated Financial Accounts and the Auditors' Report thereon for the year ended 30th June, 2014.

SFL Corporation (Private) Limited was incorporated for purpose given in the object clause of the Memorandum of Association which includes purchase and holding shares in other company having objects altogether or in part similar to those of this company. The company has not carried out any operational activity since its incorporation.

ON BEHALF OF THE BOARD

Karachi  
Dated : 01st October, 2014

**SHAHID ABDULLAH**  
CHIEF EXECUTIVE

## **AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **SFL Limited** (SFLL) and its subsidiary company, SFL Corporation (Private) Limited as at June 30, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of SFLL. The financial statements of the subsidiary company was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These financial statements are the responsibility of SFLL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of SFLL and its subsidiary company as at June 30, 2014 and the results of their operations for the year then ended.

KARACHI;  
Date: October 01, 2014

**HAMEED CHAUDHRI & CO.,**  
CHARTERED ACCOUNTANTS  
Engagement Partner:  
Muhammad Ali

## CONSOLIDATED BALANCE SHEET

### AS AT JUNE 30, 2014

|                                      | Note | 2014<br>Rupees       | 2013<br>Rupees       |
|--------------------------------------|------|----------------------|----------------------|
| <b>ASSETS</b>                        |      |                      |                      |
| <b>Non current assets</b>            |      |                      |                      |
| Long term investments                | 4    | 2,657,297,206        | 2,296,086,477        |
| Long term deposit                    |      | 37,500               | 37,500               |
|                                      |      | <b>2,657,334,706</b> | <b>2,296,123,977</b> |
| <b>Current assets</b>                |      |                      |                      |
| Short term investments               | 5    | 66,073,275           | 22,752,437           |
| Taxation - net                       |      | 157                  | -                    |
| Cash and bank balances               | 6    | 3,364,951            | 2,111,719            |
|                                      |      | <b>69,438,383</b>    | <b>24,864,156</b>    |
| <b>Total assets</b>                  |      | <b>2,726,773,089</b> | <b>2,320,988,133</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                      |                      |
| <b>Share capital and reserves</b>    |      |                      |                      |
| Share capital                        | 7    | 200,914,500          | 200,914,500          |
| Reserve arisen upon de-merger        |      | 178,206,839          | 169,241,877          |
| Unappropriated profit                |      | 2,347,223,802        | 1,949,952,789        |
| <b>Total equity</b>                  |      | <b>2,726,345,141</b> | <b>2,320,109,166</b> |
| <b>Current liabilities</b>           |      |                      |                      |
| Accrued and other liabilities        | 8    | 427,948              | 826,710              |
| Taxation - net                       |      | -                    | 52,257               |
| <b>Total liabilities</b>             |      | <b>427,948</b>       | <b>878,967</b>       |
| <b>Contingencies and commitments</b> | 9    |                      |                      |
| <b>Total equity and liabilities</b>  |      | <b>2,726,773,089</b> | <b>2,320,988,133</b> |

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.

Chief Executive

Director

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2014

|                                                                          | Note | 2014<br>Rupees     | 2013<br>Rupees |
|--------------------------------------------------------------------------|------|--------------------|----------------|
| <b>Revenue</b>                                                           |      |                    |                |
| Interest on treasury bills                                               |      | -                  | 279,968        |
| Change in fair value of investments at fair value through profit or loss |      | <b>3,320,838</b>   | 952,437        |
|                                                                          |      | <b>3,320,838</b>   | 1,232,405      |
| Administrative expenses                                                  | 10   | <b>1,059,736</b>   | 1,308,431      |
|                                                                          |      | <b>2,261,102</b>   | (76,026)       |
| Share of profit of Associated Companies                                  |      | <b>391,837,271</b> | 403,732,668    |
| <b>Profit before taxation</b>                                            |      | <b>394,098,373</b> | 403,656,642    |
| Taxation                                                                 | 11   | <b>6,983,956</b>   | 1,868,244      |
| <b>Profit after taxation</b>                                             |      | <b>387,114,417</b> | 401,788,398    |
| <b>Earnings per share</b> - basic and diluted                            | 12   | <b>19.27</b>       | 20.00          |

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.

