



**RELIANCE COTTON SPINNING  
MILLS LIMITED**

**ANNUAL REPORT  
2023**



Sapphire

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Shahid Abdullah	Chairman
Mr. Shayan Abdullah	Chief Executive
Mr. Amer Abdullah	Director
Mr. Yousuf Abdullah	Director
Mr. Nabeel Abdullah	Director
Mrs. Madiha Saeed Nagra	Independent Director
Mr. Anjum Saleem	Independent Director

## AUDIT COMMITTEE

Mr. Anjum Saleem	Chairman
Mr. Shahid Abdullah	Member
Mr. Nabeel Abdullah	Member

## COMPANY SECRETARY

Mr. Rameez Ghausi

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Anjum Saleem	Chairman
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

## CHIEF FINANCIAL OFFICER

Mr. Jawwad Faisal

## SHARE REGISTRAR

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

## TAX CONSULTANTS

Yousuf Adil, Chartered Accountants

## AUDITORS

Shinewing Hameed Chaudhri & Company  
Chartered Accountants

## LEGAL ADVISOR

Hassan & Hassan, Advocates

## BANKERS

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

## **RISK COMMITTEE**

Mr. Shahid Abdullah  
Mr. Shayan Abdullah  
Mr. Jawwad Faisal

Chairman  
Member  
Member

### **REGISTERED OFFICE:**

312, Cotton Exchange Building,  
I. I. Chundrigar Road, Karachi.  
Tel: +92 21 111 000 100  
Fax 922132416705

Website: [www.sapphire.com.pk/rcsm](http://www.sapphire.com.pk/rcsm)

### **CORPORATE OFFICE:**

1st Floor, Tricon Corporate Centre, 73-E Main  
Jail Road, Gulberg II, Lahore. Pakistan.

### **MILLS:**

Feroze Wattoan,  
District, Sheikhpura, Punjab.

# DIRECTORS' PROFILE

## **MR. SHAHID ABDULLAH**

Chairman

Mr. Shahid Abdullah has been associated with Sapphire Group since 1980. Being a director of various companies of Sapphire Group, he has to plan and forecast for both long and short-term positions. He introduced new lines in the textile business like knitting, cone dyeing, fabric dyeing and finishing. He has achieved considerable experience of spinning, weaving, knitting, dyeing, finishing and power generation. He has experience and is competent in business dealings, especially for procurement of plant and machinery, raw material and other assets. He is well-versed in sales promotion and has successfully created goodwill for Sapphire products in local as well as in export markets. He holds a bachelor's degree in commerce from University of Karachi. He is serving as Chief Executive Officer of Sapphire Fibres Limited and Sapphire Electric Company Limited.

## **MR. SHAYAN ABDULLAH**

Chief Executive Officer

Mr. Shayan Abdullah has been the Chief Executive Officer of Reliance Cotton Spinning Mills Limited for the last 11 years. He has done Bachelor of Science in Business Management with concentration in Economics and Finance from USA. Additionally he has undertaken various professional courses from universities such as London School of Economics and Lahore University of Management Sciences. Before getting appointed as a director with Sapphire Fibres Limited, Mr. Shayan has worked at Executive levels with other Group Companies. He oversees raw material procurement, accounts and marketing for spinning divisions of Sapphire Fibres Limited and Amer Cotton Mills Limited.



# BOARD OF DIRECTORS

## **MR. AMER ABDULLAH**

Director

Mr. Amer Abdullah has a Master in Business Administration degree from the U.S. He joined the group at a young age and was appointed as director in 1990 in various group companies. He has undertaken various textile expansion projects and has diversified the dairy business. He is experienced in business dealings especially for procurement of plant and machinery, raw material and other assets. He has rich experience of sales promotion and has successfully added goodwill for Sapphire products in domestic as well as in export markets. He is serving as Chief Executive Officer of Diamond Fabrics Limited and Sapphire Dairies (Private) Limited.

## **MR. YOUSUF ABDULLAH**

Director

Mr. Yousuf Abdullah has a Master in Business Administration degree from the UK. He is the Chief Executive Officer of Sapphire Finishing Mills Limited and is also on the board of other group business. He became Director in various companies of Sapphire Group in 1995. His vision was instrumental in introducing new lines in the textile businesses. Having considerable experience in sales promotion, he added remarkable goodwill of Sapphire products in local as well as international markets.

## **MR. NABEEL ABDULLAH**

Director

Mr. Nabeel Abdullah has done his Bachelor of Science in Economics from the London School of Economics. Additionally, he has taken numerous professional courses at the Lahore University of Management Sciences. Before joining the Sapphire Group, he also interned at Citi, in the Commercial Bank, in London for 3 months. Nabeel was trained for one year at Sapphire before being appointed Director. He is currently overseeing raw material procurement, sales, production, accounts and finance for Sapphire Textile Mills Ltd and specially in weaving.

# BOARD OF DIRECTORS

## **ANJUM SALEEM**

Independent Director

Mr. Anjum Saleem holds a Bachelors of Commerce degree from University of Karachi. He has an experience of over 40 years in the field of Insurance. He is working with Adamjee Insurance Company Limited as General Manager Development since 1980. With his excellent leadership qualities and great negotiating skills, he has been a valuable asset to Adamjee Insurance Company Limited.

## **MADIHA SAEED NAGRA**

Independent Director

Ms. Madiha Saeed Nagra is a professionally qualified Clinical Psychologist, Researcher and Academician. After completing her Intermediate from Kinnaird College for Women, Lahore in 2004, she graduated at top position in BS (Hons) in Clinical Psychology from University of the Punjab, Lahore in 2009. She has a rich experience in research work conducting outreach programs in planning, sampling and interpreting of results, psychological assessment and management of slow learners and behavioral problems. She carried out counselling and rehabilitation of Schizophrenics and Cancer patients.

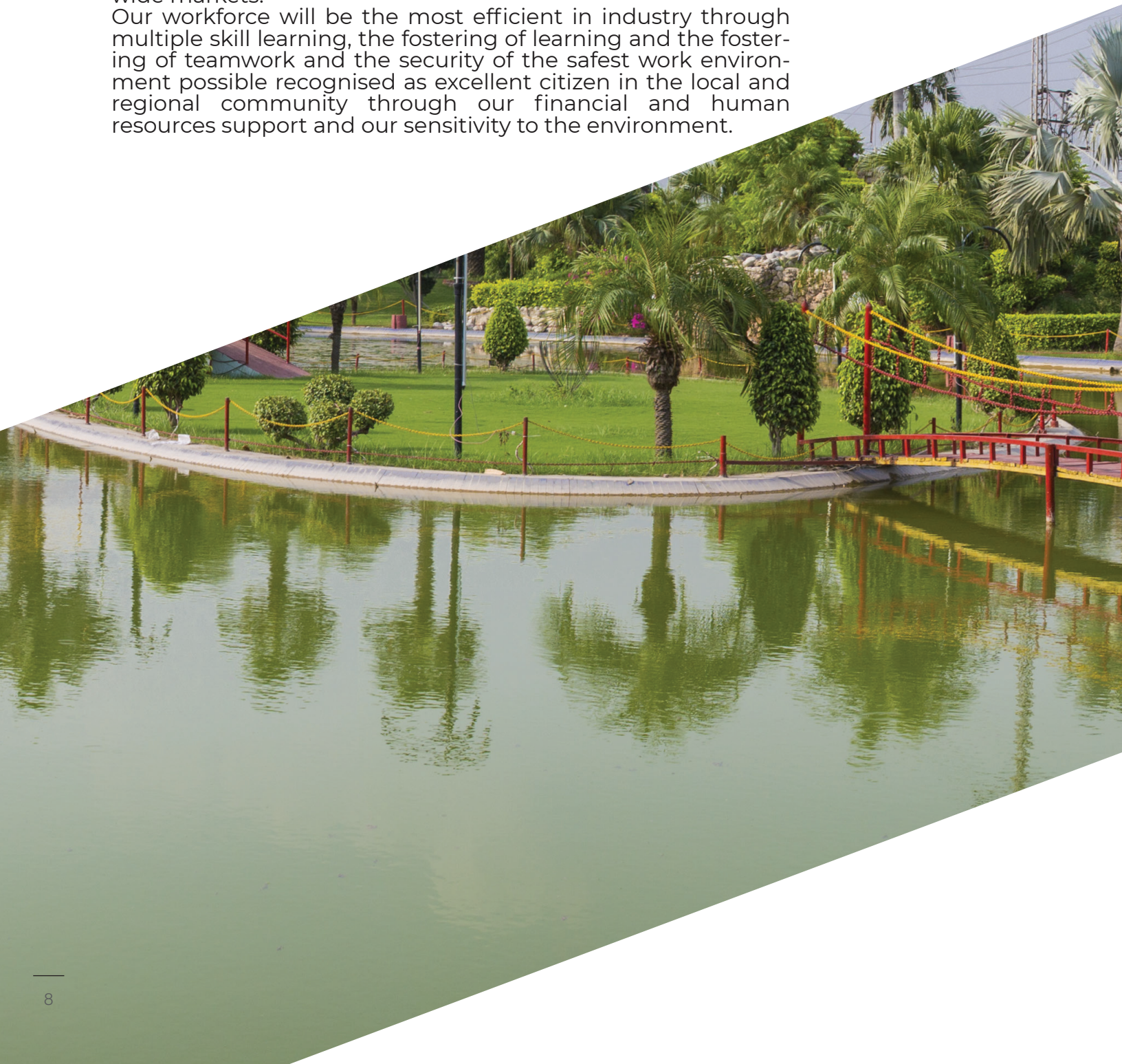
In 2013, she moved to Muscat, Oman where she worked as Coordinator in American British Academy, responsible for coordination between faculty and Senior Management, preparation of quarterly KPI progress reports, monitoring, evaluation and correction for yearly curriculum objectives. Currently, she is associated with Beaconhouse School System where she teaches History, Geography, Social Studies and PSHE along with research and development of curriculum for students. Apart from her professional commitments, she actively seeks opportunities to contribute to the Society by providing her services.

# OUR VISION

To be one of the premier textile company recognised 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 world-wide 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.





## OUR **MISSION**

Our mission is to be recognized 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 THE ANNUAL GENERAL MEETING**

Notice is hereby given that the 34th Annual General Meeting of Reliance Cotton Spinning Mills Limited will be held on Thursday, October 26, 2023 at Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi at 12:30 p.m. to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of the last General Meeting held on March 27, 2023.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2023 together with the Chairman’s Review, Directors’ and Auditors’ Report thereon.
3. To approve final dividend for the year ended June 30, 2023.
4. To appoint auditors for the year ending 30th June 2024 and fix their remuneration. The present auditors, M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants retire and being eligible offer themselves for reappointment.

**SPECIAL BUSINESS**

5. To approve by way of special resolution with or without modification the following resolutions in respect of related party transactions in terms of Section 208 of the Companies Act, 2017:
  - (i) **“RESOLVED THAT** the related party transactions conducted during the year as disclosed in the note 35 of the unconsolidated financial statements for the year ended June 30, 2023 be and are hereby ratified, approved and confirmed.”
  - (ii) **“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, 2024.”

**“FURTHER RESOLVED** that transactions approved by the 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.”

6. To consider and approve, with or without modification, the following ordinary resolution in respect of transmission of Annual Audited Accounts:

**RESOLVED THAT** the consent of the members be and is hereby accorded to circulate the Audited Financial Statements to its members through QR enabled code and web link in pursuant of Notification No. 389(1)/ 2023 dated March 21, 2023 of Securities Exchange Commission of Pakistan.

7. To consider and, if thought fit, pass, with or without modification, the following special resolutions, to amend the articles of Association of the company:
  - (i) **RESOLVED THAT** the Articles of Association of the company be and are hereby amended by substituting for the existing article 99, the following amended article:

**CAPITALIZATION OF RESERVE:  
ARTICLE 99:**

“Directors may resolve that moneys, investments or other assets forming part of the Company standing to the credit of the Reserve Fund or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the shares premium accounts be capitalized by issuance of fully paid bonus shares to its shareholders.”

- (ii) **FURTHER RESOLVED THAT** the Chief Financial Officer and/ or Company Secretary be and are hereby authorized to take any and all actions necessary to give effect to the above resolution and/or to complete any or all necessary corporate and legal formalities.

**Any other Business**

8. 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



**Rameez Ghausi**  
Company Secretary

Karachi  
26 September 2023

### NOTES

- 1) The share transfer books of the Company shall remain closed from 20th October 2023 to 26th October 2023 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar i.e. Hameed Majeed Associates (Private) Limited, situated at 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, before the close of business on October 19, 2023, will be considered in time, to entitle the transferees to attend and vote at the meeting.
- 2) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order, to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

An instrument of proxy applicable for the meeting is being provided with the notice sent to the members. Further copies of the instrument may be obtained from the registered office of the Company during normal office hours. The proxy form can also be downloaded from the Company's website: [www.sapphire.com.pk/rcsml](http://www.sapphire.com.pk/rcsml).

3. CDC shareholders will further have to follow the below mentioned guidelines as laid down in Circular 1, dated 26 January, 2000 issued by 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 (unless it has been provided earlier) 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 above Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the proxy form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.
- v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form to the Company.

4. Any change of address of members should be immediately notified to the company's share registrar M/s. Hameed Majeed Associates (Private) Limited, situated at 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

5. In order to comply with the directives of the Securities and Exchange Commission of Pakistan, including in terms of Circular No. 4 of 2021, the Company has also arranged video conference facility for those members who are interested in participating virtually in the AGM.

**Special arrangements for participating in the AGM through electronic means will be as under:**

- a. AGM will be held through Zoom application – a video link facility.
- b. Members interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by sending an e-mail with subject: “Registration for RCSML AGM” at the earliest but not later than 48 hours before AGM on E-mail: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk) along with a valid copy of both sides of CNIC.

Members are advised to mention their Name, Folio/CDC Account Number, CNIC Number, Valid email address and cell number.

Upon receipt of the above information from the interested members, the Company will send the login credentials at their e-mail address. On the date of AGM, members will be able to login and participate in the AGM proceedings through their smartphone/computer devices. The login facility shall be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification/verification process.

6. The members are requested to submit a copy of their Computerized National Identity Card (CNIC), if not already provided and immediately notify changes if any, in their addresses to our Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd.
7. Pursuant to Companies (Postal Ballot) Regulations 2018, in case of special business, members will be allowed to exercise their right to vote through postal ballot, that is voting by post or through E-voting, in accordance with the requirements and procedures contained in the aforesaid regulations. The procedure of postal ballot [e-voting and voting by post] shall be placed on the company’s website seven (7) days before the meeting.
8. Deposit of physical certificate(s) in CDC Account: As per section 72 of Companies Act, 2017, every listed company shall be required to replace its physical certificates with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Companies Act, 2017.

Accordingly, a member having physical shares are encouraged to open a CDC sub-account with a broker or Investor Account directly with CDC to place their physical certificates into scrip less form.

9. An updated list of unclaimed dividends/shares of the Company is available on the Company’s website [www.sapphire.com.pk/rcsml](http://www.sapphire.com.pk/rcsml). These are unclaimed dividends/shares which have remained unclaimed or unpaid for three years from the date these have become due and payable.
10. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company’s website and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. Hameed Majeed Associates (Private) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder’s broker/participant/CDC account services. No further action is required if IBAN has already been incorporated/updated in the CDC account or physical folio of the shareholder.

11. (i) The rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 shall be as follows:
  1. Persons appearing in Active Tax Payers List (ATL) 15%

## NOTICE OF THE ANNUAL GENERAL MEETING

### 2. Persons not appearing in Active Tax Payers List (ATL) 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 before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to Hameed Majeed Associates (Private) Limited, by the first day of Book Closure.
- (iii) 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.
- (iv) Zakat is also deductible at source from the dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction of zakat. To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarized copy of Zakat Declaration Form "CZ-50" on non-judicial stamp paper of Rs. 50.00 to the Shares Registrar, before the date of book closure.

In this regard all shareholders who hold shares jointly are requested to provide shareholding Proportions of Principal shareholders and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

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

The required information must reach our Shares 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).

- (v) For any query/information, the investors may contact the Company Secretary at phone: (021) 111 000 100 & email address: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk) and/or Hameed Majeed Associates (Private) Limited at phone: (021) 32424826 / 32469573 & email address: [khi@hmaconsultants.com](mailto:khi@hmaconsultants.com)
- (vi) 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. Shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers. Without the NTN Company would not be in a position to check filer status on the ATL and hence higher tax of 30% may be applied in such cases.

12. The Company shall provide video conference facility to its members for attending the 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 at least 07 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 07 days before holding of the 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(i) 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 35 to the unconsolidated financial statements for the year ended June 30, 2023.

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 note 35 to the unconsolidated financial statements for the year ended June 30, 2023.

**2. Agenda number 5(ii) of the notice - Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2024.**

The Company shall be conducting transactions with its related parties during the year ending June 30, 2024 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, 2024 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.

**3. Agenda number 6 of the notice**

In pursuance of SRO 389(I)/ 2023 dated March 21, 2023, the Securities and Exchange Commission of Pakistan has allowed the listed companies to circulate the annual balance sheet and profit and loss account, auditor’s report and directors report, etc. (“annual audited financial statements”) to its members through QR enabled code and web link subject to approval of shareholders in the general meeting.

Further, the notice of meeting shall be dispatched to members as per requirements of the Act, on their registered address, containing the QR code and the web link address to view and download the annual audited financial statements together with the reports and documents required to be annexed thereto under the Act;

## NOTICE OF THE ANNUAL GENERAL MEETING

Provided that:

- a) The companies shall circulate the annual audited financial statements through email in case email address has been provided by the member to the company and the consent of member to receive the copies through email is not required.
  - b) The companies shall be required to send the complete financial statements with relevant documents in hard copy to the shareholders, at their registered addresses, free of cost, within one week, if a request has been made by the member on the standard request form available on the website of the company.
4. Agenda number 7 of the notice

The Board of Directors has proposed that Article 99 of the Company's Articles of Association be altered to bring it in line with the issuance of the Companies (Further Issuance of Shares) Regulation 2020.

The existing and proposed altered provision of the Company's Articles of Association is set out below:

<b>ARTICLES OF ASSOCIATION</b>	
Existing article 99	Proposed / New article 99
Any General Meeting may resolve that moneys, investments, or other assets forming part of the Company standing to the credit of the Reserve Fund in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the shares premium accounts be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized funds be applied on behalf of such shareholder in paying up in full any unissued shares of the Company which shall be distributed accordingly and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.	Directors may resolve that moneys, investments or other assets forming part of the Company standing to the credit of the Reserve Fund or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the shares premium accounts be capitalized by issuance of fully paid bonus shares to its shareholders.

