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Company Profile

Board of Directors

Mr. Amer Abdullah	Chairman
Mr. Shayan Abdullah	Chief Executive
Mr. Shahid Abdullah	Director
Mr. Yousuf Abdullah	Director
Mr. Nabeel Abdullah	Director
Mr. Abdul Sattar	Director
Mr. Asif Elahi	Independent Director

Audit Committee

Mr. Asif Elahi	Chairman
Mr. Shahid Abdullah	Member
Mr. Nabeel Abdullah	Member

Human Resource & Remuneration Committee

Mr. Asif Elahi	Chairman
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

Chief Financial Officer

Mr. Jawwad Faisal

Company Secretary

Mr. Nauman Iqbal

Auditors

Deloitte Yousuf Adil,
Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor

Hassan & Hassan, Advocates

Bankers of the Company

Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
United Bank Limited

Share Registrar

Hameed Majeed Associates (Pvt.) Limited,
4th Floor, Karachi Chambers, Hasrat
Mohani Road, Karachi.

Geographical Presence:

Registered Office

312, Cotton Exchange Building,
I.I. Chundrigar Road, Karachi

Mills

Feroze Wattoan,
District, Sheikhpura, Punjab.

Company Website

www.sapphire.com.pk/rcsmi

Vision

To be one of the premier textile company recognized for leadership in technology, flexibility, responsiveness and quality.

Our customers will share in our success through innovative manufacturing, certifiable quality, exceptional services and creative alliances. Structured to maintain in depth competence and knowledge about our business, our customers and worldwide markets.

Our workforce will be the most efficient in industry through multiple skill learning, the fostering of learning and the fostering of teamwork and the security of the safest work environment possible recognised as excellent citizen in the local and regional community through our financial and human resources support and our sensitivity to the environment.

Mission

Our mission is to be recognised as premier supplier to the markets we serve by providing quality yarns, fabrics and other textile products to satisfy the needs of our customers.

Our mission will be accomplished through excellence in customer service, sales and manufacturing supported by teamwork of all associates.

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 30th Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Friday the 25th day of October, 2019 at 04:15 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of last General Meeting,
2. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
3. Declaration of a dividend.
4. Appointment and fixation of remuneration of auditors.

SPECIAL BUSINESS

5. **To approve by way of special resolution with or without modification the following resolutions in respect of related party transaction** in terms of Section 208 of the Companies Act, 2017:

“RESOLVED THAT the related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 36 of the unconsolidated financial statements for the year ended June 30, 2019 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed.”

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending June 30, 2020.

“FURTHER RESOLVED that transactions approved by Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.”

Any other Business

6. To transact any other business with the permission of the Chair.

(Attached to this Notice is a Statement of Material Facts covering the above- mentioned Special Business, as required under section 134(3) of the Companies Act, 2017).

By Order of the Board

Karachi.
Dated : 26th September, 2019

(NAUMAN IQBAL)
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 19th October, 2019 to 25th October, 2019 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 18th October, 2019 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 312, 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, Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani 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)2012 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. **Payment of Cash Dividend Electronically (Mandatory Requirement)**
In accordance with the provisions of Section 242 of the Companies Act and Companies (Distribution of Dividends) Regulation 2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In this regard, Reliance Cotton Spinning Mills Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders.

Those shareholders who have still not provided their IBAN are once again requested to fill in “Electronic Credit Mandate Form” as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company’s Share Registrar M/s. Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi (in case of shareholding in Physical Form).

1.	Shareholders’ Detail	
	Name	
	Folio# / CDS Account No.	
	CNIC No. (Copy attached)	
	Mobile/ Landline No.	
2.	Shareholders’ Bank Detail	
	Title of Bank Account	
	International Bank Account No. (IBAN)	
	Bank’s Name	
	Branch Name and Address	

In case of non-provision of IBAN, the Company will have to withhold the cash dividend according to SECP directives.

8. (i) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of tax deduction for filer of income tax return 15%
 2. Rate of tax deduction for non-filers of income tax return 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on ‘Filer/Non-Filer’ status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio / CDS Account #	Total Shares	Principal Share Holder		Joint Holder	
			Name and CNIC #	Share Holding Proportions (No of Shares)	Name and CNIC #	Share Holding Proportions (No of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or , Hameed Majeed Associates (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

9. The Company shall provide video conference facility to its members for attending the Annual General Meeting at places other than the town in which general meeting is taking place, provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference atleast 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting:

“I/We, _____ of _____ being a member of Reliance Cotton Spinning Mills Ltd, holder of _____

Ordinary Shares as per registered folio # _____ hereby opt for video conference facility at _____.”

Signature of Member

STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

1. Item Number 5 of the notice – Ratification and approval of the related party transactions

The Company carries out transactions with its associates and related parties in accordance with its policies, applicable laws, regulations and with approval of board of directors of the company. However, during the year since majority of the Company's Directors are interested in certain transactions (by virtue of being the shareholder or common directorship), therefore due to absent of requisite quorum for approval in Board of Directors meeting, these transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 36 to the unconsolidated financial statements for the year ended June 30, 2019.

The company carries out transactions with its related parties on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business and periodically reviewed by the Board Audit Committee. Upon the recommendation of the Board Audit Committee, such transactions are placed before the board of directors for approval.

Transactions entered into with the related parties include, but are not limited to, sale & purchase of goods, dividends paid and received, investments made (in accordance with the approval of shareholders and board where applicable) and sharing of common expenses.

The nature of relationship with these related parties has also been indicated in the note 36.1 to the unconsolidated financial statements for the year ended June 30, 2019.

2. Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2020.

The Company shall be conducting transactions with its related parties during the year ending June 30, 2020 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30, 2020 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

Review Report by the Chairman

The Board of Directors is performing their duties in accordance with law and in the best interest of company and its shareholders. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Reliance Cotton Spinning Mills Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2019, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

Reliance Cotton Spinning Mills Limited Complies with all the requirements set out in the Law with respect to the composition, procedures and meetings of the Board of Directors and its committees. Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the board and it committee meetings. The Board has exercised all its powers in accordance with relevant laws and regulation and the non- executive and independent directors are equally involved in important decisions of the board.

Lahore:

Dated: September 26, 2019

Amer Abdullah

Chairman

چیرمین کی جائزہ رپورٹ

چیرمین کی طرف سے رپورٹ کا جائزہ

بورڈ آف ڈائریکٹرز اپنے فرائض قانون کے مطابق اور اس کے حصص داروں کے بہترین مفاد میں سرانجام دے رہے ہیں۔ کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق، ریلیانس کاٹن سپننگ ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی گئی ہے۔ تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور اثرات کی پیمائش کی گئی ہے اور کمپنی کے لئے قائم مقاصد کے تناظر میں توقعات سے اوپر بیچ مارک ہیں۔

30 جون، 2019 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور اثرات کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار؛ اسٹریٹجک منصوبہ بندی میں مصروفیت؛ پالیسیوں کی تشکیل؛ تنظیم کی کاروباری سرگرمیوں کی نگرانی؛ مالی وسائل مینجمنٹ کی نگرانی؛ موثر مالی نگرانی؛ بورڈ کے کاروبار کو پورا کرنے کی صلاحیت اور تمام ملازمین سے منصفانہ سلوک سمیت لازمی اجزاء کی تشخیص پڑتی ہے۔

ریلیانس کاٹن سپننگ ملز لمیٹڈ بورڈ آف ڈائریکٹرز اور اسکی کمیٹیوں کی ترتیب، طریقوں اور اجلاسوں کے احترام کے ساتھ قانون میں قائم تمام ضروریات پر عمل کرتی ہے۔ ضروری بورڈ ایجنڈا اور متعلقہ معاون دستاویزات بورڈ اور اس کمیٹی کے اجلاسوں سے مناسب وقت پہلے بورڈ کو فراہم کی گئی ہیں۔ بورڈ نے متعلقہ قوانین اور ریگولیشن کے مطابق اپنے تمام اختیارات کو استعمال کیا ہے اور بورڈ کے اہم فیصلوں میں نان ایگزیکٹو اور آڈائریکٹرز کو مساوی شامل کیا گیا ہے۔

عام عبداللہ

چیرمین

مورخہ: 26 ستمبر، 2019ء

Directors' Report to the Shareholders

The Directors of your Company are pleased to submit their report along with the audited financial statements of the Company for the year ended 30 June 2019.

Financial Highlights:

		2019 Rupees	2018 Rupees
Sales	:	5,379,009,395	4,398,017,387
Gross profit	:	816,922,187	633,457,240
Profit from operations	:	638,326,758	440,019,424
Finance cost	:	221,129,017	96,152,190
Profit before taxation	:	417,197,741	343,867,234
Profit after taxation	:	390,682,420	316,080,539

Appropriation of profits:

The Board of Directors of the Company has recommended Cash Dividend 80% (2018: 65%)

Earning Per Share

The earnings per share (EPS) of current year is Rs.37.96 as compared to Rs. 30.71 for the last year.

Review of Operations:

During the year under review, your Company achieved sales of Rs. 5,379 million compared to Rs. 4,398 million in the corresponding year; an increase of 22.3%. The gross profit as a percentage of sales improved from last year's 14.40% to 15.19% during the period. The Company earned profit after tax of Rs. 391 million during the year compared to Rs. 316 million posted in the corresponding year.

Future Outlook:

Pakistan's textile exports remained stagnant in the financial year 2018-19 despite significant currency devaluation during the period. Textile sector is considered as the backbone of our economy. However, it is unable to recover its dwindling share in the international market due to increase in cost of production, which is making it less competitive than other major textile exporting countries.

Your Company has been able to grow at a cumulative annual growth rate of 18.65% in last three years. Gross and net margins have improved as well and the management is confident that similar positive trend is expected to continue in near future.

Subsidiary Company

A wholly owned subsidiary RCSM Company (Pvt.) Ltd. was incorporated on November 8, 2017. The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other companies.

Related Parties:

All transactions with related parties were carried out on an arm's length basis which were in line with transfer pricing methods and the policy for related parties approved by the Board. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. The internal audit function ensures that all Related Party transactions are done on an arm's length basis. After review by the audit committee the transactions are placed before the Board for their consideration and approval.

Health, Safety and Environment (HSE)

Your Company take all possible measures to ensure that all our employees as well as communities within which we operate remain safe at all time. Environmental protection is a top priority on company's HSE agenda. The company ensures that its production processes are eco friendly and efficient. We constantly try and improve energy efficiencies both at production facilities and in our offices.

Your Company has also obtained BCI Certification (Better Cotton Initiative) besides holding OEKO-TEX Certificate (Eco-Friendly Cotton).

Cash Flow Strategy

Your Company has an effective cash flow strategy in place. This comprehensive strategy has always empowered your Company in smooth settlement of its financial commitments and hope to cater any and every challenge that will come in its way. In compliance of the above, the management has put constant endeavors to rationalize borrowing cost, which is done by managing a balanced portfolio of sources of funds and efficient financing arrangements to augment economic efficiencies.

Corporate Social Responsibility

Being part of the one of the reputed group of the Country we believe in serving the mankind of the country and ensure each of our CSR activity actually benefits people in need. Several activities have also been conducted during the year. We also appreciate and encourage our employees to dedicate their time and to take active participation in these activities.

Good Corporate Governance

The Directors of your Company are pleased to state that the Company is in compliance with the provisions of the Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan (SECP).

As a part of the compliance with the requirements of the Code of Corporate Governance and the Companies Act, 2017, we confirm the following:

1. The Financial statements prepared by the management represent fairly and accurately Company's state of affairs, results of its operations, cash flows, and changes in equity;
2. Proper books of accounts have been maintained;
3. Appropriate accounting policies have been consistently applied in the 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 the preparation of financial statements and any departure thereof has been properly disclosed;
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously through internal audit function. On-going review will continue in future for further improvements in controls;
6. There is no significant doubt about the Company's ability to continue as going concern;
7. We have an audit committee, the members of which are from the Board of Directors and Chairman is an independent director;
8. There has been no material departure from best practices of corporate governance;
9. We have prepared and circulated Statement of Ethics and Business Strategy amongst directors and employees;
10. The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy;

11. Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
12. During the year under review, following meetings of the Board and committees were held and following were in attendance:

Sr. #	Attendance in meetings	Board	Audit Committee	HR & Remuneration Committee
1.	Mr. Shahid Abdullah	4	4	
2.	Mr. Shayan Abdullah	4		1
3.	Mr. Amer Abdullah	3		
4.	Mr. Yousuf Abdullah	4		1
5.	Mr. Nabeel Abdullah	4	4	
6.	Mr. Asif Elahi	4	4	1
7.	Mr. Abdul Sattar	4		

13. To the best of our knowledge, directors, chief executive, CFO and Company Secretary, Company's auditors, their spouses and minor children have not undertaken any trading of company's shares.
14. As required by the Code, we have included the following information in this Report;
- Statement of Compliance with the Code of Corporate Governance and this report was found to be in order after review by the auditors;
 - Statement of pattern of shareholdings;
 - Statement of shares held by associated undertakings and related parties;
 - Key operating and financial statistics for the last 6 years

Role of Chairman and Chief Executive:

Principally, Chairman is in charge of leadership of the Board and to guarantee that the Board plays a compelling part in satisfying every one of its duties. Whereas, Chief Executive Officer is an executive director and is responsible to act as the head of the Company.

The Roles and Responsibilities of the Chairman include:

- Setting agendas for the board's consideration.
- Leading the board and discussing all proposals put forward by the executive team.
- Liaising and coordinating with sub-committee chairs.
- Identifying and participating in selection of the Board members and overseeing a formal succession plan for the Board, CEO, CFO and key senior management.
- Managing conflicts of interest and to maintain an effective team.
- Ensuring that good relations are maintained with the Company's strategic stakeholders.
- To ensure that stakeholders' trust and confidence is maintained in the company.

The Roles and Responsibilities of the CEO include:

- Serving as Chief Representative of the Company;
- Overseeing the business operations and implementing the policies and strategies recommended and approved by the Board;
- Closely monitor the operating and financial results of the company against plans and budgets on a consistent basis;

- Ensuring that effective reporting mechanisms exist within the organization to provide feedback at all levels of management;
- Ensuring that the Company complies with all relevant laws and corporate governance principles and that these principles are recommended to and adopted by the Board to mitigate key risks;
- Setting the ethical tone in providing ethical leadership and creating an ethical environment.

Performance Evaluation of Directors on the Board

The Board of Directors of your Company is a body of highly professional individuals. All Board members possess high caliber with diversified experience, in-depth business understanding and strategic thinking. The Board comprises of seven members including an independent director, having professional experience in various business disciplines

The working of the Board is based on best business practices and is in line with the Code as defined by Securities and Exchange Commission of Pakistan (SECP). The Board has adopted a highly structured process to evaluate its own performance wherein individual Board members rate overall Board performance by responding to a series of performance evaluation questions. The responses of the directors are then compiled for a detailed discussion among the members. During the discussion, Board also evaluates its performance in fulfilling its fiduciary responsibilities, providing its leadership role, giving strategic direction and providing guideline to the management in compliance of policies and standards.

The Board has been proactive in setting up of committees with specific roles and responsibilities under Terms of References (ToRs). On an overall basis, Board performance of the Company has been highly satisfactory and the Board is cognizant of the fact that continuous improvement in its working is the basis of the Company's success.

CEO Performance Evaluation

It has been a regular practice of the board members to evaluate the performance of the CEO and their recommendations are put forward to the Chairman. The performance of the CEO is evaluated on the basis of both qualitative and quantitative attributes, including but not limited to, overall company's financial performance, goal setting, leadership compliance and effective Governance.

Efforts for sustaining financial performance, increased customer base, stronger human capital and approaching new strategic avenues in the supply chain are some of the keystones of success of the CEO this year.

Director's Training

The Directors of the Company are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Act, 2017.

Auditors:

The present Auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants have completed the annual audit for the year ended June 30, 2019 and issued clean audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company and being eligible; have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2020.

Acknowledgements:

The management would like to place on record its appreciation for the support of Board of Directors, shareholders, regulatory authorities, financial institutions, customers, suppliers and for the dedication and hard work of the staff and workers.

For and on behalf of the Board

Lahore
September 26, 2019

Shahid Abdullah
Director

Shayan Abdullah
Chief Executive

سی ای او کی ذمہ داریوں میں شامل ہیں:

- ﴿ کمپنی کے چیف نمائندے کی حیثیت سے خدمات انجام دینا؛
- ﴿ کاروباری امور کی نگرانی اور بورڈ کی طرف سے سفارش اور منظور کی گئی پالیسیوں اور حکمت عملی پر عملدرآمد؛
- ﴿ مستقل بنیاد پر منصوبہ بندی اور بجٹ کے عوض کمپنی کے آپریٹنگ اور مالیاتی نتائج کی نگرانی؛
- ﴿ اس بات کو یقینی بنانا کہ انتظامات کی تمام سطحوں پر نئے فراہم کرنے کے لئے تنظیم کے اندر موثر رپورٹنگ کا طریقہ کار موجود ہے؛
- ﴿ اس بات کو یقینی بنانا ہے کہ کمپنی تمام متعلقہ قوانین اور کارپوریٹ گورننس اصولوں کے ساتھ مطابقت رکھتی ہے اور یہ اصول اہم خطرات کو کم کرنے کے لئے بورڈ کی طرف سے سفارش اور منظور کردہ ہیں؛
- ﴿ اخلاقی قیادت فراہم کرنے اور اخلاقی ماحول پیدا کرنے میں اخلاقیات کی ترتیب۔

بورڈ پر ڈائریکٹرز کی کارکردگی کی تشخیص

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز انتہائی پیشہ ورانہ افراد کا ایک مجموعہ ہے۔ بورڈ کے تمام ارکان متنوع تجربہ کے ساتھ اعلیٰ صلاحیت، گہری کاروباری تفہیم اور اسٹریٹجک سوچ کے حامل ہیں۔ بورڈ میں ایک آزاد ڈائریکٹر سمیت سات ارکان شامل ہیں، جو مختلف کاروباری مضامین میں پیشہ ورانہ تجربہ رکھتے ہیں۔

بورڈ کا کام بہترین کاروباری طریقوں پر مبنی اور سیکولٹیز اینڈ اینڈیکس کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے وضاحت کردہ کوڈ کے مطابق کیا جاتا ہے۔ بورڈ نے اپنی کارکردگی کی تشخیص کے لئے ایک انتہائی منظم طریقہ اپنایا ہے جس میں بورڈ کے انفرادی ارکان کی کارکردگی کی تشخیص کے سلسلے میں جواب دینے کے ذریعے بورڈ کی مجموعی کارکردگی کو بڑھاتے ہیں۔ ڈائریکٹرز کے ریسپانسیز کے بعد ارکان کے درمیان ایک تفصیلی بحث کی جاتی ہے۔ بحث کے دوران، بورڈ اپنی ذمہ داریوں کو پورا کرنے، اپنی قیادت کو برقرار رکھنے، اسٹریٹجک سمت دینے اور پالیسیوں اور معیارات کے مطابق عمل میں انتظامیہ کو رہنمائی فراہم کرنے میں اپنی کارکردگی کی بھی تشخیص کرتا ہے۔

ریفرنسز (TORs) کی شرائط کے تحت مخصوص کردار اور ذمہ داریاں کے ساتھ کمیٹیوں کے قیام میں بورڈ فعال رہا ہے۔ مجموعی بنیاد پر، کمپنی کے بورڈ کی کارکردگی انتہائی اطمینان بخش رہی ہے اور بورڈ اس حقیقت سے واقف ہے کہ اس کے کام میں مسلسل بہتری کمپنی کی کامیابی کی بنیاد ہے۔

سی ای او کی کارکردگی کی تشخیص

بورڈ کے ارکان کا باقاعدگی سے سی ای او کی کارکردگی کی تشخیص کرتے اور اپنی سفارشات چیلر میں کو پیش کرتے رہے ہیں۔ سی ای او کی کارکردگی کی تشخیص دونوں کیفیت اور مقدار تک محدود نہیں بلکہ بشمول کمپنی کی مجموعی مالیاتی کارکردگی، مقصد کی ترتیب، قیادت کی تعمیل اور موثر گورننس کی بنیاد پر کی جاتی ہے۔

اس سال سی ای او کی چند اہم کامیابیوں میں مالیاتی کارکردگی کو برقرار رکھنے، کسٹمر میں کو بڑھانے، مضبوط انسانی سرمایہ اور سپلائی چین میں نئے اسٹریٹجک نقطہ نظر کے قریب پہنچنا ہے۔

ڈائریکٹرز کی ٹینگ

کمپنی کے ڈائریکٹرز اپنے فرائض انجام دینے کے لئے مناسب تربیت یافتہ ہیں، اوپنیز ایکٹ، 2017 کے تحت اپنے اختیارات اور ذمہ داریوں سے آگاہ ہیں۔

محاسب کا تقرر

موجودہ محاسب میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، نے 30 جون 2019 کو ختم ہونے والے سال کے لئے سالانہ آڈٹ مکمل اور واضح آڈٹ رپورٹ جاری کر دی ہے۔ محاسب کمپنی کے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہونے کی بناء پر خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی کی تجویز کے مطابق، بورڈ نے 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کے محاسب کی حیثیت سے ان کی تقرری کی منظوری دے دی ہے۔

اظہار تشکر

انتظامیہ بورڈ آف ڈائریکٹرز کی حمایت کے لئے، حصص دار، ریگولیٹری حکام، مالیاتی اداروں، گاہکوں، سپلائرز کی شکرگزار اور عملے اور کارکنوں کی لگن اور سخت محنت کو سراہتی ہے۔

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)

ڈائریکٹر

(شایان عبداللہ)

چیف ایگزیکٹو

لاہور تاریخ: 26 ستمبر 2019

- 10- بورڈ نے مشن سٹیٹمنٹ اور تمام کارپوریٹ حکمت عملی کی سٹیٹمنٹ پر عمل کیا ہے۔
- 11- مالی سال کے دوران متعلقہ پارٹیوں کے ساتھ کی گئی ٹرانزیکشنز کی آڈٹ کمیٹی نے توثیق اور بورڈ نے منظوری دی ہے۔
- 12- زیر جائزہ سال کے دوران، بورڈ اور کمیٹیوں کے درج ذیل اجلاس منعقد ہوئے اور حاضری حسب ذیل تھی:

نمبر شمار	اجلاس میں شرکت	بورڈ	آڈٹ کمیٹی	HR اینڈ ریجنریشن کمیٹی
1	شاہد عبداللہ	04	4	
2	شایان عبداللہ	04		1
3	عامر عبداللہ	03		
4	یوسف عبداللہ	04		1
5	نبیل عبداللہ	04	4	
6	آصف الہی	04	4	1
7	عبدالستار	04		

- 13- ہمارے بہترین علم کے مطابق، کمپنی کے حصص میں ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، کمپنی کے آڈیٹرز، ان کے زوج اور نابالغ بچوں کی طرف سے کوئی

تجارت نہیں کی گئی ہے۔

- 14- کوڈ کی ضروریات کے مطابق ہم نے درج ذیل معلومات اس رپورٹ میں شامل کی ہیں:

﴿ کوڈ آف کارپوریٹ گورننس کی تعمیل کا بیان اور آڈیٹرز کے جائزہ کے بعد یہ رپورٹ درست پائی گئی۔

﴿ نمونہ حصص داری کا بیان

﴿ شریک انڈر ٹیکنگر اور متعلقہ پارٹیوں کے ملکیتی حصص کا بیان

﴿ گزشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار

چیئر مین اور چیف ایگزیکٹو کا کردار:

بنیادی طور پر، چیئر مین بورڈ کی قیادت کا ذمہ دار ہے اور اس بات کو یقینی بناتا ہے کہ بورڈ اپنے فرائض کو پورا کرنے میں زبردست کردار ادا کرتا ہے۔ جبکہ، چیف ایگزیکٹو آفیسر ایک ایگزیکٹو ڈائریکٹر ہے