Chief Executive

Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

|                                                                                                   | 2014<br>Rupees            | 2013<br>Rupees            |
|---------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>Profit after taxation</b>                                                                      | <b>387,114,417</b>        | 401,788,398               |
| <b>Other comprehensive income:</b>                                                                |                           |                           |
| Share of unrealized gain on available for sale investments<br>of Associated Companies             | <b>5,747,309</b>          | 1,819,542                 |
| Share of unrealized gain / (loss) on hedging instruments<br>of Associated Companies               | <b>3,217,653</b>          | (724,653)                 |
| Share of re-measurement loss arisen upon retirement benefit<br>obligation of Associated Companies | <b>(2,270,718)</b>        | -                         |
|                                                                                                   | <b>6,694,244</b>          | 1,094,889                 |
| <b>Total comprehensive income for the year</b>                                                    | <b><u>393,808,661</u></b> | <b><u>402,883,287</u></b> |

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.

Chief Executive

Director

## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2014

|                                                                          | 2014<br>Rupees | 2013<br>Rupees |
|--------------------------------------------------------------------------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                |                |
| Profit before taxation                                                   | 394,098,373    | 403,656,642    |
| <b>Adjustments for non-cash items:</b>                                   |                |                |
| Interest on treasury bills                                               | -              | (279,968)      |
| Change in fair value of investments at fair value through profit or loss | (3,320,838)    | (952,437)      |
| Share of profit of Associated Companies                                  | (391,837,271)  | (403,732,668)  |
| <b>Operating loss before working capital changes</b>                     | (1,059,736)    | (1,308,431)    |
| <b>Working capital changes</b>                                           |                |                |
| (Decrease) / increase in accrued and other liabilities                   | (468,610)      | 678,179        |
| <b>Cash used in operations</b>                                           | (1,528,346)    | (630,252)      |
| Taxes paid                                                               | (7,036,370)    | (1,815,987)    |
| Long term deposit paid                                                   | -              | (37,500)       |
| <b>Net cash used in operating activities</b>                             | (8,564,716)    | (2,483,739)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |                |                |
| Dividend received                                                        | 69,839,550     | 17,473,500     |
| Short term investments acquired                                          | (40,000,000)   | (21,800,000)   |
| Short term investments matured                                           | -              | 6,870,000      |
| <b>Net cash generated from investing activities</b>                      | 29,839,550     | 2,543,500      |
| <b>CASH USED IN FINANCING ACTIVITIES</b>                                 |                |                |
| Dividend paid                                                            | (20,021,602)   | -              |
| <b>Net increase in cash and cash equivalents</b>                         | 1,253,232      | 59,761         |
| <b>Cash and cash equivalents - at beginning of the year</b>              | 2,111,719      | 2,051,958      |
| <b>Cash and cash equivalents - at end of the year</b>                    | 3,364,951      | 2,111,719      |

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.