None of the directors are in any way interested or concerned in the resolution except to the extent of their shareholding in the Company. The said alteration will not affect anyone's interest unfavorably in the company.

### STATUS OF INVESTMENT UNDER CLAUSE 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017

Company	Amount of Investment approved	Investment made to date	Reason
Sapphire Fibres Limited	Investment of Rs. 1 Billion was approved	Rs. 426.558 million	This amount was approved in the AGM dated 27th March 2023 and is in the process of implementation.



## REVIEW REPORT BY THE CHAIRMAN

The Board is performing its 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 conducted. 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, 2023, the Board's overall performance and effectiveness have been assessed as satisfactory. The performance 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 scal oversight; equitable treatment of all employees and efficiency in carrying out the Boards business. I would also like to extend my acknowledgement and gratefulness towards the board for their positive contribution and continuous commitment.

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 its committee meetings. The Board has exercised all its powers in accordance with relevant laws and regulation and the nonexecutive and independent directors are equally involved in important decisions of the board.

Lahore  
26 September 2023



Shahid Abdullah  
Chairman



## چیئر مین کی جائزہ رپورٹ

بورڈ اپنے فرائض کو قانون کے مطابق اور کمپنی اور اس کے حصہ داروں کے بہترین مفاد میں انجام دے رہا ہے۔ کوڈ آف کارپوریٹ گورننس کے تحت درکار ریلائنس کائن سپینگ ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی گئی ہے۔ اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور نتائج کمپنی کے مقاصد قائم کرنے کے تناظر میں پیمائش اور توقعات کے خلاف بیچ مارک ہیں۔

30 جون 2023 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور نتائج کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار، اسٹریٹجی پلاننگ میں مصروفیت، پالیسیوں کی تشکیل، تنظیم کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل، منجمنٹ کی نگرانی، مؤثر مالی نگرانی، بورڈ کے کاروبار کی انجام دہی میں تمام ملازمین اور کارکردگی کے منصفانہ ٹریڈسٹ سمیت لازمی اجزاء کی تشخیص پر مبنی ہے۔ میں بورڈ کی جانب سے ان کی مثبت شراکت اور مسلسل وابستگی کا اعتراف اور شکر گزار ہوں۔

ریلائنس کائن سپینگ ملز لمیٹڈ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے حوالہ سے قانون میں متعین تمام ریکوائزمنٹس پر عمل کرتی ہے۔ ضروری بورڈ ایجنڈا اور متعلقہ معاون دستاویزات بورڈ اور اس کی کمیٹی کے اجلاسوں سے قبل مناسب وقت پر بورڈ کو مہیا کی گئیں۔ بورڈ نے اپنے تمام اختیارات کو متعلقہ قوانین اور ریگولیشن کے مطابق استعمال کیا ہے اور نان ایگزیکٹو اور آزاد ڈائریکٹرز بورڈ کے اہم فیصلوں میں مساوی کے شریک ہوتے ہیں۔



شاہد عبداللہ  
چیئر مین

لاہور

مورخہ: 26 ستمبر 2023ء

# DIRECTORS'

## REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present the Annual Report of your Company together with the audited financial statements for the year ended 30 June 2023.

## FINANCIAL HIGHLIGHTS

The salient features of the operational results are as under:

	June 30, 2023	June 30, 2022
	Rupees in Thousand	
Sales	11,048,840	11,386,469
Profit from operations	1,355,590	3,180,003
Finance Cost	(350,942)	(236,661)
Taxation	(165,537)	(171,010)
Profit after taxation	839,110	2,772,332

## FINANCIAL PERFORMANCE:

Net Sales at Rs. 11.0 billion for the year under review are 3.0% less compared to last year due to demand slowdown in both domestic and global markets. During the same period, Pakistan's overall textile and garment exports dropped by 14.6% compared to last year.

Operating margins of the Company also declined compared to last year, primarily due to weak demand and unprecedented inflationary pressures. Gross profit as a percentage of sales reduced from last year's 32.6% to 15.4% during the period under review. Whereas, profit after tax decreased from last year's 24.3% to 7.6% of sales during the year.

The Company earned profit after tax of Rs. 0.84 billion compared to Rs. 2.77 billion posted in the corresponding year.

## EARNING PER SHARE

The earnings per share (EPS) of current year is Rs. 81.53 as compare to Rs. 269.37 for the last year.

## DIVIDEND:

The Board of Directors of the company is pleased to recommend a final cash dividend @ 40% for the year ended June 30, 2023 (2022: 75%).

## FUTURE OUTLOOK:

Global growth is projected to remain weak by historical standards, falling from 3.5% in 2022 to 3.0% in both 2023 and 2024, while risks to the outlook are skewed more to the downside. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is easing in most countries but remains high; set to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024, whereas underlying inflation is projected to decline more slowly.

Pakistan faces tough economic challenges ahead to maintain progress towards macroeconomic stability. As a result of policy tightening and very high inflation, economic activity is expected to remain slow in coming year as well with real GDP growth projected at just around 0.5%.

Despite all challenges, your Company has maintained an impressive cumulative annual growth rate of 21% in last five years with improved shareholder returns. With the same resolve, the management remains committed to protect and improve competitive advantage of Company's diversified products and services to deliver sustainable results.

### **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. During the year, the company carried out transactions with its related parties. Details of these transactions are disclosed in note 35 to unconsolidated financial statements.

### **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 groups 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.

Company made generous donations for health, education and social welfare projects as reported in note no. 27 to the financial statement.

**COMPOSITION OF THE BOARD AND THEIR MEETINGS:**

The composition of the Board is in compliance with the requirements of Code of Corporate Governance Regulations, 2019 applicable on listed entities which is given below:

Total Number of Directors

- (a) Male 06
- (b) Female 01

Composition:

- (a) Independent Directors 02 (including 01 Female Director)
- (b) Executive Director 01
- (c) Non-Executive Directors 04

During the year four meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name	Category	No of Meetings
Mr. Shayan Abdullah	Executive Director	5
Mr. Shahid Abdullah	Non- Executive Director	5
Mr. Amer Abdullah	Non- Executive Director	5
Mr. Yousuf Abdullah	Non- Executive Director	4
Mr. Nabeel Abdullah	Non- Executive Director	4
Mr. Asif Elahi *	Independent Director	2
Ms. Madiha Saeed Nagra	Independent Director	4
Mr. Anjum Saleem *	Independent Director	3

\* Mr. Asif Elahi's term as Independent Director was completed during the year and Mr. Anjum Saleem was elected in his place as Independent Director.

The Board has made sub-committees which have significantly contributed in achieving desired objectives. These committees include:

- Audit Committee. During the year four meetings of the Audit Committee were held. Attendance by each Director is as follows:

Name	Category	No of Meetings
Mr. Asif Elahi *	Chairman (independent)	2
Mr. Anjum Saleem *	Chairman (independent)	2
Mr. Shahid Abdullah	Member	4
Mr. Nabeel Abdullah	Member	3

\* Mr. Anjum Saleem was appointed in audit committee as member/ chairman in place of Mr. Asif Elahi.

- Human Resource & Remuneration Committee. During the year one meeting was held and attended by all the members.

Mr. Asif Elahi	Chairman (independent)
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

- Risk Management Committee. During the year, two meetings were held and attended by all the members.

Mr. Shahid Abdullah	Chairman
Mr. Shayan Abdullah	Member
Mr. Jawwad Faisal	Member

### **PRINCIPAL RISKS & UNCERTAINTY:**

Businesses face numerous risks and uncertainties, which, if not properly addressed, might cause serious loss to the Company. The Board of Directors of the Company, through Risk Management Committee (RMC), has carried out a vigilant and thorough assessment of both internal and external risks that the Company might face. Following are some of the risks which the Company is facing:

- Increased competition at global as well as regional levels to be cost effective.
- Currency volatility, abrupt Rupee devaluation, resulting in an increased cost of imported raw material.
- Implementation of Custom Duties / Regulatory Duties on import of Cotton / Man-made fibers making raw material more costly.
- Rising trend of conversion, power cost on account of increasing fuel / gas prices, natural gas curtailment and other inflationary impacts.
- Increasing policy rates i.e., KIBOR resulting in increased financing costs.
- Uncertain taxation measures including the imposition of super tax.
- Soaring inflation impacting the purchasing power of common man thereby reducing the demand for the Company's product.

### **RISK MANAGEMENT:**

Effective risk management is pivotal to sustainable business growth. At RCSML, the Risk Management Committee (RMC) oversee the processes, which include risk management and internal control procedures. These processes, which are documented and regularly reviewed, are designed to safeguard assets and address possible risks to the Company, including the possible impact on business continuity. Any identified risk that could potentially affect the achievement of strategic, operational, financial and/ or compliance objectives are promptly reported to the Board for timely action to ensure uninterrupted operations.

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

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

- The Financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

2. The company has maintained proper books of account;
3. Appropriate accounting policies have been consistently applied in 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 adequately disclosed and explained;
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously through internal audit function under co-sourcing arrangement. On-going review will continue in future for further improvements in controls;
6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts;
7. There is no significant doubt about the Company's ability to continue as going concern;
8. There has been no material departure from best practices of Corporate Governance;
9. The company has maintained Employees Provident Fund for staff, the members of Provident Fund are not eligible for gratuity fund. The value of investment of Provident Fund as on June 30, 2023 is Rs.41.5 million;
10. Code of conduct has been communicated and acknowledged by each Director and employee of the Company;
11. Following trade in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief financial Officer, Company Secretary, their spouses and minor children:

Shares purchased by Mr. Anjum Saleem, Independent Director	50 shares
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12. 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 as at 30 June 2023 in accordance with section 227(f) of the Companies Act, 2017;
  - Statement of shares held by associated undertakings and related parties;
  - Key operating and financial statistics for the last 6 years.

#### **REMUNERATION OF DIRECTORS:**

The remuneration of Directors is determined by the Company in the Board of Directors' Meeting. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. The company does not pay remuneration to non- executive directors and independent directors, however they are paid a fee to attend meetings. Remuneration package of Chief Executive and other executive directors is disclosed in note No.34 to the financial statements.

#### **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 two independent directors, 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.

**AUDITORS:**

The present Auditors M/s Shinewing Hameed Chaudhri & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment. Audit Committee and Board of Directors have also recommended their appointment as auditors for the year ending 30 June 2024.

**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**

FOR AND ON BEHALF OF THE BOARD



**Shayan Abdullah**  
Chief Executive Officer



**Shahid Abdullah**  
Director

Lahore

Dated: September 26, 2023



سرگرمی حقیقی جی ڈی پی نمونہ صرف تقریباً 0.5 فیصد کے باعث سست رہنے کی توقع ہے۔

تمام مشکلات کے باوجود، آپ کی کمپنی نے شیئر ہولڈر کے بہتر منافع کے ساتھ پچھلے پانچ سالوں میں متاثر کن 21% مجموعی سالانہ نمو کی شرح کو برقرار رکھا ہے۔ اسی عزم کے ساتھ، انتظامیہ مستحکم نتائج کی فراہمی کے لیے کمپنی کی متنوع مصنوعات اور خدمات کے مسابقتی فائدہ کے تحفظ اور بہتر بنانے کے لیے پرعزم ہے۔

## ذیلی کمپنی

ICSM ایک مکمل ملکیتی ذیلی کمپنی (پرائیویٹ) لمیٹڈ جس کو 8 نومبر 2017 کو شال کیا گیا تھا۔ ذیلی ادارے کی اصل سرگرمی کسی دوسری کمپنیوں میں حصص لینا یا حاصل کرنا اور رکھنا ہے۔

## متعلقہ پارٹنرز

متعلقہ پارٹنروں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹنروں 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 ٹرانزیکشن 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 ٹرانزیکشن بورڈ کے روبرو پیش کی گئی ہیں۔ سال کے دوران، کمپنی نے اپنی متعلقہ پارٹنروں کے ساتھ ٹرانزیکشن سرانجام دی ہیں۔ ان ٹرانزیکشن کی تفصیلات غیر منجمد مالی حسابات کے نوٹ 35 میں منکشف ہیں۔

## صحت، تحفظ اور ماحول (HSE)

کمپنی اپنے تمام ملازمین اور کمیونٹیوں 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 BCI سرٹیفیکیشن (Better Cotton Initiative) بھی حاصل کیا ہے۔

## نقد فلوی حکمت عملی

آپ کی کمپنی نے ایک موثر نقد فلوی حکمت عملی اپنائی ہے۔ اس جامع حکمت عملی نے ہمیشہ آپ کی کمپنی کو اپنے مالی معاہدوں کو مناسب طریقہ سے حل کرنے کا اختیار دیا 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 شرکت کرنے کا شکریہ ادا اور حوصلہ افزائی کرتے ہیں۔

کمپنی نے صحت، تعلیم اور معاشرتی بہبود کے منصوبوں کے لئے فراخ دلی سے عطیہ دیا، جس کی تفصیل مالی حسابات کے نوٹ نمبر 27 میں بیان کی گئی ہے۔

# ڈائریکٹرز کی حصص داران کو رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2023ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشوارے مع اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

## مالیاتی جھلکیاں

روپے ہزاروں "000" میں

تفصیل	2023 روپے	2022 روپے
فروخت	11,048,840	11,386,469
آپریٹنگ سے منافع	1,355,590	3,180,003
مالی لاگت	(350,942)	(236,661)
ٹیکسیشن	(165,537)	(171,010)
ٹیکس کے بعد منافع	839,110	2,772,332

## مالیاتی کارکردگی

دووں ملکی اور عالمی منڈیوں میں طلب میں کمی کی وجہ سے زیر جائزہ سال کے لیے خالص فروخت 11.0 بلین روپے جو گزشتہ سال کے مقابلے میں 3.0% کم ہیں۔ اسی عرصہ کے دوران پاکستان کی ٹیکسٹائل اور گارمنٹس کی مجموعی برآمدات میں گزشتہ سال کے مقابلے میں 14.6 فیصد کمی واقع ہوئی۔

کمپنی کے آپریٹنگ مارجن میں بھی گزشتہ سال کے مقابلے میں کمی واقع ہوئی، جس کی بنیادی وجہ کم طلب اور افراط زر کا غیر معمولی دباؤ ہے۔ فروخت فیصد کے لحاظ سے مجموعی منافع گزشتہ سال کے 32.6 فیصد سے کم ہو کر زیر جائزہ مدت کے دوران 15.4 فیصد ہو گیا۔ جبکہ بعد از ٹیکس منافع گزشتہ سال کے 24.3 فیصد سے کم ہو کر سال کے دوران فروخت کے 7.6 فیصد پر آ گیا۔

کمپنی نے بعد از ٹیکس منافع گزشتہ سال میں 2.77 بلین روپے کے مقابلے میں اس سال 0.84 بلین روپے کم کیا ہے۔

## فی حصص آمدنی

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 81.53 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 269.37 روپے تھی۔

## منافع منقسمہ

کمپنی کی مجلس نظماً 30 جون 2023 کو ختم ہونے والے سال کے لئے حتمی نقد منافع منقسمہ بشرح 40 فیصد (2022: 75%) سفارش کرتے ہوئے خوشی محسوس کرتی ہے۔

## مستقبل کا نقطہ نظر

تاریخی معیارات کے مطابق عالمی نمونہ 2022 کی 3.5 فیصد سے کم ہو کر دونوں 2023 اور 2024 میں 3.0 فیصد تک کم رہنے کا امکان ہے، جبکہ نقطہ نظر کے خطرات کاروبار منحنی پہلو کی طرف زیادہ ہے۔ افراط زر پر قابو پانے کے لئے مرکزی بینک پالیسی میں اضافہ اقتصادی سرگرمی پر اثر انداز ہو رہا ہے۔ عالمی ہیڈ لائن افراط زر 2022 کی 8.7 فیصد سے کم ہو کر 2023 میں 6.8 فیصد اور 2024 میں 5.2 فیصد ہونے کی توقع ہے، جبکہ بنیادی افراط زر سے رومی سے بتدریج مزید کم ہونے کا امکان ہے۔

پاکستان کو میکرو و اکنامل استحکام کی طرف پیش رفت کو برقرار رکھنے کے لئے سخت اقتصادی مشکلات سامنا ہے۔ پالیسی کی سختی اور بہت زیادہ افراط زر کے نتیجے میں آئندہ سال میں بھی اقتصادی

## آڈٹ کمیٹی

سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	کیٹگری	اجلاسوں کی تعداد
جناب آصف الہی *	چیئرمین (آزاد)	2
جناب انجم سلیم *	چیئرمین (آزاد)	2
جناب شاہد عبداللہ	رکن	4
جناب نبیل عبداللہ	رکن	3

\* جناب انجم سلیم کو آڈٹ کمیٹی میں جناب آصف الہی کی جگہ ممبر/چیئرمین مقرر کیا گیا۔

## ہیومن ریسورس اینڈ ریمیزیشن کمیٹی

سال کے دوران ہیومن ریسورس اینڈ ریمیزیشن کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	کیٹگری
جناب آصف الہی	چیئرمین (آزاد)
جناب یوسف عبداللہ	رکن
جناب شایان عبداللہ	رکن

## رسک مینجمنٹ کمیٹی

سال کے دوران دو اجلاس ہوئے اور تمام ممبران نے شرکت کی۔

جناب شاہد عبداللہ	چیئرمین
جناب شایان	عبداللہ ممبر
جناب جواد فیصل	ممبر

## بنیادی خطرات اور غیر یقینی صورتحال:

کاروبار کو بے شمار خطرات اور غیر یقینی صورتحال کا سامنا ہے، جن کا اگر مناسب طریقے سے سدباب نہ کیا گیا تو کمپنی کو شدید نقصان پہنچ سکتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے، رسک مینجمنٹ کمیٹی (RMC) کے ذریعے، کمپنی کو درپیش دونوں اندرونی اور بیرونی خطرات کا محتاط اور مکمل جائزہ لیا ہے۔ کمپنی کو جن خطرات کا سامنا ہے ان میں سے کچھ درج ذیل ہیں:

- عالمی اور علاقائی سطحوں پر مسابقت میں اضافہ جس سے لاگت متاثر ہوتی ہے۔
- کرنسی میں اتار چڑھاؤ، روپے کی قدر میں اچانک کمی، جس کے نتیجے میں درآمد شدہ خام مال کی قیمت میں اضافہ ہوتا ہے۔
- کاٹن/مصنوعی ریشوں کی درآمد پر کسٹم ڈیوٹی/ریگولیشن ڈیوٹی کا نفاذ جس سے خام مال زیادہ مہنگا ہوتا ہے۔
- تبادلوں، ایندھن/گیس کی بڑھتی ہوئی قیمتوں، قدرتی گیس میں کمی اور دیگر افراط زر کے اثرات کی وجہ سے بجلی کی قیمت کا بڑھتا ہوا رجحان۔
- پالیسی کی شرحوں میں اضافہ یعنی KIBOR جس کے نتیجے میں مالیاتی اخراجات میں اضافہ ہوتا ہے۔
- غیر یقینی ٹیکس کے اقدامات بشمول سپر ٹیکس کا نفاذ۔
- بڑھتی ہوئی افراط زر عام آدمی کی قوت خرید کو متاثر کرتی ہے جس سے کمپنی کی مصنوعات کی طلب میں کمی واقع ہوتی ہے۔

# ڈائریکٹرز کی حصص داران کو رپورٹ

بورڈ کی تشکیل اور ان کے اجلاس

بورڈ کی تشکیل مندرجہ اداروں پر قابل اطلاق کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019 کی ضروریات کی تعمیل کے مطابق ہے اور جو مندرجہ ذیل ہے:

## ڈائریکٹرز کی کل تعداد

06	(a) مرد
01	(b) خاتون

## تشکیل:

02	(بشمول ایک خاتون ڈائریکٹر)	(a) آزاد ڈائریکٹرز
01		(b) ایگزیکٹو ڈائریکٹرز
04		(c) نان ایگزیکٹو ڈائریکٹرز

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	کیٹگری	اجلاسوں کی تعداد
جناب شایان عبداللہ	ایگزیکٹو ڈائریکٹر	5
جناب شاہد عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب نیل عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب آصف الہی *	آزاد ڈائریکٹر	2
محترمہ مدیحہ سعید ناگرہ	آزاد ڈائریکٹر	4
جناب انجم سلیم *	آزاد ڈائریکٹر	3

\* جناب آصف الہی کی بطور آزاد ڈائریکٹر کی مدت اسی سال پوری ہوئی اور ان کی جگہ جناب انجم سلیم کو آزاد ڈائریکٹر منتخب کیا گیا۔  
بورڈ نے ذیلی کمیٹیاں بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں اہم شراکت کی ہے۔ یہ کمیٹیاں مشتمل ہیں:

چیف ایگزیکٹو اور ڈیپٹی ایگزیکٹو ڈائریکٹرز کے معاوضے کا بیکنج مالی حسابات کے نوٹ نمبر 34 میں منکشف ہے۔

### 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 دو 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 سیکورٹی اینڈ آپریشنز 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 کارکردگی کی تشخیص کے سلسلے میں جواب دینے کے ذریعے بورڈ کی مجموعی کارکردگی کو بڑھاتے ہیں۔ ڈائریکٹرز کے ریٹرنز کے بعد ارکان کے درمیان ایک تفصیلی بحث کی جاتی ہے۔ بحث کے دوران، بورڈ اپنی ذمہ داریوں کو پورا کرنے، اپنی قیادت کردار ادا کرنے، 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 داریوں 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۔

### محاسب کا تقرر

موجودہ محاسب میسرز شیوننگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں 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 2024 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، ریگولیشنری حکام، مالیاتی اداروں، گاہکوں، سپلائرز کی شکر گزار 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 2023

# ڈائریکٹرز کی حصص داران کو رپورٹ

## رسک مینجمنٹ:

مؤثر رسک مینجمنٹ کاروبار کی پائیدار نمو کے لیے اہم ہے۔ RCSML میں، رسک مینجمنٹ کمیٹی (RMC) پراسیس کی نگرانی کرتی ہے، جس میں رسک مینجمنٹ اور اندرونی کنٹرول کے طریقہ کار شامل ہیں۔ یہ پراسیس، جن کا دستاویزی اور باقاعدگی سے جائزہ لیا جاتا ہے، اثاثوں کی حفاظت اور کمپنی کو ممکنہ خطرات، بشمول کاروبار کے تسلسل پر ممکنہ اثرات سے نمٹنے کے لیے ڈیزائن کئے گئے ہیں۔ کوئی بھی نمایاں خطرہ جو ممکنہ طور پر اسٹریٹجک، آپریشنل، مالیاتی اور/یا تعمیلی مقاصد کے حصول کو ممکنہ طور پر متاثر کر سکتا ہے، اس کی فوری طور پر بورڈ کو اطلاع دی جاتی ہے تاکہ بلا تعطل کارروائیوں کو یقینی بنایا جاسکے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

بورڈ آف ڈائریکٹرز باقاعدگی سے کمپنی کی اسٹریٹجک سمت کا جائزہ لیتا ہے۔ چیف ایگزیکٹو کی طرف سے کاروباری منصوبوں اور اہداف کو مقرر اور بورڈ کی طرف سے جائزہ لیا گیا ہے۔ بورڈ کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ بورڈ نے کارپوریٹ گورننس کوڈ کا جائزہ لیا ہے اور اس بات کی تصدیق کی ہے 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،
- 5- داخلی کنٹرول اور اندرونی آڈٹ اور اس طرح کے دیگر طریقہ کار کے ذریعے مسلسل جائزہ لیا جا رہا ہے۔ جائزہ اور نگرانی کا عمل اس کو مزید بہتر بنانا جاری رکھے گا۔
- 6- ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مدد میں تمام ادائیگیاں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کر دی جائیں گی یا جہاں قرض کے دعویٰ کا اعتراف نہیں کیا ان کا مالی حسابات میں انکشاف کیا گیا ہے؛

- 7- کمپنی کے دواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 8- کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- 9- کمپنی نے عملہ کے لئے ایمپلائز پراویڈنٹ فنڈ قائم کیا ہے، پراویڈنٹ فنڈ کے ممبران گریجویٹ فنڈ کے اہل نہیں ہیں۔ 30 جون 2023 کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 41.5 ملین روپے ہے۔

- 10- کوڈ آف کنڈکٹ کو کمپنی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطابقت رکھا گیا ہے۔
- 11- ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ان کے شریک حیات اور نابالغ بچوں کے ذریعے کمپنی کے حصص میں کوئی تجارت نہیں کی گئی ہے۔

آزاد ڈائریکٹر جناب انجم سلیم نے شیئرز خریدے۔	50 شیئرز
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- 12- 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۔
- { کمپنیز ایکٹ، 2017 کے سیکشن 227(f) کے مطابق 30 جون 2023 کو شیئرز ہولڈنگز کے پینٹن کا بیان
- { شریک انڈر ٹیکنگ اور متعلقہ پارٹیوں کے ملکی حصص کا بیان
- { گزشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار

## ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز کے اجلاس میں کمپنی کی طرف سے ڈائریکٹرز کے معاوضے کا تعین کیا جاتا ہے۔ تاہم، کارپوریٹ گورننس کے کوڈ کے مطابق، یہ یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنی معاوضے کے فیصلے میں حصہ نہیں لے گا۔ کمپنی غیر ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کو معاوضہ ادا نہیں کرتی ہے۔ تاہم، انہیں اجلاسوں میں شرکت کے لیے فیس ادا کی جاتی ہے۔



**To the members of Reliance Cotton Spinning Mills Limited**

**Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Reliance Cotton Spinning Mills Limited (the Company) for the year ended June 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations 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. 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.

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, 2023.

*Shinewing Hameed Chaudhri & Co.*

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Osman Hameed Chaudhri

Lahore: September 28, 2023

UDIN: CR202310104k3zME9pSO

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

Name of Company RELIANCE COTTON SPINNING MILLS LIMITED year ended June 30, 2023.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 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 complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 07 as per the following:
  - a. Male: 06
  - b. Female: 01
2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Anjum Saleem Ms. Madiha Saeed Nagra
Executive Director	Mr. Shayan Abdullah
Non-Executive Directors	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of total seven (7) Directors of the Company, five (5) Directors meet the requirements of Training Program. Two (2) Directors have already attained certification under directors training program and three (3) Directors meet the requirements of the exemption under regulation.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
12. The Board has formed committees comprising of members given below:
  - a) Audit Committee
    - Mr. Anjum Saleem (Chairman)
    - Mr. Shahid Abdullah (Member)
    - Mr. Nabeel Abdullah (Member)
  - b) HR and Remuneration Committee
    - Mr. Anjum Saleem (Chairman)
    - Mr. Yousuf Abdullah (Member)
    - Mr. Shayan Abdullah (Member)
  - c) Risk Management Committee
    - Mr. Shahid Abdullah (Chairman)
    - Mr. Shayan Abdullah (Member)
    - Mr. Jawwad Faisal (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 of the committee were as per following:
  - a) Audit Committee [Quarterly]
  - b) HR and Remuneration Committee [yearly]
  - c) Risk Management Committee [half yearly]
15. The Board has set up an effective Internal Audit Function which is co-sourced. The Head of Internal Audit and outsourced team are considered suitably qualified and experienced for the

- purpose and are conversant with the policies and procedures of the Company.
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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
  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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and for compliance requirement of regulation 6, it may be noted that best practices of corporate governance entail having an optimal number and mix of board members with adequate skills and experience. The current Board of Directors adequately meets this requirement. Further, existing two independent directors play an effective part within the Board and make valuable contributions. Therefore, the fraction (2.33) has not been rounded up.

For and on behalf of the Board



SHAHID ABDULLAH  
CHAIRMAN



SHAYAN ABDULLAH  
CHIEF EXECUTIVE

Lahore

Dated: September 26, 2023

# SIX YEARS GROWTH AT A GLANCE & **FINANCIAL ANALYSIS**



# SIX YEARS AT A GLANCE

Particulars	UOM	2023	2022	2021	2020	2019	2018
Sales	Rs. (000)	11,048,840	11,386,469	7,681,902	5,986,720	5,379,009	4,398,017
Gross profit	Rs. (000)	1,705,456	3,706,632	1,758,725	927,898	816,922	633,457
Net profit before taxation	Rs. (000)	1,004,647	2,943,342	1,280,176	335,162	417,198	343,867
Net profit after taxation	Rs. (000)	839,110	2,772,332	1,199,514	274,182	390,682	316,081
Share capital	Rs. (000)	102,920	102,920	102,920	102,920	102,920	102,920
Shareholders' equity	Rs. (000)	7,033,732	6,287,039	3,570,669	2,359,883	2,169,189	1,872,373
Fixed assets - net	Rs. (000)	3,591,288	3,240,429	2,161,161	2,051,140	1,987,544	1,460,765
Total assets	Rs. (000)	13,383,672	10,945,951	6,718,829	6,413,531	5,350,050	3,951,353
Cash dividend	%	40.00	75.00	50.00	-	80.00	65.00

## RATIOS:

### Profitability Ratios

Gross profit	%	15.44	32.55	22.89	15.50	15.19	14.40
Profit before tax	%	9.09	25.85	16.66	5.60	7.76	7.82
Profit after tax	%	7.59	24.35	15.61	4.58	7.26	7.19

### Return to Shareholders

Return on equity before tax	%	14.28	46.82	35.85	14.20	19.23	18.37
Return on equity after tax	%	11.93	44.10	33.59	11.62	18.01	16.88
Basic earning per share after tax	Rs.	81.53	269.37	116.55	26.64	37.96	30.71

### Activity

Sale to fixed assets	Times	3.08	3.51	3.55	2.92	2.71	3.01
Sale to total assets	Times	0.83	1.04	1.14	0.93	1.01	1.11

### Liquidity Ratios

Current ratio		2.03 : 1	2.61 : 1	2.15 : 1	1.36 : 1	1.26 : 1	1.33 : 1
Debt to equity ratio	Times	0.28	0.30	0.30	0.36	0.25	0.10
Total liability to equity ratio	Times	0.90	0.74	0.88	1.72	1.47	1.11

Breakup value per share	Rs. Per share	683.42	610.87	346.94	229.29	210.76	181.93
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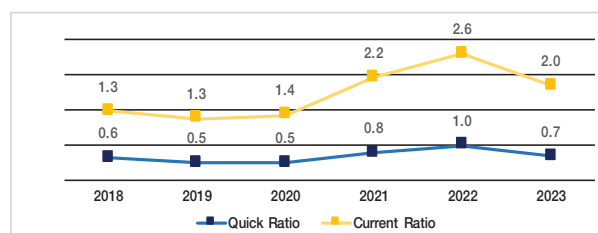
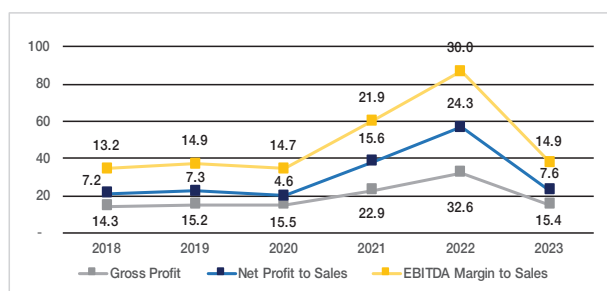
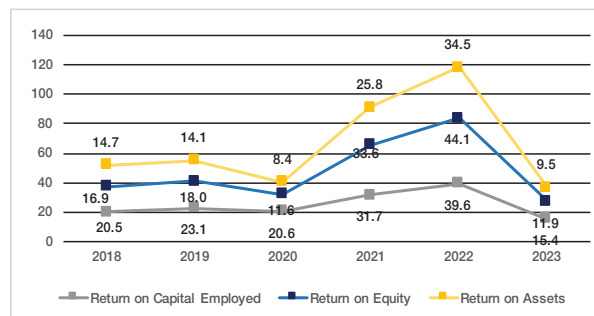
# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Profitability Ratios

Profitability ratios are financial metrics which help to assess the Company's ability in terms of its earnings. This includes Gross Profit Ratio, Net Profit to Sales Ratio, EBITDA Margin to Sales, Return on Assets, Return on Equity and Return on Capital Employed.

## Liquidity Ratios

Liquidity ratios are financial metrics used to determine Company's ability to meet its short term debt and other short term liabilities when they fall due. This include Current Ratio and Quick Ratio.

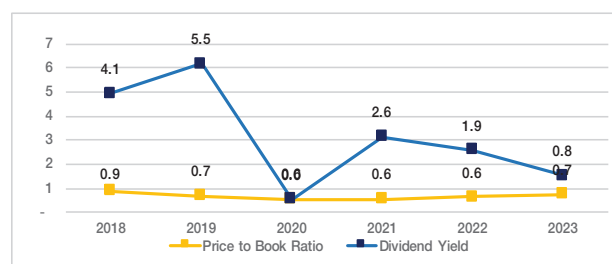
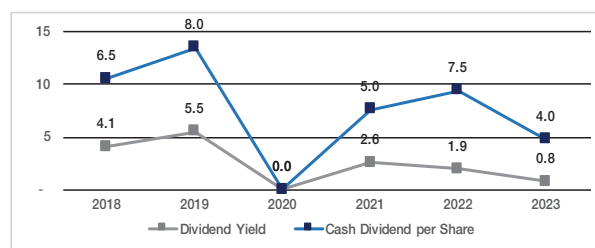
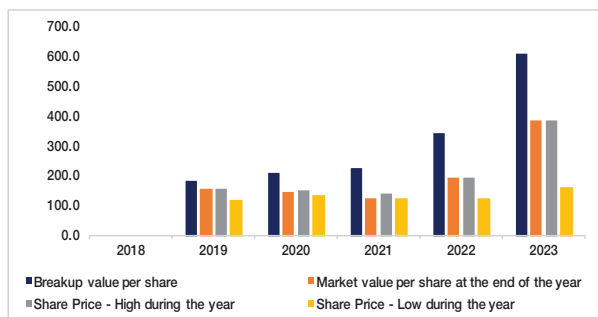


	UOM	2018	2019	2020	2021	2022	2023
<b>Profitability Ratios</b>							
Gross Profit	Percentage	14.3	15.2	15.5	22.9	32.6	15.4
Net Profit to Sales	Percentage	7.2	7.3	4.6	15.6	24.3	7.6
EBITDA Margin to Sales	Percentage	13.2	14.9	14.7	21.9	30.0	14.9
Return on Capital Employed	Percentage	20.5	23.1	20.6	31.7	39.6	15.4
Return on Equity	Percentage	16.9	18.0	11.6	33.6	44.1	11.9
Return on Assets	Percentage	14.7	14.1	8.4	25.8	34.5	9.5
<b>Liquidity Ratios</b>							
Current Ratio	Times	1.3	1.3	1.4	2.2	2.6	2.0
Quick Ratio	Times	0.6	0.5	0.5	0.8	1.0	0.7

# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Share Price Sensitivity Analysis

Share price in the stock market moves due to various factors such as company performance, general market sentiment, economic events and interest rates, etc. Being a responsible and law-compliant Company, RCSML circulates price sensitive information to stock exchanges in accordance with the requirements of listing regulations in a timely manner. During the year 2023, RCSML's share price touched the peak of Rupees 750 while the lowest recorded price as Rupees 511.34 with a closing price of Rupees 511.34 at the end of the year.