اور کمپنی کے سربراہ کی حیثیت سے کام کرنے کا ذمہ دار ہے۔

چیئر مین کے کردار اور ذمہ داریوں میں شامل ہیں:

﴿ بورڈ کے غور و خوض کے لئے ایجنڈا کی ترتیب۔

﴿ بورڈ کی قیادت کرنا اور ایگزیکٹو ٹیم کی طرف سے پیش کردہ تمام تجاویز پر تبادلہ خیال کرنا۔

﴿ ذیلی کمیٹی کے ساتھ رابطہ اور تعاون کرنا۔

﴿ بورڈ کے اراکین کے انتخاب میں شناخت اور شرکت کرنا اور بورڈ، سی ای او، ایف او اور ایچ ایم سینئر مینجمنٹ کے لئے ایک باضابطہ کامیابی کی منصوبہ بندی کی نگرانی کرنا۔

﴿ دلچسپی کے تنازعہ کا انتظام اور مؤثر ٹیم کو برقرار رکھنا۔

﴿ اس بات کو یقینی بنانا ہے کہ کمپنی کے اسٹریٹجک اسٹیک ہولڈرز کے ساتھ اچھے تعلقات برقرار رکھے گئے ہیں۔

﴿ اس بات کا یقین کرنا کہ کمپنی میں حصص داروں کا اعتماد اور یقین برقرار رکھا گیا ہے۔

ذیلی کمپنی

مکمل ملکیتی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ 8 نومبر 2017ء کو قائم ہوئی تھی۔ ذیلی کمپنی کا بنیادی کاروبار کسی دیگر کمپنی کے حصص لینا یا دوسری صورت میں خریدنا اور ہولڈ کرنا ہے۔

متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹیوں کے لئے ٹرانسفر پرائسنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشن کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمیٹی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنکشن یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشنز قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمیٹی کے بغور جائزہ کے بعد، ان کے غور و خوض اور منظوری کے لئے ٹرانزیکشنز بورڈ کے روبرو پیش کی گئی ہیں۔

صحت، تحفظ اور ماحول (HSE)

کمپنی اپنے تمام ملازمین اور کیمپنیز جس میں ہم کام کرتے ہیں کی ہمہ وقت حفاظت کو یقینی بنانے کے لئے تمام ممکنہ اقدامات کرتی ہے۔ ماحول کا تحفظ کمپنی کے HSE ایجنڈا کی سب سے بڑی ترجیح ہوتی ہے۔ کمپنی اس بات کو یقینی بناتی ہے کہ اس کے پیداواری طریقے ماحول دوست اور موثر ہیں۔ ہم پیداواری سہولیات اور اپنے دفاتر دونوں جگہوں پر بجلی بچانے کے لئے مسلسل کوشاں رہتے ہیں۔

آپ کی کمپنی نے OEKO-TEX سرٹیفکیٹ (ماحول۔ دوستانہ کپاس) رکھنے کے علاوہ BC سرٹیفیکیشن (Better Cotton Initiative) بھی حاصل کیا ہے۔

نقد فلو کی حکمت عملی

آپ کی کمپنی نے ایک موثر نقد فلو کی حکمت عملی اپنائی ہے۔ اس جامع حکمت عملی نے ہمیشہ آپ کی کمپنی کو اپنے مالی معاہدوں کو مناسب طریقے سے حل کرنے کی طاقت دی ہے اور اس کے راستے میں آنے والی ہر مشکل کو پورا کرنے کی امید دلائی ہے۔ مذکورہ بالا کی تعمیل میں، انتظامیہ نے قرضہ کی لاگت کو کم کرنے کے مسلسل کوشش کی ہے، جو فنڈز کے ذرائع کی متوازن پورٹ فولیو کو مد نظر رکھتی اور اقتصادی صلاحیتوں کو بڑھانے کے لئے موثر مالی انتظامات کرتی ہے۔

کارپوریٹ سماجی ذمہ داری

ملک کے ایک معروف گروپ کا ایک حصہ ہونے کی حیثیت سے ہم ملک کے انسانوں کی خدمت میں یقین رکھتے ہیں اور یقینی بناتے ہیں کہ ہماری CSR کی ہر ایک سرگرمی کو حقیقی معنوں میں عوام کے لئے فائدہ مند ہے، سال کے دوران کئی سرگرمیوں کا انعقاد کیا گیا ہے۔ ہم اپنے ملازمین کی ان سرگرمیوں میں اپنا وقت وقف کرنے اور فعال طور پر شرکت کرنے کا شکریہ ادا اور حوصلہ افزائی کرتے ہیں۔

اچھی کارپوریٹ گورننس

آپ کی کمپنی کے ڈائریکٹرز یہ بیان کرتے ہوئے خوش ہیں کہ کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی طرف سے درکار کوڈ آف کارپوریٹ گورننس کی دفعات کے مطابق عمل پیرا ہے۔

کوڈ آف کارپوریٹ گورننس اوپن اینڈ ایکٹ 2017 کی ضروریات کے تحت تعمیل کے ایک حصہ کے طور پر، ہم درج ذیل کی توثیق کرتے ہیں کہ:

- 1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- کمپنی کے کھاتوں کا حساب کتاب مکمل طور پر برقرار رکھا گیا ہے۔
- 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے اور کسی انحراف کی موزوں طور وضاحت کی گئی ہے۔
- 5- داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور موثر طریقے سے عملدرآمد اور اندرونی آڈٹ کے ذریعے مسلسل جائزہ لیا جا رہا ہے۔ جائزہ اور نگرانی کا عمل اس کو مزید بہتر بنانا جاری رکھے گا۔
- 6- کمپنی کے گونگ کسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 7- ہماری ایک آڈٹ کمیٹی ہے جس کے ارکان بورڈ آف ڈائریکٹرز میں سے ہیں اور چیئرمین ایک آزاد ڈائریکٹر ہے۔
- 8- کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- 9- ہم نے ڈائریکٹرز اور ملازمین کے درمیان ایک اخلاقیات اور کاروباری حکمت عملی کا بیان تیار اور جاری کیا ہے۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2019ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشوارے معاہدہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

2018 روپے	2019 روپے	تفصیل
4,398,017,387	5,379,009,395	فروخت
633,457,240	816,922,187	مجموعی منافع
440,019,424	638,326,758	آپریٹنگ منافع
96,152,190	221,129,017	مالی لاگت
343,867,234	417,197,741	ٹیکس سے پہلے منافع
316,080,539	390,682,420	ٹیکس کے بعد منافع

منافع کا تصرف:

کمپنی کے بورڈ آف ڈائریکٹرز نے نقد منافع منقسمہ بشرح 80% (2018 : 65%) کی منظوری دی ہے۔

فی حصص آمدنی

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 37.96 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 30.71 روپے تھی۔

آپریٹنگ کا جائزہ

کمپنی نے گزشتہ سال کی اسی مدت میں 4,398 ملین روپے کے مقابلے میں 5,379 ملین روپے کی فروخت حاصل کی جو 22.3 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 14.40 فیصد کے مقابلے میں 15.19 فیصد تک بہتر ہوا۔ جبکہ ٹیکس کے بعد منافع گزشتہ سال کے دوران 316 ملین روپے کے مقابلے میں موجودہ سال کے دوران 391 ملین روپے تک بڑھ گیا۔

مستقبل کا نقطہ نظر

اس مدت کے دوران کرنسی کی قدر میں نمایاں کمی کے باوجود مالی سال 2018-19 میں پاکستان کی ٹیکسٹائل برآمدات مشکلات میں رہی۔ ٹیکسٹائل سیکٹر ہماری معیشت کی ریڈھ کی بڑی خیال کیا جاتا ہے۔ تاہم، ملک میں کاروبار کرنے کے اخراجات میں نمایاں اضافہ کی وجہ سے یہ بین الاقوامی مارکیٹ میں اپنے کم حصہ کو بحال کرنے کے قابل نہیں رہا، جو اسے دیگر اہم ٹیکسٹائل برآمدی ممالک کی نسبت کم مسابقتی بنا رہا ہے۔

آپ کی کمپنی گزشتہ تین سالوں میں مجموعی سالانہ شرح نمو 18.65 فیصد پیدا کرنے کے قابل رہی۔ مجموعی اور خالص مارجنز بہتر ہو اور ہم امید کرتے ہیں کہ منافع بخش نمو کا یہ رجحان مستقبل قریب میں بھی

جاری رہے گا۔

Six Years Growth at a Glance

YEARS		2019	2018	2017	2016	2015	2014
		----- (Rupees in Million) -----					
Sales		5,379	4,398	3,571	3,221	4,007	3,854
Gross Profit		817	627	390	334	423	637
Profit Before Tax		417	344	208	110	128	288
Profit After Tax		391	316	191	76	91	288
Share Capital		102.92	102.92	102.92	102.92	102.92	102.92
Shareholder's Equity		2,169	1,872	1,574	1,386	1,379	1,313
Fixed Assets		1,988	1,461	1,411	1,466	1,484	1,436
Total Assets		5,350	3,951	3,038	2,970	3,192	3,709
DIVIDEND							
Cash	%	80	65	15	50	50	15
RATIOS:							
Profitability	%						
Gross Profit		15.19	14.26	10.93	10.38	10.57	16.53
Profit Before Tax		7.76	7.82	5.83	3.43	3.2	7.47
Profit After Tax		7.26	7.19	5.35	2.37	2.28	7.47
Return To Shareholders							
Return on equity		18.01	16.88	12.12	5.5	6.63	6.47
EPS	Rupees	37.96	30.71	18.54	7.41	8.89	8.25
Activity	Times						
Sales To Total Assets		1.01	1.11	1.18	1.08	1.26	1.14
Sales To Fixed Assets		2.71	3.01	2.53	2.2	2.7	2.96
Liquidity / Leverage							
Current Ratio		1.26	1.33	1.17	1.01	0.94	0.96
Debt Equity Ratio		0.25	0.1	0.05	0.04		0.03
Total Liabilities To Equity		1.47	1.11	0.93	1.14	1.32	1.83
Break up Value of Shares	Rupees	210.76	181.93	152.97	134.7	133.95	127.57

Independent Auditor's Review Report

*To the Members of Reliance Cotton Spinning Mills
Review Report on the Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2017*

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Reliance Cotton Spinning Mills Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Lahore :
Date: September 26, 2019

Deloitte Yousuf Adil,
Chartered Accountants
Engagement partner
Rana M. Usman Khan.

Statement of Compliance with Listed Companies

(Code of Corporate Governance) Regulations, 2017

Name of Company **RELIANCE COTTON SPINNING MILLS LIMITED** year ended June 30, 2019.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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 Regulations in the following manner:

1. The total number of directors are 07 as per the following:

- a. Male: 07
- b. Female: Nil

2. The composition of the Board is as follows

Category	Names
Independent Directors	Mr. Asif Elahi
Executive Directors	Mr. Shayan Abdullah
Non-Executive Directors	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Abdul Sattar

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Majority of the Directors of the Company have been either exempted or trained from the requirement of directors' training program under the criteria prescribed by the Code of Corporate Governance.
10. There was no new appointment of CFO and Company Secretary during the year. Mr. Wasiq Majid resigned from the Office of Head of Internal Audit and Mr. Zeeshan Javaid was appointed in his place during the year.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The Board has formed committees comprising of members given below:
- a) **Audit Committee**
- Mr. Asif Elahi (Chairman)
 - Mr. Shahid Abdullah (Member)
 - Mr. Nabeel Abdullah (Member)
- b) **HR and Remuneration Committee**
- Mr. Asif Elahi (Chairman)
 - Mr. Yousuf Abdullah (Member)
 - Mr. Shayan Abdullah (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following:
- a) Audit Committee [Quarterly]
- b) HR and Remuneration Committee [yearly]
15. The Board has set up an effective Internal Audit Function.
16. 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 (ICAP) and registered with Audit Oversight Board 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board

Lahore
September 26, 2019

AMER ABDULLAH
CHAIRMAN

SHAYAN ABDULLAH
CHIEF EXECUTIVE

Independent auditor's report

To the members of Reliance Cotton Spinning Mills Limited Report on the Audit of the Financial Statements

We have audited the annexed financial statements of Reliance Cotton Spinning Mills Limited

(the Company) which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

Key audit matter(s)	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Company generates revenue from export and local sale of yarn and waste.</p> <p>The Company has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods is recognized when the company satisfies the performance obligation under the contract by transferring the promised goods to the customers. Revenue recognition criteria has been explained in note 4.15 to the financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on the satisfaction the performance obligation under the contract with the customer in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy; • assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • checked on a sample basis the recorded sales transactions with underlying supporting documents; and • assessed the adequacy of related disclosures in the financial statements.

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Lahore :
Date: September 26, 2019

Deloitte Yousuf Adil,
Chartered Accountants

Statement of Financial Position

As at June 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,987,544,100	1,460,765,061
Long term investments	6	89,069,645	89,069,645
Long term deposits		8,987,690	8,987,690
		<u>2,085,601,435</u>	<u>1,558,822,396</u>
CURRENT ASSETS			
Stores and spare parts	7	45,112,549	49,466,734
Stock-in-trade	8	1,989,294,360	1,242,826,867
Trade debts	9	761,061,879	665,550,377
Loans and advances	10	79,264,473	64,191,180
Short term deposits and prepayments	11	1,593,406	2,255,778
Other receivables	12	37,055,995	48,129,947
Tax refunds due from the Government	13	294,448,602	233,635,886
Other financial assets	14	50,214,094	78,692,660
Cash and bank balances	15	6,403,280	7,780,802
		<u>3,264,448,638</u>	<u>2,392,530,231</u>
		<u>5,350,050,073</u>	<u>3,951,352,627</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2018: 12,000,000) ordinary shares of Rs. 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	16	102,920,000	102,920,000
Reserves		<u>2,066,268,558</u>	<u>1,769,452,558</u>
		<u>2,169,188,558</u>	<u>1,872,372,558</u>
NON-CURRENT LIABILITIES			
Long term financing	17	547,186,629	185,732,252
Employee retirement benefits	18	48,699,241	92,932,343
		<u>595,885,870</u>	<u>278,664,595</u>
CURRENT LIABILITIES			
Trade and other payables	19	530,383,893	309,924,038
Contract liabilities		8,409,001	4,700,700
Unclaimed dividend		500,767	410,117
Markup accrued	20	47,104,270	22,471,434
Short term borrowings	21	1,960,037,935	1,427,713,150
Current portion of long term financing	17	12,192,623	7,318,748
Provision for taxation	30	26,347,156	27,777,287
		<u>2,584,975,645</u>	<u>1,800,315,474</u>
CONTINGENCIES AND COMMITMENTS			
	22		
		<u>5,350,050,073</u>	<u>3,951,352,627</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Profit or Loss*For the year ended June 30, 2019*

	Note	2019 Rupees	2018 Rupees
Sales - net	23	5,379,009,395	4,398,017,387
Cost of sales	24	<u>(4,562,087,208)</u>	<u>(3,764,560,147)</u>
Gross profit		816,922,187	633,457,240
Distribution cost	25	<u>(108,443,764)</u>	<u>(94,854,080)</u>
Administrative expenses	26	<u>(67,696,076)</u>	<u>(61,688,265)</u>
Other operating expenses	27	<u>(20,562,233)</u>	<u>(46,576,415)</u>
		(196,702,073)	(203,118,760)
Other income	28	<u>18,106,644</u>	<u>9,680,944</u>
Operating profit before finance cost		638,326,758	440,019,424
Finance cost	29	<u>(221,129,017)</u>	<u>(96,152,190)</u>
Profit before taxation		417,197,741	343,867,234
Provision for taxation	30	<u>(26,515,321)</u>	<u>(27,786,695)</u>
Profit for the year		<u>390,682,420</u>	<u>316,080,539</u>
Earnings per share - basic and diluted	31	<u>37.96</u>	<u>30.71</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Comprehensive Income

For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Profit for the year		390,682,420	316,080,539
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Unrealized loss on remeasurement of equity investments - available for sale		-	(8,927,074)
Realized loss on disposal of short term investments- available for sale		-	7,131,436
Fair value loss on investments in debt instruments designated as FVTOCI		(1,029,950)	-
		(1,029,950)	(1,795,638)
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of post retirement benefits obligation	18.1.5	(116,423)	(830,822)
Fair value loss on investments in equity instruments designated as FVTOCI		(17,142,795)	-
		(17,259,218)	(830,822)
		(18,289,168)	(2,626,460)
Total comprehensive income for the year		<u>372,393,252</u>	<u>313,454,079</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Cash Flows

For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		417,197,741	343,867,234
Adjustments for:			
Depreciation on property, plant and equipment	5.1	162,383,352	141,989,810
Provision for employee benefits	18.1.1	21,936,393	25,518,219
Rebate Income		(79,928)	(41,138,845)
Gain on disposal of property, plant and equipment	5.3	(2,915,413)	(1,356,120)
Finance cost	29	221,129,017	96,152,190
Dividend income on short and long term investment		(11,011,445)	(4,394,800)
		<u>808,639,717</u>	<u>560,637,688</u>
Working capital changes			
Decrease / (Increase) in current assets			
Stores and spare parts		4,354,185	(29,794,639)
Stock-in-trade		(746,467,493)	(418,033,728)
Trade debts		(104,190,754)	(360,889,991)
Loans and advances		(8,367,808)	(1,485,345)
Short term deposits and prepayments		662,372	(319,371)
Other receivables		(6,727,546)	(1,536,931)
Increase / (decrease) in current liabilities			
Trade and other payables		224,168,156	45,984,960
		<u>(636,568,888)</u>	<u>(766,075,045)</u>
Cash (used in) / generated from operations		<u>172,070,829</u>	<u>(205,437,357)</u>
Dividend paid		(66,807,350)	(15,436,360)
Employee benefits paid		(66,285,918)	(13,753,511)
Finance cost paid		(196,496,181)	(89,743,445)
Sales tax (paid) / refunded		(37,557,657)	(3,545,374)
Income taxes paid		(67,105,996)	(60,530,168)
Rebate income received		17,881,426	14,963,383
		<u>(416,371,676)</u>	<u>(168,045,475)</u>
Net cash used in operating activities		<u>(244,300,847)</u>	<u>(373,482,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(694,574,578)	(194,450,356)
Proceeds from disposal of property, plant and equipment		8,327,600	4,005,269
Long term investments made		-	(100,000)
Short term investments - net		(21,522,343)	-
Proceeds from sale of investments		41,028,164	3,666,360
Dividend received		11,011,445	4,394,800
		<u>(655,729,712)</u>	<u>(182,483,927)</u>
Net cash used in investing activities		<u>(655,729,712)</u>	<u>(182,483,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained		373,647,000	118,151,000
Short term borrowings - net		532,324,785	422,885,440
Repayment of long term loan		(7,318,748)	-
		<u>898,653,037</u>	<u>541,036,440</u>
Net cash from financing activities		<u>898,653,037</u>	<u>541,036,440</u>
Net (decrease) / increase in cash and cash equivalents		<u>(1,377,522)</u>	<u>(14,930,319)</u>
Cash and cash equivalents at beginning of the year		<u>7,780,802</u>	<u>22,711,121</u>
Cash and cash equivalents at the end of the year		<u>6,403,280</u>	<u>7,780,802</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Changes in Equity

For the year ended June 30, 2019

Share capital	Revenue reserves		Loss on remeasurement of investment	Total reserves	Total	
	Un- appropriated	General reserve				
----- Rupees -----						
Balance as at July 01, 2017	102,920,000	1,350,806,706	130,000,000	(9,370,227)	1,471,436,479	1,574,356,479
Total comprehensive income:						
Profit for the year ended June 30, 2018	-	316,080,539	-	-	316,080,539	316,080,539
Other comprehensive income	-	(830,822)	-	(1,795,638)	(2,626,460)	(2,626,460)
Total comprehensive income	-	315,249,717	-	(1,795,638)	313,454,079	313,454,079
Transactions with owners:						
Final dividend for the year ended June 30, 2017 @ Rs. 1.5 per share	-	(15,438,000)	-	-	(15,438,000)	(15,438,000)
Balance as at June 30, 2018	102,920,000	1,650,618,423	130,000,000	(11,165,865)	1,769,452,558	1,872,372,558
Impact of adoption of IFRS 9 (Note 2.5.1)	-	(8,679,252)	-	-	(8,679,252)	(8,679,252)
	102,920,000	1,641,939,171	130,000,000	(11,165,865)	1,760,773,306	1,863,693,306
Total comprehensive income:						
Profit for the year ended June 30, 2019	-	390,682,420	-	-	390,682,420	390,682,420
Other comprehensive income	-	(116,423)	-	(18,172,745)	(18,289,168)	(18,289,168)
Total comprehensive income	-	390,565,997	-	(18,172,745)	372,393,252	372,393,252
Reclassification of realized loss on sale of investment at fair value through other comprehensive income	-	(11,646,327)	-	11,646,327	-	-
Transactions with owners:						
Final dividend for the year ended June 30, 2018 @ Rs. 6.5 per share	-	(66,898,000)	-	-	(66,898,000)	(66,898,000)
Balance as at June 30, 2019	102,920,000	1,953,960,841	130,000,000	(17,692,283)	2,066,268,558	2,169,188,558

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Notes to the Financial Statements

For the year ended June 30, 2019

1 LEGAL STATUS AND OPERATIONS

- 1.1 Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan stock exchange limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi and mills are located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.
- 1.2 These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiary and associate are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

The results of the Company, based on investments in associate accounted for under the equity method, are reflected in the consolidated financial statements of the Company.

2.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019.

2.3.1 Standards or Interpretations with no significant impact

Effective from annual period beginning on or after:

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

January 1, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

January 1, 2018

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 1, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. January 1, 2018

Certain annual improvements have also been made to a number of IFRSs.

2.3.2 Standards or Interpretations with significant impact	Effective from annual period beginning on or after:
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 1, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and SIC 31 upon its effective date.	January 1, 2018
The impact of adoption of these new standards is disclosed in note 2.5.	
2.4 New accounting standards / amendments and IFRS interpretations that are not yet effective	
The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned.	
2.4.1 Standards or Interpretations with no significant impact	Effective from annual period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	Effective from accounting period beginning on the definition of business or after January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	Effective from accounting period beginning on or after January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	Effective from accounting period beginning on or after January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	Effective from accounting period beginning on or after January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	Effective from accounting period beginning on or after January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019. Earlier application is permitted.
Certain annual improvements have also been made to a number of IFRSs.	
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.5 Adoption of new accounting standards

The following changes in standards have taken place effective from July 01, 2018:

2.5.1 Impact of IFRS 9 - Financial Instruments

IFRS 9 replaces certain provisions of IAS 39 - "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

The adoption of IFRS 9 from July 01, 2018 has resulted in changes in relevant accounting policies and adjustment to the trade debts amounts recognized in the financial statements. IFRS 9 requires implementation of a new impairment model based on expected credit losses (ECL), resulting in transition adjustment summarized below. In accordance with the transition provisions of IFRS 9, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information of prior periods.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			(Rupees)	
Trade debts	Loans and receivables	At amortized cost	665,550,377	665,550,377
Cash and bank balances	Loans and receivables	At amortized cost	7,780,802	7,780,802
Loans and advances	Loans and receivables	At amortized cost	64,191,180	64,191,180
Long Term deposits	Loans and receivables	At amortized cost	8,987,690	8,987,690
Long term investments	Loans and receivables	At amortized cost	89,069,645	89,069,645
Deposits and prepayments	Loans and receivables	At amortized cost	2,255,778	2,255,778
Other financial assets	Available for Sale	FVTOCI	78,692,660	78,692,660

Financial liability	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			(Rupees)	
Long term financing	At amortized cost	At amortized cost	185,732,252	185,732,252
Trade and other payable	At amortized cost	At amortized cost	314,624,738	314,624,738
Mark up accrued	At amortized cost	At amortized cost	22,471,434	22,471,434
Short term borrowings	At amortized cost	At amortized cost	1,427,713,150	1,427,713,150
Unclaimed dividend	At amortized cost	At amortized cost	410,117	410,117

2.5.2 Impact of IFRS-15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenues' and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 Revenue from Contracts with Customers with initial date of application of 1 July 2018. In accordance with the transition provision of IFRS 15, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods.