Chief Executive

Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

|                                                                              | Share capital | Reserves                      |                                                                                    |                                                                         |             | Unappropriated profit | Total         |
|------------------------------------------------------------------------------|---------------|-------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------|-----------------------|---------------|
|                                                                              |               | Reserve arisen upon de-merger | Share of unrealised gain on available for sale investments of Associated Companies | Share of unrealised gain on hedging instruments of Associated Companies | Sub-total   |                       |               |
| ----- Rupees -----                                                           |               |                               |                                                                                    |                                                                         |             |                       |               |
| Balance as at July 1, 2012                                                   | 200,914,500   | 165,340,500                   | 1,876,149                                                                          | 930,339                                                                 | 168,146,988 | 1,547,823,642         | 1,916,885,130 |
| Total comprehensive income for the year                                      |               |                               |                                                                                    |                                                                         |             |                       |               |
| Profit after taxation                                                        | -             | -                             | -                                                                                  | -                                                                       | -           | 401,788,398           | 401,788,398   |
| Other comprehensive income / (loss)                                          | -             | -                             | 1,819,542                                                                          | (724,653)                                                               | 1,094,889   | -                     | 1,094,889     |
|                                                                              | -             | -                             | 1,819,542                                                                          | (724,653)                                                               | 1,094,889   | 401,788,398           | 402,883,287   |
| Effect of items directly recorded in equity of Associated Companies          | -             | -                             | -                                                                                  | -                                                                       | -           | 340,749               | 340,749       |
| Balance as at June 30, 2013                                                  | 200,914,500   | 165,340,500                   | 3,695,691                                                                          | 205,686                                                                 | 169,241,877 | 1,949,952,789         | 2,320,109,166 |
| Transaction with owners                                                      |               |                               |                                                                                    |                                                                         |             |                       |               |
| Cash dividend for the year ended June 30, 2013 at the rate of Re.1 per share | -             | -                             | -                                                                                  | -                                                                       | -           | (20,091,450)          | (20,091,450)  |
| Total comprehensive income for the year                                      |               |                               |                                                                                    |                                                                         |             |                       |               |
| Profit after taxation                                                        | -             | -                             | -                                                                                  | -                                                                       | -           | 387,114,417           | 387,114,417   |
| Other comprehensive income / (loss)                                          | -             | -                             | 5,747,309                                                                          | 3,217,653                                                               | 8,964,962   | (2,270,718)           | 6,694,244     |
|                                                                              | -             | -                             | 5,747,309                                                                          | 3,217,653                                                               | 8,964,962   | 384,843,699           | 393,808,661   |
| Effect of items directly recorded in equity of Associated Companies          | -             | -                             | -                                                                                  | -                                                                       | -           | 32,518,764            | 32,518,764    |
| Balance as at June 30, 2014                                                  | 200,914,500   | 165,340,500                   | 9,443,000                                                                          | 3,423,339                                                               | 178,206,839 | 2,347,223,802         | 2,726,345,141 |

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.

Chief Executive

Director

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

### **1. THE GROUP AND ITS OPERATIONS**

- 1.1 The Group comprises of SFL Limited (the Holding Company) and its wholly owned Subsidiary Company - SFL Corporation (Private) Limited.
- 1.2 SFL Limited (the Holding Company) was incorporated as public limited company on April 26, 2010 and its shares has been listed on Karachi Stock Exchange (Guarantee) Limited with effect from January 7, 2013. The registered office of the Company is located at 316 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The main business of the Holding Company is to invest in the shares of Associated Companies and other business as per the Memorandum of Association of the Holding Company.
- 1.3 SFL Corporation (Private) Limited (the Subsidiary Company) was incorporated in Pakistan on October 4, 2011 as private limited company. The registered office of the Subsidiary Company is located at 307 - Cotton Exchange Building, I. I. Chundrigar Road, Karachi. The main business of the Subsidiary Company is to invest in the shares and other business activities as per Memorandum of Association.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

These consolidated 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.

#### **2.2 Principal of consolidation**

These consolidated financial statements include the financial statements of the Holding Company and of its Subsidiary Company.

Subsidiary Company is consolidated from the date on which more than 50% voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal or reduction of control.

The assets and liabilities of the Subsidiary Company are consolidated on a line by line basis and the carrying amount of investments held by the Holding Company is eliminated against the Subsidiary Company shareholder equity in these consolidated financial statements.

All material inter-group balances and transactions have been eliminated.

#### **2.2 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention except for investment in mutual fund securities which is carried at fair value.

#### **2.3 Functional and presentation currency**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

These consolidated financial statements are presented in Pakistan Rupees, which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee except stated otherwise.

### 2.4 New and amended standards and interpretations

#### 2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 1, 2013 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

#### 2.4.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Group:

- (a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24 'Related Party Disclosures' and IAS 38, 'Intangible assets'. The Group does not expect to have material impact on its consolidated financial statements due to application of these amendments.
- (b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Group's consolidated financial statements.
- (c) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Group shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its consolidated financial statements.
- (d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the consolidated financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Group and, therefore, have not been presented here.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 2.5 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

- fair value of investments: and
- provision for taxation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set-out below. These policies have been consistently applied to all the years presented.