UOM	2018	2019	2020	2021	2022	2023
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## Investor Ratios

UOM	2018	2019	2020	2021	2022	2023	
Earning per Share	Rs. Per share	30.7	38.0	26.6	116.5	269.4	81.5
Price Earning Ratio	Times	5.2	3.8	4.8	1.7	1.4	6.3
Price to Book Ratio	Times	0.9	0.7	0.6	0.6	0.6	0.7
Dividend Yield	Percentage	4.1	5.5	0.0	2.6	1.9	0.8
Cash Dividend per Share	Rs. Per share	6.5	8.0	0.0	5.0	7.5	4.0
Dividend Payout Ratio	Percentage	21.2	21.1	0.0	4.3	2.8	4.9
Dividend Cover Ratio	Times	4.7	4.7	0.0	23.3	35.9	20.4
Breakup Value per Share	Rs. Per share	181.9	210.8	229.3	347.0	610.9	683.4
Market Value per Share at the End of the Year	Rs. Per share	159.6	146.0	128.0	193.7	385.6	511.3
Share Price - High During the Year	Rs. Per share	159.6	154.9	142.0	194.5	385.6	750.0
Share Price - Low During the Year	Rs. Per share	119.0	135.5	125.0	126.5	161.0	511.3

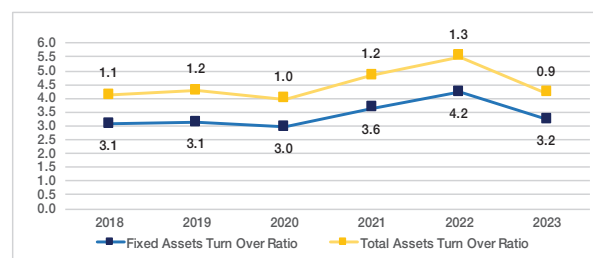
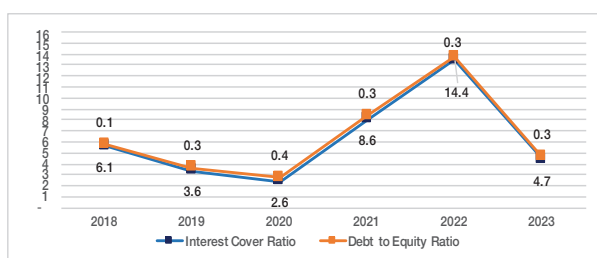
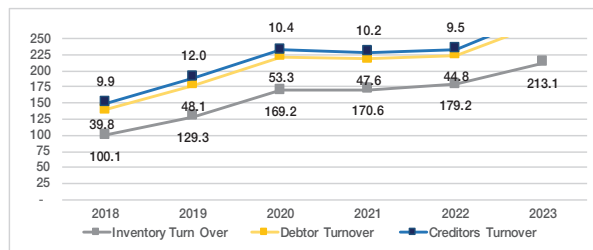
# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Capital Structure

Capital structure describes the mix of a Company's long-term capital, which consists of a combination of debt and equity. Capital structure is a permanent type of funding that supports a company's growth and related assets. Capital structure includes Financial Leverage ratios, Interest Cover ratio and Debt to Equity ratio.

## Cash Operating Cycle / Activity

The cash operating cycle (also known as the working capital cycle or the cash conversion cycle) is the number of days between paying suppliers and receiving cash from sales. Cash operating cycle includes Inventory Days, Receivables Days and Payables Days.



UOM	2018	2019	2020	2021	2022	2023
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### Capital Structure Ratios

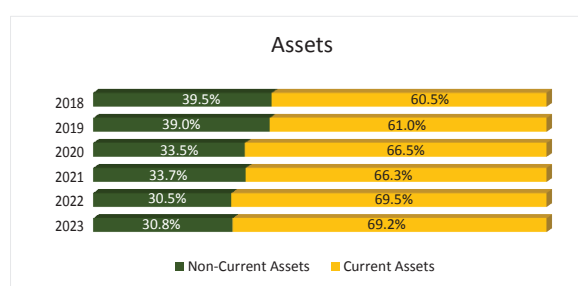
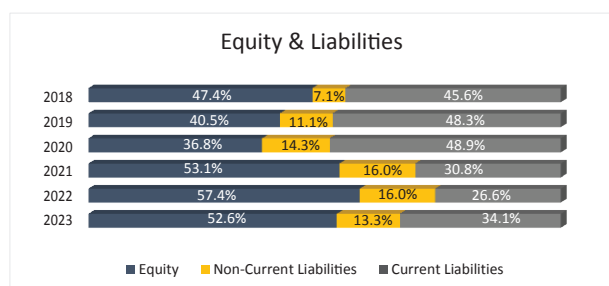
Financial Leverage Ratio	Times	0.9	1.2	1.4	0.6	0.5	0.3
Weighted Average Cost of Debts	Percentage	5.6	10.0	12.0	9.7	8.2	8.2
Debt to Equity Ratio	Times	0.1	0.3	0.4	0.3	0.3	0.3
Interest Cover Ratio	Times	6.1	3.6	2.6	8.6	14.4	4.7

### Activity / Turnover Ratio

Inventory Turn Over	Days	100.1	129.3	169.2	170.6	179.2	213.1
Inventory Turn Over Ratio	Times	3.7	2.8	2.2	2.1	2.0	1.7
Debtor Turnover	Days	39.8	48.1	53.3	47.6	44.8	62.7
Debtors Turn Over Ratio	Times	9.2	7.6	6.9	7.7	8.1	5.8
Creditors Turnover	Days	9.9	12.0	10.4	10.2	9.5	13.8
Creditors Turnover Ratio	Times	36.8	30.5	34.9	35.9	38.6	26.5
Fixed Assets Turn Over Ratio	Times	3.1	3.1	3.0	3.6	4.2	3.2
Total Assets Turn Over Ratio	Times	1.1	1.2	1.0	1.2	1.3	0.9
Operating Cycle	Days	130.0	165.4	212.0	208.0	214.6	262.0

# SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Financial Position

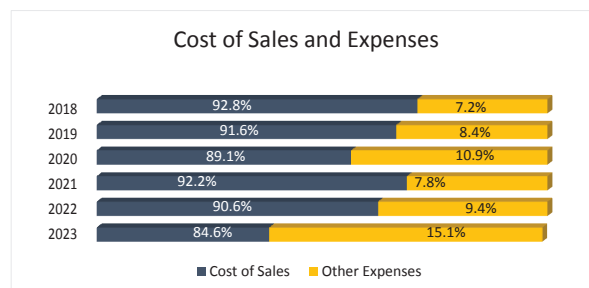
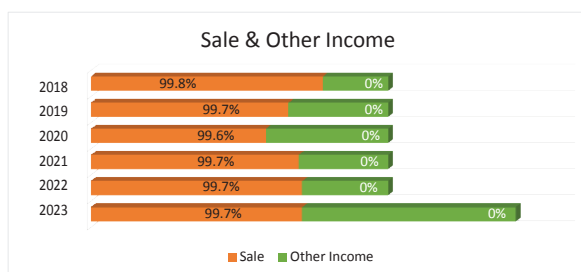


	2023	2022	2021	2020	2019	2018
Rupees in '000'						
Total Equity	7,033,732	6,287,039	3,570,669	2,359,883	2,169,188	1,872,373
Total non-current liabilities	1,782,714	1,746,345	1,076,888	916,281	595,886	278,665
Total current liabilities	4,567,226	2,912,567	2,071,273	3,137,366	2,584,976	1,800,315
<b>Total equity &amp; liabilities</b>	<b>13,383,672</b>	<b>10,945,951</b>	<b>6,718,829</b>	<b>6,413,531</b>	<b>5,350,050</b>	<b>3,951,353</b>
Total non-current assets	4,118,403	3,341,086	2,263,919	2,149,198	2,085,601	1,558,822
Total current assets	9,265,269	7,604,865	4,454,910	4,264,333	3,264,449	2,392,530
<b>Total assets</b>	<b>13,383,672</b>	<b>10,945,951</b>	<b>6,718,829</b>	<b>6,413,531</b>	<b>5,350,050</b>	<b>3,951,353</b>

	Variance in %					
Total Equity	11.88	76.07	51.31	8.79	15.85	24.05
Total non-current liabilities	2.08	62.17	17.53	53.77	113.84	26.58
Total current liabilities	56.81	40.62	(33.98)	21.37	43.58	37.59
<b>Total equity &amp; liabilities</b>	<b>22.27</b>	<b>62.91</b>	<b>4.76</b>	<b>19.88</b>	<b>35.40</b>	<b>30.06</b>
Total non-current assets	23.27	47.58	5.34	3.05	33.79	3.31
Total current assets	21.83	70.71	4.47	30.63	36.44	56.46
<b>Total assets</b>	<b>22.27</b>	<b>62.91</b>	<b>4.76</b>	<b>19.88</b>	<b>35.40</b>	<b>30.06</b>

# SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Statement of Profit or Loss



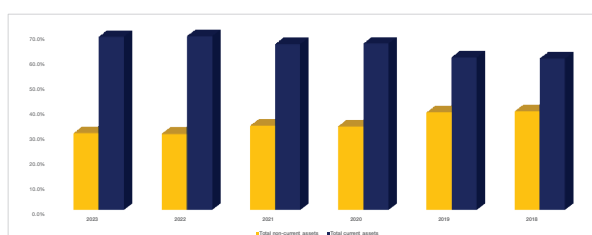
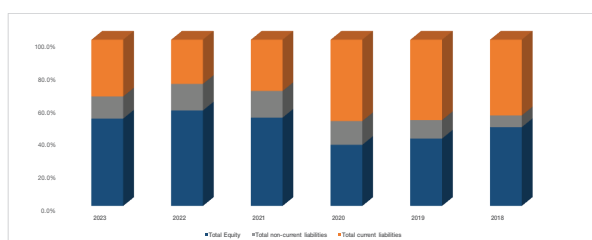
	2023	2022	2021	2020	2019	2018
Rupees in '000'						
<b>Statement of Profit or Loss</b>						
Net Sales	11,048,840	11,386,469	7,681,902	5,986,720	5,379,009	4,398,017
Cost of sales	9,343,384	7,679,838	5,923,177	5,058,822	4,562,087	3,764,560
Gross profit	1,705,456	3,706,632	1,758,725	927,898	816,922	633,457
Distribution cost	166,400	212,137	150,287	127,926	108,444	94,854
Administrative expenses	187,054	123,621	92,406	84,433	67,696	55,231
Other operating expenses	75,794	223,829	64,106	64,365	20,562	46,576
Other operating income	79,381	32,958	23,229	24,744	18,107	9,681
Profit from operations	1,355,589	3,180,003	1,475,154	675,919	638,327	446,477
Finance cost	350,942	236,661	194,979	340,756	221,129	96,152
Profit before taxation	1,004,647	2,943,342	1,280,176	335,162	417,198	350,324
Provision for taxation	165,537	171,010	80,662	60,981	26,515	27,787
Profit after taxation	839,110	2,772,332	1,199,514	274,182	390,682	322,538

	Variance in %					
Net Sales	(2.97)	48.22	28.32	11.30	22.31	23.17
Cost of sales	21.66	29.66	17.09	10.89	21.19	18.57
Gross profit	(53.99)	110.76	89.54	13.58	28.96	62.31
Distribution cost	(21.56)	41.15	17.48	17.96	14.33	8.05
Administrative expenses	51.31	33.78	9.44	24.72	22.57	2.42
Other operating expenses	(66.14)	249.16	(0.40)	213.03	(55.85)	(18.20)
Other operating income	140.85	41.88	(6.12)	36.66	87.03	(89.01)
Profit from operations	(57.37)	115.57	118.24	5.89	42.97	59.60
Finance cost	48.29	21.38	(42.78)	54.10	129.98	34.02
Profit before taxation	(65.87)	129.92	281.96	(19.66)	19.09	68.43
Provision for taxation	(3.20)	112.01	32.28	129.98	(4.58)	63.45
Profit after taxation	(69.73)	131.12	337.49	(29.82)	21.13	68.87

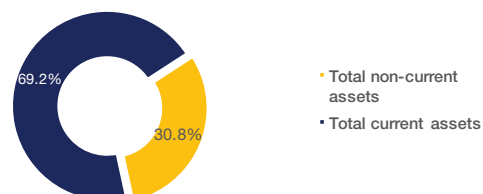
# SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Financial Position

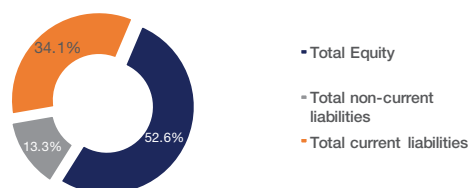
Total assets comprise of current and non-current assets. At 30 June 2023, non-current assets are 30.7% of total assets while current assets are 69.2%. On the other side, share capital and reserves are 52.5% of the total equity and liabilities while non-current liabilities and current liabilities are 13.2% and 34.13% respectively. Share capital and reserves mainly constitute issued subscribed and paid up share capital, share premium and unappropriated profit. Non-current liabilities mainly constitute deferred liabilities and long term financing. Current liabilities mainly constitute short term financing and trade and other payables.



VERTICAL ANALYSIS-TOTAL ASSETS (2023)



VERTICAL ANALYSIS-TOTAL EQUITY & LIABILITIES (2023)



2023		2022		2021		2020		2019		2018	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%

### Statement of Financial Position

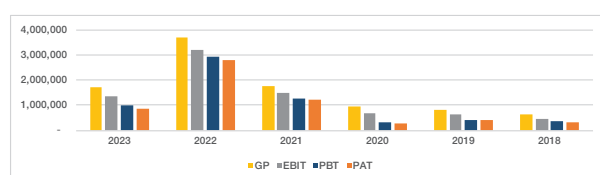
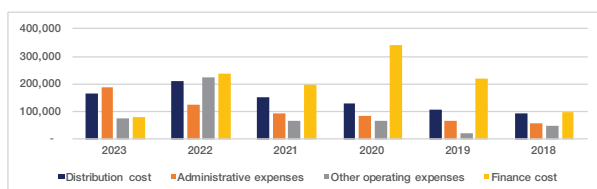
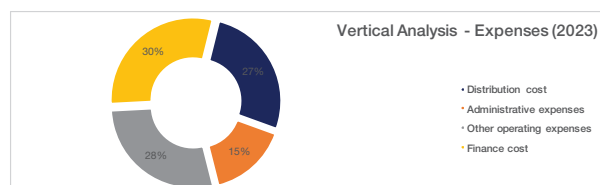
#### As at 30 June 2023

Total Equity	7,033,732	52.55	6,287,039	57.44	3,570,669	53.14	2,359,883	36.80	2,169,188	40.55	1,872,373	47.39
Total Non-Current Liabilities	1,782,714	13.32	1,746,345	15.95	1,076,888	16.03	916,281	14.29	595,886	11.14	278,665	7.05
Total Current Liabilities	4,567,226	34.13	2,912,567	26.61	2,071,273	30.83	3,137,366	48.92	2,584,976	48.32	1,800,315	45.56
<b>Total equity and liabilities</b>	<b>13,383,672</b>	<b>100</b>	<b>10,945,951</b>	<b>100</b>	<b>6,718,829</b>	<b>100</b>	<b>6,413,531</b>	<b>100</b>	<b>5,350,050</b>	<b>100</b>	<b>3,951,353</b>	<b>100</b>
Total Non-Current Assets	4,118,403	30.77	3,341,086	30.52	2,263,919	33.70	2,149,198	33.51	2,085,601	38.98	1,558,822	39.45
Total Current Assets	9,265,269	69.23	7,604,865	69.48	4,454,910	66.30	4,264,333	66.49	3,264,449	61.02	2,392,530	60.55
<b>Total assets</b>	<b>13,383,672</b>	<b>100</b>	<b>10,945,951</b>	<b>100</b>	<b>6,718,829</b>	<b>100</b>	<b>6,413,531</b>	<b>100</b>	<b>5,350,050</b>	<b>100</b>	<b>3,951,353</b>	<b>100</b>

# SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Statement of Profit or Loss

During the year, Company has recorded sales amounting to Rs. 11.0 billion as compared to Rs. 11.4 from last year showing a decrease of 3%. Gross profit has reached to 15.4% as compared to 32.6% from last year whereas, The company earn profit after tax 0.84 billion compared to 2.77 billion compared to last year.

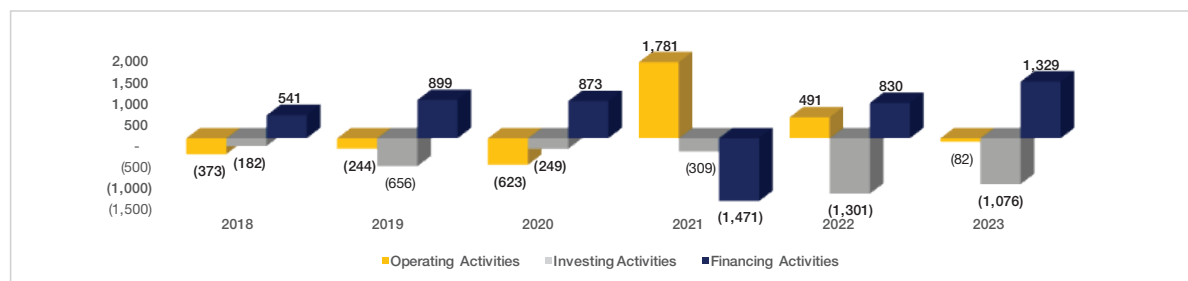


	2023		2022		2021		2020		2019		2018	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%

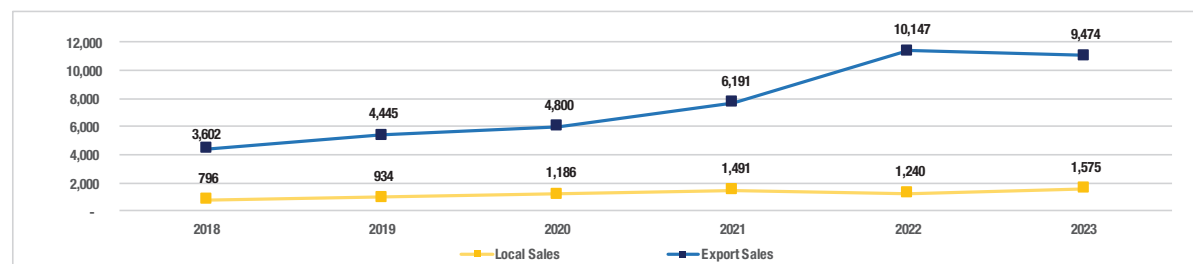
### Statement of profit or loss

Net Turnover	11,048,840	100.00	11,386,469	100.00	7,681,902	100.00	5,986,720	100.00	5,379,009	100.00	4,398,017	100.00
Cost of sales	9,343,384	84.56	7,679,838	67.45	5,923,177	77.11	5,058,822	84.50	4,562,087	84.81	3,764,560	85.60
Gross profit	1,705,456	15.44	3,706,632	32.55	1,758,725	22.89	927,898	15.50	816,922	15.19	633,457	14.40
Distribution cost	166,400	1.51	212,137	1.86	150,287	1.96	127,926	2.14	108,444	2.02	94,854	2.16
Administrative expenses	187,054	1.69	123,621	1.09	92,406	1.20	84,433	1.41	67,696	1.26	55,231	1.26
Other operating expenses	75,794	0.69	223,829	1.97	64,106	0.83	64,365	1.08	20,562	0.38	46,576	1.06
Other income	79,381	0.72	32,958	0.29	23,229	0.30	24,744	0.41	18,107	0.34	9,681	0.22
Earnings before interest & tax	1,355,589	12.27	3,180,003	27.93	1,475,154	19.20	675,919	11.29	638,327	11.87	446,477	10.15
Finance cost	350,942	3.18	236,661	2.08	194,979	2.54	340,756	5.69	221,129	4.11	96,152	2.19
Profit before taxation	1,004,647	9.09	2,943,342	25.85	1,280,176	16.66	335,162	5.60	417,198	7.76	350,324	7.97
Provision for taxation	165,537	1.50	171,010	1.50	80,662	1.05	60,981	1.02	26,515	0.49	27,787	0.63
Profit after taxation	839,110	7.59	2,772,332	24.35	1,199,514	15.61	274,182	4.58	390,682	7.26	322,538	7.33