"The Company policy for revenue recognition under different contracts with customers stands amended as follows: a) Sale of Goods: The Company sell its products in separately identifiable contracts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer. Revenue from local sale of goods is recognized when the Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from export sale of goods is recognized at the point in time when the customer obtains control over the goods, depending on the relevant terms of shipment. "

2.5.2.1 Effect of changes in accounting policy

- a) The Company has applied IFRS 15 using the modified retrospective approach for transition, taking into consideration the exemption allowing it not to restate comparative information or prior periods. The above mentioned revised policy do not have any significant impact on these financial statements as the revised policy do not have an impact on the timing or the amount of revenue recognition from the contracts in case of local sales where as, in case of export sales contract the revised policy only have an immaterial impact on the timing of revenue recognition with no effect on the amount of revenue recognized.
- b) The adoption of IFRS 15 also resulted in reclassification of "Advance payments from customers", previously grouped under trade and other payables, to the statement financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Reclassification	As restated
	----- Rupees -----		
As at June 30, 2018			
Trade and other payable	314,624,738	(4,700,700)	309,924,038
Contract liabilities	-	4,700,700	4,700,700

3 Significant estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Employee retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The calculation require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis.

Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4 Accounting convention**

These financial statements have been prepared under the historical cost convention modified by:

- financial instruments at fair value
- recognition of certain employee retirement benefits at present value

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS

Accounting policies are consistent and same as those applied in the preparation of the previous year financial statements.

4.1 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment loss, if any. Cost also includes borrowing cost; wherever applicable.

Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method over estimated useful life at the rates specified in note 4 to these financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the month of disposal respectively.

Gains or losses on disposal of assets, if any, are included in the statement of profit or loss.

Capital work-in-progress is stated at cost accumulated upto the statement of financial position date. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.2 Investments in associates and subsidiaries

Investment in subsidiaries and associates are recognized at cost less impairment loss, if any. At each reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit or loss.

4.3 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value, except for items in transit. Cost is determined on a moving average basis and a provision is made for allowances for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon up to the statement of financial position date.

4.4 Stock-in-trade

These are valued at the lower of cost and net realizable value, except for items in transit and waste stock. Cost is computed applying the following bases:

Raw material	- weighted average cost.
Work-in-process	- average manufacturing cost.
Finished goods	- average manufacturing cost.

Stock in transit are valued at invoice value plus other charges incurred thereon upto the statement of financial position date.

Waste stock are valued at net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods includes cost of direct material, direct labor and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

4.5 Financial instruments

4.5.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents, trade debts, due from related parties and employees' advances at amortized cost.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI):

"Debt instruments that meet specified conditions and are measured subsequently at fair value through other comprehensive income (FVTOCI).As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI."

c) Equity instruments designated as at FVTOCI

"On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. As at reporting date, the Company carries short term investments at FVTOCI."

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). As at reporting date, the Company does not possess any financial assets classified as at FVTPL.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on trade debts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

4.5.2 Financial liabilities**Subsequent measurement of financial liabilities**

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled

or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.6 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.7 Long term deposits

Long term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

4.8 Trade debts and other receivables

Trade debts and other receivables are carried at a value to be received less an estimate made for impairment allowance based on estimates of expected future value of cash flows under different economic and probabilistic scenarios, adjusted for factors that are specific to the industry.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.10 Trade and other payables

Liability for trade and other payables are measured at fair value of the consideration to be paid in the future for goods and services received.

4.11 Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to statement of profit or loss for the year. The assumptions are determined by independent actuary.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried on June 30, 2019.

Details of the scheme are given in relevant note to the financial statements.

4.12 Provisions

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

4.13 Earnings per share

The Company presents basic and diluted 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 number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.14 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any.

4.15 Revenue recognition

Revenue is recognized 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:

- Revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.
- Revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer;
- Export rebate income is recognized on accrual basis as and when the right to receive the income establishes;
- Dividend income from investments is recognized when the Company's right to receive dividend is established; and- Return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income establishes."

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time till the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in statement of profit or loss of the period in which they are incurred.

4.17 Taxation**Current**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized.

The Company does not have any temporary difference as its income fall under final tax regime. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

4.18 Contract liabilities

Contract liability is measured at the fair value of the consideration received for goods that are not yet delivered to customers.

4.19 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in statement of profit or loss for the year.

4.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

4.21 Segment reporting

"Operating segments are reported in a manner consistent with the internal reports issued to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments."

4.22 Related party transactions

Transactions with related parties are carried out on agreed commercial terms and conditions.

5 PROPERTY, PLANT AND EQUIPMENT

5.1 For the year ended June 30, 2019

Particulars	COST				DEPRECIATION				Book value As at June 30, 2019	Annual depreciation rate %	
	As at July 01, 2018	Additions	Transfers in/(out)	Disposals	As at June 30, 2019	As at July 01, 2018	Charge for the year	Disposals			As at June 30, 2019
	Rupees										
Operating fixed assets											
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:											
Residential	132,914,353	-	-	-	132,914,353	49,410,535	4,175,191	-	53,585,726	79,328,627	5
Factory	800,300,516	-	1,460,364	-	801,760,880	364,396,775	43,651,223	-	408,047,998	393,712,882	10
Plant and machinery	1,646,959,453	-	554,636,018	14,705,390	2,186,890,861	899,187,716	97,443,406	13,483,239	983,147,883	1,203,742,198	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,447,962	157,639	-	1,605,601	1,418,746	10
Vehicles	60,874,636	-	36,245,950	11,658,678	85,461,908	23,684,968	7,887,037	7,468,642	24,103,363	61,358,545	20
Office equipment	4,227,057	-	-	-	4,227,057	1,621,103	260,595	-	1,881,698	2,345,359	10
Electric installation	138,894,811	-	-	-	138,894,811	52,967,417	8,592,739	-	61,560,156	77,334,655	10
Electric equipment	408,950	-	-	-	408,950	184,194	22,476	-	206,670	202,280	10
Computers	3,271,953	283,000	-	-	3,554,953	2,838,260	193,046	-	3,031,306	523,647	30
	2,855,985,830	283,000	592,342,332	26,364,068	3,422,247,094	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,885,076,693	
Capital work-in-progress											
Building - civil work	-	1,460,364	(1,460,364)	-	-	-	-	-	-	-	-
Plant and machinery	518,161	655,113,584	(554,636,018)	-	100,995,727	-	-	-	-	100,995,727	
Vehicles	-	37,717,630	(36,245,950)	-	1,471,680	-	-	-	-	1,471,680	
	518,161	694,291,578	(592,342,332)	-	102,467,407	-	-	-	-	102,467,407	
Total	2,856,503,991	694,574,578	-	26,364,068	3,524,714,501	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,987,544,100	

5.1.1 Depreciation of Rs. 156.647 million and Rs. 5.736 million has been charge to cost of sales and administrative expenses respectively.

5.2 For the year ended June 30, 2018

Particulars	COST				DEPRECIATION				Book value As at June 30, 2018	Annual depreciation rate %	
	As at July 01, 2017	Additions	Transfers	Disposals	As at June 30, 2018	As at July 01, 2017	Charge for the year	Disposals			As at June 30, 2018
Rupees											
Operating fixed assets											
Freehold land	62,741,754	2,368,000	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:											
Residential	121,379,248	11,535,105	-	-	132,914,353	45,572,115	3,838,420	-	49,410,535	83,503,818	5
Factory	774,534,600	-	25,765,916	-	800,300,516	318,342,049	46,054,726	-	364,396,775	435,903,741	10
Plant and machinery	1,501,728,394	-	148,760,672	3,529,613	1,646,959,453	827,973,873	73,314,449	2,100,606	899,187,716	747,771,737	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,272,808	175,154	-	1,447,962	1,576,385	10
Vehicles	53,784,642	-	11,801,714	4,711,720	60,874,636	18,619,451	8,612,669	3,547,152	23,684,968	37,189,668	20
Office equipment	4,227,057	-	-	-	4,227,057	1,331,553	289,550	-	1,621,103	2,605,954	10
Electric installation	137,745,386	1,149,425	-	-	138,894,811	43,441,215	9,526,202	-	52,967,417	85,927,394	10
Electric equipment	195,500	213,450	-	-	408,950	180,961	3,233	-	184,194	224,756	10
Computers	3,323,952	89,000	-	140,999	3,271,953	2,748,278	175,407	85,425	2,838,260	433,693	30
	2,662,684,980	15,354,980	186,328,302	8,382,332	2,855,985,930	1,259,482,303	141,989,810	5,733,183	1,395,738,930	1,460,246,900	
Capital work-in-progress											
Building - civil work	1,969,462	23,796,454	(25,765,916)	-	-	-	-	-	-	-	-
Plant and machinery	286,719	148,992,114	(148,760,672)	-	518,161	-	-	-	-	518,161	-
Vehicles	5,494,906	6,306,808	(11,801,714)	-	-	-	-	-	-	-	-
	7,751,087	179,095,376	(186,328,302)	-	518,161	-	-	-	-	518,161	-
Total	2,670,435,967	194,450,356	-	8,382,332	2,856,503,991	1,259,482,303	141,989,810	5,733,183	1,395,738,930	1,460,765,061	

5.2.1 Depreciation of Rs. 135.846 million and Rs. 6.144 million has been charge to cost of sales and administrative expenses respectively.

5.3 Disposal of property, plant and equipment

For the year ended June 30, 2019

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
..... Rupees								
Vehicle								
Toyota Hi- Lux LWN-0343	1,771,354	1,676,678	94,676	500,000	405,324	Negotiation	Muhammad Ahmad	Third Party
Dhatisu Cureou LEJ-07-6401	514,503	471,413	43,090	380,000	336,910	Negotiation	Faiz Hussain	Third Party
Dhatisu Cureou LED-11-7283	886,426	711,889	174,537	265,900	91,363	As per policy	Sohail Imran	Employee
Suzuki Cultus LEB-13-7371	1,034,300	765,047	269,253	515,200	245,947	As per policy	Naeem Akram	Employee
Suzuki Cultus LEF-13-3770	1,042,390	727,861	314,529	314,500	(29)	As per policy	Muhammad Dawood	Employee
Suzuki Wagnor-LEA-17A-2457	1,119,172	294,715	824,457	824,500	43	As per policy	Tahir Rafique	Employee
Toyota Corolla LED-17-5838	2,065,063	681,012	1,384,051	1,704,600	320,549	As per policy	Kashif Shafique	Employee
Honda City LEF-12-3070	1,533,360	1,148,706	384,654	1,105,000	720,346	As per policy	Sikander Naeem	Employee
Honda City LEA-15-8964	1,692,110	991,321	700,789	1,200,400	499,611	As per policy	Asim Qureshi	Employee
Plant and machinery								
1-Drawing Machine	710,550	664,545	46,005	150,000	103,995	Negotiation	Hufaiza Enterprises	Third Party
1-Drawing Machine	710,550	664,545	46,005	150,000	103,995	Negotiation	Hufaiza Enterprises	Third Party
1-Drawing Machine -DT-100	1,000,000	791,659	208,345	215,000	6,655	Negotiation	Lyallpur Textile	Third Party
1-Drawing Machine -DT-100	1,000,000	791,655	208,345	215,000	6,659	Negotiation	Abbass Corporation	Third Party
1-Auto Coner	6,356,986	5,948,918	408,068	450,000	41,932	Negotiation	Sultan Associates	Third Party
3-Drawing machine-RB-51	4,927,304	4,621,917	305,387	337,500	32,113	Negotiation	Mukthair Ali Tari	Third Party
	26,364,068	20,951,881	5,412,191	8,327,600	2,915,413			

5.4 For the year ended June 30, 2018

Plant and machinery

Carding Machine	437,500	302,242	135,258	142,857	7,599	Negotiation	Abdullah Textile Traders	Third Party
Blow Room	3,092,113	1,798,364	1,293,749	1,500,000	206,251	Negotiation	Al-Ahmad Textile (Private) Ltd	Third Party

Vehicle

Suzuki Mehran, LEH-13-2057	692,930	400,434	292,496	380,000	87,504	Negotiation	Mansoor Atta	Third Party
Toyota Hilux Pickup, CJ-1954	361,000	359,672	1,328	323,000	321,672	Negotiation	Muhammad Amin	Third Party
Suzuki Mehran, LEH-13-2056	692,930	410,880	282,050	300,000	17,950	Negotiation	Muhammad Zeshan	Third Party
Honda City LED-10-6831	1,451,880	1,149,302	302,578	630,000	327,422	Negotiation	Abdul Ghaffar	Third Party
Toyota Corolla LED-10-7561	1,512,980	1,226,864	286,116	700,000	413,884	Negotiation	M Saleem Anjum	Third Party

Computer

Laptop	140,999	85,425	55,574	29,412	(26,162)	Negotiation	Muhammad Asim	Employee
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8,382,332	5,733,183	2,649,149	4,005,269	1,356,120
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		2019	2018
		(Area in Kanals)	
5.5	LOCATION AND AREA OF LAND		
	Description	Location	
	Plant site	Ferozewattoan, District Sheikhpura, Pakistan	
		300.5	300.5
6	LONG TERM INVESTMENTS	2019	2018
		Rupees	Rupees
	Investments in subsidiary - at cost	6.1 100,000	100,000
	Investments in associates - at cost	6.2 88,969,645	88,969,645
		89,069,645	89,069,645
6.1	Investments in subsidiary - unquoted at cost:		
	RCSM Company (Private) Limited		
	10,000 (2018:10,000) ordinary share of Rs. 10 each-cost	100,000	100,000
6.2	Investments in associates - at cost:		
	Quoted:		
	Sapphire Fibers Limited		
	393,697 (2018: 393,697) ordinary shares of Rs. 10 each - cost	41,956,482	41,956,482
	Sapphire Textile Mills Limited		
	100,223 (2018: 100,223) ordinary shares of Rs. 10 each - cost	8,114,578	8,114,578
	SFL Limited		
	401,570 (2018: 401,570) ordinary shares of Rs. 10 each - cost	2,439,475	2,439,475
	Un quoted:		
	Sapphire Finishing Mills Limited		
	1,556,000 (2018: 1,556,000) ordinary shares of Rs. 10 each - cost	16,509,160	16,509,160
	Sapphire Holding Limited		
	100,223 (2018: 100,223) ordinary shares of Rs. 10 each - cost	524,950	524,950
	Sapphire Power Generation Limited		
	555,000 (2018: 555,000) ordinary shares of Rs. 10 each - cost	19,425,000	19,425,000
		89,069,645	89,069,645
7	STORES AND SPARE PARTS		
	Stores	11,738,388	8,149,425
	Spare parts	7.1 33,374,161	41,317,309
		45,112,549	49,466,734
7.1	These include spare parts in transit amounting to Rs. 8.019 million (2018: Rs. 26.948 million).		
8	STOCK-IN-TRADE		
	Raw material	8.1 1,450,853,276	953,597,004
	Work-in-process	246,276,183	140,912,165
	Finished goods	285,311,047	135,851,946
	Waste	6,853,854	12,465,752
		1,989,294,360	1,242,826,867
8.1	Raw material includes stock in transit amounting to Rs. 160.531 million (2018: Rs. 65.913 million).		

9	TRADE DEBTS	Note	2019	2018
			Rupees	Rupees
	Foreign			
	Secured		219,048,975	141,347,296
	Unsecured		58,661,339	57,551,842
			277,710,314	198,899,138
	Local			
	Secured		34,590,853	-
	Unsecured from related parties	9.1	81,131,630	57,521,907
	Unsecured	9.3	382,052,671	409,129,332
		9.4	497,775,154	466,651,239
			775,485,468	665,550,377
	Less: Impairment allowance		(14,423,589)	-
			761,061,879	665,550,377

9.1 These includes amount due from following related parties:

	2019				2018
	Up to 1	1 to 6 months	Over 6 months	Total	
	Rupees.....				
Sapphire Textile Mills Limited (STML)		1,415,881	316,343	1,732,224	2,704,600
Sapphire Power Generation Limited		85,176	73,427	158,603	15,889
Sapphire Fibers Limited (SFL)	50,433,434	1,341,203	1,201	51,775,838	31,310,298
Diamond Fabrics Limited (DFL)	10,774,449	16,353,246	327,628	27,455,323	23,491,120
Amer Cotton Mills (Private) Limited	-	4,125	5,517	9,642	-
	61,207,883	19,199,631	724,116	81,131,630	57,521,907

9.2 The maximum aggregate amount due from the ACML, STML, SPGL, SFL and DFL is Rs. 0.418 million, Rs. 43.587 million, Rs. 0.157 million, Rs. 150.969 million and Rs. 48.852 million respectively at any time during the year.

9.3 As at 30 June 2019, trade debts of Rs. 521.845 million (2018: Rs. 466.635 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these past due trade debts is a follows:

	2019	2018
	Rupees	Rupees
Upto 1 month	94,345,241	232,358,364
1 to 6 months	416,991,307	232,944,229
More than 6 months	10,509,092	1,332,759
	521,845,640	466,635,352

9.4 Local trade debts includes Rs. 351.749 million (2018: Rs. 252.661 million) receivable against indirect export sales.

10 LOANS AND ADVANCES

Loans to employees - considered good	10.1	-	400,000
Advances to suppliers - considered good		12,158,477	3,390,669
Advance income tax		67,105,996	60,400,511
		79,264,473	64,191,180

10.1 These are interest free loans and are secured against post employment benefits.

11 SHORT TERM DEPOSITS AND PREPAYMENTS

Bank guarantee margin	1,102,088	1,403,797
Prepayments	491,318	851,981
	1,593,406	2,255,778

12 OTHER RECEIVABLES

Export rebate receivable	4,678,106	7,142,673
Duty drawback receivable	22,852,013	38,188,944
Others	9,525,876	2,798,330
	37,055,995	48,129,947

	Note	2019 Rupees	2018 Rupees
13 TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax refundable		103,420,990	75,063,333
Income tax refundable		191,027,612	158,572,553
		294,448,602	233,635,886
14 OTHER FINANCIAL ASSETS			
Available for sale			
Investments in quoted companies		-	89,858,525
Unrealized loss on remeasurement of investments		-	(11,165,865)
	14.1	-	78,692,660
At fair value through OCI			
Investments in quoted companies	14.1	58,706,377	-
Unrealized loss on remeasurement of investments		(16,662,333)	-
		42,044,044	-
Refund bonds	14.2	9,200,000	-
Unrealized loss on remeasurement of investments		(1,029,950)	-
		8,170,050	-
		50,214,094	78,692,660

14.1 Investments in quoted securities

Name of Companies	No of Shares		2019		2018
	2019	2018	Cost (Rupees)	Fair Value (Rupees)	Fair value (Rupees)
AGP Limited	-	18,000	-	-	1,598,220
Attock Refinery Limited	-	4,000	-	-	861,240
Attock Cement Pakistan Limited	14,000	-	1,870,481	999,740	-
D. G. Khan Cement Company Limited	14,200	12,000	1,659,557	802,868	1,373,880
Engro Corporation Limited	25,740	23,400	7,296,579	6,836,544	7,344,324
Engro Fertilizers Limited	55,000	61,000	3,317,315	3,518,350	4,569,510
Engro Polymer & Chemicals Limited	156,683	273,500	4,881,318	4,224,174	8,576,960
Engro Polymer & Chemicals Limited (LOR)	-	101,183	-	-	892,435
Ghandhara Nissan Limited	-	-	-	-	-
Hascol Petroleum Limited	-	5,066	-	-	910,208
HI Tech Lubricant Limited	-	25,200	-	-	7,906,752
The Hub Power Company Limited	19,000	10,000	2,428,134	1,496,250	1,013,200
ICI Pakistan Limited	5,900	19,000	6,980,061	3,141,573	1,751,040
K-Electric Limited	290,000	5,900	1,879,537	1,273,100	4,728,850
Lucky Cement Limited	3,350	390,000	2,167,609	1,274,575	2,215,200
Mari Petroleum Company Limited	770	7,550	1,054,594	777,184	3,834,872
Meezan Bank Limited	28,600	3,000	2,431,357	2,492,776	1,329,030
National Refinery Limited	-	31,000	-	-	4,368,520
Nishat Mills Limited	-	-	-	-	-
Oil & Gas Development Company Limited	30,000	2,400	4,574,621	3,944,700	1,175,328
Packages Limited	2,400	-	2,037,824	721,344	-
Pakistan Oilfield Limited	-	800	-	-	537,432
Pakistan Petroleum Limited	12,720	32,800	1,530,272	1,837,150	7,048,720
Pakistan State Oil Company Limited	14,787	9,156	3,969,942	2,508,319	2,914,446
Pioneer Cement Limited	-	-	-	-	-
Sui Northern Gas Pipeline Limited	66,000	7,000	8,184,950	4,586,340	328,020
Sui Southern Gas Company Limited	52,000	80,000	1,931,748	1,075,360	8,017,600
Systems Limited	5,500	52,000	492,468	527,835	1,758,640
Tariq Glass Industries Limited	-	10,000	-	-	1,012,200
The Searle Company Limited	40	7,735	18,010	5,862	2,626,033
	796,690	1,191,690	58,706,377	42,044,044	78,692,660

- 14.2** These represent bonds issued by FBR Refund Settlement Company Limited, against Refund Payment Orders (RPOs) issued in favour of the Company under section 67A of the Sales Tax Act, 1990. These bonds have a face value of Rs. 100,000 each and carry simple profit of 10% per annum payable at the time of maturity i.e. three years from the date of issue. These bonds are freely transferable within CDS and the Company can sell / transfer the bonds to any other person bank / entity with or without any consideration. Due to non-availability of market for trading of these bonds, the Company has classified these at FVOCI. As at the reporting date, carrying value of these bonds has been determined by discounting the total receipt at maturity with effective KIBOR rate. These bonds have been classified as short term because the Company intends to sale / trade once market for these bonds establishes.

15 CASH AND BANK BALANCES	2019	2018
	Rupees	Rupees
Cash in hand	435,000	440,687
Cash at banks in current accounts	5,968,280	7,340,115
	6,403,280	7,780,802

16 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

10,292,000 (2018: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash **102,920,000** 102,920,000

- 16.1** Ordinary shares of the Company held by associated companies as at the statement of financial position date are as

	2019	2018
Number of shares.....	
Amer Cotton Mills (Private) Limited	18,100	18,100
Amer Tex (Pvt.) Limited	5,167	15,087
Crystal Enterprises (Pvt) Limited	27,696	27,696
Galaxy Agencies (Private) Limited	108,217	108,217
Neelum Textile Mills (Private) Limited	1,365,515	1,365,515
Nadeem Enterprises (Private) Limited	87,104	87,104
Reliance Textiles (Pvt.) Limited	1,098,118	1,098,118
Salman Ismail (SMC-Private) Limited	1,500	1,500
Sapphire Textile Mills Limited	315,985	316,214
Sapphire Fibres Limited	154,004	154,004
Sapphire Holding Limited	636,156	636,156
SFL Limited	557,621	557,621
Sapphire Agencies (Pvt.) Limited	2,318,899	2,318,899
Sapphire Power Generation Limited	20,539	20,539
Yousuf Agencies (Private) Limited	3,223	3,223
Four Strength (Private) Limited	9,920	-
	6,727,764	6,727,993

- 16.2** Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

17 LONG TERM FINANCING

	Note	2019	2018
		Rupees	Rupees
From banking company - secured			
At beginning of the year		193,051,000	74,900,000
Obtained during the year	17.1	373,647,000	118,151,000
		566,698,000	193,051,000
Paid during the period		(7,318,748)	-
		559,379,252	193,051,000
Current portion		(12,192,623)	(7,318,748)
		547,186,629	185,732,252

- 17.1** These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 750 million (2018 : Rs: 500 million). During the period, the Company further obtained Rs.373.647 million (2018: Rs. 118.151 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 1,000 million (2018 Rs: 667 million) and carry an interest rate of 2.5% (2% SBP rate plus 0.5% spread) over all present and future plant and machinery of the Company. These loans are repayable in equal semi-annual installments.