#### 3.1 Investments

Investments of the Group are classified into the following categories:

##### (a) Investments in Associated Companies

Investments in Associated Companies are accounted for using equity basis of accounting under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income or loss of the Associated Companies after the date of acquisition. The Group's share of the profit or loss and other comprehensive income or loss of the Associated Companies is recognised in the Group's consolidated profit or loss and consolidated other comprehensive income or loss respectively. Distributions received from Associated Companies reduce the carrying amount of the investments. Adjustments to the carrying amounts are also made for changes in the Group's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit and loss account. The Group's share of those changes is recognised directly in equity of the Group.

The carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in Group's profit or loss.

##### (b) Held-to-maturity

Investments with fixed maturity, where the management has both the intent and the ability to hold the investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2014**

any discount or premium on acquisition by using the effective interest rate method.

**(c) At fair value through profit or loss**

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as investments at fair value through profit or loss. All transaction costs are recognised directly in consolidated profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the consolidated profit and loss account.

**3.2 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 in hand and bank balances.

**3.3 Equity instruments**

These are recorded at their face value.

**3.4 Accrued and other liabilities**

These are carried at cost which is the fair value of the consideration to be paid in future for services.

**3.5 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.

**3.6 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**3.7 Financial assets and liabilities**

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group 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 is included in the consolidated profit and loss account for the year.

Financial instruments carried on the balance sheet includes long term deposit, short term investments, bank balances and accrued & other liabilities. All financial assets and liabilities are initially measured at cost, which is the fair value of 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. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

### **3.8 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.

### **3.9 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- dividend income from investments is recognised when the Group's right to receive dividend is established; and
- return on investments is recognised on 'accrual basis'.

### **3.10 Earnings per share**

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

### **3.11 Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Group considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 15 to these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 4. LONG TERM INVESTMENTS

|                                                                                                                                                               | 2014<br>Rupees       | 2013<br>Rupees       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Associated Companies - unquoted</b>                                                                                                                        |                      |                      |
| Sapphire Finishing Mills Limited (SFML)<br>25,809,000 (2013: 25,809,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 28.05% (2013: 28.05%) | <b>258,090,000</b>   | 258,090,000          |
| Share of post acquisition profit                                                                                                                              | <b>610,872,737</b>   | 424,765,973          |
| Dividend received during the year                                                                                                                             | <b>(24,518,550)</b>  | (12,904,500)         |
|                                                                                                                                                               | <b>844,444,187</b>   | 669,951,473          |
| Sapphire Dairies Limited (SDL)<br>7,000,000 (2013: 7,000,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 6.67% (2013: 6.67%)              | <b>70,000,000</b>    | 70,000,000           |
| Share of post acquisition (loss) / profit                                                                                                                     | <b>(432,054)</b>     | 1,101,709            |
|                                                                                                                                                               | <b>69,567,946</b>    | 71,101,709           |
| Diamond Fabrics Limited (DFL)<br>4,569,000 (2013: 4,569,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 30.69% (2013: 30.69%)             | <b>33,368,238</b>    | 33,368,238           |
| Share of post acquisition profit                                                                                                                              | <b>1,388,367,608</b> | 1,160,912,553        |
| Dividend received during the year                                                                                                                             | <b>(41,121,000)</b>  | (4,569,000)          |
|                                                                                                                                                               | <b>1,380,614,846</b> | 1,189,711,791        |
| Amer Cotton Mills (Private) Limited (ACML)<br>336,000 (2013: 336,000) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 8.40% (2013: 8.40%)      | <b>549,305</b>       | 549,305              |
| Share of post acquisition profit                                                                                                                              | <b>257,549,583</b>   | 263,028,801          |
| Dividend received during the year                                                                                                                             | <b>(4,200,000)</b>   | -                    |
|                                                                                                                                                               | <b>253,898,888</b>   | 263,578,106          |
| Amer Tex (Private) Limited<br>790,428 (2013: 790,428) ordinary shares<br>of Rs.10 each - <b>cost</b><br>Equity held: 14.41% (2013: 14.41%)                    | <b>63,774,203</b>    | 63,774,203           |
| Share of post acquisition profit                                                                                                                              | <b>44,997,136</b>    | 37,969,195           |
|                                                                                                                                                               | <b>108,771,339</b>   | 101,743,398          |
|                                                                                                                                                               | <b>2,657,297,206</b> | <b>2,296,086,477</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 4.1 Summarised financial information of equity accounted investees