## SIX YEARS ANALYSIS OF CASH FLOWS WITH GRAPHICAL PRESENTATION



	UOM	2018	2019	2020	2021	2022	2023
<b>Cash Flow</b>							
Operating Activities	Rs. In Million	(373)	(244)	(623)	1,781	491	(82)
Investing Activities	Rs. In Million	(182)	(656)	(249)	(309)	(1,301)	(1,076)
Financing Activities	Rs. In Million	541	899	873	(1,471)	830	1,329



	UOM	2018	2019	2020	2021	2022	2023
<b>Local and export sales</b>							
Local Sales	Rs. In Million	796	934	1,186	1,491	1,240	1,575
Export Sales	Rs. In Million	3,602	4,445	4,800	6,191	10,147	9,474
Total Sales	Rs. In Million	4,398	5,379	5,987	7,682	11,386	11,049

# UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023



# INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2023, the statement of profit or loss, the statement of other 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 other comprehensive income, the statement of changes in equity and 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, 2023 and of the profit, other comprehensive loss, the changes in equity and its cash flows 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 period. 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 matters:

Sr. No.	Description	How the matter was addressed in our audit
1.	<p><b>Capitalisation of property, plant and equipment</b></p> <p>Refer note 4 to the financial statements.</p> <p>The Company incurred significant capital expenditure mainly to enhance production capacity and technological upgrade of the plant as part of its expansion activity. The Company has capitalized operating fixed assets aggregating Rs.799.381 million during the year.</p> <p>There are number of areas where management judgement is involved in connection with the above activities. These include:</p> <ul style="list-style-type: none"><li>- Determining which costs meet the criteria for capitalisation as per International Accounting Standard - IAS - 16;</li><li>- Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence;</li></ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>- obtained an understanding of the design and implementation of management controls over capitalization and performed tests of controls over authorization of capital expenditure and accuracy of its recording in the system;</li><li>- assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices;</li><li>- assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework;</li><li>- checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and</li><li>- assessed whether the disclosures were made in accordance with the applicable financial reporting framework.</li></ul>

Sr. No.	Description	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>– Capitalisation of borrowing costs and related implications;</li> <li>– The estimation of economic useful lives and residual values assigned to property, plant and equipment; and</li> <li>– Impairment testing; assessing whether there are any indicators of impairment present.</li> </ul> <p>We consider the above as a key audit matter being significant transactions and events for the Company during the year.</p>	
Sr. No.	Description	How the matter was addressed in our audit
2.	<p><b>Revenue recognition</b></p> <p>The principal activity of the Company is the manufacture and sale of yarn. Revenue from sale of goods is recognised as or when performance obligations are satisfied by transferring control of promised goods to customer, and control is transferred at a point in time. Revenue is measured at fair value of the consideration received or receivable and the payment is typically due on the satisfaction of performance obligation.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company and due to the reason that revenue increased significantly as compared to last year. In addition, revenue was also considered as an area of significant audit risk as part of the audit process.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• assessed the design, implementation and operating effectiveness of the key internal controls involved in revenue recognition;</li> <li>• performed testing of revenue transactions on a sample basis with underlying documentation including dispatch documents and sales invoices;</li> <li>• tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognised in the correct period;</li> <li>• performed audit procedures to analyse variation in the price and quantity sold during the year;</li> <li>• performed recalculations of discounts as per the Company's policy on test basis;</li> <li>• understood and evaluated the accounting policy with respect to revenue recognition; and</li> <li>• assessed the adequacy of disclosures made in the financial statements related to revenue.</li> </ul>

## Information Other than the Financial Statements and Auditors' 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 financial statements and our auditors' report thereon.

Our opinion on the 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 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.

# INDEPENDENT AUDITOR'S REPORT

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

### Responsibilities of Management and 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 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.

Board of directors is responsible for overseeing the Company's financial reporting process.

### Auditors' 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 auditors' 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 the 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 the 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 auditors' 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 the date of our auditors' 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 the 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 period and are therefore the key audit matters. We describe these matters in our auditors' 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 other 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 auditors' report is Osman Hameed Chaudhri.

*Shinewing Hameed Chaudhri & Co.*

SHINEWING HAMEED CHAUDHRI & CO.,  
Chartered Accountants

Lahore: September 28, 2023  
UDIN: AR202310104r-CkqyXJGZ

# Unconsolidated Statement of Financial Position

As at June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	4	3,591,288,186	3,240,429,126
Long term investments	5	518,127,246	91,569,645
Long term advances and deposits		8,987,690	9,087,690
		4,118,403,122	3,341,086,461
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	74,977,863	67,383,004
Stock-in-trade	7	6,203,133,931	4,706,207,204
Trade debts	8	2,012,865,224	1,782,516,207
Loans and advances	9	32,906,723	115,133,605
Short term deposits and prepayments	10	4,559,315	1,048,065
Short term investments	11	14,088,516	53,461,960
Other receivables	12	149,220,766	178,868,742
Tax refunds due from Government	13	575,764,159	672,751,973
Cash and bank balances	14	197,752,154	27,494,124
		9,265,268,651	7,604,864,884
<b>Total assets</b>		<b>13,383,671,773</b>	<b>10,945,951,345</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
12,000,000 ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid-up capital	15	102,920,000	102,920,000
Reserves		127,503,013	124,754,734
Unappropriated profit		6,803,308,914	6,059,364,729
<b>Total equity</b>		<b>7,033,731,927</b>	<b>6,287,039,463</b>
<b>NON CURRENT LIABILITIES</b>			
Long term liabilities	16	1,640,499,005	1,633,494,492
Staff retirement benefit - gratuity	17	113,293,444	92,326,481
Deferred taxation	18	28,921,440	20,523,741
		1,782,713,889	1,746,344,714
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	1,567,481,110	1,367,013,885
Contract liabilities		64,937,119	68,893,983
Accrued mark-up / interest	20	94,526,249	43,655,577
Short term borrowings	21	2,331,143,302	1,043,240,168
Current portion of long term liabilities	22	325,244,097	210,608,139
Unclaimed dividend		801,640	844,398
Provision for taxation		183,092,440	178,311,018
		4,567,225,957	2,912,567,168
<b>Total liabilities</b>		<b>6,349,939,846</b>	<b>4,658,911,882</b>
<b>Contingencies and commitments</b>	23		
<b>Total equity and liabilities</b>		<b>13,383,671,773</b>	<b>10,945,951,345</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Unconsolidated Statement of Profit or Loss

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
Sales	24	11,048,839,608	11,386,469,405
Cost of sales	25	(9,343,384,100)	(7,679,837,539)
<b>Gross profit</b>		<b>1,705,455,508</b>	<b>3,706,631,866</b>
Distribution cost	26	(166,399,764)	(212,136,733)
Administrative expenses	27	(187,053,686)	(123,621,306)
Other income	28	79,381,470	32,958,269
Other expenses	29	(75,794,016)	(223,829,259)
<b>Profit from operations</b>		<b>1,355,589,512</b>	<b>3,180,002,837</b>
Finance cost	30	(350,942,396)	(236,661,308)
<b>Profit before taxation</b>		<b>1,004,647,116</b>	<b>2,943,341,529</b>
Taxation	31	(165,537,199)	(171,009,929)
<b>Profit after taxation</b>		<b>839,109,917</b>	<b>2,772,331,600</b>
<b>Earnings per share - basic and diluted</b>	32	<b>81.53</b>	<b>269.37</b>

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

  
Chief Executive Officer

  
Director


  
Chief Financial Officer

# Unconsolidated Statement of Other Comprehensive Income

For the Year Ended June 30, 2023

	2023 Rupees	2022 Rupees
<b>Profit after taxation</b>	839,109,917	2,772,331,600
<b>Other comprehensive loss</b>		
<b>Items that will not be reclassified to statement of profit or loss subsequently</b>		
Unrealised gain / (loss) on remeasurement of investment at fair value through other comprehensive income	2,748,279	(2,008,104)
Realised loss on disposal of investment at fair value through other comprehensive income	(9,944,577)	-
Loss on re-measurement of staff retirement benefit obligation	(9,323,592)	(3,661,570)
Impact of deferred tax	1,292,437	1,168,945
	(15,227,453)	(4,500,729)
<b>Total comprehensive income for the year</b>	<b>823,882,464</b>	<b>2,767,830,871</b>

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



Chief Executive Officer



Director



Chief Financial Officer

# Unconsolidated Statement of Changes in Equity

For the Year Ended June 30, 2023

	Issued, subscribed and paid-up capital	Unrealised loss on financial assets at fair value through other comprehensive income	Reserves			Total
			Revenue		Revenue	
			General	Sub-total	Unappropriated profit	
Rupees						
<b>Balance as at July 01, 2021</b>	102,920,000	(3,237,162)	130,000,000	126,762,838	3,340,985,754	3,570,668,592
<b>Total comprehensive income for the</b>						
<b>year ended June 30, 2022</b>						
Profit for the year	-	-	-	-	2,772,331,600	2,772,331,600
Other comprehensive loss	-	(2,008,104)	-	(2,008,104)	(2,492,625)	(4,500,729)
	-	(2,008,104)	-	(2,008,104)	2,769,838,975	2,767,830,871
<b>Transactions with owners</b>						
Final cash dividend for the year ended June 30, 2021 @ Rs.5 per share	-	-	-	-	(51,460,000)	(51,460,000)
<b>Balance as at June 30, 2022</b>	102,920,000	(5,245,266)	130,000,000	124,754,734	6,059,364,729	6,287,039,463
<b>Total comprehensive income for the</b>						
<b>year ended June 30, 2023</b>						
Profit for the year	-	-	-	-	839,109,917	839,109,917
Other comprehensive loss	-	(7,196,298)	-	(7,196,298)	(8,031,155)	(15,227,453)
	-	(7,196,298)	-	(7,196,298)	831,078,762	823,882,464
Reclassification adjustment of loss on sale of investment	-	9,944,577	-	9,944,577	(9,944,577)	-
<b>Transactions with owners</b>						
Final cash dividend for the year ended June 30, 2022 @ Rs.7.5 per share	-	-	-	-	(77,190,000)	(77,190,000)
<b>Balance as at 30 June 2023</b>	102,920,000	(2,496,987)	130,000,000	127,503,013	6,803,308,914	7,033,731,927

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Unconsolidated Statement of Cash Flow

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,004,647,116	2,943,341,529
Adjustments for non-cash and other items:			
Depreciation		285,624,241	237,810,939
Amortisation of government grant		(841,007)	(2,973,489)
Staff retirement benefit - gratuity		38,482,517	28,989,200
Provision for workers' profit participation fund		45,946,678	148,524,276
Provision for workers' welfare fund		20,942,535	60,068,194
Reversal / provision for expected credit loss in trade debtors		(47,214,395)	3,520,000
Provision for doubtful sales tax refunds		7,608,603	13,510,939
Gain on disposal of operating fixed assets		(4,436,617)	(3,420,023)
Unwinding of interest of GIDC		2,949,225	4,541,356
Dividend income		(10,036,651)	(12,304,299)
Finance cost		347,993,171	232,119,952
		1,691,665,416	3,653,728,574
<b>Working capital changes</b>			
<b>Decrease / (Increase) in current assets:</b>			
- stores, spare parts and loose tools		(7,594,859)	21,112,390
- stock-in-trade		(1,496,926,727)	(1,868,965,990)
- trade debts		(183,134,622)	(771,247,575)
- loans and advances		82,226,882	(82,404,481)
- short term deposit and prepayments		(3,511,250)	2,342,781
- other receivables and sales tax		115,625,138	9,663,913
		(1,493,315,438)	(2,689,498,962)
<b>Increase in current liabilities:</b>			
- trade and other payables		285,657,167	309,421,997
- contract liabilities		(3,956,864)	47,718,333
		281,700,303	357,140,330
<b>Net working capital changes</b>		480,050,281	1,321,369,942
Staff retirement benefits paid		(26,839,146)	(12,335,017)
Finance cost paid		(297,122,499)	(218,036,161)
Taxes paid / refunds		(90,156,768)	(538,872,545)
Rebate income received		2,561,370	693,430
Workers' profit participation fund paid		(150,824,250)	(63,679,920)
Long term advances and deposits - net		100,000	2,100,000
		(562,281,293)	(830,130,213)
<b>Net cash (used in) / generated from operating activities</b>		(82,231,012)	491,239,729
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(644,167,434)	(1,325,981,804)
Proceeds from disposal of operating fixed assets		12,120,750	12,322,977
Proceeds from disposal of short term investment		32,173,928	-
Long term investment		(426,557,601)	-
Short term investment		(9,944,401)	-
Investment in term deposit receipts		(50,000,000)	-
Dividend income received		10,036,651	12,304,299
<b>Net cash used in investing activities</b>		(1,076,338,107)	(1,301,354,528)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finances - obtained		312,039,880	793,176,357
- repaid		(193,348,634)	(140,151,866)
Dividend paid		(77,232,758)	(51,233,339)
Short term borrowings - net		1,287,903,134	228,298,848
<b>Net cash generated from financing activities</b>		1,329,361,622	830,090,000
<b>Net increase in cash and cash equivalents</b>		170,792,503	19,975,201
<b>Cash and cash equivalents - at beginning of the year</b>		26,959,651	6,984,450
<b>Cash and cash equivalents - at end of the year</b>	33	197,752,154	26,959,651

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



Chief Executive Officer



Director



Chief Financial Officer

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 1. LEGAL STATUS AND OPERATIONS

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.

Geographical location and addresses of major business units including mills / plant of the Company are as under:

<b>Karachi</b> 312, Cotton Exchange Building, I.I Chundrigar Road	<b>Purpose</b> Registered office
<b>Lahore</b> 1st Floor, Tricon Corporate Centre, 73-E, Main Jail Road, Gulberg II,	Head office
<b>Sheikhupura</b> Feroze Wattoan,	Production plant

## 2. BASIS OF PREPARATION

### 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 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment valued at fair value, derivative financial instruments which have been marked to market and staff retirement benefit - gratuity which is stated at present value of defined benefit obligation.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees unless otherwise specified.

### 2.4 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

#### 2.4.1 Standards, amendments to approved accounting standards effective in current year and have been adopted by the Company.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for change resulted due to adoption of amendments to accounting standards. The below mentioned amendments to approved accounting standards are effective for the financial year beginning on July 01, 2022 and have been adopted by the Company:

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## (a) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

## (b) IAS 16 Property, Plant and Equipment

Amendment to IAS 16 (regarding proceeds before an asset's intended use) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement of the Company.

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

### (a) IAS 1 Presentation of Financial Statements **Effective: January 01, 2024**

The amendments clarify how to classify a debt and other liabilities as current or non-current. The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

### (b) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors **Effective: January 01, 2023**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

### (c) IAS 1 Presentation of Financial Statements **Effective: January 01, 2023**

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

The Company has assessed that the impact of above amendments is not expected to be significant.

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

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 2.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

### (a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

### (b) Stores & spares and stock-in-trade

The Company estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

### (c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss model. Management used actual credit loss experience over past years for the calculation of expected credit loss. Trade and other receivables are written off when there is no reasonable expectation of recovery.

### (d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 17.

### (e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Property, plant and equipment

#### Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the date the assets are available for use while no depreciation is charged to the date in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

## Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the statement of profit or loss.

## Impairment

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in income currently.

## Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalized and apportioned to the respective items of property, plant and equipment on completion.

### 3.2 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

The Company has elected not to recognise right-of-use assets and its corresponding lease liabilities for some of the low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

### 3.3 Financial assets

#### Initial measurement

The Company classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

#### Subsequent Measurement

##### - Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## - Debt Instruments at FVTOCI

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

## - Debt Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

## - Financial Assets measured at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

## Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

## Investments in Subsidiary and Associated Companies

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

## 3.4 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost which is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

## 3.5 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

### Particulars

Raw material

Raw materials in transit

Work-in-process

Finished goods

Waste

### Mode of valuation

- weighted average cost

- cost accumulated to the reporting date

- cost of direct materials and appropriate manufacturing overheads

- lower of average cost and net realizable value

- net realizable value.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

## 3.6 Trade debts and other receivables and related impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 3.7 Government grants

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the Company.

Government grant towards research and development activities is recognized in statement of profit or loss as deduction from the relevant expenses on matching basis.

## 3.8 Impairment

### a) Financial assets

The Company assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for the calculation of ECL.

For debt instruments measured as FVTOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The provision for impairment loss is recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

## 3.9 Financial liabilities

### Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

### Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

## 3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 3.11 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

## 3.12 Employees' retirement benefits

### (a) Defined contribution plan

The Company operates a defined contribution plan through an approved provident fund (the Fund) for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the Fund.

### (b) Defined benefit plan

The Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2023 on the basis of projected unit credit method by an Independent Actuary. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements is recognized in the statement of financial statement immediately, with a charge or credit to statement of other comprehensive income in the periods in which they occur.

## 3.13 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in statement of other comprehensive income or directly in equity. In this case, the tax is also recognized in statement of other comprehensive income or directly in equity, respectively.

### Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

### Deferred

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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 by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income / equity in which case it is included in statement of other comprehensive income / equity.

## 3.14 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 3.15 Provisions

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

## 3.16 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognized in the statement of profit or loss.

## 3.17 Revenue recognition

Revenue is recognized when the performance obligation associated with the sale contract is satisfied. Revenue is measured at the fair value of consideration received or receivable on the following basis:

### Sale of goods

- 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;

### Rendering of services

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;

### Other sources of revenue

- 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 is established.