17.2 Particulars of financing

Serial No.	Particulars	Installment Amount (Rupees)	First installment date	Date of final payment
1	MCB-LTFF-I	2,685,687	December 9, 2018	June 9, 2026
2	MCB-LTFF-II	322,812	December 13, 2018	June 13, 2026
3	MCB-LTFF-III	650,875	December 15, 2018	June 15, 2026
4	MCB-LTFF-IV	316,688	September 16, 2019	March 16, 2027
5	MCB-LTFF-V	705,187	October 13, 2019	April 13, 2027
6	MCB-LTFF-VI	2,830,125	June 12, 2020	December 12, 2027
7	MCB-LTFF-VII	4,554,312	July 3, 2020	January 3, 2028
8	MCB-LTFF-VIII	1,490,125	March 14, 2021	September 14, 2028
9	MCB-LTFF-IX	1,893,125	April 4, 2021	October 4, 2028
10	MCB-LTFF-X	1,516,125	April 4, 2021	October 4, 2028
11	MCB-LTFF-XI	3,286,375	April 19, 2021	October 19, 2028
12	MCB-LTFF-XII	5,655,750	November 7, 2021	November 7, 2028
13	MCB-LTFF-XIII	498,000	June 17, 2021	December 17, 2028
14	MCB-LTFF-XIV	588,000	August 7, 2021	February 7, 2029
15	MCB-LTFF-XV	3,400,000	September 26, 2021	March 26, 2029
16	MCB-LTFF-XVI	5,000,000	September 27, 2021	March 27, 2029

	Note	2019 Rupees	2018 Rupees
18 EMPLOYEE RETIREMENT BENEFITS			
Gratuity - unfunded	18.1	48,699,241	92,932,343
		<u>48,699,241</u>	<u>92,932,343</u>
18.1 The amount recognized in the statement of financial position			
Present value of defined benefit obligations		48,699,241	92,932,343
18.1.1 Movement in net liability recognized in the Statement of financial position			
At beginning of the year		92,932,343	80,336,813
Expense recognized in statement of profit or loss	18.1.3	21,936,393	25,518,219
Remeasurement loss charged in other Statement of comprehensive income		116,423	830,822
Benefits paid during the year		(66,285,918)	(13,753,511)
At end of the year		<u>48,699,241</u>	<u>92,932,343</u>
18.1.2 Movement in the present value of defined benefit obligation			
Present value of obligation at beginning of the year		92,932,343	80,336,813
Current service cost		17,302,716	20,192,365
Interest cost		4,633,677	5,325,854
Benefits paid during the year		(66,285,918)	(13,753,511)
Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:			
Experience adjustment		116,423	830,822
Present value of obligation at end of the year		<u>48,699,241</u>	<u>92,932,343</u>
18.1.3 Expense recognized in statement of profit or loss			
Current service cost		17,302,716	20,192,365
Interest cost		4,633,677	5,325,854
		<u>21,936,393</u>	<u>25,518,219</u>

	2019 Rupees	2018 Rupees
18.1.4 Charge for the year has been allocated as follows		
Cost of sales	21,936,393	19,709,383
Administrative expenses	-	2,223,905
Distribution cost	-	3,584,931
	21,936,393	25,518,219

18.1.5 Total remeasurements chargeable to statement of comprehensive income

- Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:
- Actuarial losses / (gains) from changes in financial assumptions
 - Experience adjustment

	-	-
	116,423	830,822
	116,423	830,822

18.1.6 Principal actuarial assumptions:

Principal actuarial assumptions used are as follows: -

	2019	2018
Discount rate - per annum	13.50%	7.75%
Expected rate of growth per annum in future salaries	12.50%	6.75%
Average expected remaining working life time of employees	10 years	9 years

The estimated expense to be charged in statement of profit or loss for the year ending June 30, 2019 will be Rs. 20.077 million.

18.1.7 Risk associated with defined benefit plans

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over

The sensitivity of defined benefit obligation to changes in weighted principal assumptions is:

	Impact on defined benefit obligation		
	Changes in	Increase in assumption	Decrease in assumption
		----- Rupees -----	
Discount rate	1%	5,346,138	9,925,533
Salary growth rate	1%	6,514,497	11,989,377

The aforementioned sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as on when calculating the gratuity liability recognized within the statement of financial position as at reporting date.

19	TRADE AND OTHER PAYABLES	Note	2019 Rupees	2018 Rupees
	Creditors	19.1	189,865,097	83,105,160
	Accrued liabilities	19.2	242,896,765	143,530,424
	Infrastructure fee	19.3	62,706,478	50,836,858
	Workers' profit participation fund	19.4	20,562,233	18,098,276
	Electricity duty		14,353,320	14,353,320
			530,383,893	309,924,038

- 19.1** Creditors include Rs. 6.810 million (2018: Rs.14.988 million) due to associated companies namely, Sapphire Electric Company Limited, SFL and STM. Creditors also include Rs. 141.355 million (2018: Rs. 26.280 million) as against foreign currency bills payable.

19.2 Accrued liabilities include Rs. Nil (2018: Rs. 10.199 million) due to associated company Sapphire Power Generation

Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs.13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under Oil and Gas Regulatory Authority (OGRA) Ordinance 2002, the Finance Act, 2014 and the GIDC Ordinance 2014 against which the Company obtained an interim stay order from the High Court of Sindh.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

Further, the Company has also obtained an interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Northern Gas Pipelines Limited (SNGPL) from charging and recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 57.558 million (2018 Rs: 52.604) million pertaining to the liability on account of GIDC which includes a provision amounting to Rs.4.953 million (2018 Rs: 14.373 million) recognized in these financial statements for the year ended June 30, 2019.

19.3 The provision has been recognized against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance 2001. The Company has contested this issue in Sindh High Court. The Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 26, 2006 as illegal and ultra vires. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for the consignments cleared upto December 27, 2006 were returned. For consignment released after December 27, 2006, 50% of the value of infrastructure cess is paid in cash and bank guarantees for the remaining balance was furnished until the final order is passed. Similar arrangements continued for the consignment released during the current year.

	Note	2019 Rupees	2018 Rupees
19.4 Workers' profit participation fund			
At the beginning of the year		18,098,276	10,262,006
Interest on funds utilized in the Company's business	19.4.1	596,871	103,185
Provision for the year		20,562,233	18,098,276
		39,257,380	28,463,467
Payments made during the year		(18,695,147)	(10,365,191)
At the end of the year		20,562,233	18,098,276

19.4.1 Interest on workers' profit participation fund has been provided at 11.50% (2018: 11.50%) per annum.

20 MARKUP ACCRUED

Markup accrued on:

Long term financing	2,757,636	1,204,031
Short term borrowings	44,346,634	21,267,403
	47,104,270	22,471,434

21	SHORT TERM BORROWINGS	Note	2019 Rupees	2018 Rupees
	From banking companies-secured			
	Running finance	21.1	986,845,935	887,713,150
	Other short term finance	21.1	930,000,000	540,000,000
			1,916,845,935	1,427,713,150
	From related parties			
	Loan from directors	21.2	15,705,000	-
	Loan from associated companies	21.3	27,487,000	-
			43,192,000	-
			1,960,037,935	1,427,713,150

21.1 The short term borrowing facilities amounting to Rs. 2,703 million (2018: Rs. 2,102 million) remained unutilized at the year end.

These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned limit of Rs. 4,620 million (2018: Rs. 3,530 million). These facilities carry mark-up at the rates ranging from 6.33% to 13.59% (2018: 1.15% to 7.75%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.

Facilities available for opening letters of credit and guarantees aggregate to Rs. 2,350 million (2018: Rs. 1,472 million) of which facilities amounting to Rs. 2,350 million (2018: Rs. 1,472 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.

21.2 During the year ended June 30, 2019, company has received loan from directors aggregating to Rs. 15,705,000. These loans are interest free and are repayable on demand.

21.3 During the year ended June 30, 2019, company has received loan from associated undertakings aggregating to Rs. 27,487,000. These loans are interest free and are repayable on demand.

Name of Associated Companies	Note	2019 Rupees	2018 Rupees
Reliance Textiles (Private) Limited		6,067,000	-
Sapphire Agencies (Private) Limited		12,810,000	-
Neelum Textile Mills (Private) Limited		7,540,000	-
Galaxy Agencies (Private) Limited		590,000	-
Nadeem Enterprises (Private) Limited		480,000	-
		27,487,000	-

22 CONTINGENCIES AND COMMITMENTS

22.1 CONTINGENCIES

Guarantees have been issued by banks on behalf of the Company in the normal course of business

Post dated cheques in favor of Commissioner Inland Revenue and Collector of

183,990,298	168,990,298
181,395,394	147,531,396
365,385,692	316,521,694

22.2 Claim of Input Sales Tax

The Company has claimed an input tax of Rs. 13.985 million and the same has been disallowed by Federal Board of Revenue (FBR) Pakistan by a notice dated June 20, 2015. However, the Company has filed an appeal dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax. The management is expecting the case to be in favour of the Company.

22.3 Refer to Note 30.3 to the financial statements for contingencies relating to income tax matters.

22.4	COMMITMENTS	Note	2019 Rupees	2018 Rupees
	Letters of credit for import of:			
	- plant and machinery		40,466,400	294,675,883
	- stores and spare parts		8,781,833	4,430,999
	- raw material		73,259,746	88,464,191
			122,507,979	387,571,073

23 SALES - NET		2019	2018
Exports	Note	Rupees	Rupees
Yarn			
- Direct	23.1	1,022,167,672	1,018,102,671
- Indirect	23.2	3,310,249,450	2,458,299,418
		<u>4,332,417,122</u>	<u>3,476,402,089</u>
Waste			
- Direct		110,835,239	84,129,919
		<u>4,443,252,361</u>	<u>3,560,532,008</u>
Local			
- Yarn		875,240,633	730,920,358
- Waste		58,685,461	61,547,530
	23.2	<u>933,926,094</u>	<u>792,467,888</u>
Processing income		1,751,012	3,878,646
Export rebate		79,928	41,138,845
		<u>5,379,009,395</u>	<u>4,398,017,387</u>
23.1 Export sales include foreign currency exchange gain-net aggregating to Rs.63.873 million (2018: Rs.9.583 million).			
23.2 Sales tax on local and indirect exports is Rs. 0.08 million (2018: Rs. 0.06 million)			
24 COST OF SALES			
Raw material consumed	24.1	3,671,078,484	2,769,091,967
Packing material consumed		70,360,727	61,205,745
Store and spare parts consumed		93,870,216	97,664,091
Salaries, wages and other benefits	24.2	376,678,546	342,221,533
Fuel and power		409,287,900	331,951,549
Insurance		5,756,405	5,434,265
Repair and maintenance		9,464,868	12,356,596
Travelling and conveyance		5,495,446	4,582,101
Other manufacturing overheads		4,789,611	2,866,674
Depreciation	5.1.1	156,647,052	135,845,581
		<u>4,803,429,255</u>	<u>3,763,220,102</u>
Work-in-process			
At beginning of the year		140,912,165	143,725,269
At end of the year		(246,276,183)	(140,912,165)
		<u>(105,364,018)</u>	<u>2,813,104</u>
Cost of goods manufactured			
		4,698,065,237	3,766,033,206
Finished goods			
At beginning of year		148,317,698	82,330,887
Yarn purchased during the year		7,869,174	64,513,752
At end of the year	8	(292,164,901)	(148,317,698)
		<u>(135,978,029)</u>	<u>(1,473,059)</u>
Cost of goods sold			
		4,562,087,208	3,764,560,147
24.1 Raw material consumed			
At beginning of the year		887,684,490	494,430,240
Purchased during the year		4,073,715,966	3,162,346,217
		<u>4,961,400,456</u>	<u>3,656,776,457</u>
At end of the year		(1,290,321,972)	(887,684,490)
		<u>3,671,078,484</u>	<u>2,769,091,967</u>

24.2 Salaries and other benefits include Rs. 21.936 million (2018: Rs. 19.706 million) and Rs. 2.786 million (2018 Rs. Nil) in respect of employee benefits - gratuity and provident fund respectively.

25	DISTRIBUTION COST	Note	2019 Rupees	2018 Rupees
	Salaries and other benefits	25.1	19,232,073	19,485,628
	Postage and telephone		533,036	800,895
	Traveling, conveyance and entertainment		15,918,419	14,148,568
	Printing, stationery and others		363,139	490,199
	Commission			
	- Local		3,535,738	1,963,805
	- Export		15,574,802	15,543,229
	Freight and forwarding			
	- Local		9,850,775	6,394,709
	- Export		34,958,734	33,567,732
	Impairment of trade receivable		5,744,337	-
	Export development surcharge		2,505,660	2,319,542
	Insurance charges - export		227,051	139,773
			108,443,764	94,854,080

25.1 Salaries and other benefits include Rs. Nil (2018: Rs. 3.585 million) and Rs. 0.725 million (2018 Rs. Nil) in respect of employee benefits - gratuity and Provident Fund respectively.

26	ADMINISTRATIVE EXPENSES	Note	2019 Rupees	2018 Rupees
	Salaries and other benefits	26.1	44,816,269	32,984,822
	Postage and telephone		2,057,405	2,061,364
	Fees and subscription		1,976,539	2,602,957
	Depreciation		5,736,300	6,144,229
	Printing and stationery		581,854	450,924
	Traveling and conveyance		2,586,545	4,203,259
	Repair and maintenance		2,238,532	324,944
	Legal and professional charges		2,388,365	3,093,220
	Advertisement		98,763	58,140
	Entertainment		1,112,474	1,376,208
	Donation	26.2	150,000	5,000,000
	Auditors' remuneration	26.3	1,019,200	927,500
	Utility charges		2,739,596	2,172,479
	Others		194,234	288,219
			67,696,076	61,688,265

26.1 Salaries and other benefits include Rs. Nil (2018: Rs. 2.224 million) Rs. 0.956 million (2018 Rs. Nil) in respect of employee benefits - gratuity and provident fund respectively.

26.2 Donations during the previous year has been paid to Abdullah Foundation, 212 Cotton Exchange Building, I.I. Chundrigar Road, Karachi, a Trust. Mr. Shahid Abdullah, Mr. Amer Abdullah, Mr. Yousuf Abdullah, Mr. Shayan Abdullah and Mr. Mohammad Yamin, directors of the Company, are trustees of this trust.

26.3	Auditors' remuneration	Note	2019 Rupees	2018 Rupees
	Annual audit		625,000	625,000
	Half-yearly review		224,200	132,500
	Compliance report on Code of Corporate Governance		55,000	55,000
	Other certification		50,000	50,000
	Out-of-pocket expenses		65,000	65,000
			1,019,200	927,500

27 OTHER OPERATING EXPENSES

Workers' profit participation fund	20,562,233	18,098,276
Realized loss of short term investment held at available for sale	-	10,751,165
Foreign exchange loss	-	17,726,974
	20,562,233	46,576,415

28	OTHER INCOME			-
	Gain on disposal of property, plant and equipment		2,915,413	1,356,120
	Scrap sales	28.1	4,179,786	3,930,024
	Dividend income		11,011,445	4,394,800
			18,106,644	9,680,944

28.1 Scrap sales inclusive of sales tax amounts to Rs. 4.992 million (2018: Rs. 4.665 million).

29	FINANCE COST	Note	2019 Rupees	2018 Rupees
	Markup on:			
	Long term financing		14,420,985	3,899,649
	Short term borrowings		198,412,837	85,961,308
	Interest on workers' profit participation fund		596,871	103,185
	Bank charges and commission		7,698,324	6,188,048
			221,129,017	96,152,190

30 PROVISION FOR TAXATION

	Current			
	-for the year	30.1	26,347,156	27,777,287
	-for prior year		168,165	9,408
			26,515,321	27,786,695

30.1 The Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, therefore provision for income tax is made accordingly. Assessment for the tax year 2018 is deemed to have been finalized under section 122 of the Income Tax Ordinance, 2001.

30.2 There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.

30.3 There is a dispute between the Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. The Sindh High Court has decided the case in favour of the Company on the appeals filed by Commissioner Inland Revenue and appeal effect is pending.

30.4 The Finance Act, 2018 and 2017 have amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% (2017: 7.5%) of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% (2017: 40%) of the accounting profit through cash dividend within six months of the end of the said year.

The Group filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.

The dividend declared by the directors for the year ended June 30, 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. However, The Group has not made any provision based on opinion issued by legal Counsel.

31 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earning per share which is based on:

Profit attributable to ordinary shareholders (Rupees)	<u>390,682,420</u>	<u>316,080,539</u>
Weighted average number of ordinary shares outstanding during the year (Numbers)	<u>10,292,000</u>	<u>10,292,000</u>
Earnings per share - Rupees	<u>37.96</u>	<u>30.71</u>

32 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and executives of the Company is as follows:

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	----- Rupees -----		----- Rupees -----	
Managerial remuneration	8,442,000	4,824,000	18,187,880	24,473,101
House rent	3,798,900	2,170,800	8,184,546	9,817,840
Utilities	359,100	205,200	1,064,143	1,554,310
Conveyance and allowances	-	-	28,540,164	30,000
Medical expenses	-	-	326,684	641,452
Bonus/Leave encashment	-	-	4,814,217	4,022,767
	12,600,000	7,200,000	61,117,634	40,539,470
Number of persons	1	1	14	13

- Due to change in definition of "executives" in fourth schedule of the Companies Act, 2017, comparative figures have been changed.

32.1 The executives are also provided with cars maintained by the Company.

32.2 The Company has paid Rs. Nil (2018: Rs.40,000) as meeting fee to an independent director.

32.3 No remuneration is paid to the directors of the Company.

33 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

33.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, bank balance, sundry receivables and other financial assets.

The Company does not hold collateral as security against these financial assets.

The Company's credit risk exposures are categorized under the following headings:

Trade debts

Trade debts are essentially due from local and foreign customers against supply of yarn. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Bank

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

33.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at

	2019 Rupees	2018 Rupees
Long term deposits	8,987,690	8,987,690
Trade debts	761,061,879	665,550,377
Loans and advances	-	400,000
Short term deposits and prepayments	1,593,406	1,403,797
Other receivables	9,525,876	2,798,330
Bank balances	5,968,280	7,340,080
	787,137,131	686,480,274

Geographically there is no concentration of credit risk.

The aging of past due unsecured trade receivables at the reporting date is:

	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
	----- Rupees -----			
Past due				
Upto 1 month	246,912,309	3,628,182	232,358,364	3,054,871
1 month to 6 months	170,078,998	7,031,563	232,944,229	5,487,589
Over 6 months	9,427,044	1,082,048	1,332,759	136,792
Over 6 months - impaired	1,082,048	-	-	-
	427,500,399	11,741,793	466,635,352	8,679,252

33.2 Credit quality of investments and bank balances

The credit quality of major financial asset that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Name of bank	Rating	Short term	Long term
BankIslami Pakistan Limited	PACRA	A+	A1
Habib Bank Limited	SBP	AAA	A1+
National Bank of Pakistan	PACRA	A1+	AAA
MCB Bank Limited	PACRA	AAA	A1+
Dubai Islamic Bank	SBP	AA	A1+
Faysal Bank Limited	PACRA	AA	A1+
Meezan Bank Limited	VIS	AA+	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
United Bank Limited	VIS	AAA	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
Askari Bank Limited	PACRA	AA+	A1+

33.3 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 20.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

33.3.1 Liquidity risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing and short term borrowing agreements based on the earliest date on which the Company can be required to pay.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	2019					
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above
	Rupees					
Non-derivative Financial liabilities						
Long term financing	559,379,252	373,647,000	3,659,374	7,511,374	15,022,748	347,453,504
Trade and other payable	453,824,862	453,824,862	453,824,862	-	-	-
Mark up accrued	47,104,270	47,104,270	47,104,270	-	-	-
Short term borrowings	1,960,037,935	1,916,845,936	1,916,845,936	-	-	-
Unclaimed dividend	500,767	500,767	500,767	-	-	-
	3,020,847,086	2,791,922,835	2,421,935,209	7,511,374	15,022,748	347,453,504
	Rupees					
	2018					
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above
	Rupees					
Non-derivative Financial liabilities						
Long term financing	193,051,000	193,051,000	3,659,374	3,659,374	9,362,498	176,369,754
Trade and other payable	245,143,977	245,143,977	245,143,977	-	-	-
Mark up accrued	22,471,434	22,471,434	22,471,434	-	-	-
Short term borrowings	1,427,713,150	1,427,713,150	1,427,713,150	-	-	-
Unclaimed dividend	410,117	410,117	410,117	-	-	-
	1,888,789,678	1,888,789,678	1,699,398,052	3,659,374	9,362,498	176,369,754

33.4 Market risk

Market risk is the risk that changes in market prices, 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

33.4.1 Foreign currency risk management

Pakistani Rupee (PKR) is the functional and presentation currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprises of ;

- Translation and transactional exposure in respect of non functional currency monetary items.

- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Translation and transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure are incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2019		2018	
	USD	EURO	USD	EURO
Trade debts	1,478,597	188,981	1,580,555	49,669
Trade creditors	(453,190)	(240,000)	(141,099)	(64,440)
Short term Foreign Currency loan	-	-	-	-
	1,025,407	(51,019)	1,439,456	(14,771)

Commitments outstanding at year end amounted to Rs. 122.507 million (2018: Rs. 387.571 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees
USD 1	142.70	113.20	164.00	121.40
EURO 1	163.85	130.74	186.37	141.33

Sensitivity analysis

A 5 percent strengthening of the Pakistani Rupee against the USD & EURO at June 30, 2019 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for June 30, 2018.

	2019	2018
	Rupees	Rupees
Increase / (decrease) in profit or loss account (USD)	(8,408,337)	(8,737,498)
Increase / (decrease) in profit or loss account (EURO)	475,421	104,379

33.5 Interest rate risk

The interest rate risk is the risk that the value or cash flows the financial instrument will fluctuate due to changes in the market interest rates.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018	2019	2018
	%		Rupees	Rupees
Financial liabilities				
Long term financing	2.50 to 6.80	2.50 to 6.8	559,379,252	74,900,000
Short term borrowings	1.15 to 7.75	1.15 to 7.75	1,916,845,935	1,004,827,710
			<u>2,476,225,187</u>	<u>1,079,727,710</u>

Cash flow sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, on the Company's profit before tax.

	Increase / (Decrease) in	Effect on profit before tax
	%	Rupees
2019		
Long term financing	1.00%	5,593,793
Short term borrowings		19,168,459
		<u>24,762,252</u>
2018		
Long term financing	1.00%	1,930,510
Short term borrowings		14,277,132
		<u>16,207,642</u>

33.6 Equity Price Risk Management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

At the statement of financial position date, the exposure to listed equity securities at fair value was Rs. 42,044,044 (2018: 78,692,660). An increase of 25% on the KSE market index would have an impact of approximately Rs. 10,511,011 (2018: Rs. 19,673,165) on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. An decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

34	FINANCIAL INSTRUMENTS BY CATEGORY	2019 Rupees	2018 Rupees
	Financial Assets		
	At amortized cost		
	Long term investments	89,069,645	89,069,645
	Trade debts	761,061,879	665,550,377
	Loans and advances	-	400,000
	Deposits and prepayments	-	-
	Cash and bank balances	6,403,280	7,780,802
	Bank guarantee margin	1,102,088	1,403,797
		857,636,892	764,204,621
	Financial Assets - At fair value through OCI		
	Other financial assets	-	-
	Short term investments	50,214,094	78,692,660
		907,850,986	842,897,281
	Financial liabilities - at amortized cost		
	Long term financing	559,379,252	193,051,000
	Employee benefits - unfunded	-	-
	Trade and other payable	462,233,863	246,912,857
	Mark up accrued	47,104,270	22,471,434
	Short term borrowings	1,960,037,935	1,427,713,150
	Unclaimed dividend	500,767	410,117
		3,029,256,087	1,890,558,558

35 CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and 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 dividend paid to shareholders, appropriation of amounts to reserve or/and issue new shares.