|                                | As at June 30, 2014              |           |            |           |         |
|--------------------------------|----------------------------------|-----------|------------|-----------|---------|
|                                | SFML                             | SDL       | DFL        | ACML      | ATL     |
|                                | ----- Rupees in '000 -----       |           |            |           |         |
| Equity                         | 3,005,545                        | 1,043,519 | 4,499,010  | 3,022,606 | 806,058 |
| Assets                         | 8,527,067                        | 1,293,073 | 6,942,156  | 5,799,865 | 806,390 |
| Liabilities                    | 5,521,522                        | 249,554   | 2,443,146  | 2,777,259 | 332     |
|                                | For the year ended June 30, 2014 |           |            |           |         |
| Revenue                        | 14,458,904                       | 597,344   | 13,763,864 | 4,577,870 | 52,488  |
| Profit / (loss) after taxation | 707,630                          | (23,124)  | 658,532    | (70,915)  | 46,988  |
|                                | As at June 30, 2013              |           |            |           |         |
|                                | SFML                             | SDL       | DFL        | ACML      | ATL     |
|                                | ----- Rupees in '000 -----       |           |            |           |         |
| Equity                         | 2,388,141                        | 1,066,526 | 3,876,914  | 3,137,835 | 706,036 |
| Assets                         | 7,336,159                        | 1,281,882 | 5,630,088  | 4,979,765 | 706,934 |
| Liabilities                    | 4,948,018                        | 215,356   | 1,753,174  | 1,841,930 | 898     |
|                                | For the year ended June 30, 2013 |           |            |           |         |
| Revenue                        | 14,181,869                       | 555,478   | 12,497,738 | 3,942,550 | 53,975  |
| Profit / (loss) after taxation | 446,096                          | (18,158)  | 826,091    | 322,634   | (5,591) |

### 5. SHORT TERM INVESTMENTS

- at fair value through profit or loss

| 2014                      | 2013         |                               | 2014              | 2013              |
|---------------------------|--------------|-------------------------------|-------------------|-------------------|
| --- (Number of units) --- |              |                               | Rupees            | Rupees            |
| 154,763.9409              | 141,411.8902 | Pakistan Cash Management Fund | 7,738,197         | 7,136,478         |
| 168,168.6416              | 156,040.8414 | UBL Liquidity Plus Fund       | 16,878,498        | 15,615,959        |
| 413,236.8268              | -            | HBL Money Market Fund         | 41,456,580        | -                 |
|                           |              |                               | <b>66,073,275</b> | <b>22,752,437</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