## 3.18 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss.

## 3.19 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognized in the period in which they are approved.

## 3.20 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 4 PROPERTY, PLANT AND EQUIPMENT

	Note	2023 Rupees	2022 Rupees
Operating fixed assets	4.1	2,990,289,649	2,484,217,013
Capital work-in-progress	4.3	600,998,537	756,212,113
		3,591,288,186	3,240,429,126

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 4.1 Operating fixed assets

	Equipment											Furniture and fixtures	Total			
	Freehold land	Residential buildings and others on freehold land	Factory buildings on freehold land	Plant and machinery	Electric installations	Office	Equipment				Vehicles					
							Electric	Computer hardware	Electric	Office						
	Rupees															
<b>At July 1, 2021</b>																
Cost	65,109,754	132,914,353	857,960,609	2,720,251,181	167,104,495	5,588,279	408,950	3,899,712	86,965,878	3,024,347	4,043,227,558					
Accumulated depreciation	-	61,320,267	488,987,520	1,255,177,409	80,142,666	2,576,564	245,103	3,398,530	44,183,992	1,875,162	1,937,907,213					
<b>Net book value</b>	<b>65,109,754</b>	<b>71,594,086</b>	<b>368,973,089</b>	<b>1,465,073,772</b>	<b>86,961,829</b>	<b>3,011,715</b>	<b>163,847</b>	<b>501,182</b>	<b>42,781,886</b>	<b>1,149,185</b>	<b>2,105,320,345</b>					
<b>Year ended June 30, 2022</b>																
Opening net book value	65,109,754	71,594,086	368,973,089	1,465,073,772	86,961,829	3,011,715	163,847	501,182	42,781,886	1,149,185	2,105,320,345					
Additions	-	14,708,434	4,940,697	575,248,430	-	-	-	-	30,713,000	-	625,610,561					
Disposals:																
- cost	-	-	-	63,148,880	-	-	-	-	89,000	6,088,330	-	69,326,210				
- accumulated depreciation	-	-	-	(55,708,477)	-	-	-	-	(66,963)	(4,647,816)	-	(60,423,256)				
Depreciation charge	-	4,253,841	37,359,133	175,064,515	8,696,183	301,172	16,385	147,015	11,857,776	114,919	237,810,939					
<b>Closing net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>					
<b>At 30 June 2022</b>																
cost	65,109,754	147,622,787	862,901,306	3,232,950,731	167,104,495	5,588,279	408,950	3,810,712	111,590,548	3,024,347	4,599,511,909					
Accumulated depreciation	-	65,574,108	526,346,653	1,374,533,447	88,838,849	2,877,736	261,488	3,478,582	51,393,952	1,990,081	2,115,294,896					
<b>Net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>					
<b>Year ended June 30, 2023</b>																
Opening net book value	65,109,754	82,048,679	336,554,653	1,857,817,284	78,265,646	2,710,543	147,462	332,130	60,196,596	1,034,266	2,484,217,013					
Additions	-	8,793,033	131,404,444	637,937,175	4,261,358	-	-	-	16,985,000	-	799,381,010					
Disposals:																
- cost	-	-	-	13,639,152	-	-	-	-	10,787,915	-	24,427,067					
- accumulated depreciation	-	-	-	(10,277,127)	-	-	-	-	(6,465,807)	-	(16,742,934)					
Depreciation charge	-	4,259,772	38,379,810	220,441,132	8,146,167	271,054	14,746	99,639	13,908,494	103,427	285,624,241					
<b>Closing net book value</b>	<b>65,109,754</b>	<b>86,581,940</b>	<b>429,579,287</b>	<b>2,271,951,302</b>	<b>74,380,837</b>	<b>2,439,489</b>	<b>132,716</b>	<b>232,491</b>	<b>58,950,994</b>	<b>930,839</b>	<b>2,990,289,649</b>					
<b>At June 30, 2023</b>																
Cost	65,109,754	156,415,820	994,305,750	3,856,648,754	171,365,853	5,588,279	408,950	3,810,712	117,787,633	3,024,347	5,374,465,852					
Accumulated depreciation	-	69,833,880	564,726,463	1,584,697,452	96,985,016	3,148,790	276,234	3,578,221	58,836,639	2,093,508	2,384,176,203					
<b>Net book value</b>	<b>65,109,754</b>	<b>86,581,940</b>	<b>429,579,287</b>	<b>2,271,951,302</b>	<b>74,380,837</b>	<b>2,439,489</b>	<b>132,716</b>	<b>232,491</b>	<b>58,950,994</b>	<b>930,839</b>	<b>2,990,289,649</b>					
Depreciation rate (% - per annum)		5	10	10	10	10	10	30	20	10						

\* This include Solar Power Solution costing Rs. 46.637 million purchased from Ignite Power (Private) Limited (a related party), machinery costing Rs.23.545 million purchased from Sapphire Fibres Limited ( a related party) and machinery costing Rs. 1.900 million purchased from Amer Cotton Mills (Private) Limited (a related party).

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 4.1.2 Particulars of immovable property in the name of Company are as follows:

Location	Usage of immovable property	Total area in square yards
<b>Freehold Land</b>		
- Ferozewattoan, District Shiekhupura.	Production plant	181,802

## 4.2 Depreciation charge has been allocated as follows:

	2023 Rupees	2022 Rupees
Cost of goods manufactured	280,375,260	231,992,757
Administrative expenses	5,248,981	5,818,182
	285,624,241	237,810,939

	Note	2023 Rupees	2022 Rupees
<b>4.3 Capital work-in-progress</b>			
Buildings		138,643,918	81,893,953
Plant and machinery {including in transit aggregating Rs.Nil (2022: Rs.96.860 million)}	4.3.1	446,319,619	552,706,333
Advance payments against:			
- Factory / office building		16,035,000	22,505,003
- Plant and machinery		-	93,241,824
- Vehicles		-	5,865,000
		16,035,000	121,611,827
		600,998,537	756,212,113

**4.3.1** The Company during the year has capitalised borrowing cost of Rs.7.322 million charged at the rate ranging from 3.5% to 4.0% per annum.

## 4.3.2 Movement in the account of capital work in progress during the year is as follows:

Particulars	1 July 2022	Additions during the year	Transferred to operating fixed assets	30 June 2023
	Rupees			
Building	81,893,953	174,442,441	117,692,476	138,643,918
Plant and Machinery	552,706,333	442,569,993	548,956,707	446,319,619
	634,600,286	617,012,434	666,649,183	584,963,537
Advance payments against:				
Factory / office building	22,505,003	16,035,000	22,505,003	16,035,000
Plant and machinery	93,241,824	-	93,241,824	-
Vehicles	5,865,000	11,120,000	16,985,000	-
	121,611,827	27,155,000	132,731,827	16,035,000

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 4.4 The details of operating fixed assets disposed-off is as follows:

Particulars of assets	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain	Mode of disposal	Sold to:
Assets having net book value exceeding Rs.500,000 each							
<b>Plant and machinery</b>							
Drawing Machines DX-08 Toyota	7,898,113	6,699,111	1,199,002	1,710,000	510,998	Negotiation	M/s. Liaqat Spinning Mills
Rieter Card C-51	2,310,562	1,405,042	905,520	1,820,000	914,480	Negotiation	M/s. Liaqat Spinning Mills
Rieter Card C-51	2,310,562	1,405,042	905,520	1,820,000	914,480	Negotiation	M/s. Liaqat Spinning Mills
	12,519,237	9,509,195	3,010,042	5,350,000	2,339,958		
<b>Vehicles</b>							
Suzuki Cultus	1,443,680	753,177	690,503	800,000	109,497	Negotiation	Mr. Zia Ullah
Honda Civic	4,127,000	1,655,385	2,471,615	2,700,000	228,385	Negotiation	Mr. Mujahid Akbar
	5,570,680	2,408,562	3,162,118	3,500,000	337,882		
Various assets having net book value upto Rs.500,000 each							
	6,337,150	4,825,177	1,511,973	3,270,750	1,758,777	Negotiation	Various parties
2023	24,427,067	16,742,934	7,684,133	12,120,750	4,436,617		
2022	69,326,210	60,423,256	8,902,954	12,322,977	3,420,023		

5	LONG TERM INVESTMENTS	Note	2023 Rupees	2022 Rupees
	Subsidiary Company - at cost	5.1	2,600,000	2,600,000
	Associated Companies - at cost	5.2	515,527,246	88,969,645
			518,127,246	91,569,645

5.1	Subsidiary Company - unquoted	Note	2023 Rupees	2022 Rupees
	RCSM Company (Private) Limited 260,000 ordinary shares of Rs.10 each Equity held: 100%	5.1.1	2,600,000	2,600,000

**5.1.1** RCSM Company (Private) Limited was incorporated in November 8, 2017. The principal activity of the Subsidiary Company is to take or otherwise acquire and hold shares in any other Company but not to act as an investment Company.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

5.2	Associated Companies	Note	2023 Rupees	2022 Rupees
	<b>Quoted</b>			
	<b>Sapphire Fibres Limited</b>			
	798,796 (2022: 393,697) ordinary shares of Rs.10 each		468,514,083	41,956,482
	Equity held: 3.864% (2022: 1.905%)			
	Fair value: Rs.893.357 million (2022: Rs.423.224 million)			
	<b>Sapphire Textile Mills Limited</b>			
	100,223 ordinary shares of Rs.10 each		8,114,578	8,114,578
	Equity held: 0.462%			
	Fair value: Rs.116.824 million (2022: Rs.110.496 million)			
	<b>Un quoted</b>			
	<b>SFL Limited</b>			
	401,570 ordinary shares of Rs.10 each	5.2.1	2,439,475	2,439,475
	Equity held: 1.998%			
	<b>Sapphire Finishing Mills Limited</b>			
	1,556,000 ordinary shares of Rs.10 each		16,509,160	16,509,160
	Equity held: 1.69%			
	<b>Sapphire Holding Limited</b>			
	100,223 ordinary shares of Rs.10 each		524,950	524,950
	Equity held: 0.5%			
	<b>Sapphire Power Generation Limited</b>			
	555,000 ordinary shares of Rs. 10 each		19,425,000	19,425,000
	Equity interest held 3.46%			
			<b>515,527,246</b>	<b>88,969,645</b>

**5.2.1** SFL Limited is in process of voluntary delisting from Pakistan Stock Exchange and has made an offer to buy back shares at an agreed price of Rs.160 per share.

**5.2.2** As these are the unconsolidated financial statements of the company, investments in associates have been carried at cost and equity method will be applied in the consolidated financial statements of the company.

**5.2.3** The Company's investment in above companies is less than 20% but these are considered associated companies as the Company has significant influence over the financial and operating policies through representation on the Board of Directors of these companies.

## 6 STORES, SPARE PARTS AND LOOSE TOOLS

	2023 Rupees	2022 Rupees
Stores	21,646,143	11,482,681
Spares parts	29,681,269	21,542,450
Loose tools	93,600	40,800
Items in transit	23,556,851	34,317,073
	<b>74,977,863</b>	<b>67,383,004</b>

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 7 STOCK-IN-TRADE

	Note	2023 Rupees	2022 Rupees
<b>Raw materials:</b>			
- at mills		3,982,794,123	3,560,945,774
- in transit		767,222,050	435,749,233
	7.1	4,750,016,173	3,996,695,007
Work-in-process		609,784,835	309,372,499
Finished goods			
- at mills	7.2	782,193,926	345,981,922
- at third party premises		-	34,555,013
		782,193,926	380,536,935
Waste		61,138,997	19,602,763
		6,203,133,931	4,706,207,204

**7.1** As at June 30, 2023, raw material costing Rs.2,842.465 million have been written down to Rs.2,187.171 million to arrive at the net realisable value. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.655.294 million.

**7.2** As at June 30, 2023, finished goods at mills costing Rs.680.732 million have been written down to Rs.668.672 million to arrive at the net realisable value. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.12.060 million.

## 8 TRADE DEBTS

	Note	2023 Rupees	2022 Rupees
<b>Considered good</b>			
Unsecured - local	8.1	1,856,307,118	1,316,235,087
Secured - foreign debts		171,088,039	528,025,448
		2,027,395,157	1,844,260,535
Less: provision for expected credit loss	8.4	14,529,933	61,744,328
		2,012,865,224	1,782,516,207

### 8.1 These include the following amounts due from related parties:

	2023 Rupees	2022 Rupees
Amer Cotton Mills (Pvt.) Limited	15,371,284	-
Diamond Fabrics Limited	11,251,470	212,663
Sapphire Fibers Limited	538,403,297	163,710,932
Sapphire Power Generation Limited	10,951	17,294
Sapphire Textile Mills Limited	1,924,002	9,720,062
	566,961,004	173,660,951

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 8.2 The ageing of trade debts at June 30, is as follows:

	Related parties		Others	
	2023	2022	2023	2022
	Rupees			
Not past due	18,938,867	1,016,120	533,110,815	520,807,354
Past due 1-30 days	159,450,079	99,134,253	434,906,866	538,882,230
Past due 31-60 days	91,661,427	70,456,051	360,948,028	449,093,841
Past due 61-90 days	41,233,233	2,958,943	58,178,456	129,746,018
Past due 91-365 days	255,666,447	69,264	48,463,448	17,327,449
Past due one year	10,951	26,320	24,826,540	14,742,692
	566,961,004	173,660,951	1,460,434,153	1,670,599,584

8.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.714.54 million (2022: Rs.424.164 million).

## 8.4 Provision for expected credit loss

	2023 Rupees	2022 Rupees
Balance at the beginning of the year	61,744,328	58,224,328
Charged during the year	-	3,520,000
Reversal of provision	(47,214,395)	-
Balance at the end of the year	14,529,933	61,744,328

## 9 LOANS AND ADVANCES

	Note	2023 Rupees	2022 Rupees
Current portion of long term loans to employees		100,000	1,100,000
Advances to supplier and contractors	9.1	32,806,723	114,033,605
		32,906,723	115,133,605

9.1 This include amount of Rs. 3.433 million paid to Sapphire Textile Mills Limited (a related party) for purchase of polyester.

## 10 SHORT TERM DEPOSITS AND PREPAYMENTS

	2023 Rupees	2022 Rupees
Bank guarantee margin	2,295,700	833,473
Prepayments	231,234	214,592
Letter of credit margin	2,032,381	-
	4,559,315	1,048,065

## 11 SHORT TERM INVESTMENTS

	Note	2023 Rupees	2022 Rupees
Equity instruments	11.1	14,088,516	53,461,960

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 11.1 Equity instruments – at (FVTOCI)

(Investment in quoted securities)

Number of Shares / Certificates		Name of the investee company	Market value		Cost	
2023	2022		2023	2022	2023	2022
Rupees						
-	14,000	Attock Cement Pakistan Limited	-	931,000	-	1,870,481
-	14,200	D.G.Khan Cement Company Limited	-	887,500	-	1,659,557
-	25,740	Engro Corporation Limited	-	6,617,497	-	7,296,579
-	55,000	Engro Fertilizers Limited	-	4,875,200	-	3,317,315
-	156,683	Engro Polymer & Chemicals Limited	-	12,476,667	-	4,881,318
-	19,000	The Hub Power Company Limited	-	1,295,230	-	2,428,134
-	5,900	ICI Pakistan Limited	-	4,274,845	-	6,980,061
-	290,000	K-Electric Limited	-	881,600	-	1,879,537
-	3,350	Lucky Cement Limited	-	1,537,784	-	2,167,609
-	847	Mari Petroleum Company Limited	-	1,473,560	-	1,054,594
39,796	36,179	Meezan Bank Limited	3,437,181	4,087,503	2,431,357	2,431,357
30,000	30,000	Oil & Gas Development Company Limited	2,340,000	2,360,100	4,574,621	4,574,621
-	2,400	Packages Limited	-	957,264	-	2,037,824
-	15,264	Pakistan Petroleum Limited	-	1,030,473	-	1,530,272
17,744	17,744	Pakistan State Oil Company Limited	1,969,761	3,049,129	3,969,942	3,969,942
26,000	66,000	Sui Northern Gas Pipeline Limited	1,023,620	2,257,860	3,224,374	8,184,950
50,950	52,000	Sui Southern Gas Company Limited	437,661	471,120	1,892,741	1,931,748
12,100	12,100	Systems Limited	4,880,293	3,991,306	492,468	492,468
-	58	The Searle Company Limited	-	6,323	-	18,860
			14,088,516	53,461,961	16,585,503	58,707,227
Adjustment arising from re-measurement to fair value					(2,496,987)	(5,245,266)
<b>Market value</b>					<b>14,088,516</b>	<b>53,461,961</b>

## 12 OTHER RECEIVABLES

	2023 Rupees	2022 Rupees
Advance income tax	141,123,852	168,447,782
Export rebate & duty drawbacks	559,348	3,120,718
Deposits with the High Court	6,993,302	6,993,302
Claims receivable	235,360	306,940
Profit on Term Deposit Receipts	308,904	-
	149,220,766	178,868,742

## 13 TAX REFUNDS DUE FROM GOVERNMENT

	2023 Rupees	2022 Rupees
Sales tax	395,964,231	504,218,090
Less: provision for doubtful tax refunds	45,677,070	38,068,467
	350,287,161	466,149,623
Income tax	225,476,998	206,602,350
	575,764,159	672,751,973

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 14 CASH AND BANK BALANCES

	Note	2023 Rupees	2022 Rupees
Cash-in-hand		788,500	1,304,000
Cash at bank			
- at current account	14.1	146,337,508	25,457,473
- at dividend account		626,146	732,651
		146,963,654	26,190,124
Term deposit receipts	14.2	50,000,000	-
		197,752,154	27,494,124

14.1 This include US\$ 457,393 (2022: US\$ 60,658).

14.2 This carried mark up at the rate of 20.5% per annum and is having a maturity period of three months.

## 15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023	2022		2023	2022
Numbers			Rupees	
10,292,000	10,292,000	Ordinary shares of Rs.10 each fully paid in cash	102,920,000	102,920,000

15.1 Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

15.2 6,761,808 (2022: 6,734,108) ordinary shares of Rs.10 each are held by the related parties as at year-end.