Consistent with others in industry, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowing divided by total capital employed. Borrowing comprises of long term finances and short term borrowings obtained by Company. Total capital employed includes share capital and reserves (total equity) plus borrowings:

	2019 Rupees	2018 Rupees
Total borrowings including mark-up accrued	2,566,521,457	1,643,235,584
Total equity	2,169,188,558	1,872,372,558
Total capital employed	4,735,710,015	3,515,608,142
Gearing ratio	54.20%	46.74%

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Name of related party	Relationship and percentage	Nature of transaction(s)	2019	2018
			Rupees	Rupees
RCSM (Private) Limited	Subsidiary company	Payment against issue of shares	-	100,000
Amer Cotton Mills (Private) Limited	Associated Company by virtue of common directorship	Sales:		
		Yarn / raw material	117,892	22,181,501
		Purchase:		
		Yarn / raw material	2,388,960	35,310,265
		Shared expenses - net	1,364,614	521,452
		Services		
		Rendered	412,500	-
Obtained	594,779	-		
Diamond Fabrics Limited	Associated Company by virtue of common directorship	Dividend:		
		Paid	117,650	27,150
		Sales:		
		Yarn / raw material	218,254,472	240,419,604
		Purchase:		
Yarn / raw material	-	137,540		
Shared expenses - net	-	-		
Dividend:				
Paid	-	-		
Sapphire Power Generation Limited	Associated Company by virtue of common directorship	Sales:		
		waste	135,558	42,490
		Purchase:		
		Electricity	27,706,713	50,464,155
		Store	360,062	
		Shared expenses - net	-	-
Dividend:				
Paid	133,504	30,809		
Sapphire Textile Mills Limited	Associated Company by virtue of common directorship	Sales:		
		Yarn	73,060,103	34,047,286
		Purchase:		
		Raw material	8,784,390	5,102,640
		Services:		
		Rendered	-	212,484
		Obtained	-	2,349,094
		Shared expenses - net	5,481,610	4,603,819
Dividend:				
received	1,603,568	-		
Paid	2,053,903	474,321		
Sapphire Fibres Limited	Associated Company by virtue of common directorship	Sales:		
		Yarn / raw material / scrap	504,824,277	279,990,508
		Purchase:		
		Yarn / raw material / scrap	42,708,632	35,343,087
		Property plant and equipment	20,380,000	-
		Services:		
		Rendered	96,145	1,627,941
		Obtained	-	268,150
		Shared expenses - net	3,604,721	2,090,428
		Dividend:		
received	4,724,364	590,546		
Paid	1,001,026	231,551		

Sapphire Electric Co. Limited	Associated Company by virtue of common directorship	Shared expenses - net	161,422	137,132
Neelum Textile Mills (Private) Limited	Associated Company by virtue of common directorship	Dividend paid	8,875,848	2,048,273
		Loan	7,540,000	-
Galaxy Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	703,411	162,326
		Loan	590,000	-
Sapphire Holding Limited	Associated Company by virtue of common directorship	Dividend paid	4,135,014	954,234
		Dividend received	175,390	90,200
Crystal Enterprises (Private) Ltd	Associated Company by virtue of common directorship	Dividend paid	180,024	41,544
Salman Ismail (SMC) (Private) Ltd	Associated Company by virtue of common directorship	Dividend paid	9,750	2,250
Yousef Agencies (Private) Ltd	Associated Company by virtue of common directorship	Dividend paid	20,950	4,835
Nadeem Enterprises (Private) Limited	Associated Company by virtue of common directorship	Dividend paid	566,176	130,656
		Loan	480,000	-
Reliance Textile (Private) Limited	Associated Company by virtue of common directorship	Dividend paid	7,137,767	1,647,177
		Loan	6,067,000	-
Amer Tex (Private) Limited	Associated Company by virtue of common directorship	Dividend paid	98,066	22,631
Sapphire Agencies (Private) Limited	Associated Company by virtue of common directorship	Dividend paid	15,072,844	3,478,349
		Loan	12,810,000	-
SFL Limited	Associated Company by virtue of common directorship	Dividend paid	3,624,537	836,432
		Dividend received	1,505,888	301,178

36.1 All transactions with related parties have been carried out at commercial terms and conditions. Included in these is the amount of director loan of Rs. 15.705 million (2018: Rs. Nil).

37	NUMBER OF EMPLOYEES	At year end		Average	
		2019	2018	2019	2018
	Employees	1085	992	1071	989

38	PLANT CAPACITY AND ACTUAL PRODUCTION	2019	2018
	Total number of spindles installed	45,984	37,920
	Installed capacity after conversion into 20's count (Lbs.)	30,392,820	24,381,119
	Actual production		
	Number of spindles	37,008	34,378
	Number of shifts per day	3	3
	Total days worked	365	365
	Actual production of yarn after conversion into 20's count (Lbs.)	24,431,250	23,462,808

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted. Difference of actual production with installed capacity is in normal course of business.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value hierarchy

Financial instruments are 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 the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

The Company have short term investments at fair value through other comprehensive income of Rs.42.044 million that are classified at level 1 and Rs.8.17 million that are classified at level 2.

40	PROVIDENT FUND RELATED		2019	2018
		Notes	Rupees	Rupees
40.1	The following information is based on un-audited financial statements of the Fund for the year ended:			
	Size of the Fund - Total Assets		8,690,180	-
	Cost of investments made		7,748,971	-
	Percentage of investments made		100%	-
	Fair value of investments made		7,748,971	-
40.2	The break-up of fair value of			
		Percentage %	Rupees	Rupees
	Scheduled bank	4	320,388	-
	Listed securities	96	7,896,890	-
		100	8,217,278	-

41 OPERATING SEGEMENTS

Chief Executive Officer considers the business as a single operating segment as the Company's' assets allocation decision are based on a single, integrated business strategy, and the Company's' performance is evaluated on overall basis.

The information with respect to this operating segment is stated below:

82.57 (2018: 81.72%) sales of the Company relates to export customers.

As at year end, all non-current assets of the Company are located in Pakistan.

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs.1,486 million (2018 Rs.1,339 million).

42 EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on September 26, 2019 has proposed to pay cash dividend for the year ended June 30, 2019 of Rs. 82.336 million @ Rs. 8.00 per ordinary share of Rs. 10 each (2018: Rs. 66.898 million @ Rs. 6.5.00 per ordinary share of Rs. 10 each). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these financial statements.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on September 26, 2019 by the Board of Directors of the Company.

44 GENERAL

Figures have been rounded off to the nearest Rupee.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Pattern of Shareholding

As At June 30, 2019

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
350	1	100	7,234
64	101	500	23,590
25	501	1000	21,569
23	1001	5000	64,631
8	5001	10000	55,361
3	10001	15000	34,397
3	15001	20000	51,440
2	20001	25000	45,539
2	25001	30000	55,709
4	35001	40000	153,085
2	40001	45000	85,164
1	65001	70000	69,160
1	75001	80000	79,027
1	80001	85000	82,106
2	85001	90000	176,154
1	105001	110000	108,217
1	120001	125000	123,902
1	145001	150000	149,194
1	150001	155000	154,004
2	220001	225000	440,762
1	230001	235000	232,838
1	315001	320000	315,985
1	340001	345000	340,826
1	365001	370000	365,515
1	435001	440000	435,645
1	465001	470000	465,638
1	545001	550000	545,522
1	555001	560000	557,621
1	635001	640000	636,156
1	930001	935000	934,026
1	995001	1000000	1,000,000
1	1095001	1100000	1,097,110
1	1380001	1385000	1,384,873
510		Total	10,292,000

* Note: There is no shareholding in the slab not mentioned

Categories of Shareholders

As At June 30, 2019

Particulars	No. of Shares Held	Percentage %
Directors, CEO, spouses and Minor Children	1,675,318	16.2779
Associated Companies, undertakings, related parties	6,727,764	65.3689
NIT & ICP	465,638	4.5243
Banks, DFI & NBF1	325	0.0032
Insurance Companies	16,940	0.1646
Modaraba Companies and Mutual Funds	500	0.0049
Individuals Local	1,357,776	13.1925
Joint Stock Companies	8,343	0.0811
Other Companies	39,396	0.3828
	10,292,000	100.0000

Pattern of Shareholding*As At June 30, 2019***A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**

Reliance Textiles (Private) Limited	1,098,118
Neelum Textile Mills (Private) Limited.	1,365,515
Sapphire Textile Mills Limited.	315,985
Sapphire Fibres Limited	154,004
Sapphire Agencies (Pvt) Ltd.	2,318,899
Amer Cotton Mills (Private) Limited	18,100
Galaxy Agencies (Private) Limited	108,217
Sapphire Power Generation Limited	20,539
Nadeem Enterprises (Private) Limited	87,104
Crystal Enterprises (Private) Limited	27,696
Salman Ismail (SMC-Private) Limited	1,500
Yousuf Agencies (Private) Limited	3,223
Amer Tex (Pvt.) Limited	5,167
SFL Limited	557,621
Sapphire Holding Limited	636,156
Four Strength (Pvt) Ltd.	9,920

B) NIT & ICP

National Bank of Pakistan Trustee Department	465,638
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C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**DIRECTORS & THEIR SPOUSES**

Mr. Shahid Abdullah.	117,777
Mr. Yousuf Abdullah.	588,710
Mr. Abdul Sattar.	100
Mr. Amer Abdullah.	379,576
Mrs. Ambareen Amer	240,838
Mrs. Shireen Shahid	98,506
Mrs. Usma Yousuf	28,013
Mr. Nabeel Abdullah	570
Mr. Asif Elahi	500

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shayan Abdullah	220,728
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Pattern of Shareholding
As At June 30, 2019

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

BANKS

National Bank of Pakistan	225
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DEVELOPMENT FINANCIAL INSTITUTIONS

National Development Finance Corporation	100
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INSURANCE COMPANIES

State Life Insurance Company of Pakistan	16,940
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MODARABA COMPANIES

First Punjab Modaraba	500
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E) SHAREHOLDERS HOLDING 5% OR MORE

Neelum Textile Mills (Private) Limited	1,365,515
Reliance Textiles (Private) Limited	1,098,118
Sapphire Agencies (Private) Limited	2,318,899
SFL Limited	557,621
Sapphire Holding Limited	636,156
Mr. Yousuf Abdullah	588,710

F) 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. Shireen Shahid Gift to son Mr. Shayan Abdullah	220,000
Mrs. Shireen Shahid Gift to son Mr. Hasan Abdullah	220,464

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Directors' Report to the Shareholders

The directors are pleased to present their report together with consolidated financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (Pvt.) Limited for the year ended 30 June, 2019. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

RCSM Company (Pvt.) Limited

Reliance Cotton Spinning Mills Limited ("the Holding Company") and its wholly owned subsidiary RCSM Company (Private) Limited collectively referred to as 'the Group' was incorporated in Pakistan under the Companies Ordinance, 1984. The Holding Company is listed on Pakistan Stock Exchange Limited (formerly known as Karachi Stock Exchange Limited and Lahore Stock Exchange Limited). The wholly owned subsidiary was incorporated on November 8, 2017.

RCSM Company (Pvt.) Limited was incorporated in Pakistan as private limited by shares wholly owned by Reliance Cotton Spinning Mills Limited under Companies Ordinance, 1984 on November 08, 2017.

The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other company but not to act as an investment company.

For and on behalf of the Board

Lahore
September 26, 2019

Shahid Abdullah
Director

Shayan Abdullah
Chief Executive

ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 30 جون 2019ء کو ختم ہونے والے سال کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RSCM (پرائیویٹ) لمیٹڈ کے ایشتمال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق ایشتمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

RSCM کمپنی (پرائیویٹ) لمیٹڈ:

RSCM کمپنی (پرائیویٹ) لمیٹڈ (ہولڈنگ کمپنی) اور اس کی مکمل ملکیتی ذیلی کمپنی RSCM (پرائیویٹ) لمیٹڈ جو مجموعی طور پر ایک "گروپ" کہلاتا ہے کمپنیز آرڈیننس 1984ء کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کمپنی پاکستان اسٹاک ایکسچینج لمیٹڈ (سابقہ کراچی اسٹاک ایکسچینج لمیٹڈ اور لاہور اسٹاک ایکسچینج لمیٹڈ) میں اندراج شدہ ہے۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

RSCM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس 184ء کے تحت 08 نومبر 2017ء کو ریلائنس کاٹن سپننگ ملز لمیٹڈ کی مکمل ملکیتی شیئرز کے ذریعے ایک پبلک لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔

ذیلی کمپنی کا بنیادی کاروبار کسی دیگر کمپنی کے حصص لینا یا دوسری صورت میں خریدنا اور ہولڈ کرنا، لیکن سرمایہ کاری کمپنی کے طور پر کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)

ڈائریکٹر

(شایان عبداللہ)

چیف ایگزیکٹو

لاہور تاریخ: 26 ستمبر 2019

Independent Auditor's Report

*To the members of Reliance Cotton Spinning Mills Limited
Report on the Audit of the Consolidated Financial Statements*

Opinion

We have audited the annexed consolidated financial statements of Reliance Cotton Spinning Mills Limited (the Company) and its subsidiary (the Group) which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Group generates revenue from export and local sale of yarn and waste.</p> <p>The Group has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods against local sale and indirect exports is recognized on dispatch of goods as risk and rewards are transferred on dispatch whereas export sales are recognized on the shipment of goods. Revenue recognition criteria has been explained in note 4.16 to the consolidated financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy; • assessing the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • checked on a sample basis the recorded sales transactions with underlying supporting documents; and • assessed the adequacy of related disclosures in the consolidated financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Lahore
Date: September 26, 2019

Deloitte Yousuf Adil,
Chartered Accountants

Consolidated Statement of Financial Position
as at June 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,987,544,100	1,460,765,061
Long term investments	6	801,555,693	718,327,402
Long term deposits		8,987,690	8,987,690
		<u>2,798,087,483</u>	<u>2,188,080,153</u>
CURRENT ASSETS			
Stores and spare parts	7	45,112,549	49,466,734
Stock-in-trade	8	1,989,294,360	1,242,826,867
Trade debts	9	761,061,879	665,550,377
Loans and advances	10	79,264,473	64,191,180
Short term deposits and prepayments	11	1,593,406	2,255,778
Other receivables	12	37,055,995	48,129,947
Tax refunds due from the Government	13	294,448,602	233,635,886
Other financial assets	14	50,214,094	78,692,660
Cash and bank balances	15	6,477,850	7,880,802
		<u>3,264,523,208</u>	<u>2,392,630,231</u>
		<u>6,062,610,691</u>	<u>4,580,710,384</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2018: 12,000,000) ordinary shares of Rs. 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	16	102,920,000	102,920,000
Reserves		<u>2,695,615,314</u>	<u>2,322,673,005</u>
		<u>2,798,535,314</u>	<u>2,425,593,005</u>
NON-CURRENT LIABILITIES			
Long term financing	17	547,186,629	185,732,252
Deffered Liabilities	18	131,799,618	168,983,093
		<u>678,986,247</u>	<u>354,715,345</u>
CURRENT LIABILITIES			
Trade and other payables	19	530,497,378	310,010,598
Contract liabilities		8,409,001	4,700,700
Unclaimed dividend		500,767	410,117
Markup accrued	20	47,104,270	22,471,434
Short term borrowings	21	1,960,037,935	1,427,713,150
Current portion of long term financing	17	12,192,623	7,318,748
Provision for taxation	30	26,347,156	27,777,287
		<u>2,585,089,130</u>	<u>1,800,402,034</u>
CONTINGENCIES AND COMMITMENTS			
	22	<u>6,062,610,691</u>	<u>4,580,710,384</u>

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement Of Profit or Loss
For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	23	5,379,009,395	4,398,017,387
Cost of sales	24	(4,562,087,208)	(3,764,560,147)
Gross profit		816,922,187	633,457,240
Distribution cost	25	(108,443,764)	(94,854,080)
Administrative expenses	26	(67,748,431)	(61,774,825)
Other operating expenses	27	(20,562,233)	(46,576,415)
		(196,754,428)	(203,205,320)
Other income	28	10,097,434	8,789,219
Operating profit before finance cost		630,265,193	439,041,139
Finance cost	29	(221,129,017)	(96,152,190)
Share of profit from associates		141,753,084	54,041,257
Profit before taxation		550,889,260	396,930,206
Provision for taxation	30	(33,564,948)	(38,923,811)
Profit for the year		517,324,312	358,006,395
Earnings per share - basic and	31	50.26	34.78

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Profit for the year		517,324,312	358,006,395
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share in associates' unrealized loss on available for sale investments - net		-	(68,048,815)
Share in associates' unrealized gain on hedging instruments		269,706	278,758
		269,706	(67,770,057)
Unrealized loss on remeasurement of short term investments- available for sale		-	(8,927,074)
Realized loss on disposal of short term investments- available for sale		-	7,131,436
		-	(1,795,638)
Fair value loss on investment in debt instrument designated as FVTOCI		(1,029,950)	-
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of post retirement benefits obligation	18.1.5	(116,423)	(830,822)
Share in associates' remeasurement of post retirement benefits obligation loss		684,699	(236,597)
Fair value loss on investments in equity instruments designated as FVTOCI		(17,142,795)	(236,597)
Share of other comprehensive income of associates		(52,559,028)	-
		(69,133,547)	(1,304,016)
		(69,893,791)	(70,869,711)
Total comprehensive income for the year		<u>447,430,521</u>	<u>287,136,684</u>

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Cash Flows
For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		550,889,260	396,930,206
Adjustments for:			
Depreciation on property, plant and equipment	5.1	162,383,352	141,989,810
Provision for employee benefits	18.1.1	21,936,393	25,518,219
Rebate Income		(79,928)	(41,138,845)
Gain on disposal of property, plant and equipment	5.3	(2,915,413)	(1,356,120)
Finance cost	29	221,129,017	96,152,190
Dividend income on short and long term investment		(3,002,235)	(3,503,075)
Share of profit from associates		(141,753,084)	(54,041,257)
		<u>808,587,362</u>	<u>560,551,128</u>
Working capital changes			
Decrease / (Increase) in current assets			
Stores and spare parts		4,354,185	(29,794,639)
Stock-in-trade		(746,467,493)	(418,033,728)
Trade debts		(104,190,754)	(360,889,991)
Loans and advances		(8,367,808)	(1,485,345)
Short term deposits and prepayments		662,372	(319,371)
Other receivables		(6,727,546)	(1,536,931)
Increase / (decrease) in current liabilities			
Trade and other payables		224,195,081	46,071,520
		<u>(636,541,963)</u>	<u>(765,988,485)</u>
Cash (used in) / generated from operations		172,045,399	(205,437,357)
Dividend paid		(66,807,350)	(15,436,360)
Employee benefits paid		(66,285,918)	(13,753,511)
Finance cost paid		(196,496,181)	(89,743,445)
Sales tax (paid) / refunded		(37,557,657)	(3,545,374)
Income taxes paid		(67,105,996)	(60,530,168)
Rebate income received		17,881,426	14,963,383
		<u>(416,371,676)</u>	<u>(168,045,475)</u>
Net cash used in operating activities		(244,326,277)	(373,482,832)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(694,574,578)	(194,450,356)
Proceeds from disposal of property, plant and equipment		8,327,600	4,005,269
Short term investments - net		(21,522,343)	-
Proceeds from sale of investments		41,028,164	3,666,360
Dividend received		11,011,445	4,394,800
		<u>(655,729,712)</u>	<u>(182,383,927)</u>
Net cash used in investing activities		(655,729,712)	(182,383,927)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained		373,647,000	118,151,000
Short term borrowings - net		532,324,785	422,885,440
Repayment of long term loan		(7,318,748)	-
		<u>898,653,037</u>	<u>541,036,440</u>
Net cash from financing activities		898,653,037	541,036,440
Net (decrease) / increase in cash and cash equivalents		(1,402,952)	(14,830,319)
Cash and cash equivalents at beginning of the year		7,880,802	22,711,121
Cash and cash equivalents at the end of the year		6,477,850	7,880,802

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended June 30, 2019

	Revenue reserves		Capital reserve				Sub-total	Total
	Unappropriated profit	General reserve	Unrealised loss on remeasurement of investments classified as available for sale - net	Share in associates' unrealized gain on available for sale investments - net	Share in associate's unrealized gain / (loss) on hedging instruments	Share in associate's remeasurement of post retirement benefits obligation		
Share capital								
102,920,000	1,785,964,745	130,000,000	(9,370,227)	137,685,026	3,219	(1,792,820)	9,841,956	2,155,251,899
..... Rupees								
Balance as at July 01, 2017								
Comprehensive income:								
Profit for the year ended June 30, 2018	-	-	-	-	-	-	-	358,006,395
Other comprehensive income	-	(830,822)	(1,795,638)	(68,048,815)	278,758	(236,597)	-	(70,633,114)
Total comprehensive income	-	357,175,573	(1,795,638)	(68,048,815)	278,758	(236,597)	-	287,373,281
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	(1,594,175)	(1,594,175)
Transactions with owners:								
Final dividend for the year ended June 30, 2016 @ Rs. 5 per share	-	(15,438,000)	-	-	-	-	-	(15,438,000)
Balance as at June 30, 2018	102,920,000	2,127,702,318	130,000,000	69,636,211	281,977	(2,029,417)	8,247,781	2,322,673,005
Impact of adoption of IFRS 9 (Note 2.5.1)								
Comprehensive income:								
Profit for the year ended June 30, 2019	-	(8,679,252)	-	-	-	-	-	(8,679,252)
Other comprehensive income	-	517,324,312	(18,172,745)	(52,559,028)	269,706	684,699	-	517,324,312
Total comprehensive income	-	517,207,889	(18,172,745)	(52,559,028)	269,706	684,699	-	447,430,521
Reclassification of realized loss on sale of investment at fair value through other comprehensive income	-	-	(11,646,327)	-	-	-	-	-
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	1,089,040	1,089,040
Transactions with owners:								
Final dividend for the year ended June 30, 2018 @ Rs.6.5 per share	-	(66,893,000)	-	-	-	-	-	(66,893,000)
Balance as at June 30, 2019	102,920,000	2,569,332,955	118,353,673	28,723,510	551,683	(1,344,718)	9,336,821	2,798,535,314

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Notes to the Financial Statements
For the year ended June 30, 2019

1 LEGAL STATUS AND OPERATIONS

1.1 Reliance Cotton Spinning Mills Limited ("the Holding Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company was listed on June 16, 1993 on Pakistan Stock Exchange limited. The principal activity of the Holding Company is manufacturing and sale of yarn. The registered office of the Holding Company and Subsidiary Company is situated at 312, Cotton Exchange Building, Karachi and mills of Holding Company are located at Warburton Road, Ferozewattoan, District Sheikhupura, Punjab.

RCSM Company (Private) Limited - the Subsidiary Company (Holding-100%)

RCSM Company (Private) Limited was incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) on November 8, 2017.

The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other company but not to act as an investment company.

1.2 These consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019.

2.2.1 Standards or Interpretations with no significant impact	Effective from annual period beginning on or after
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2017
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2017
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs.