|            |                                                                       |                                                                                                     | 2014<br>Rupees         | 2013<br>Rupees     |
|------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|------------------------|--------------------|
| <b>6.</b>  | <b>CASH AND BANK BALANCES</b>                                         |                                                                                                     |                        |                    |
|            | Cash in hand                                                          |                                                                                                     | 10,950                 | 699,350            |
|            | Cash at bank in current accounts                                      |                                                                                                     | 3,354,001              | 1,412,369          |
|            |                                                                       |                                                                                                     | <u>3,364,951</u>       | <u>2,111,719</u>   |
| <b>7.</b>  | <b>SHARE CAPITAL</b>                                                  |                                                                                                     |                        |                    |
|            | 2014                                                                  | 2013                                                                                                | 2014                   | 2013               |
|            | --- Number of shares ---                                              | Authorised capital                                                                                  | Rupees                 | Rupees             |
|            | <u>20,200,000</u>                                                     | <u>20,200,000</u>                                                                                   | <u>202,000,000</u>     | <u>202,000,000</u> |
|            |                                                                       | <b>Issued, subscribed and<br/>paid-up capital</b>                                                   |                        |                    |
|            | 10,000                                                                | 10,000                                                                                              | 100,000                | 100,000            |
|            |                                                                       | Ordinary shares of Rs.10 each,<br>fully paid in cash                                                |                        |                    |
|            | 19,687,500                                                            | 19,687,500                                                                                          | 196,875,000            | 196,875,000        |
|            |                                                                       | Ordinary shares of Rs.10 each,<br>issued in pursuant to the scheme<br>of arrangements for de-merger |                        |                    |
|            | 393,950                                                               | 393,950                                                                                             | 3,939,500              | 3,939,500          |
|            |                                                                       | Ordinary shares of Rs.10 each,<br>issued as fully paid bonus shares                                 |                        |                    |
|            | <u>20,091,450</u>                                                     | <u>20,091,450</u>                                                                                   | <u>200,914,500</u>     | <u>200,914,500</u> |
| <b>7.1</b> | <b>Ordinary shares held by the related parties<br/>as at June 30,</b> |                                                                                                     | 2014                   | 2013               |
|            |                                                                       |                                                                                                     | -- Number of shares -- |                    |
|            | Sapphire Fibres Limited                                               |                                                                                                     | 10,199                 | 10,199             |
|            | Sapphire Textile Mills Limited                                        |                                                                                                     | 147                    | 147                |
|            | Neelum Textile Mills (Private) Limited                                |                                                                                                     | 2,812,130              | 2,812,130          |
|            | Sapphire Agencies (Private) Limited                                   |                                                                                                     | 602,863                | 602,863            |
|            | Crystal Enterprises (Private) Limited                                 |                                                                                                     | 5,518                  | 5,518              |
|            | Sapphire Power Generation Limited                                     |                                                                                                     | 64,534                 | 64,534             |
|            | Salman Ismail (SMC-Pvt.) Limited                                      |                                                                                                     | 21,514                 | 21,514             |
|            | Reliance Cotton Spinning Mills Limited                                |                                                                                                     | 401,570                | 401,570            |
|            | Sapphire Holding Limited                                              |                                                                                                     | 3,001,087              | 3,001,087          |
|            | Amer Tex (Private) Limited                                            |                                                                                                     | 2,443,598              | 2,443,598          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| 8. ACCRUED AND OTHER LIABILITIES | 2014<br>Rupees | 2013<br>Rupees |
|----------------------------------|----------------|----------------|
| Accrued liabilities              | 63,100         | 546,710        |
| Audit fee                        | 295,000        | 280,000        |
| Unclaimed dividend               | 69,848         | -              |
|                                  | 427,948        | 826,710        |

### 9. CONTINGENCIES AND COMMITMENTS

- 9.1** The Workers' Welfare Fund Ordinance, 1971 (the Ordinance) was amended by the Finance Acts of 2006 and 2008 to modify the basis of calculating WWF payable and expand the net of WWF to include 'non-manufacturing' companies respectively. Amendments issued under the amended Ordinance were challenged by the Group Companies and certain other companies. In 2010 a division bench of the Sindh High Court (SHC) upheld these amendments. This matter then went before full bench of SHC which also upheld these amendments through order dated March 1, 2013. This decision of the SHC has been challenged in Supreme Court of Pakistan by the Group Companies and certain other companies, which is pending adjudication.

Based on above, the Holding Company has not provided for workers' welfare fund charge amounting Rs.1,442,374 (2013: Rs.348,309) for the year ended June 30, 2014 and aggregate amount of Rs.1,790,683 has not been provided for in respect of workers' welfare fund charge for current and preceding year.

- 9.2** There was no capital commitment as at June 30, 2014 and June 30, 2013.

### 10. ADMINISTRATIVE EXPENSES

|                                | Note | 2014<br>Rupees | 2013<br>Rupees |
|--------------------------------|------|----------------|----------------|
| Legal and professional charges |      | 152,900        | 633,900        |
| Directors' fee                 |      | 10,000         | -              |
| Fee and subscription           |      | 221,705        | 78,211         |
| Professional tax               |      | 100,000        | 110,000        |
| Printing and stationery        |      | 160,059        | 80,342         |
| Auditors' remuneration         | 10.1 | 265,000        | 265,000        |
| Advertisement                  |      | 52,500         | 7,500          |
| CDC annual fee                 |      | 39,375         | 67,500         |
| Stamp duty and postage         |      | 33,582         | 12,900         |
| Bank charges                   |      | 770            | 555            |
| Provincial sales taxes         |      | 11,940         | -              |
| Others                         |      | 11,905         | 52,523         |
|                                |      | 1,059,736      | 1,308,431      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