## 16 LONG TERM LIABILITIES - Secured

	Note	2023 Rupees	2022 Rupees
Long term finances	16.1	1,872,866,164	1,754,174,918
Provision for Gas infrastructure Development Cess	16.2	92,876,938	89,927,713
		1,965,743,102	1,844,102,631
Less: current portion grouped under current liabilities		(325,244,097)	(210,608,139)
		1,640,499,005	1,633,494,492

### 16.1 Long term finances (from banking companies)

- Faysal Bank Limited	16.1.1	217,795,286	154,503,000
- Habib Bank Limited	16.1.2	169,951,993	227,389,661
- MCB Bank Limited	16.1.3	747,708,885	634,872,257
- Mezaan Bank Limited	16.1.4	737,410,000	737,410,000
		1,872,866,164	1,754,174,918

16.1.1 The Company has arranged long term finance facilities amounting to Rs.300 million from Faysal Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.154.503 million in six tranches of different amounts during the preceding years and Rs. 115.144 million in 5 tranches of different amounts during the current year. Each tranche is repayable in 32 equal quarterly installments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranging from 3.00% to 24.08% (2022: 3.00% to 4.00%) per annum and are secured against first charge of Rs.400 million with 25% margin over all present and future plant and machinery of the Company.

16.1.2 The Company has arranged long term finance facilities amounted Rs.250 million and Rs.138 million from Habib Bank Limited under the state bank of Pakistan (SBP) scheme for imported plant and machinery and for refinance for payment of wages and salaries respectively. These finance facilities have different repayment terms and carry mark-up at the rates ranged from 1.00% to 2.85% per annum, payable on quarterly basis. This facility secured against pari pasu charge over present and future plant and machinery of the Company for Rs.641.333 million.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

As the above loan of Rs.138 million is below market rate of interest it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as a government grant. The said loan has been repaid during the year.

**16.1.3** The Company has arranged a long term finance facility amounting Rs.1,065.548 million from MCB Bank Limited to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.736.576 million in 22 tranches of different amount during the preceding years and Rs.196.896 million in 2 tranches of different amounts during the current year. Each tranche is repayable in 16 equal quarterly installments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranged from 2.50% to 18.32% (2022: 2.50% to 10.82%) per annum and are secured against 1st joint parri passu charge of Rs.2,534 million with 25 % margin over all present and future plant and machinery of the company.

**16.1.4** The Company has arranged a long term Islamic finance facility (Diminishing Musharakah Facility) amounting Rs.1,400 million from Meezan Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.737.410 million in 14 tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate ranged from 3.50% to 4.00% (2022: 3.50% to 4.00%) per annum and are secured against 1st parri passu charge with 25 % margin overall present and future plant and machinery of the Company.

## 16.2 Movement in Gas Infrastructure Development Cess payable

	Note	2023 Rupees	2022 Rupees
Balance of provision for GIDC	16.2.1	89,927,713	85,386,356
Unwinding of interest		2,949,225	4,541,356
		92,876,938	89,927,713

**16.2.1** The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 2020 decided the appeal against the Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company falls under the category of consumer and had not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Company.

The Company has recorded a provision against GIDC. The amount has been recorded at its present value, by discounting future estimated cash flows using risk free rate of return.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 17 STAFF RETIREMENT BENEFIT - Gratuity

The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2023 Rupees	2022 Rupees
<b>Amount recognized in the statement of financial position</b>		
Net liability at the beginning of the year	92,326,481	72,010,728
Charge to statement of profit or loss	38,482,517	28,989,200
Remeasurement recognized in statement of other comprehensive income	9,323,592	3,661,570
Payments made during the year	(26,839,146)	(12,335,017)
Net liability at the end of the year	113,293,444	92,326,481
<b>Movement in the present value of defined benefit obligation</b>		
Balance at beginning of the year	92,326,481	72,010,728
Current service cost	27,830,084	22,240,270
Interest cost	10,652,433	6,748,930
Benefits paid	(26,839,146)	(12,335,017)
Remeasurements on obligation	9,323,592	3,661,570
Balance at end of the year	113,293,444	92,326,481
<b>Expense recognized in Statement of profit or loss</b>		
Current service cost	27,830,084	22,240,270
Interest cost	10,652,433	6,748,930
	38,482,517	28,989,200
<b>Remeasurements recognized in statement of other comprehensive income</b>		
Experience adjustment	9,323,592	3,661,570

	2023	2022
<b>Actuarial assumptions used</b>		
Discount rate	16.25%	13.25%
Expected rate of increase in future estimates	15.25%	12.50%
Average age of employees	11 years	13 years
	SLIC	SLIC
Mortality rates (for death in service)	(2001-05)	(2001-05)

### Sensitivity analysis for actuarial assumptions

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

	Change in assumptions	Increase in assumptions Rupees	Decrease in assumptions Rupees
Discount rate	1%	(103,589,980)	123,908,589
Increase in future salaries	1%	123,905,849	(103,588,708)

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

sensitivity of the defined benefit obligation to significant actuarial assumptions the same method ( present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period ) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Based on actuary's advice, the expected charge for the year ending June 30, 2024 amounts to Rs.53.672 million.

## Historical information

	2023	2022	2021	2020	2019
	Rupees				
Present value of defined benefit obligation	113,293,444	92,326,481	72,010,728	62,585,160	48,699,241
Experience adjustment on obligation / actuarial (loss)	(9,323,592)	(3,661,570)	(2,009,990)	(2,324,570)	(116,423)

	2023 Rupees	2022 Rupees
<b>18 DEFERRED TAXTION - Net</b>		
The balance of deferred tax is in respect of following major temporary differences		
Taxable temporary differences arising in respect of :		
- accelerated tax depreciation allowance	41,781,987	30,910,022
	41,781,987	30,910,022
Deductible temporary differences arising in respect of :		
- staff retirement benefit - gratuity	8,397,763	4,990,801
- provision for doubtful tax refunds	3,385,767	2,057,829
- provision for impairment in trade debts	1,077,017	3,337,651
	12,860,547	10,386,281
	28,921,440	20,523,741

**18.1** The Company's income of the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001. However, deferred tax liability / (asset) is recognized as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

	Note	2023 Rupees	2022 Rupees
<b>19 TRADE AND OTHER PAYABLES</b>			
Trade creditors	19.1	398,060,892	239,460,111
Accrued expenses		313,629,230	371,487,696
Bills payable	19.2	501,433,624	390,704,691
Sindh government infrastructure fee	19.3	227,399,957	155,927,910
Workers' profit participation fund	19.4	45,946,678	148,524,276
Workers' welfare fund		81,010,729	60,068,194
Current portion of Government grant		-	841,007
		1,567,481,110	1,367,013,885

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	2023 Rupees	2022 Rupees
<b>19.1 These balances include the following amounts due to related parties:</b>		
Amer Cotton Mills (Pvt.) Limited	170,448,677	16,842,326
Sapphire Fibers Limited	43,837,396	26,800,373
Sapphire Textile Mills Limited	76,399	241,018
	214,362,472	43,883,717

**19.2** These are secured against import documents.

**19.3** This 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 the Sindh High Court (the 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 28, 2006 as illegal and ultra vires and after that it was legal. 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 come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2023, the Company has provided bank guarantees aggregating Rs.260.720 million (2022: Rs.174.707 million) in favor of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favor.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>19.4 Workers' profit participation fund</b>			
Balance at beginning of the year		148,524,276	63,132,291
Add: interest on funds utilized by the Company		2,299,974	547,629
		150,824,250	63,679,920
Less: payments made during the year		150,824,250	63,679,920
		-	-
Add: allocation for the year		45,946,678	148,524,276
Balance at end of the year		45,946,678	148,524,276
<b>20 ACCRUED MARK-UP / INTEREST</b>			
Mark-up / interest accrued on:			
- long term finances		21,562,560	18,454,770
- short term borrowings		72,963,689	25,200,807
		94,526,249	43,655,577
<b>21 SHORT TERM BORROWINGS</b>			
Short term loans	21.1	1,625,449,000	745,000,000
Running / cash finances - secured	21.1	705,694,302	297,705,695
Temporary bank overdraft - unsecured		-	534,473
		2,331,143,302	1,043,240,168

**21.1** The Company has obtained short term finance facilities under mark-up arrangements aggregate to Rs.5,553 million (2022: Rs.5,723 million). These finance facilities, during the year, carried mark-up at the rates ranged from 14.06% to 23.08% (2022: 7.44% to 15.31%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.16,539 million (2022: Rs.14,829 million) over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Facilities available for opening letters of credit and guarantees aggregate to Rs.6,620 million (2022: Rs.6,000 million) out of which the amount remained unutilized at the year-end was Rs.4,818.88 (2022: Rs.4,329 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Company, cash margins and counter guarantee by the Company.

Abovementioned facilities are expiring on various dates upto March 31, 2024.

	Note	2023 Rupees	2022 Rupees
<b>22 CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term finances	16	235,039,316	143,935,040
Current portion of Gas Infrastructure			
Development Cess payable	16	90,204,781	66,673,099
		325,244,097	210,608,139

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

#### 23.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.386.662 million (2022: Rs.286.662 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

**23.1.2** Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2023 the value of these cheques amounted to Rs 5,343.701 million (2022: Rs.550.659 million).

**23.1.3** The Company has claimed an input tax credit of Rs.45.749 million (2022: Rs.38.068 million) which was disallowed by FBR through its notice dated June 20, 2015. The Company has filed an appeal against the decision of FBR in the Honorable Lahore High Court dated July 07, 2015. The management expects a favourable out come in this case.

	2023 Rupees	2022 Rupees
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### 23.2 COMMITMENTS

Commitments in respect of :		
- letters of credit for capital expenditure	571,789,427	653,562,710
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	308,063,329	203,360,516
- capital expenditure other than letters of credit	51,039,978	145,465,316
- foreign & local bills discounted	283,113,000	136,793,710

## 24 SALES - NET

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

	Note	2023 Rupees	2022 Rupees
<b>Types of goods and services</b>			
Local sales			
- yarn		2,566,235,017	2,229,678,993
- waste		154,957,553	151,506,318
- raw materials		40,394,396	62,584,359
- local steam income		13,142,730	11,697,894
- processing income		6,903,449	182,725
		2,781,633,145	2,455,650,289
Export Sales			
- yarn	24.1	9,260,171,217	10,013,382,942
- waste		213,864,063	133,532,610
		9,474,035,280	10,146,915,552
		12,255,668,425	12,602,565,841
Less: sales tax		1,206,828,817	1,216,096,436
		11,048,839,608	11,386,469,405

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

**24.1** This includes indirect export of Rs.7,108 million (2022: Rs.6,759 million).

**24.2** Waste sales include sale of comber noil.

**24.3** Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.82.51 (2022: Rs.72.795 million) has been included in export sales.

**24.4** The Company's revenue from external customers by geographical location is detailed below:

	2023 Rupees	2022 Rupees
Africa	16,979,870	1,891,368
America	674,580,007	628,770,822
Asia	9,554,349,435	9,865,669,025
Australia	47,860,773	18,419,968
Europe	755,069,523	871,718,222
	11,048,839,608	11,386,469,405

	Note	2023 Rupees	2022 Rupees
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## 25 COST OF SALES

Finished goods at beginning of the year		400,139,698	363,753,827
Cost of goods manufactured	25.1	9,732,349,056	7,639,060,576
Yarn / fabric purchased during the year		26,491,754	41,488,320
Cost of raw materials sold		27,736,515	35,674,514
		9,786,577,325	7,716,223,410
		10,186,717,023	8,079,977,237
Finished goods at end of the year		(843,332,923)	(400,139,698)
		9,343,384,100	7,679,837,539

	Note	2023 Rupees	2022 Rupees
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### 25.1 Cost of goods manufactured

Work-in-process at beginning of the year		309,372,499	223,211,728
Raw materials consumed	25.2	7,686,531,115	5,686,622,075
Salaries, wages and benefits	25.3	667,121,883	621,917,127
Packing stores consumed		134,549,070	122,926,881
General stores consumed		208,747,841	182,711,847
Processing charges		260,072,715	247,592,779
Depreciation	4.2	280,375,260	231,992,757
Fuel and power		734,368,714	561,592,770
Repair and maintenance		10,708,597	33,044,158
Insurance		28,648,307	20,550,610
Travelling and conveyance		13,974,943	8,699,440
Other manufacturing expense		7,662,947	7,570,903
		10,342,133,891	7,948,433,075
Work-in-process at end of the year		(609,784,835)	(309,372,499)
		9,732,349,056	7,639,060,576

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	2023 Rupees	2022 Rupees
<b>25.2 Raw materials consumed</b>		
Stocks at beginning of the year	3,560,945,774	1,793,227,469
Purchases	8,108,379,464	7,454,340,380
	11,669,325,238	9,247,567,849
Stocks at end of the year	(3,982,794,123)	(3,560,945,774)
	7,686,531,115	5,686,622,075

**25.3** Salaries, wages and benefits include Rs.38.482 million (2022: Rs.28.989 million) in respect of staff retirement benefit - gratuity and Rs.4.336 million (2022: Rs.3.790 million) contribution in respect of staff provident fund.

	Note	2023 Rupees	2022 Rupees
<b>26 DISTRIBUTION COST</b>			
Salaries and other benefits	26.1	20,132,824	18,150,507
Travelling, conveyance and entertainment		5,857,965	9,159,273
Insurance charges - exports		656,643	512,820
Telephone & Postage		1,611,743	1,173,705
Printing and stationery		1,041,883	525,261
Commission:			
- local		10,755,444	8,380,884
- export		41,361,093	34,197,351
		52,116,537	42,578,235
Freight and forwarding:			
- local		13,998,709	10,659,136
- export		65,790,887	119,821,990
		79,789,596	130,481,126
Export development surcharge		5,192,573	6,035,806
Provision for expected credit loss in trade debts		-	3,520,000
		166,399,764	212,136,733

**26.1** Salaries and other benefits include Rs.0.353 million (2022: Rs.0.812 million) in respect of contribution to staff provident fund.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>27 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		21,600,000	19,800,000
Director's meeting fee		240,000	256,000
Salaries and other benefits	27.1	49,527,326	48,307,015
Postage		1,902,883	2,055,045
Fee and subscription		3,294,969	3,518,225
Legal and professional charges		11,462,483	7,433,283
Entertainment		9,928,021	2,019,233
Travelling and conveyance		34,698,055	13,073,356
Printing and stationery		1,563,231	1,276,429
Advertisement		819,164	84,469
Repair and maintenance		4,949,313	231,886
Utility charges		4,404,027	1,989,388
Charity and donations	27.2	36,525,000	17,580,760
Depreciation	4.2	5,248,981	5,818,182
Insurance expense		-	87,779
Others		890,233	90,256
		<b>187,053,686</b>	<b>123,621,306</b>

**27.1** Salaries and other benefits include Rs.2.617 million (2022: Rs.1.089 million) in respect of contribution to staff provident fund.

## **27.2 Donations exceeding 10% of the total donations of the Company**

### **Donations with directors' interest**

These include donations amounted Rs.30.30 million (2022: Rs.10 million) made to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nabeel Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Shayan Abdullah have common directorship in both Companies.

### **Donations without directors' interest**

These include donations amounted Rs. 5 million (2022: Rs.3 million) made to Progressive education Network.

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>28 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income from:			
- related parties		4,939,200	5,440,315
- others		5,097,451	6,863,984
		10,036,651	12,304,299
Interest income		308,904	-
Amortisation of deferred income - government grant		841,007	2,973,489
		11,186,562	15,277,788
<b>Income from assets other than financial assets</b>			
Gain on disposal of operating fixed assets	4.4	4,436,617	3,420,023
Scrap sales [Net of sales tax aggregating Rs.3.047 million (2022: Rs.2.541 million)]		16,543,896	14,260,458
		20,980,513	17,680,481
Reversal for expected credit loss in trade debts	8.4	47,214,395	-
		79,381,470	32,958,269
<b>29 OTHER EXPENSES</b>			
Workers' profit participation fund	19.4	45,946,678	148,524,276
Workers' welfare fund	19	20,942,535	60,068,194
Provision for doubtful tax refunds		7,608,603	13,510,939
Auditors' remuneration	29.1	1,296,200	1,725,850
		75,794,016	223,829,259
<b>29.1 Auditors' remuneration:</b>			
- statutory audit		794,200	656,250
- prior year under provision		65,750	-
- half yearly review		152,500	138,600
- code of corporate governance review		63,500	57,750
- special audit		-	600,000
- certifications and others		120,250	155,000
- out-of-pocket expenses		100,000	118,250
		1,296,200	1,725,850
<b>30 FINANCE COST</b>			
Mark-up / interest on long term finances		75,023,623	40,517,653
Mark-up / interest on short term borrowings		256,693,990	177,359,308
Interest on workers' profit participation fund	19.4	2,299,974	547,629
Unwinding effect of long term liabilities	16.2	2,949,225	4,541,356
Unwinding effect of govt grant		-	2,973,489
Bank and other financial charges		13,975,584	10,721,873
		350,942,396	236,661,308

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>31 TAXATION</b>			
Current			
- for the year	31.1	156,065,813	151,284,390
- for prior year		(218,750)	(1,967,147)
Deferred tax		9,690,136	21,692,686
		165,537,199	171,009,929

**31.1** The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 (the Ordinance) and current year's provision is made accordingly.

**31.2** Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.

	2023 Rupees	2022 Rupees
<b>32 EARNINGS PER SHARE</b>		
<b>32.1 Basic earnings per share</b>		
Net profit for the year	839,109,917	2,772,331,600
	Number of shares	
Weighted average ordinary shares in issues	10,292,000	10,292,000
	Rupees	
Earnings per share	81.53	269.37

## 32.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2023 and June 30, 2022 which would have any effect on the earnings per share if the option to convert is exercised.