2.2.2 Standards or Interpretations with significant impact

	Effective from accounting period beginning on or after
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	January 01, 2017
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	January 01, 2017

The impact of adoption of these new standards is disclosed in note 2.5.

2.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned.

2.3.1 Standards or Interpretations with no significant impact

	Effective from annual period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	Effective from accounting period beginning on or after January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	Effective from accounting period beginning on or after January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	Effective from accounting period beginning on or after January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	Effective from accounting period beginning on or after January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	Effective from accounting period beginning on or after January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.4 Adoption of new accounting standards

The following changes in standards have taken place effective from July 01, 2018:

2.4.1 Impact of IFRS 9 - Financial Instruments

IFRS 9 replaces certain provisions of IAS 39 - "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

The adoption of IFRS 9 from July 01, 2018 has resulted in changes in relevant accounting policies and adjustment to the trade debts amounts recognized in the consolidated financial statements. IFRS 9 requires implementation of a new impairment model based on expected credit losses (ECL), resulting in transition adjustment summarized below. In accordance with the transition provisions of IFRS 9, the Holding Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information of prior periods.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees)				
Trade debts	Loans and receivables	At amortized cost	665,550,377	665,550,377
Cash and bank balances	Loans and receivables	At amortized cost	7,880,802	7,880,802
Loans and advances	Loans and receivables	At amortized cost	64,191,180	64,191,180
Long Term deposits	Loans and receivables	At amortized cost	8,987,690	8,987,690
Long term investments	Loans and receivables	At amortized cost	718,327,402	718,327,402
Deposits and prepayments	Loans and receivables	At amortized cost	2,255,778	2,255,778
Other financial assets	Available for Sale	FVTOCI	78,692,660	78,692,660
Financial liability	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees)				
Long term financing	At amortized cost	At amortized cost	185,732,252	185,732,252
Trade and other payable	At amortized cost	At amortized cost	314,624,738	314,624,738
Mark up accrued	At amortized cost	At amortized cost	22,471,434	22,471,434
Short term borrowings	At amortized cost	At amortized cost	1,427,713,150	1,427,713,150
Unclaimed dividend	At amortized cost	At amortized cost	410,117	410,117

As a result of adoption of IFRS 9, opening retained earnings of the Holding Company as of July 1, 2018 are restated downward by Rs 8.679 million, due to recording of allowance for ECL against trade debts. Had this policy not been changed, profit after tax would have been higher by Rs 5.744 million and closing retained earnings would have been higher by Rs 14.423 million.

2.4.2 Impact of IFRS-15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenues' and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Holding Company adopted IFRS 15 Revenue from Contracts with Customers with initial date of application of 1 July 2018. In accordance with the transition provision of IFRS 15, the Holding Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods.

"The Holding Company policy for revenue recognition under different contracts with customers stands amended as follows:
a) Sale of Goods: The Holding Company sell its products in separately identifiable contracts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer. Revenue from local sale of goods is recognized when the Holding Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from export sale of goods is recognized at the point in time when the customer obtains control over the goods, depending on the relevant terms of shipment. "

2.4.2.1 Effect of changes in accounting policy

- a) The Holding Company has applied IFRS 15 using the modified retrospective approach for transition, taking into consideration the exemption allowing it not to restate comparative information or prior periods. The above mentioned revised policy do not have any significant impact on these consolidated financial statements as the revised policy do not have an impact on the timing or the amount of revenue recognition from the contracts in case of local sales where as, in case of export sales contract the revised policy only have an immaterial impact on the timing of revenue recognition with no effect on the amount of revenue recognized.
- b) The adoption of IFRS 15 also resulted in reclassification of "Advance payments from customers", previously grouped under trade and other payables, to the statement financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Reclassification	As restated
	----- Rupees -----		
As at June 30, 2018			
Trade and other payable	314,624,738	(4,700,700)	309,924,038
Contract liabilities	-	4,700,700	4,700,700

3 Significant estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Employee retirement benefits

The Holding Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The calculation require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis.

Property, plant and equipment

The Holding Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

Taxation

The Holding Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Holding Company's view differs from the view taken by the income tax department at the assessment stage and the Holding Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention modified by:

- financial instruments at fair value
- recognition of certain employee retirement benefits at present value

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS

Accounting policies are consistent and same as those applied in the preparation of the previous year consolidated financial statements.

4.1 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment loss, if any. Cost also includes borrowing cost; wherever applicable.

Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each consolidated statement of financial position date.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Holding Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to consolidated statement of profit or loss applying the reducing balance method over estimated useful life at the rates specified in note 4 to these consolidated financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the month of disposal respectively.

Gains or losses on disposal of assets, if any, are included in the consolidated statement of profit or loss.

Capital work-in-progress is stated at cost accumulated upto the consolidated statement of financial position date. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.2 Investments in associates

Associates are entities over which the Group has significant influence, but not control. Investment in an associate is accounted for using equity method of accounting. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of profit or loss of the associate including share in other comprehensive income of the associate after the date of acquisition. The Group's share of the profit or loss of the associate is recognized in the Group's profit or loss account. The carrying amount of the investment in associate is reduced by the amount of distributions received from the associate. The carrying amount is also adjusted by the amount of changes in the Group's proportionate interest in the associate arising from changes in associate's equity that is recognized directly in equity of the associate which is reflected in the Group's equity.

The carrying amount of investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognized in consolidated profit or loss. When impairment losses subsequently reverse, the carrying amount of the investment is increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the consolidated profit or loss account.

4.3 Basis of consolidation

These consolidated financial statements include the financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (private) Limited.

4.3.1 Subsidiary

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These consolidated financial statements include Reliance and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

4.3.2 Business Combination

Reliance Cotton Spinning Mills Limited owns the 100% equity shares of the RCSM Company (Private) Limited. The control was transferred as on November 8, 2017.

Intra Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a

business combination are measured initially at their fair value at the acquisition date. For each business combination, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable net assets.

Acquisition related cost are expensed as incurred.

4.4 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value, except for items in transit. Cost is determined on a moving average basis and a provision is and for allowances for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon up to the consolidated statement of financial position date.

4.5 Stock-in-trade

These are valued at the lower of cost and net realizable value, except for items in transit and waste stock. Cost is computed applying the following bases:

Raw material	- weighted average cost.
Work-in-process	- average manufacturing cost.
Finished goods	- average manufacturing cost.

Stock in transit are valued at invoice value plus other charges incurred thereon upto the consolidated statement of financial position date.

Waste stock are valued at net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods includes cost of direct material, direct labor and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

4.6 Financial instruments

4.6.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying

amount of a financial asset.

As at reporting date, the Holding Company carries cash and cash equivalents, trade debts, due from related parties and employees' advances at amortized cost.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI):

"Debt instruments that meet specified conditions and are measured subsequently at fair value through other comprehensive income (FVTOCI). As at reporting date, the Holding Company does not hold any debt instrument classified as at FVTOCI."

c) Equity instruments designated as at FVTOCI

"On initial recognition, the Holding Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. As at reporting date, the Holding Company carries short term investments at FVTOCI."

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). As at reporting date, the Holding Company does not possess any financial assets classified as at FVTPL.

Impairment of financial assets

The Holding Company recognizes a loss allowance for expected credit losses on trade debts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Holding Company recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The Holding Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Holding Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

Derecognition of financial assets

The Holding Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Holding Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Holding Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Holding Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Holding Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

4.6.2 Financial liabilities

Subsequent measurement of financial liabilities

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or

· designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Holding Company derecognizes financial liabilities when, and only when, the Holding Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.7 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated statement of financial position, if the Holding Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.8 Long term deposits

Long term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

4.9 Trade debts and other receivables

Trade debts and other receivables are carried at a value to be received less an estimate made for impairment allowance based on estimates of expected future value of cash flows under different economic and probabilistic scenarios, adjusted for factors that are specific to the industry.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.11 Trade and other payables

Liability for trade and other payables are measured at fair value of the consideration to be paid in the future for goods and services received.

4.12 Employee benefits

Defined benefit plan

The Holding Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to consolidated statement of profit or loss for the year. The assumptions are determined by independent actuary.

The amount recognized in the consolidated statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried on June 30, 2019.

Details of the scheme are given in relevant note to the consolidated financial statements.

4.13 Provisions

Provisions are recognized in the consolidated statement of financial position when the Holding Company has a present,

legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate.

4.14 Earnings per share

The Holding Company presents basic and diluted 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 Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.15 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any.

4.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue from local sales is recognized when goods are dispatched to customers and export sales are recognized on shipment of goods. Export rebate is recognized on accrual basis at the time of making the export sales.

Dividend income from investment is recognized when the Holding Company's right to receive dividend is established.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time till the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of profit or loss of the period in which they are incurred.

4.18 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized.

The Holding Company does not have any temporary difference as its income fall under final tax regime. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the consolidated statement of financial position date.

4.19 Contract liabilities

Contract liability is measured at the fair value of the consideration received for goods that are not yet delivered to customers.

4.20 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each consolidated statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the consolidated statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in consolidated statement of profit or loss for the year.

4.21 Dividend distribution

Dividend distribution to the Holding Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Holding Company's shareholders.

4.22 Segment Reporting

"Operating segments are reported in a manner consistent with the internal reports issued to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments."

4.23 Related party transactions

Transactions with related parties are carried out on agreed commercial terms and conditions.

5 PROPERTY, PLANT AND EQUIPMENT

5.1 For the year ended June 30, 2019

Particulars	COST				DEPRECIATION			Book value As at June 30, 2019	Annual depreciatio n rate %		
	As at July 01, 2018	Additions	Transfers	Disposals	As at June 30, 2019	Charge for the year	Disposals			As at June 30, 2019	
Rupees											
Operating fixed assets											
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	65,109,754	-	
Buildings on freehold land:											
Residential	132,914,353	-	-	-	132,914,353	49,410,535	4,175,191	-	53,585,726	79,328,627	5
Factory	800,300,516	-	1,460,364	-	801,760,880	364,396,775	43,651,223	-	408,047,998	393,712,882	10
Plant and machinery	1,646,959,453	-	554,636,018	14,705,390	2,186,890,081	899,187,716	97,443,406	13,483,239	983,147,883	1,203,742,198	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,447,962	157,639	-	1,605,601	1,418,746	10
Vehicles	60,874,636	-	36,245,950	11,658,678	85,461,908	23,684,968	7,887,037	7,468,642	24,103,363	61,358,545	20
Office equipment	4,227,057	-	-	-	4,227,057	1,621,103	260,595	-	1,881,698	2,345,359	10
Electric installation	138,894,811	-	-	-	138,894,811	52,967,417	8,592,739	-	61,560,156	77,334,655	10
Electric equipment	408,950	-	-	-	408,950	184,194	22,476	-	206,670	202,280	10
Computers	3,271,953	283,000	-	-	3,554,953	2,838,260	193,046	-	3,031,306	523,647	30
	2,855,985,830	283,000	592,342,332	26,364,068	3,422,247,094	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,885,076,693	
Capital work-in-progress											
Building - civil work	-	1,460,364	(1,460,364)	-	-	-	-	-	-	-	-
Plant and machinery	518,161	655,113,584	(554,636,018)	-	100,995,727	-	-	-	-	100,995,727	
Vehicles	-	37,717,630	(36,245,950)	-	1,471,680	-	-	-	-	1,471,680	
	518,161	694,291,578	(592,342,332)	-	102,467,407	-	-	-	-	102,467,407	
Total	2,856,503,991	694,574,578	-	26,364,068	3,524,714,501	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,987,544,100	

5.1.1 Depreciation of Rs: 156.647 million and Rs: 5.736 million has been charge to cost of sales and administrative expenses.

5.2 For the year ended June 30, 2018

Particulars	COST				DEPRECIATION				Book value As at June 30, 2018	Annual depreciation rate %	
	As at July 01, 2017	Additions	Transfers	Disposals	As at June 30, 2018	As at July 01, 2017	Charge for the year	Disposals			As at June 30, 2018
..... Rupees											
Operating fixed assets											
Freehold land	62,741,754	2,368,000	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:											
Residential	121,379,248	11,535,105	-	-	132,914,353	45,572,115	3,838,420	-	49,410,535	83,503,818	5
Factory	774,534,600	-	25,765,916	-	800,300,516	318,342,049	46,054,726	-	364,396,775	435,903,741	10
Plant and machinery	1,501,728,394	-	148,760,672	3,529,613	1,646,959,453	827,973,873	73,314,449	2,100,606	899,187,716	747,771,737	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,272,808	175,154	-	1,447,962	1,576,385	10
Vehicles	53,784,642	-	11,801,714	4,711,720	60,874,636	18,619,451	8,612,669	3,547,152	23,684,968	37,189,668	20
Office equipment	4,227,057	-	-	-	4,227,057	1,331,553	289,550	-	1,621,103	2,605,954	10
Electric installation	137,745,386	1,149,425	-	-	138,894,811	43,441,215	9,526,202	-	52,967,417	85,927,394	10
Electric equipment	195,500	213,450	-	-	408,950	180,961	3,233	-	184,194	224,756	10
Computers	3,323,952	89,000	-	140,999	3,271,953	2,748,278	175,407	85,425	2,838,260	433,693	30
	2,662,684,880	15,354,980	186,328,302	8,382,332	2,855,985,830	1,259,482,303	141,989,810	5,733,183	1,395,738,930	1,460,246,900	
Capital work-in-progress											
Building - civil work	1,969,462	23,796,454	(25,765,916)	-	-	-	-	-	-	-	-
Plant and machinery	286,719	148,992,114	(148,760,672)	-	518,161	-	-	-	-	518,161	-
Vehicles	5,494,906	6,306,808	(11,801,714)	-	-	-	-	-	-	-	-
	7,751,087	179,095,376	(186,328,302)	-	518,161	-	-	-	-	518,161	-
Total	2,670,435,967	194,450,356	-	8,382,332	2,856,503,991	1,259,482,303	141,989,810	5,733,183	1,395,738,930	1,460,765,061	

5.2.1 Depreciation of Rs: 135.846 million and Rs: 6.144 million has been charge to cost of sales and administrative expenses.

5.3 Disposal of property, plant and equipment

For the year ended June 30,2019

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
..... Rupees								
Vehicle								
Toyota Hi- Lux LWN-0343	1,771,354	1,676,678	94,676	500,000	405,324	Negotiation	Muhammad Ahmad	Third Party
Dhatisu Cureou LEJ-07-6401	514,503	471,413	43,090	380,000	336,910	Negotiation	Faiz Hussain	Third Party
Dhatisu Cureou LED-11-7283	886,426	711,889	174,537	265,900	91,363	As per policy	Sohail Imran	Employee
Suzuki Cultus LEB-13-7371	1,034,300	765,047	269,253	515,200	245,947	As per policy	Naeem Akram	Employee
Suzuki Cultus LEF-13-3770	1,042,390	727,861	314,529	314,500	(29)	As per policy	Muhammad Dawood	Employee
Suzuki Wagnor-LEA-17A-2457	1,119,172	294,715	824,457	824,500	43	As per policy	Tahir Rafique	Employee
Toyota Corolla LED-17-5838	2,065,063	681,012	1,384,051	1,704,600	320,549	As per policy	Kashif Shafique	Employee
Honda City LEF-12-3070	1,533,360	1,148,706	384,654	1,105,000	720,346	As per policy	Sikander Naeem	Employee
Honda City LEA-15-8964	1,692,110	991,321	700,789	1,200,400	499,611	As per policy	Asim Qureshi	Employee
Plant and machinery								
1-Drawing Machine	710,550	664,545	46,005	150,000	103,995	Negotiation	Hufaiza Enterprises	Third Party
1-Drawing Machine	710,550	664,545	46,005	150,000	103,995	Negotiation	Hufaiza Enterprises	Third Party
1-Drawing Machine -DT-100	1,000,000	791,655	208,345	215,000	6,655	Negotiation	Lyallpur Textile	Third Party
1-Drawing Machine -DT-100	1,000,000	791,655	208,345	215,000	6,659	Negotiation	Abbass Corporation	Third Party
1-Auto Coner	6,356,986	5,948,918	408,068	450,000	41,932	Negotiation	Sultan Associates	Third Party
3-Drawing machine-RB-51	4,927,304	4,621,917	305,387	337,500	32,113	Negotiation	Mukthair Ali Tari	Third Party
	26,364,068	20,951,877	5,412,191	8,327,600	2,915,413			

5.4 For the year ended June 30,2018

Plant and machinery

Carding Machine	437,500	302,242	135,258	142,857	7,599	Negotiation	Abdullah Textile Traders	Third Party
Blow Room	3,092,113	1,798,364	1,293,749	1,500,000	206,251	Negotiation	Al-Ahmad Textile (Private) Ltd	Third Party

Vehicle

Suzuki Mehran, LEH-13-2057	692,930	400,434	292,496	380,000	87,504	Negotiation	Mansoor Atta	Third Party
Toyota Hilux Pickup, CJ-1954	361,000	359,672	1,328	323,000	321,672	Negotiation	Muhammad Amin	Third Party
Suzuki Mehran, LEH-13-2056	692,930	410,880	282,050	300,000	17,950	Negotiation	Muhammad Zeshan	Third Party
Honda City LED-10-6831	1,451,880	1,149,302	302,578	630,000	327,422	Negotiation	Abdul Ghaffar	Third Party
Toyota Corolla LED-10-7561	1,512,980	1,226,864	286,116	700,000	413,884	Negotiation	M Saleem Anjum	Third Party

Computer

Laptop	140,999	85,425	55,574	29,412	(26,162)	Negotiation	Muhammad Asim	Employee
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8,382,332	5,733,183	2,649,149	4,005,269	1,356,120
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5.5 LOCATION AND AREA OF LAND		2019	2018
		(Area in Kanals)	
Description	Location		
Plant site	Ferozewattoan, District Sheikhpura, Pakistan	300.5	300.5
		2019	2018
6 LONG TERM INVESTMENT		Rupees	Rupees
Investments in associates - at equity method:			
Quoted:			
Sapphire Fibres Limited	6.2	444,145,365	418,447,167
Sapphire Textile Mills Limited	6.3	90,520,155	82,983,620
SFL Limited	6.4	71,847,492	58,084,718
Un quoted:			
Sapphire Finishing Mills Limited	6.5	108,886,110	76,483,467
Sapphire Holding Limited	6.6	38,113,462	32,902,293
Sapphire Power Generation Limited	6.7	48,043,109	49,426,137
		801,555,693	718,327,402
6.1	The existence of significant influence by the Holding Company is evidenced by the representation on the board of directors of associated companies.		
		2019	2018
6.2 Investment in Sapphire Fibres Limited		Rupees	Rupees
393,697 (2018: 393,697) ordinary shares of Rs. 10 each - cost		41,956,482	41,956,482
Share of post acquisition profit directly recognized in equity		406,913,247	377,081,231
Dividend received		(4,724,364)	(590,546)
		444,145,365	418,447,167
The financial year of Sapphire Fibres Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Fibres Limited as of June 30, 2019 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Fibres Limited is set out below:			
		2019	2018
		Rupees	Rupees
Total non current assets		28,939,671,359	29,567,163,066
Total current assets		28,082,244,411	22,113,798,862
Total non current liabilities		4,522,073,584	7,085,393,352
Total current liabilities		25,759,602,496	20,154,528,509
Net assets		26,740,239,690	24,441,040,067
Sales		36,623,134,108	31,026,148,790
Profit for the year		4,067,400,880	2,502,661,094
Other comprehensive (loss)/income for the year		(1,531,042,971)	(1,929,997,228)
Market value per share		821	923
Percentage of ownership		1.9997%	1.9997%
Reconciliation to carrying amount			
Net assets		26,740,239,690	24,441,040,067
Non-controlling interest		(4,529,981,873)	(3,515,865,102)
		22,210,257,817	20,925,174,965
Percentage of ownership		1.9997%	1.9997%
Carrying value		444,145,365	418,447,167

6.3 Investment in Sapphire Textile Mills Limited	2019	2018
	Rupees	Rupees
100,223 (2018: 100,223) ordinary shares of Rs. 10 each - cost	8,114,578	8,114,578
Share of post acquisition profit directly recognized in equity	84,009,145	74,869,042
Dividend received	(1,603,568)	-
	90,520,155	82,983,620

The financial year of Sapphire Textile Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Textile Mills Limited as of June 30, 2019 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below:

	2019	2018
	Rupees	Rupees
Total non current assets	74,041,858,736	59,440,760,944
Total current assets	29,314,389,249	24,039,219,635
Total non current liabilities	56,218,753,692	41,589,579,908
Total current liabilities	22,793,854,762	20,179,066,184
Net assets	24,343,639,531	21,711,334,487
Sales	49,961,617,038	35,380,562,771
Profit for the year	5,039,308,691	1,173,796,483
Other comprehensive (loss) /income for the year	(1,831,555,206)	(1,390,603,122)
Market value per share	1,410	1,144
Percentage of ownership	0.4990%	0.4990%

Reconciliation to carrying amount

Net assets	24,343,639,531	21,711,334,487
Non-controlling interest	(6,204,799,790)	(5,082,699,819)
	18,138,839,741	16,628,634,668
Percentage of ownership	0.4990%	0.4990%
Carrying value	90,520,155	82,983,620

6.4 Investment in SFL Limited		
401,570 (2018: 401,570) ordinary shares of Rs. 10 each - cost	2,439,475	2,439,475
Share of post acquisition profit	70,913,905	55,946,421
Dividend received	(1,505,888)	(301,178)
	71,847,492	58,084,718

The financial year of SFL Limited ends on June 30. The latest unaudited consolidated financial results of SFL Limited as of June 30, 2019 have been used for the purpose of application of equity method. Summarized consolidated financial information of SFL Limited is set out below:

	2019 Rupees	2018 Rupees
Total Non Current assets	3,577,561,001	2,882,902,451
Total Current assets	36,184,617	113,808,420
Total Non Current liabilities	17,109,512	76,523,247
Total Current liabilities	1,944,518	14,078,607
Net assets	<u>3,594,691,588</u>	<u>2,906,109,017</u>
Revenue	<u>(3,194,770)</u>	650,917
Profit for the year	<u>829,483,606</u>	<u>246,147,301</u>
Other Comprehensive (loss) /income for the year	<u>(143,572,374)</u>	<u>(183,523,479)</u>
Market value per share	<u>160</u>	<u>148</u>
Percentage of ownership	<u>1.9987%</u>	<u>1.9987%</u>

Reconciliation to carrying amount

Net assets	3,594,691,588	2,906,109,017
Non-controlling interest	-	-
	<u>3,594,691,588</u>	<u>2,906,109,017</u>
Percentage of ownership	1.9987%	1.9987%
Carrying value	<u>71,847,492</u>	<u>58,084,718</u>

6.5 Investment in Sapphire Finishing Mills Limited

1,556,000 (2018: 1,556,000) ordinary shares of Rs. 10 each - cost	16,509,160	16,509,160
Share of post acquisition profit and items directly recognized in equity	92,376,950	59,974,307
Dividend received	-	-
	<u>108,886,110</u>	<u>76,483,467</u>

The financial year of Sapphire Finishing Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Finishing Mills Limited as of June 30, 2019 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Finishing Mills Limited is set out below:

	2019 Rupees	2018 Rupees
Total non current assets	8,876,391,543	8,682,792,330
Total current assets	9,973,310,966	7,041,612,479
Total non current liabilities	3,651,403,959	4,044,502,194
Total current liabilities	8,760,302,349	7,157,743,926
Net assets	<u>6,437,996,201</u>	<u>4,522,158,689</u>
Sales	<u>21,101,804,161</u>	<u>17,015,120,857</u>
Profit for the year	<u>2,186,465,967</u>	<u>641,427,695</u>
Other comprehensive (loss) /income for the year	<u>(279,125,903)</u>	<u>(429,586,454)</u>
Breakup value per share	<u>69.98</u>	<u>49.15</u>
Percentage of ownership	<u>1.6913%</u>	<u>1.6913%</u>