|                                                                                                            | 2014<br>Rupees                                                                                                                                                                                                                | 2013<br>Rupees     |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <b>10.1 Auditors' remuneration</b>                                                                         |                                                                                                                                                                                                                               |                    |
| Hameed Chaudhri & Co.                                                                                      |                                                                                                                                                                                                                               |                    |
| - audit fee                                                                                                | 150,000                                                                                                                                                                                                                       | 150,000            |
| - half yearly review                                                                                       | 65,000                                                                                                                                                                                                                        | 65,000             |
| - review of Code of Corporate Governance                                                                   | 35,000                                                                                                                                                                                                                        | 35,000             |
| Mushtaq & Co.                                                                                              |                                                                                                                                                                                                                               |                    |
| - audit fee                                                                                                | 15,000                                                                                                                                                                                                                        | 15,000             |
|                                                                                                            | <u>265,000</u>                                                                                                                                                                                                                | <u>265,000</u>     |
| <b>11. TAXATION</b>                                                                                        |                                                                                                                                                                                                                               |                    |
| Current year                                                                                               | 6,983,955                                                                                                                                                                                                                     | 1,838,216          |
| Adjustment of prior year                                                                                   | 1                                                                                                                                                                                                                             | 30,028             |
|                                                                                                            | <u>6,983,956</u>                                                                                                                                                                                                              | <u>1,868,244</u>   |
| <b>11.1 Relationship between tax expense and accounting profit</b>                                         |                                                                                                                                                                                                                               | 2013<br>Rupees     |
| Profit before taxation                                                                                     |                                                                                                                                                                                                                               | <u>403,656,642</u> |
| Tax at the applicable rate of 35%                                                                          |                                                                                                                                                                                                                               | 141,279,825        |
| Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account |                                                                                                                                                                                                                               | 450,828            |
| Tax effect of income subject to lower tax regime                                                           |                                                                                                                                                                                                                               | (4,368,375)        |
| Tax effect of income exempt from tax                                                                       |                                                                                                                                                                                                                               | (135,524,062)      |
| Effect of prior years' tax                                                                                 |                                                                                                                                                                                                                               | 30,028             |
|                                                                                                            |                                                                                                                                                                                                                               | <u>1,868,244</u>   |
| <b>11.2</b>                                                                                                | No numeric tax rate reconciliation for the current year is given in these consolidated financial statements, as provision made for the current year represents tax charged under section 5 of the Income Tax Ordinance, 2001. |                    |
| <b>11.3</b>                                                                                                | Income tax assessments of the Holding Company have been completed upto the Tax Year 2013; the return for the said year has not been taken-up for audit till June 30, 2014.                                                    |                    |
| <b>12. EARNINGS PER SHARE</b>                                                                              | 2014<br>Rupees                                                                                                                                                                                                                | 2013<br>Rupees     |
| Net profit for the year                                                                                    | <u>387,114,417</u>                                                                                                                                                                                                            | <u>401,788,398</u> |
|                                                                                                            | --- Number of shares ---                                                                                                                                                                                                      |                    |
| Weighted average ordinary shares in issue during the year                                                  | <u>20,091,450</u>                                                                                                                                                                                                             | <u>20,091,450</u>  |
|                                                                                                            | ----- Rupees -----                                                                                                                                                                                                            |                    |
| Basic earnings per share                                                                                   | <u>19.27</u>                                                                                                                                                                                                                  | <u>20.00</u>       |
| <b>12.1</b>                                                                                                | There is no dilutive effect on the basic earnings per share of the Group.                                                                                                                                                     |                    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 13. FINANCIAL RISK MANAGEMENT

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk;                                      - Liquidity risk; and                                      - Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring risk management framework.

The Group's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

#### 13.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Credit risk mainly arises from long term deposit, investment in mutual fund securities and deposits with banks.