Reconciliation to carrying amount

Net assets	6,437,996,201	4,522,158,689
Non-controlling interest	-	-
	<u>6,437,996,201</u>	<u>4,522,158,689</u>
Percentage of ownership	1.6913%	1.6913%
Carrying value	<u>108,886,110</u>	<u>76,483,467</u>

6.6 Investment in Sapphire Holding Limited

	2019	2018
	Rupees	Rupees
100,223 (2018: 100,223) ordinary shares of Rs. 10 each - cost	524,950	524,950
Share of post acquisition profit	37,763,902	32,377,343
Dividend received	(175,390)	-
	38,113,462	32,902,293

The financial year of Sapphire Holding Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Holding Limited as of June 30, 2019 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Holding Limited is set out below:

	2019	2018
	Rupees	Rupees
Total non current assets	8,156,112,550	7,053,129,858
Total current assets	108,714,997	116,099,463
Total non current liabilities	621,941,880	571,263,088
Total current liabilities	1,762,669	1,572,320
Net assets	7,641,122,998	6,596,393,913
Revenue	(18,061,525)	(23,887,270)
Profit for the year	1,501,088,462	463,735,774
Other comprehensive (loss) /income for the year	(434,342,869)	(556,322,928)
Breakup value per share	380.28	328.29
Percentage of ownership	0.4988%	0.4988%

Reconciliation to carrying amount

Net assets	7,641,122,998	6,596,393,913
Non-controlling interest	-	-
	7,641,122,998	6,596,393,913
Percentage of ownership	0.499%	0.499%
Carrying value	38,113,462	32,902,293

6.7 Investment in Sapphire Power Generation Limited

555,000 (2018: 555,000) ordinary shares of Rs. 10 each - cost	19,425,000	19,425,000
Share of post acquisition profit	28,618,109	30,001,137
	48,043,109	49,426,137

The financial year of Sapphire Power Generation Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Power Generation Limited as of June 30, 2019 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Power Generation Limited is set out below:

	Note	2019 Rupees	2018 Rupees
Total Non Current assets		1,208,437,851	1,201,076,072
Total Current assets		310,117,593	400,502,515
Total Non Current liabilities		112,705,002	115,579,810
Total Current liabilities		18,725,648	58,942,506
Net assets		1,387,124,794	1,427,056,271
Sales		93,065,004	573,175,513
Profit for the year		25,539,768	(124,930,292)
Other Comprehensive (loss) /income for the year		(60,365,252)	(80,809,892)
Breakup value per share		86.56	89.06
Percentage of ownership		3.4635%	3.4635%
Reconciliation to carrying amount			
		1,387,124,794	1,427,056,271
Net assets		-	-
Non-controlling interest		1,387,124,794	1,427,056,271
		3.4635%	3.4635%
Percentage of ownership		48,043,109	49,426,137
7 STORES AND SPARE PARTS			
Stores		11,738,388	8,149,425
Spare parts	7.1	33,374,161	41,317,309
		45,112,549	49,466,734
7.1	These include spare parts in transit amounting to Rs. 8.019 million (2018: Rs. 26.948 million).		
	Note	2019 Rupees	2018 Rupees
8 STOCK-IN-TRADE			
Raw material	8.1	1,450,853,276	953,597,004
Work-in-process		246,276,183	140,912,165
Finished goods		285,311,047	135,851,946
Waste		6,853,854	12,465,752
		1,989,294,360	1,242,826,867
8.1	Raw material includes stock in transit amounting to Rs. 160.531 million (2018: Rs. 65.913 million).		
9 TRADE DEBTS			
	Note	2019 Rupees	2018 Rupees
Foreign			
Secured		219,048,975	141,347,296
Unsecured		58,661,339	57,551,842
		277,710,314	198,899,138
Local			
Secured		34,590,853	-
Unsecured from related parties	9.1	81,131,630	57,521,907
Unsecured	9.3	382,052,671	409,129,332
	9.4	497,775,154	466,651,239
		775,485,468	665,550,377
Less: Impairment allowance		(14,423,589)	-
		761,061,879	665,550,377

9.1 These includes amount due from following related parties:

	2019			Total	2018
	Up to 1 month	1 to 6 months	Over 6 months		
Rupees.....				
Sapphire Textile Mills Limited (STML)		1,415,881	316,343	1,732,224	2,704,600
Sapphire Power Generation Limited (SPGL)		85,176	73,427	158,603	15,889
Sapphire Fibers Limited (SFL)	50,433,434	1,341,203	1,201	51,775,838	31,310,298
Diamond Fabrics Limited (DFL)	10,774,449	16,353,246	327,628	27,455,323	23,491,120
Amer Cotton Mills (Private) Limited (ACML)	-	4,125	5,517	9,642	-
	61,207,883	19,199,631	724,116	81,131,630	57,521,907

9.2 The maximum aggregate amount due from the ACML, STML, SPGL, SFL and DFL is Rs. 0.418 million, Rs. 43.587 million, Rs. 0.157 million, Rs. 150.969 million and Rs. 48.852 million respectively at any time during the year.

9.3 As at 30 June 2019, trade debts of Rs. 521.845 million (2018: Rs. 466.635 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these past due trade debts is a follows:

	2019 Rupees	2018 Rupees
Upto 1 month	94,345,241	232,358,364
1 to 6 months	416,991,307	232,944,229
More than 6 months	10,509,092	1,332,759
	521,845,640	466,635,352

9.4 Local trade debts includes Rs. 351.749 million (2018: Rs. 252.661 million) receivable against indirect export sales.

	Note	2019 Rupees	2018 Rupees
10 LOANS AND ADVANCES			
Loans to employees - considered good	10.1	-	400,000
Advances to suppliers - considered good		12,158,477	3,390,669
Advance income tax		67,105,996	60,400,511
		79,264,473	64,191,180

10.1 These are interest free loans and are secured against post employment benefits.

11 SHORT TERM DEPOSITS AND PREPAYMENTS

Bank guarantee margin	1,102,088	1,403,797
Prepayments	491,318	851,981
	1,593,406	2,255,778

12 OTHER RECEIVABLES

Export rebate receivable	4,678,106	7,142,673
Duty drawback receivable	22,852,013	38,188,944
Others	9,525,876	2,798,330
	37,055,995	48,129,947

13 TAX REFUNDS DUE FROM THE GOVERNMENT

Sales tax refundable	103,420,990	75,063,333
Income tax refundable	191,027,612	158,572,553
	294,448,602	233,635,886

14	OTHER FINANCIAL ASSETS	Note	2019 Rupees	2018 Rupees
	Available for sale			
	Investments in quoted companies		-	89,858,525
	Unrealized loss on remeasurement of investments		-	(11,165,865)
		14.1	-	78,692,660
	Fair value through OCI			
	Investments in quoted companies	14.1	58,706,377	-
	Unrealized loss on remeasurement of investments		(16,662,333)	-
			42,044,044	
	Refund bonds	14.2	9,200,000	-
	Unrealised loss on remeasurement of investment		(1,029,950)	-
			8,170,050	
			50,214,094	78,692,660

14.1 Investments in quoted securities

Name of Companies	No of Shares		2019		2018
	2019	2018	Cost (Rupees)	Fair Value (Rupees)	Fair value (Rupees)
AGP Limited	-	18,000	-	-	1,598,220
Attock Refinery Limited	-	4,000	-	-	861,240
Attock Cement Pakistan Limited	14,000	-	1,870,481	999,740	-
D. G. Khan Cement Holding Company Limited	14,200	12,000	1,659,557	802,868	1,373,880
Engro Corporation Limited	25,740	23,400	7,296,579	6,836,544	7,344,324
Engro Fertilizers Limited	55,000	61,000	3,317,315	3,518,350	4,569,510
Engro Polymer & Chemicals Limited	156,683	273,500	4,881,318	4,224,174	8,576,960
Engro Polymer & Chemicals Limited (LOR)	-	101,183	-	-	892,435
Hascol Petroleum Limited	-	5,066	-	-	910,208
HI Tech Lubricant Limited	-	25,200	-	-	7,906,752
The Hub Power Holding Company Limited	19,000	10,000	2,428,134	1,496,250	1,013,200
ICI Pakistan Limited	5,900	19,000	6,980,061	3,141,573	1,751,040
K-Electric Limited	290,000	5,900	1,879,537	1,273,100	4,728,850
Lucky Cement Limited	3,350	390,000	2,167,609	1,274,575	2,215,200
Mari Petroleum Holding Company Limited	770	7,550	1,054,594	777,184	3,834,872
Meezan Bank Limited	28,600	3,000	2,431,357	2,492,776	1,329,030
National Refinery Limited	-	31,000	-	-	4,368,520
Oil & Gas Development Holding Company Limited	30,000	2,400	4,574,621	3,944,700	1,175,328
Packages Limited	2,400	-	2,037,824	721,344	-
Pakistan Oilfield Limited	-	800	-	-	537,432
Pakistan Petroleum Limited	12,720	32,800	1,530,272	1,837,150	7,048,720
Pakistan State Oil Holding Company Limited	14,787	9,156	3,969,942	2,508,319	2,914,446
Sui Northern Gas Pipeline Limited	66,000	7,000	8,184,950	4,586,340	328,020
Sui Southern Gas Holding Company Limited	52,000	80,000	1,931,748	1,075,360	8,017,600
Systems Limited	5,500	52,000	492,468	527,835	1,758,640
Tariq Glass Industries Limited	-	10,000	-	-	1,012,200
The Searle Holding Company Limited	40	7,735	18,010	5,862	2,626,033
	796,690	1,191,690	58,706,377	42,044,044	78,692,660

14.2 These represent bonds issued by FBR Refund Settlement Company Limited, against Refund Payment Orders (RPOs) issued in favour of the Company under section 67A of the Sales Tax Act, 1990. These bonds have a face value of Rs.100,000 each and carry simple profit of 10% per annum payable at the time of maturity i.e. three years from the date of issue. These bonds are freely transferable within CDS and the Company can sell / transfer the bonds to any other person / bank / entity with or without any consideration.

Due to non-availability of market for trading of these bonds, the Company has classified these at FVOCI. As at the reporting date, carrying value of these bonds has been determined by discounting the total receipt at maturity with effective KIBOR rate. These bonds have been classified as short term because the Company intends to sale / trade once market for these bonds establishes.

15	CASH AND BANK BALANCES		2019 Rupees	2018 Rupees
	Cash in hand		435,000	440,687
	Cash at banks in current accounts		6,042,850	7,440,115
			<u>6,477,850</u>	<u>7,880,802</u>
16	ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
	10,292,000 (2018: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash		<u>102,920,000</u>	102,920,000
16.1	Ordinary shares of the Holding Company held by associated companies as at the consolidated statement of financial position date are as follows;			
			2019	2018
	Number of shares.....		
	Amer Cotton Mills (Private) Limited		18,100	18,100
	Amer Tex (Pvt.) Limited		5,167	15,087
	Crystal Enterprises (Pvt) Limited		27,696	27,696
	Galaxy Agencies (Private) Limited		108,217	108,217
	Neelum Textile Mills (Private) Limited		1,365,515	1,365,515
	Nadeem Enterprises (Private) Limited		87,104	87,104
	Reliance Textiles (Pvt.) Limited		1,098,118	1,098,118
	Salman Ismail (SMC-Private) Limited		1,500	1,500
	Sapphire Textile Mills Limited		315,985	316,214
	Sapphire Fibres Limited		154,004	154,004
	Sapphire Holding Limited		636,156	636,156
	SFL Limited		557,621	557,621
	Sapphire Agencies (Pvt.) Limited		2,318,899	2,318,899
	Sapphire Power Generation Limited		20,539	20,539
	Yousuf Agencies (Private) Limited		3,223	3,223
	Four strength (Pvt) Limited		9,920	-
			<u>6,727,764</u>	<u>6,727,993</u>
16.2	Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Holding Company. All shares rank equally with regard to the Holding Company's residual assets.			
17	LONG TERM FINANCING		2019	2018
		Note	Rupees	Rupees
	From banking company - secured			
	At beginning of the year		193,051,000	74,900,000
	Obtained during the year	17.1	373,647,000	118,151,000
			<u>566,698,000</u>	193,051,000
	Paid during the period		(7,318,748)	
			<u>559,379,252</u>	193,051,000
	Current portion		(12,192,623)	(7,318,748)
			<u>547,186,629</u>	<u>185,732,252</u>
17.1	These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 750 million (2018 : Rs: 500 million). During the period, the Holding Company further obtained Rs.373.647 million (2018: Rs. 118.151 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 1,000 million (2018 Rs: 667 million) and carry an interest rate of 2.5% (2% SBP rate plus 0.5% spread) over all present and future plant and machinery of the Holding Company. These loans are repayable in equal semi-annual installments.			

17.2 Particulars of financing

Serial no.	Particulars	Installment amount (Rupees)	First installment date	Date of final payment
1	MCB-LTFF-I	2,685,687	December 9, 2018	June 9, 2026
2	MCB-LTFF-II	322,812	December 13, 2018	June 13, 2026
3	MCB-LTFF-III	650,875	December 15, 2018	June 15, 2026
4	MCB-LTFF-IV	316,688	September 16, 2019	March 16, 2027
5	MCB-LTFF-V	705,187	October 13, 2019	April 13, 2027
6	MCB-LTFF-VI	2,830,125	June 12, 2020	December 12, 2027
7	MCB-LTFF-VII	4,554,312	July 3, 2020	January 3, 2028
8	MCB-LTFF-VIII	1,490,125	March 14, 2021	September 14, 2028
9	MCB-LTFF-IX	1,893,125	April 4, 2021	October 4, 2028
10	MCB-LTFF-X	1,516,125	April 4, 2021	October 4, 2028
11	MCB-LTFF-XI	3,286,375	April 19, 2021	October 19, 2028
12	MCB-LTFF-XII	5,655,750	November 7, 2021	November 7, 2028
13	MCB-LTFF-XIII	498,000	June 17, 2021	December 17, 2028
14	MCB-LTFF-XIV	588,000	August 7, 2021	February 7, 2029
15	MCB-LTFF-XV	3,400,000	September 26, 2021	March 26, 2029
16	MCB-LTFF-XVI	5,000,000	September 27, 2021	March 27, 2029

18	EMPLOYEE RETIREMENT BENEFITS	Note	2019 Rupees	2018 Rupees
	Gratuity - unfunded	18.1	48,699,241	92,932,343
	Deferred tax liability		83,100,377	76,050,750
			131,799,618	168,983,093
18.1	The amount recognized in the consolidated statement of financial position			
	Present value of defined benefit obligations		48,699,241	92,932,343
18.1.1	Movement in net liability recognized in the statement of financial position			
	At beginning of the year		92,932,343	80,336,813
	Expense recognized in consolidated statement of profit or loss	18.1.3	21,936,393	25,518,219
	Remeasurement loss charged in other statement of comprehensive income		116,423	830,822
	Benefits paid during the year		(66,285,918)	(13,753,511)
	At end of the year		48,699,241	92,932,343
18.1.2	Movement in the present value of defined benefit obligation			
	Present value of obligation at beginning of the year		92,932,343	80,336,813
	Current service cost		17,302,716	20,192,365
	Interest cost		4,633,677	5,325,854
	Benefits paid during the year		(66,285,918)	(13,753,511)
	Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:			
	Experience adjustment		116,423	830,822
	Present value of obligation at end of the year		48,699,241	92,932,343
18.1.3	Expense recognized in consolidated statement of profit or loss			
	Current service cost		17,302,716	20,192,365
	Interest cost		4,633,677	5,325,854
			21,936,393	25,518,219

	2019 Rupees	2018 Rupees
18.1.4 Charge for the year has been allocated as follows		
Cost of sales	21,936,393	19,709,383
Administrative expenses	-	2,223,905
Distribution cost	-	3,584,931
	21,936,393	25,518,219

18.1.5 Total remeasurements chargeable to statement of comprehensive income

Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:		
- Actuarial losses / (gains) from changes in financial assumptions	-	-
- Experience adjustment	116,423	830,822
	116,423	830,822

18.1.6 Principal actuarial assumptions:

	2019	2018
Principal actuarial assumptions used are as follows: -		
Discount rate - per annum	13.50%	7.75%
Expected rate of growth per annum in future salaries	12.50%	6.75%
Average expected remaining working life time of employees	10 years	9 years

The estimated expense to be charged in consolidated statement of profit or loss for the year ending June 30, 2019 will be Rs. 20.077 million.

18.1.7 Risk associated with defined benefit plans

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

The sensitivity of defined benefit obligation to changes in weighted principal assumptions is:

	Impact on defined benefit obligation		
	Changes in assumptio	Increase in assumption ----- Rupees -----	Decrease in assumption
Discount rate	1%	5,346,138	9,925,533
Salary growth rate	1%	6,514,497	11,989,377

The aforementioned sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as on when calculating the gratuity liability recognized within the consolidated statement of financial position as at reporting date.

	Note	2019 Rupees	2018 Rupees
19 TRADE AND OTHER PAYABLES			
Creditors	19.1	189,865,097	83,105,160
Accrued liabilities	19.2	243,010,250	143,616,984
Infrastructure fee	19.3	62,706,478	50,836,858
Workers' profit participation fund	19.4	20,562,233	18,098,276
Electricity duty		14,353,320	14,353,320
		530,497,378	310,010,598

19.1 Creditors include Rs. 6.810 million (2018: Rs.14.988 million) due to associated companies namely, Sapphire Electric Holding Company Limited, SFL and STM. Creditors also include Rs. 141.355 million (2018: Rs. 26.280 million) as against foreign currency bills payable.

19.2 Accrued liabilities include Rs. Nil (2018: Rs. 10.199 million) due to associated company Sapphire Power Generation Limited.

Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs.13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under Oil and Gas Regulatory Authority (OGRA) Ordinance 2002, the Finance Act, 2014 and the GIDC Ordinance 2014 against which the Holding Company obtained an interim stay order from the High Court of Sindh.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

Further, the Holding Company has also obtained an interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Northern Gas Pipelines Limited (SNGPL) from charging and recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Holding Company has recognized a provision of Rs. 57,558 million (2018 Rs: 52,604) million pertaining to the liability on account of GIDC which includes a provision amounting to Rs.4,953 million (2018 Rs: 14,373 million) recognized in these consolidated financial statements for the year ended June 30, 2019.

- 19.3** The provision has been recognized against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance 2001. The Holding Company has contested this issue in Sindh High Court. The Holding Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 26, 2006 as illegal and ultra vires. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for the consignments cleared upto December 27, 2006 were returned. For consignment released after December 27, 2006, 50% of the value of infrastructure cess is paid in cash and bank guarantees for the remaining balance was furnished until the final order is passed. Similar arrangements continued for the consignment released during the current year.

19.4 Workers' profit participation fund	Note	2019 Rupees	2018 Rupees
At the beginning of the year		18,098,276	10,262,006
Interest on funds utilized in the Holding Company's business	19.4.1	596,871	103,185
Provision for the year		20,562,233	18,098,276
		39,257,380	28,463,467
Payments made during the year		(18,695,147)	(10,365,191)
At the end of the year		20,562,233	18,098,276

- 19.4.1** Interest on workers' profit participation fund has been provided at 11.50% (2018: 11.50%) per annum.

20 MARKUP ACCRUED	Note	2019 Rupees	2018 Rupees
Markup accrued on:			
Long term financing		2,757,636	1,204,031
Short term borrowings		44,346,634	21,267,403
		47,104,270	22,471,434

21 SHORT TERM BORROWINGS

From banking companies-secured

Running finance		986,845,935	887,713,150
Other short term finance		930,000,000	540,000,000
		1,916,845,935	1,427,713,150

From related parties

Loan from directors	21.4	15,705,000	-
Loan from associated companies	21.5	27,487,000	-
		43,192,000	-
		1,960,037,935	1,427,713,150

- 21.1** The short term borrowing facilities amounting to Rs. 2,703 million (2018: Rs. 2,102 million) remained unutilized at the year end.

- 21.2** These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned limit of Rs. 4,620 million (2018: Rs. 3,530 million). These facilities carry mark-up at the rates ranging from 6.33% to 13.59% (2018: 1.15% to 7.75%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Holding Company and promissory notes.

- 21.3** Facilities available for opening letters of credit and guarantees aggregate to Rs. 2,350 million (2018: Rs. 1,472 million) of which facilities amounting to Rs.2,350 million (2018: Rs. 1,472 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.
- 21.4** During the year ended June 30, 2019, company has received loan from directors aggregating to Rs.15,705,000. These loans are interest free and are repayable on demand.
- 21.5** During the year ended June 30, 2019, company has received loan from associated undertakings aggregating to Rs. 27,487,000. These loans are interest free and are repayable on demand.

Name of Associated Companies	2019 Rupees	2018 Rupees
Reliance Textiles (Private) Limited	6,067,000	-
Sapphire Agencies (Private) Limited	12,810,000	-
Neelum Textile Mills (Private) Limited	7,540,000	-
Galaxy Agencies (Private) Limited	590,000	-
Nadeem Enterprises (Private) Limited	480,000	-
	27,487,000	-

22 CONTINGENCIES AND COMMITMENTS

22.1 CONTINGENCIES

Guarantees have been issued by banks on behalf of the Holding Company in the normal course of business

Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs

183,990,298	168,990,298
181,395,394	147,531,396

365,385,692	316,521,694
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22.2 Claim of Input Sales Tax

The Holding Company has claimed an input tax of Rs. 13.985 million and the same has been disallowed by Federal Board of Revenue (FBR) Pakistan by a notice dated June 20, 2015. However, the Holding Company has filed an appeal dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax. The management is expecting the case to be in favour of the Holding Company.

- 22.3** Refer to Note 30.3 to the consolidated financial statements for contingencies relating to income tax matters.

22.4 COMMITMENTS

Letters of credit for import of:

- plant and machinery
- stores and spare parts
- raw material

Note	2019 Rupees	2018 Rupees
	40,466,400	294,675,883
	8,781,833	4,430,999
	73,259,746	88,464,191
	122,507,979	387,571,073

23 SALES - NET	Note	2019 Rupees	2018 Rupees
Exports			
Yarn			
- Direct	23.1	1,022,167,672	1,018,102,671
- Indirect	23.2	3,310,249,450	2,458,299,418
		<u>4,332,417,122</u>	<u>3,476,402,089</u>
Waste			
- Direct		110,835,239	84,129,919
		<u>4,443,252,361</u>	<u>3,560,532,008</u>
Local			
- Yarn		875,240,633	730,920,358
- Waste		58,685,461	61,547,530
	23.2	<u>933,926,094</u>	<u>792,467,888</u>
Processing income		1,751,012	3,878,646
Export rebate		79,928	41,138,845
		<u>5,379,009,395</u>	<u>4,398,017,387</u>
23.1	Export sales include foreign currency exchange gain-net aggregating to Rs.63.873 million (2018: Rs.9.583 million).		
23.2	Sales tax on local and indirect exports is Rs. 0.08 million (2018: Rs. 0.06 million)		
24 COST OF SALES	Note	2019 Rupees	2018 Rupees
Raw material consumed	24.1	3,671,078,484	2,769,091,967
Packing material consumed		70,360,727	61,205,745
Store and spare parts consumed		93,870,216	97,664,091
Salaries, wages and other benefits	24.2	376,678,546	342,221,533
Fuel and power		409,287,900	331,951,549
Insurance		5,756,405	5,434,265
Repair and maintenance		9,464,868	12,356,596
Travelling and conveyance		5,495,446	4,582,101
Other manufacturing overheads		4,789,611	2,866,674
Depreciation	5.1.1	156,647,052	135,845,581
		<u>4,803,429,255</u>	<u>3,763,220,102</u>
Work-in-process			
At beginning of the year		140,912,165	143,725,269
At end of the year		(246,276,183)	(140,912,165)
		<u>(105,364,018)</u>	<u>2,813,104</u>
Cost of goods manufactured		4,698,065,237	3,766,033,206
Finished goods			
At beginning of year		148,317,698	82,330,887
Yarn purchased during the year		7,869,174	64,513,752
At end of the year	8	(292,164,901)	(148,317,698)
		<u>(135,978,029)</u>	<u>(1,473,059)</u>
Cost of goods sold		<u>4,562,087,208</u>	<u>3,764,560,147</u>
24.1 Raw material consumed			
At beginning of the year		887,684,490	494,430,240
Purchased during the year		4,073,715,966	3,162,346,217
		<u>4,961,400,456</u>	<u>3,656,776,457</u>
At end of the year		(1,290,321,972)	(887,684,490)
		<u>3,671,078,484</u>	<u>2,769,091,967</u>
24.2	Salaries and other benefits include Rs. 21.936 million (2018: Rs. 19.706 million) and Rs. 2.786 million (2018 Rs. Nil) in respect of employee benefits - gratuity and provident fund respectively.		