The credit risk on liquid funds maintained with banks and investments in mutual fund securities is limited as such banks and funds enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The maximum exposure to credit risk at the end of the reporting period is as follows:

|                        | 2014<br>Rupees | 2013<br>Rupees |
|------------------------|----------------|----------------|
| Long term deposit      | 37,500         | 37,500         |
| Short term investments | 66,073,275     | 22,752,437     |
| Bank balances          | 3,354,001      | 1,412,369      |
|                        | 69,464,776     | 24,202,306     |

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

#### 13.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as all obligations of the Group are short term in nature and are restricted to the extent of available liquidity. As at reporting date, accrued and other liabilities are the only financial liability of the Group that are due within next twelve months.

#### 13.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

##### (a) Currency risk

Foreign currency risk mainly arises where receivables and payables exist due to transactions with foreign

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

undertakings. The Group is not exposed to foreign exchange risk as it does not have any foreign currency receivables or payables.

### (b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

As the Group has no significant interest bearing assets and liabilities the Group's income and operating cash flows are substantially independent of changes in market interest rates.

### (c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's investments in mutual fund securities amounting to Rs.66,073,275 (2013: Rs.22,752,437) are exposed to price risk due to changes in Net Asset Value (NAV) of such funds.

A change of 1% in NAV of mutual funds at the reporting date would have increased / (decreased) profit before taxation for the year and investments by the amounts shown below.

|                                  | 2014<br>Rupees | 2013<br>Rupees |
|----------------------------------|----------------|----------------|
| Effect on profit before taxation | <u>660,733</u> | <u>227,524</u> |
| Effect on investments            | <u>660,733</u> | <u>227,524</u> |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / investments of the Group.

### 13.4 Fair value hierarchy

The below table analysis financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities:

Level 2: Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices): and

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Investments in units of mutual funds is valued using quoted price, hence, fair value of such investments fall within level 1 in fair value hierarchy as mentioned above.

The carrying amounts of all other financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

### 13.5 Capital risk management

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the ordinary shareholders.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

The capital structure of the Group is equity based with no financing through long term or short term borrowings at the reporting date.

There was no change in the Group's approach to capital management during the year.

### **14. TRANSACTIONS WITH RELATED PARTIES**

There are no significant transactions with related parties during the current year except for dividend income aggregating Rs.69,839,550 (2013: Rs.17,473,500) received from Associated Companies and meeting fees amounting Rs.10,000 paid to a non-executive director.

### **15. OPERATING SEGMENTS**

These consolidated financial statements have been prepared on the basis of single reportable segment.

(a) Total revenues of the Group are earned from investments in Pakistan.

(b) All non-current assets of the Group as at June 30, 2014 are located in Pakistan.

### **16. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

No remuneration has been paid or is payable by the Group on account of remuneration of Chief executive officer, directors and executives for the year.

### **17. NUMBER OF EMPLOYEES**

The total and average number of employees as at year end was 4 (2013: 4).

### **18. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors of the Holding Company, in their meeting held on October 01, 2014, has proposed a final cash dividend of Rs. Nil (2013: Re.1) per share amounting to Rs. Nil (2013: Rs.20,091,450) for the year ended June 30, 2014. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2014. These consolidated financial statements do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending June 30, 2015.

### **19. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were authorised for issue on October 01, 2014 by the Board of Directors of the Holding Company.



## FORM OF PROXY

I / we \_\_\_\_\_  
of \_\_\_\_\_  
a member(s) of **SFL LIMITED** and a holder of \_\_\_\_\_ Ordinary Shares,  
do hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_

a member of **SFL LIMITED**, vide Registered Folio No. \_\_\_\_\_ as my/our Proxy to act on my/our behalf at 5th Annual General Meeting of the Company to be held on Friday the 24th October, 2014 at 6:00 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signature \_\_\_\_\_

(Signature should agree with the specimen signature registered with the Company)

**REVENUE  
STAMP OF  
RS.5/-**

### NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.
5. In case of CDC account holder :
  - i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
  - iv) In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

### Witness :

Name \_\_\_\_\_  
Address \_\_\_\_\_  
NIC No. \_\_\_\_\_

Name \_\_\_\_\_  
Address \_\_\_\_\_  
NIC No. \_\_\_\_\_

**BOOK POST**  
Under Postal Certificate

**SFL LIMITED**  
316, Cotton Exchange Building,  
I. I. Chundrigar Road,  
Karachi.