25	DISTRIBUTION COST	Note	2019 Rupees	2018 Rupees
	Salaries and other benefits	25.1	19,232,073	19,485,628
	Postage and telephone		533,036	800,895
	Traveling, conveyance and entertainment		15,918,419	14,148,568
	Printing, stationery and others		363,139	490,199
	Impairment of trade receivable		5,744,337	-
	Commission			
	- Local		3,535,738	1,963,805
	- Export		15,574,802	15,543,229
	Freight and forwarding			
	- Local		9,850,775	6,394,709
	- Export		34,958,734	33,567,732
	Export development surcharge		2,505,660	2,319,542
	Insurance charges - export		227,051	139,773
			108,443,764	94,854,080

25.1 Salaries and other benefits include Rs. nil (2018: Rs. 3.585 million) Rs. 0.725 million (2018 Rs. nil) in respect of employee benefits - gratuity and provident fund respectively.

26	ADMINISTRATIVE EXPENSES	Note	2019 Rupees	2018 Rupees
	Salaries and other benefits	26.1	44,816,269	32,984,822
	Postage and telephone		2,057,405	2,061,364
	Fees and subscription		1,976,539	2,602,957
	Depreciation		5,736,300	6,144,229
	Printing and stationery		581,854	450,924
	Traveling and conveyance		2,586,545	4,203,259
	Repair and maintenance		2,238,532	324,944
	Legal and professional charges		2,388,365	3,093,220
	Advertisement		98,763	58,140
	Entertainment		1,112,474	1,376,208
	Donation	26.2	150,000	5,000,000
	Auditors' remuneration	26.3	1,019,200	927,500
	Utility charges		2,739,596	2,172,479
	Others		246,589	374,779
			67,748,431	61,774,825

26.1 Salaries and other benefits include Rs. nil (2018: Rs. 2.224 million) Rs. 0.956 million (2018 Rs. nil) in respect of employee benefits - gratuity and provident fund respectively.

26.2 Donations during the previous year has been paid to Abdullah Foundation, 212 Cotton Exchange Building, I.I. Chundrigar Road, Karachi, a Trust. Mr. Shahid Abdullah, Mr. Amer Abdullah, Mr. Yousuf Abdullah, Mr. Shayan Abdullah and Mr. Mohammad Yamin, directors of the Holding Company, are trustees of this trust.

			2019 Rupees	2018 Rupees
26.3	Auditors' remuneration	Note		
	Annual audit		625,000	625,000
	Half-yearly review		224,200	132,500
	Compliance report on Code of Corporate Governance		55,000	55,000
	Other certification		50,000	50,000
	Out-of-pocket expenses		65,000	65,000
			1,019,200	927,500
27	OTHER OPERATING EXPENSES			
	Workers' profit participation fund		20,562,233	18,098,276
	Realized loss of short term investment held at available for sale		-	10,751,165
	Foreign exchange loss		-	17,726,974
			20,562,233	46,576,415
28	OTHER INCOME			
	Gain on disposal of property, plant and equipment		2,915,413	1,356,120
	Scrap sales	28.1	4,179,786	3,930,024
	Dividend income		3,002,235	3,503,075
			10,097,434	8,789,219
28.1	Scrap sales inclusive of sales tax amounts to Rs. 4.992 million (2018: Rs. 4.665 million).			
29	FINANCE COST	Note	2019 Rupees	2018 Rupees
	Markup on:			
	Long term financing		14,420,985	3,899,649
	Short term borrowings		198,412,837	85,961,308
	Interest on workers' profit participation fund		596,871	103,185
	Bank charges and commission		7,698,324	6,188,048
			221,129,017	96,152,190
30	PROVISION FOR TAXATION	Note	2019 Rupees	2018 Rupees
	Current			
	-for the year	30.1	26,347,156	27,777,287
	-for prior year		168,165	9,408
	Defferred		26,515,321	27,786,695
	-for the year		7,049,627	11,137,116
			33,564,948	38,923,811

- 30.1** The Holding Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, therefore provision for income tax is made accordingly. Assessment for the tax year 2018 is deemed to have been finalized under section 122 of the Income Tax Ordinance, 2001.
- 30.2** There is no relationship between tax expense and accounting profit since the Holding Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.
- 30.3** There is a dispute between the Holding Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Holding Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. The Sindh High Court has decided the case in favour of the Holding Company on the appeals filed by Commissioner Inland Revenue and appeal effect is pending.
- 30.4** The Finance Act, 2018 and 2017 have amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% (2017: 7.5%) of its accounting profit before tax for the year. However, this tax shall not apply in case the Holding Company distribute 20% (2017: 40%) of the accounting profit through cash dividend within six months of the end of the said year.

The Group filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.

The dividend declared by the directors for the year ended June 30, 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. However, The Group has not made any provision based on opinion issued by legal Counsel.

	2019	2018
31 EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earning per share which is based on:		
Profit attributable to ordinary shareholders (Rupees)	517,324,312	358,006,395
Weighted average number of ordinary shares outstanding during the year (Numbers of shares)	10,292,000	10,292,000
Earnings per share - Rupees	50.26	34.78

32 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

The aggregate amount charged in the consolidated financial statements for the year for remuneration including certain benefits to the chief executive and executives of the Holding Company is as follows:

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	----- Rupees -----		----- Rupees -----	
Managerial remuneration	8,442,000	4,824,000	18,187,880	24,473,101
House rent	3,798,900	2,170,800	8,184,546	9,817,840
Utilities	359,100	205,200	1,064,143	1,554,310
Conveyance and allowances	-	-	28,540,164	30,000
Medical expenses	-	-	326,684	641,452
Bonus/Leave encashment	-	-	4,814,217	4,022,767
	12,600,000	7,200,000	61,117,634	40,539,470
Number of persons	1	1	14	13

-Due to change in definition of "executives" in fourth schedule of the Companies Act, 2017, comparative figures have been changed.

- 32.1** The executives are also provided with cars maintained by the Holding Company.
- 32.2** The Holding Company has paid Rs. Nil (2018: Rs.40,000) as meeting fee to an independent director.
- 32.3** No remuneration is paid to the directors of the Holding Company.

33 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

This note presents information about the Holding Company's exposure to each of the above risks, the Holding Company's objectives, policies and processes for measuring and managing risk, and the Holding Company's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

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

The Holding Company's risk management policies are established to identify and analyze the risks faced by the Holding Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Holding Company's activities. The Holding Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Holding Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Holding Company's Audit Committee oversees how management monitors compliance with the Holding Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Holding Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

33.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Holding Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Holding Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, the financial viability of all counterparties is regularly monitored and assessed.

The Holding Company is exposed to credit risk from its operating activities primarily for local trade debts, bank balance, sundry receivables and other financial assets.

The Holding Company does not hold collateral as security against these financial assets.

The Holding Company's credit risk exposures are categorized under the following headings:

Trade debts

Trade debts are essentially due from local and foreign customers against supply of yarn. The majority of sales to the Holding Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Holding Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Bank

The Holding Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

33.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 Rupees	2018 Rupees
Long term deposits	8,987,690	8,987,690
Trade debts	761,061,879	665,550,377
Loans and advances	-	400,000
Short term deposits and prepayments	1,593,406	1,403,797
Other receivables	9,525,876	2,798,330
Bank balances	6,042,850	7,340,080
Short term investments	9,200,000	-
	796,411,701	686,480,274

Geographically there is no concentration of credit risk.

The aging of past due trade receivables at the reporting date is:

	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
	----- Rupees -----			
Past due				
Upto 1 month	94,345,241	2,681,796	232,358,364	3,054,871
1 month to 6 months	416,991,307	10,659,745	232,944,229	5,487,589
Over 6 months	10,509,092	1,082,048	1,332,759	136,792
Over 6 months - impaired		-	-	-
	521,845,640	14,423,589	466,635,352	8,679,252

There is no movement in the allowance for the receivables classified as impaired.

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

33.1.2 Liquidity risk management

Liquidity risk reflects the Holding Company's inability in raising funds to meet commitments. Management closely monitors the Holding Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Holding Company's short, medium and long-term funding and liquidity management requirements. The Holding Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 20.1 to these consolidated financial statements is a listing of additional undrawn facilities that the Holding Company has at its disposal to further reduce liquidity risk.

33.2.1 Liquidity risk table

The following table detail the Holding Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing and short term borrowing agreements based on the earliest date on which the Holding Company can be required to pay.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

2019					
Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above

..... Rupees

Non-derivative Financial liabilities

Long term financing	559,379,252	373,647,000	3,659,374	7,511,374	15,022,748	347,453,504
Trade and other payable	453,938,347	453,938,347	453,938,347	-	-	-
Mark up accrued	47,104,270	47,104,270	47,104,270	-	-	-
Short term borrowings	1,960,037,935	1,916,845,936	1,916,845,936	-	-	-
Unclaimed dividend	500,767	500,767	500,767	-	-	-
	3,020,960,571	2,792,036,320	2,422,048,694	7,511,374	15,022,748	347,453,504

2018					
Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above

..... Rupees

Non-derivative Financial liabilities

Long term financing	193,051,000	193,051,000	3,659,374	3,659,374	9,362,498	176,369,754
Trade and other payable	245,143,977	245,143,977	245,143,977	-	-	-
Mark up accrued	22,471,434	22,471,434	22,471,434	-	-	-
Short term borrowings	1,427,713,150	1,427,713,150	1,427,713,150	-	-	-
Unclaimed dividend	410,117	410,117	410,117	-	-	-
	1,888,789,678	1,888,789,678	1,699,398,052	3,659,374	9,362,498	176,369,754

33.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Holding Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

33.3.1 Foreign currency risk management

Pakistani Rupee (PKR) is the functional and presentation currency of the Holding Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Holding Company's potential currency exposure comprises of ;

- Translation and transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Translation and transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Holding Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the consolidated statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure are incurred by the Holding Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Holding Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to currency risk

The Holding Company's exposure to foreign currency risk was as follows based on notional amounts:

	2019		2018	
	USD	EURO	USD	EURO
Trade debts	1,478,597	188,981	1,580,555	49,669
Trade creditors	(453,190)	(240,000)	(141,099)	(64,440)
	<u>1,025,407</u>	<u>(51,019)</u>	<u>1,439,456</u>	<u>(14,771)</u>

Commitments outstanding at year end amounted to Rs. 122.507 million (2018: Rs. 387.571 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees
USD 1	<u>142.70</u>	113.20	<u>164.00</u>	121.40
EURO 1	<u>163.85</u>	130.74	<u>186.37</u>	141.33

Sensitivity analysis

A 5 percent strengthening of the Pakistani Rupee against the USD & EURO at June 30, 2019 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for June 30, 2018.

	2019	2018
	Rupees	Rupees
Increase / (decrease) in profit or loss account (USD)	<u>(8,408,337)</u>	(8,737,498)
Increase / (decrease) in profit or loss account (EURO)	<u>475,421</u>	104,379

A 5 percent weakening of the Pakistani Rupee against the USD & EURO at June 30, 2019 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

33.4 Interest rate risk

The interest rate risk is the risk that the value or cash flows the financial instrument will fluctuate due to changes in the market interest rates.

Profile

At the reporting date the interest rate profile of the Holding Company's interest bearing financial instruments was:

	2019	2018	2019	2018
 %		Rupees	Rupees
Financial liabilities				
Long term financing	2.50 to 6.80	2.50 to 6.8	559,379,252	74,900,000
Short term borrowings	1.15 to 7.75	1.15 to 7.75	1,916,845,935	1,004,827,710
			<u>2,476,225,187</u>	<u>1,079,727,710</u>

Cash flow sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, on the Holding Company's profit before tax.

	Increase / (Decrease) in	Effect on profit before tax
	%	Rupees
2019		
Long term financing	1.00%	5,593,793
Short term borrowings		19,168,459
		24,762,252
2018		
Long term financing	1.00%	1,930,510
Short term borrowings		14,277,132
		16,207,642

33.5 Equity Price Risk Management

The Holding Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Holding Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Holding Company's Board of Directors reviews and approves all equity investment decisions.

The Holding Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

At the consolidated statement of financial position date, the exposure to listed equity securities at fair value was Rs. 78,692,660 (2018: 84,154,658). An increase of 25% on the KSE market index would have an impact of approximately Rs. 19,673,165 on the income or equity attributable to the Holding Company, depending on whether or not the increase is significant and prolonged. An decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

34 FINANCIAL INSTRUMENTS BY CATEGORY	2019	2018
	Rupees	Rupees
Financial Assets		
At amortized cost		
Long term investments	801,555,693	89,069,645
Trade debts	761,061,879	665,550,377
Loans and advances	-	400,000
Cash and bank balances	6,477,850	7,780,802
Bank Guarantee Margin	1,102,088	1,403,797
Short term investments	9,200,000	-
	1,579,397,510	764,204,621
Financial Assets - At fair value		
Short term investments	50,214,094	78,692,660
	1,629,611,604	842,897,281
Financial liabilities - at amortized cost		
Long term financing	559,379,252	193,051,000
Trade and other payable	462,347,348	246,912,857
Mark up accrued	47,104,270	22,471,434
Short term borrowings	1,960,037,935	1,427,713,150
Unclaimed dividend	500,767	410,117
	3,029,369,572	1,890,558,558

35 CAPITAL DISCLOSURE

The Holding Company's objective when managing capital is to safeguard the Holding Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and 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 Holding Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserve or/and issue new shares.

Consistent with others in industry, the Holding Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowing divided by total capital employed. Borrowing comprises of long term finances and short term borrowings obtained by Holding Company. Total capital employed includes share capital and reserves (total equity) plus borrowings:

	2019 Rupees	2018 Rupees
Total borrowings including mark-up accrued	2,566,521,457	1,643,235,584
Total equity	2,337,756,306	1,872,372,558
Total capital employed	4,904,277,763	3,515,608,142
Gearing ratio	52.33%	46.74%

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel. The Holding Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2019 Rupees	2018 Rupees
Amer Cotton Mills (Private) Limited	Associated Holding Company by virtue of common directorship	Sales:		
		Yarn / raw material	117,892	22,181,501
		Purchase:		
		Yarn /raw material	2,388,960	35,310,265
		Shared expenses - net	1,364,614	521,452
		Services		
		Rendered	412,500	-
Obtained	594,779	-		
Diamond Fabrics Limited	Associated Holding Company by virtue of common directorship	Dividend:		
		Paid	117,650	27,150
		Sales:		
		Yarn / raw material	218,254,472	240,419,604
		Purchase:		
		Yarn / raw material	-	137,540
		Shared expenses - net	-	-
Dividend:				
Paid	-	-		
Sapphire Power Generation Limited	Associated Holding Company by virtue of common directorship	Sales:		
		waste	135,558	42,490
		Purchase:		
		Electricity	27,706,713	50,464,155
		Store	360,062	
		Shared expenses - net	-	-
		Dividend:		
Paid	133,504	30,809		

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2019 Rupees	2018 Rupees
Sapphire Textile Mills Limited	Associated Holding Company by virtue of common directorship	Sales:		
		Yarn	73,060,103	34,047,286
		Purchase:		
		Raw material	8,784,390	5,102,640
		Services:		
		Rendered	-	212,484
		Obtained	-	2,349,094
		Shared expenses - net	5,481,610	4,603,819
		Dividend:		
		received	1,603,568	-
Paid	2,053,903	474,321		
Sapphire Fibres Limited	Associated Holding Company by virtue of common directorship	Sales:		
		Yarn / raw material / scrap	504,824,277	279,990,508
		Purchase:		
		Yarn / raw material / scrap	42,708,632	35,343,087
		Property plant and equipment	20,380,000	-
		Services:		
		Rendered	96,145	1,627,941
		Obtained	-	268,150
		Shared expenses - net	3,604,721	2,090,428
		Dividend:		
received	4,724,364	590,546		
Paid	1,001,026	231,551		
Sapphire Electric Co. Limited	Associated Holding Company by virtue of common directorship	Shared expenses - net	161,422	137,132
Neelum Textile Mills Limited	Associated Holding Company by virtue of common directorship	Dividend paid	8,875,848	2,048,273
Galaxy Agencies (Pvt) Ltd	Associated Holding Company by virtue of common directorship	Dividend paid	703,411	162,326
Sapphire Holding Limited	Associated Holding Company by virtue of common directorship	Dividend paid	4,135,014	954,234
		Dividend received	175,390	90,200
Crystal Enterprises (Private) Ltd	Associated Holding Company by virtue of common directorship	Dividend paid	180,024	41,544
Salman Ismail (SMC) (Private) Ltd	Associated Holding Company by virtue of common directorship	Dividend paid	9,750	2,250
Yousef Agencies (Private) Ltd	Associated Holding Company by virtue of common directorship	Dividend paid	20,950	4,835
Nadeem Enterprises (Private) Limited	Associated Holding Company by virtue of common directorship	Dividend paid	566,176	130,656
Reliance Textile (Private) Limited	Associated Holding Company by virtue of common directorship	Dividend paid	7,137,767	1,647,177
Amer Tex (Private) Limited	Associated Holding Company by virtue of common directorship	Dividend paid	98,066	22,631
Sapphire Agencies (Private) Limited	Associated Holding Company by virtue of common directorship	Dividend paid	15,072,844	3,478,349
SFL Limited	Associated Holding Company by virtue of common directorship	Dividend paid	3,624,537	836,432
		Dividend received	1,505,888	301,178

36.1 All transactions with related parties have been carried out at commercial terms and conditions.

37	NUMBER OF EMPLOYEES	At year end		Average	
		2019	2018	2019	2018
	Employees	1085	992	1071	989

38	PLANT CAPACITY AND ACTUAL PRODUCTION	2019		2018	
		Total number of spindles installed	45,984		37,920
Installed capacity after conversion into 20's count (Lbs.)	30,392,820		24,381,119		
Actual production					
Number of spindles	37,008		34,378		
Number of shifts per day	3		3		
Total days worked	365		365		
Actual production of yarn after conversion into 20's count (Lbs.)	24,431,250		23,462,808		

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted. Difference of actual production with installed capacity is in normal course of business.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Underlying the definition of fair value is the presumption that the Holding Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value hierarchy

Financial instruments are 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 the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

The Holding Company only have short term investments at fair value through other comprehensive income of Rs.50.19 million that are classified at level 1.

40	PROVIDENT FUND RELATED	2019		2018	
		Notes	Rupees	Rupees	
40.1	DISCLOSURE				
	The following information is based on un-audited consolidated financial statements of the Fund for the year ended:				
	Size of the Fund - Total Assets		8,690,180		-
	Cost of investments made		7,748,971		-
	Percentage of investments made		100%		-
	Fair value of investments made		7,748,971		-

40.2	The break-up of fair value of investments is as follow:	2019 Percentage %	2018 %	2019 Rupees	2018 Rupees
	Special account in a scheduled bank	4	-	320,388	-
	Listed securities	96	-	7,896,890	-
		100	-	8,217,278	-

41 OPERATING SEGEMENTS

Chief Executive Officer considers the business as a single operating segment as the Holding Company's' assets allocation decision are based on a single, integrated business strategy, and the Holding Company's' performance is evaluated on overall basis.

The information with respect to this operating segment is stated below:

82.57 (2018: 81.72%) sales of the Holding Company relates to export customers.

As at year end, all non-current assets of the Holding Company are located in Pakistan.

Sales to two customers of the Holding Company is more than 10% of total sales which constitutes total amount of Rs.1,486 million (2018 Rs.1,339 million).

42 EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on September 26, 2019 has proposed to pay cash dividend for the year ended June 30, 2019 of Rs. 82.336 million @ Rs.8.00 per ordinary share of Rs. 10 each (2018: Rs. 66.898 million @ Rs. 6.50 per ordinary share of Rs. 10 each). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these consolidated financial statements.

43 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issue on September 26, 2019 by the Board of Directors of the Holding Company.

44 GENERAL

Figures have been rounded off to the nearest Rupee.

Lahore :
Dated : September 26, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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Form of Proxy

Reliance Cotton Spinning Mills Limited

I/we _____

Folio No. _____ of _____

a member(s) of **Reliance Cotton Spinning Mills Limited** and a holder of _____ Ordinary Shares,

do hereby appoint _____

of _____

or failing him/her _____

of _____

a member of **Reliance Cotton Spinning Mills Limited**, vide Registered Folio No. _____ as my/our Proxy to act on my/our behalf at 30th Annual General Meeting of the Company to be held on Friday the 25h October, 2019 at 04:15 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this _____ day of _____ 2019

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.

فارم برائے قائم مقام / متبادل

ریلائینس کاٹن اسپننگ ملز لمیٹڈ

میں/ہم _____

پتہ: _____

ریلائینس کاٹن اسپننگ ملز لمیٹڈ کے ممبر ہونے کے ناطے اپنا/اپنے مندرجہ ذیل قائم مقام / متبادل مقرر کرتا ہوں / کرتے ہیں۔

نام (جناب / محترمہ) _____

پتہ: _____

اور ان کی غیر موجودگی میں جناب / محترمہ _____

پتہ: _____

میری / ہماری غیر موجودگی میں قائم مقام / متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز جمعہ 25 اکتوبر 2019ء کو بوقت 4:15 بجے شام، ٹریڈنگ ہال، کاٹن ایکسچینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہوگی۔

ریوینیو ٹکٹ
پانچ روپے

اس دستاویز پر مورخہ _____ 2019 کو دستخط ہوئے۔

شیر ہولڈر کے دستخط _____

شیر ہولڈر کا فوئیو نمبر: _____

اور / یا CDC _____

شریک ہونے والے کا ID نمبر _____

اور سب اکاؤنٹ نمبر _____

- نوٹس :
- 1- کوئی بھی پراکسی اس وقت تک درست نہیں سمجھی جائے گی جب تک اس پر پانچ (05) روپے کا محصول ٹکٹ نہ لگایا جائے۔
 - 2- بینک یا کمپنی کی صورت میں پراکسی فارم پر authorized person کے دستخط کے ساتھ کمپنی کی مشترکہ ممبر لازم ہوگی۔
 - 3- پاور آف اٹرنی یا دیگر authority کی صورت میں پراکسی فارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔
 - 4- دستخط شدہ پراکسی فارم کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔

سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں

- (i) پراکسی فارم پر دو افراد تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر فارم پر موجود ہونا چاہئے۔
- (ii) Beneficial owners کی CNIC یا پاسپورٹ کی تصدیق شدہ کاپی اور پراکسی پیش کیا جائے فارم کے ساتھ۔
- (iii) پراکسی میٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔
- (iv) کارپوریٹ اثباتی کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution/ power of attorney جمع کروائے جائیں گے (جب تک یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1) دستخط: _____ (2) دستخط: _____

نام: _____ نام: _____

پتہ: _____ پتہ: _____

CNIC یا پاسپورٹ نمبر _____ CNIC یا پاسپورٹ نمبر _____