	2023 Rupees	2022 Rupees
<b>33 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	197,752,154	27,494,124
Bank overdraft	-	(534,473)
	197,752,154	26,959,651

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees
Managerial remuneration	21,600,000	19,800,000	60,225,558	58,369,575
Contribution to provident fund trust	-	-	3,361,253	2,923,347
Medical	-	-	807,023	701,884
Leave encashment / bonus	-	-	19,161,065	9,512,252
	21,600,000	19,800,000	83,554,899	71,507,058
<b>Number of persons</b>	1	1	17	18

34.1 Certain executives are provided with Company maintained vehicles.

34.2 During the year, meeting fees of Rs.240 thousand (2022: Rs.256 thousand) was paid to two non-executive director.

## 35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Subsidiary Companies, Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage % of shareholding
RCSM Company Private Limited	Subsidiary Company	100%
Sapphire Textile Mills Limited	Common directorship	0.462%
Sapphire Fibres Limited	Common directorship	3.864%
Sapphire Electric Company Limited	Common directorship	-
Sapphire Finishing Mills Limited	Common directorship	1.69%
Sapphire Holding Limited	Common directorship	0.50%
SFL Limited	Common directorship	1.998%
Amer Cotton Mills (Private) Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Amer Tex (Private) Limited	Common directorship	-
Crystal Enterprises (Private) Limited	Common directorship	-
Galaxy Agencies (Private) Limited	Common directorship	-
Neelum Textile Mills (Private) Limited	Common directorship	-
Reliance Textile (Private) Limited	Common directorship	-
Salman Ismail (SMC-Private) Limited	Common directorship	-
Sapphire Agencies (Private) Limited	Common directorship	-
Four Strength (Private) Limited	Common directorship	-
Sapphire Power Generation Limited	Common directorship	3.460%

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

	2023 Rupees	2022 Rupees
<b>Significant transactions with the related parties</b>		
<b>ii) Associated Companies</b>		
Sales of:		
- raw material / yarn / fabric / stores	1,298,331,515	964,423,719
Purchases:		
- raw material / yarn / fabric / stores	160,447,947	163,963,664
Expenses charged by	32,892,792	12,257,190
Expenses charged to	300,736	-
Purchase of fixed assets	48,537,601	28,100,000
Advance for purchase of fixed assets	-	46,637,601
Dividend:		
- received	4,939,200	5,440,315
- paid	50,552,310	33,549,850
<b>iii) Director and their related parties</b>		
Donation	30,300,000	10,000,000
<b>iv) Key management personnel</b>		
Salary and other employment benefits	36,873,380	32,847,829
<b>v) Retirement Fund</b>		
Contribution towards provident fund	12,686,700	11,385,506

## 36 FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price 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.

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

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

## Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

### (a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans and advances, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note. 36.4, the financial assets exposed to credit risk aggregated to Rs.2,259.091 million as at June 30, 2023 (2022: Rs.1,942.234 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2022: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2023 Rupees	2022 Rupees
Long term deposits	8,987,690	9,087,690
Trade debts	2,027,395,157	1,844,260,535
Loans and advances	100,000	1,100,000
Short term deposits	4,328,081	833,473
Short term investments	14,088,516	53,461,960
Other receivables	7,228,662	7,300,242
Bank balances	196,963,654	26,190,124
	2,259,091,760	1,942,234,024

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the Company various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Export sales made to major customers are secured through letters of credit.

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	2023 Rupees	2022 Rupees
Domestic	1,856,307,118	1,316,235,087
Export	171,088,039	528,025,448
	<b>2,027,395,157</b>	<b>1,844,260,535</b>

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of the Company's bank balances can be assessed with reference to the external credit ratings as follows:

Name of bank	Rating		
	Short term	Long term	Agency
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Faysal Bank Limited	A-1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AAA	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Dubai Islamic Bank	A-1+	AA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

## (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analysis the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
<b>June 30, 2023</b>					
Long term finances	1,965,743,102	2,329,721,564	331,228,787	1,262,953,925	735,538,852
Trade and other payables	1,213,123,746	1,213,123,746	1,213,123,746	-	-
Accrued interest / mark-up	94,526,249	94,526,249	94,526,249	-	-
Short term borrowings	2,331,143,302	2,511,827,513	2,511,827,513	-	-
Unclaimed dividend	801,640	801,640	801,640	-	-
	5,605,338,039	6,150,000,712	4,151,507,935	1,262,953,925	735,538,852

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
<b>June 30, 2022</b>					
Long term finances	1,844,102,631	2,021,675,811	164,235,100	1,034,807,086	822,633,625
Trade and other payables	1,001,652,498	1,001,652,498	1,001,652,498	-	-
Accrued mark-up / interest	43,655,577	43,655,577	43,655,577	-	-
Short term borrowings	1,042,705,695	1,149,486,460	1,149,486,460	-	-
Unclaimed dividend	844,398	844,398	844,398	-	-
	3,932,960,799	4,217,314,744	2,359,874,033	1,034,807,086	822,633,625

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-ends. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

## (c) Market risk

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

## (i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Japanese Yen and Swiss Frank. The company's exposure to foreign currency risk for U.S. Dollar, Euro, Japanese Yen (JPY), and Swiss Frank (CHF) is as follow :

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

	Rupees	US \$	EURO	JPY	CHF
<b>For the year ended June 30, 2023</b>					
Bills payables	501,433,624	1,746,547	-	-	-
Trade debts	(171,088,039)	(596,958)	-	-	-
Bank balances	(131,088,834)	(457,393)	-	-	-
Net balance sheet exposure	199,256,751	692,196	-	-	-
Outstanding letters of credit	879,852,756	909,187	903,321	2,268,384	1,029,600
	1,079,109,507	1,601,383	903,321	2,268,384	1,029,600
<b>For the year ended June 30, 2022</b>					
Bills payables	390,704,691	1,299,420	570,216	-	-
Trade debts	(528,025,448)	(2,569,467)	-	-	-
Bank balances	(12,465,233)	(60,658)	-	-	-
Net balance sheet exposure	(149,785,990)	(1,330,705)	570,216	-	-
Outstanding letters of credit	856,923,226	2,076,000	809,902	2,535,000	1,116,651
	707,137,236	745,295	1,380,118	2,535,000	1,116,651

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2023	2022	2023	2022
US Dollar to Rupee	259.97	178.68	287.10 / 286.60	206 / 205.50
Euro to Rupee	259.31	200.56	314.27 / 313.72	215.75 / 215.23
Swiss Frank to Rupee	340.65	190.00	320.90 / 320.34	215.96 / 215.43
Japanese Yen to Rupee	1.79	1.66	2.0013 / 1.9978	1.5083 / 1.5047

At June 30, 2023, if Rupee had strengthened / weakened by 10% against US Dollars and Euros with all other variables held constant, profit for the year would have been (lower) / higher by the amount shown below mainly as a result of net foreign exchange (loss) / gain on translation of financial assets and liabilities.

	2023	2022
	Rupees	
<b>Effect on profit for the year</b>		
US Dollar to Rupee	19,872,947	(27,412,514)
Euro to Rupee	-	12,302,410
	19,872,947	(15,110,104)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## (ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Company arises from long & short term borrowings from banks and deposits with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2023	2022	2023	2022
	Effective rate		Carrying amount	
	%	%	Rupees	
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	1 to 24.08	1 to 10.82	1,872,866,164	1,754,174,918
<b>Variable rate instruments</b>				
Short term borrowings	14.06 to 23.08	7.44 to 15.31	2,331,143,302	1,042,705,695

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

The Company does not account for any fixed rate financial assets and liabilities at fair value through statement of profit or loss. Therefore, a change in mark-up / interest rates at reporting date would not affect profit or loss for the year.

## (iii) Other price risk

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

The Company's investments in ordinary shares and certificates of listed companies aggregating to Rs.14.089 million (2022: Rs.53.462 million) are exposed to price risk due to changes in market price.

At June 30, 2023, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs.1.409 million (2022: Rs.5.346 million).

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

## 36.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

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

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

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.14.089 million (2022: Rs.53.461 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

### Valuation techniques used to determine fair values

**Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

## 36.3 Capital risk management

The Company's objective when managing capital are to ensure the Company's ability not only to continue as a

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2023 Rupees	2022 Rupees
Total borrowings	4,204,009,466	2,797,415,086
Less: cash and bank balances	197,752,154	27,494,124
Net debt	4,006,257,312	2,769,920,962
Total equity	7,033,731,927	6,287,039,463
Total capital	11,039,989,239	9,056,960,425
Gearing ratio	36%	31%

## 36.4 Financial instruments by category

	Amortised cost	30 June 2023 At fair value through OCI Rupees	Total	Amortised cost	30 June 2022 At fair value through OCI Rupees	Total
<b>Financial assets as per statement of financial position</b>						
Long term advances and deposits	8,987,690	-	8,987,690	9,087,690	-	9,087,690
Trade debts	2,027,395,157	-	2,027,395,157	1,844,260,535	-	1,844,260,535
Short term deposits	4,328,081	-	4,328,081	833,473	-	833,473
Loans and advances	100,000	-	100,000	1,100,000	-	1,100,000
Short term investments	-	14,088,516	14,088,516	-	53,461,961	53,461,961
Other receivables	7,537,566	-	7,537,566	7,300,242	-	7,300,242
Cash and bank balances	197,752,154	-	197,752,154	27,494,124	-	27,494,124
	2,246,100,648	14,088,516	2,260,189,164	1,890,076,064	53,461,961	1,943,538,025

	Financial liabilities measured at amortised cost	
	2023	2022
	Rupees	
<b>Financial liabilities as per statement of financial position</b>		
Long term liabilities and accrued mark-up	1,987,305,662	1,862,557,401
Trade and other payables	1,169,420,218	1,127,553,774
Unclaimed dividend	801,640	844,398
Short term borrowings and accrued mark-up	2,404,106,991	1,068,440,975
	5,561,634,511	4,059,396,548

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 37. CAPACITY AND PRODUCTION

### 37.1 Spinning units

		2023	2022
Number of spindles installed		57,600	57,600
Number of spindles worked		44,350	46,915
Number of shifts worked per day		3	3
Total number of days worked		365	365
Installed capacity after conversion into 20's count	Lbs.	35,405,073	36,500,000
Actual production after conversion into 20's count	Lbs.	26,479,413	31,134,134

**37.1.1** It is difficult to describe precisely the production capacity in textile industry since it fluctuate widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw material 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.

## 38 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up/ interest	Divided
	Rupees			
<b>Balance as at July 01, 2022</b>	1,754,174,918	1,043,240,168	43,655,577	844,398
<b>Changes from financing activities</b>				
Finances obtained	312,039,880	1,287,903,134	-	-
Finances / finance cost repaid	(193,348,634)	-	(297,122,499)	-
Dividends paid	-	-	-	(77,232,758)
Dividend declared	-	-	-	77,190,000
<b>Total changes from financing cash flows</b>	118,691,246	1,287,903,134	(297,122,499)	(42,758)
Finance cost	-	-	347,993,171	-
<b>Balance as at June 30, 2023</b>	1,872,866,164	2,331,143,302	94,526,249	801,640

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up/ interest	Divided
	Rupees			
Balance as at July 01, 2021	1,102,718,295	814,941,320	29,571,786	617,737
<b>Changes from financing activities</b>				
Finances obtained	793,176,357	-	-	-
Finances / finance cost repaid	(140,151,866)	228,298,848	(218,036,161)	-
Dividends paid	-	-	-	(51,233,339)
Dividend declared	-	-	-	51,460,000
<b>Total changes from financing cash flows</b>	653,024,491	228,298,848	(218,036,161)	226,661
Deferred grant	(1,567,868)	-	-	-
Finance cost	-	-	232,119,952	-
<b>Balance as at June 30, 2022</b>	1,754,174,918	1,043,240,168	43,655,577	844,398

# Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

## 39 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on unaudited financial statements of the Fund for the year ended June 30, 2023 and audited financial statements for June 30, 2022:

	2023 Rupees	2022 Rupees
Size of the Fund - Total Assets	41,526,248	29,815,425
Cost of investments made	41,313,019	29,264,316
Percentage of investments made (%)	99.49	98.15
Fair value of investments	41,526,248	29,815,425

**39.1** The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and conditions specified thereunder.

## 40 NUMBER OF EMPLOYEES

	2023	2022
Average number of employees during the year	1,238	1,167
Number of employees	1,237	1,218

## 41 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation the effect of which is not material.

## 42 EVENT AFTER THE REPORTING PERIOD

The Board of Directors, in their meeting held on September 26, 2023, has proposed a final cash dividend of 40% (i.e. Rs. 4 per share) amounting to Rs. 41.168 million for the year ended June 30, 2023, for approval of the members at the Annual General Meeting to be held on October 26, 2023.

These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in the year ending June 30, 2024.

## 44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2023 by the Board of Directors of the Company.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023



# DIRECTOR'S 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, 2023. 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 of Directors



**Shahid Abdullah**  
Director



**Shayan Abdullah**  
Chief Executive

Lahore:

Dated: September 26, 2023

## ڈائریکٹرز کی حصص داران کورپورٹ

ڈائریکٹرز 30 جون 2023ء کو ختم ہونے والے سال کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ کے اشتہال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتہال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتہال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

### RCSM کمپنی (پرائیویٹ) لمیٹڈ:

RCSM کمپنی (پرائیویٹ) لمیٹڈ (ہولڈنگ کمپنی) اور اس کی مکمل ملکیتی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ جو مجموعی طور ایک "گروپ" کہلاتا ہے، کمپنیز آرڈیننس، 1984ء کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کمپنی پاکستان سٹاک ایکسچینج لمیٹڈ میں درج ہے (جو پہلے کراچی سٹاک ایکسچینج لمیٹڈ اور لاہور سٹاک ایکسچینج لمیٹڈ کے نام سے جانا جاتا تھا۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

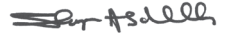
RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984ء کے تحت 08 نومبر 2017ء کو ریلائنس کاٹن سپننگ ملز لمیٹڈ کی مکمل ملکیتی شیئرز کے ذریعے ایک پبلک لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔

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 کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز



شاہد عبداللہ  
ڈائریکٹر



شایان عبداللہ  
چیف ایگزیکٹو

لاہور

تاریخ: 26 ستمبر 2023

# 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 and its subsidiary Company (the Group), which comprise the consolidated statement of financial position as at June 30, 2023, and the consolidated statement of profit or loss, the consolidated statement of other 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, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then 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 are the key audit matters:

Sr. No.	Description	How the matter was addressed in our audit
1.	<p><b>Capitalisation of property, plant and equipment</b></p> <p>Refer note 4 to the consolidated financial statements</p> <p>The Group incurred significant capital expenditure mainly to enhance production capacity and technological upgrade of the plant as part of its expansion activity. The Group has capitalized operating fixed assets aggregating Rs.799.381 million during the year.</p> <p>There are number of areas where management judgement is involved in connection with the above activities. These include:</p> <ul style="list-style-type: none"><li>- Determining which costs meet the criteria for capitalisation as per International Accounting Standard - IAS - 16;</li><li>- Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence;</li></ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>- obtained an understanding of the design and implementation of management controls over capitalization and performed tests of controls over authorization of capital expenditure and accuracy of its recording in the system;</li><li>- assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices;</li><li>- assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework;</li><li>- checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and</li><li>- assessed whether the disclosures were made in accordance with the applicable financial reporting framework.</li></ul>

Sr. No.	Description	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>- Capitalisation of borrowing costs and related implications;</li> <li>- The estimation of economic useful lives and residual values assigned to property, plant and equipment; and</li> <li>- Impairment testing; assessing whether there are any indicators of impairment present.</li> </ul> <p>We consider the above as a key audit matter being significant transactions and events for the Group during the year.</p>	
Sr. No.	Description	How the matter was addressed in our audit
2.	<p><b>Valuation of stock-in-trade</b></p> <p>Refer note 7 to the consolidated financial statements.</p> <p>The total value of stock in trade as at the reporting date amounted to Rs.6.203 billion, representing 67% of the Group's total current assets. Stock in trade as at reporting date included raw material and finished goods.</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> <li>- Assessed whether the Group's accounting policy for inventory valuation is in line with the applicable financial reporting standards.</li> <li>- Attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data.</li> <li>- Assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis.</li> <li>- Tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories.</li> <li>- Assessed the management determination of NRV of raw material thereon by performing tests on the subsequent purchase price.</li> <li>- Tested the cost of inventories for finished goods and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices.</li> </ul> <p>We reviewed the Group's disclosure in the financial statement in respect of stock in trade.</p>

### Information Other than the Consolidated Financial Statements and Auditors' 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 auditors' 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.

# INDEPENDENT AUDITOR'S REPORT

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

### Responsibilities of Management and 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 Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of 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 is responsible for overseeing the Group's financial reporting process.

### Auditors' 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 auditors' 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 the 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 the 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 auditors' 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 the date of our auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the 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 auditors' 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.

### Other matter

The financial statements for the Group for the year ended June 30, 2021 were audited by another firm of chartered accountants who expressed unmodified opinion on those consolidated financial statements on September 23, 2021.

The Engagement partner on the audit resulting in this independent auditors' report is Osman Hameed Chaudhri.

*ShineWing Hameed Chaudhri & Co.*

SHINEWING HAMEED CHAUDHRI & CO.,  
Chartered Accountants

Lahore: September 28, 2023  
UDIN: AR202310104M5hRvymgd

# Consolidated Statement of Financial Position

As at June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	3,591,288,186	3,240,429,126
Long term investments	5	2,446,709,699	1,320,571,480
Long term advances and deposits		8,987,690	9,087,690
		6,046,985,575	4,570,088,296
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	74,977,863	67,383,004
Stock-in-trade	7	6,203,133,931	4,706,207,204
Trade debts	8	2,012,865,224	1,782,516,207
Loans and advances	9	32,906,723	115,133,605
Short term deposits and prepayments	10	4,559,315	1,048,065
Short term investments	11	16,937,774	55,954,543
Other receivables	12	149,220,766	178,868,742
Tax refunds due from Government	13	575,764,159	672,751,973
Cash and bank balances	14	197,801,997	27,546,250
		9,268,167,752	7,607,409,593
<b>Total assets</b>		<b>15,315,153,327</b>	<b>12,177,497,889</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
12,000,000 ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid-up capital	15	102,920,000	102,920,000
Reserves		24,478,689	60,973,010
Unappropriated profit		8,619,232,451	7,214,445,036
<b>Total equity</b>		<b>8,746,631,140</b>	<b>7,378,338,046</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term liabilities	16	1,640,499,005	1,633,494,492
Staff retirement benefit - gratuity	17	113,293,444	92,326,481
Deferred taxation	18	247,350,781	160,651,702
		2,001,143,230	1,886,472,675
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	1,567,634,110	1,367,133,885
Contract liabilities		64,937,119	68,893,983
Accrued mark-up / interest	20	94,526,249	43,655,577
Short term borrowings	21	2,331,143,302	1,043,240,168
Current portion of long term liabilities	22	325,244,097	210,608,139
Unclaimed dividend		801,640	844,398
Provision for taxation		183,092,440	178,311,018
		4,567,378,957	2,912,687,168
<b>Total liabilities</b>		<b>6,568,522,187</b>	<b>4,799,159,843</b>
<b>Contingencies and commitments</b>	23		
<b>Total equity and liabilities</b>		<b>15,315,153,327</b>	<b>12,177,497,889</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Consolidated Statement of Profit or Loss

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
Sales	24	11,048,839,608	11,386,469,405
Cost of sales	25	(9,343,384,100)	(7,679,837,539)
<b>Gross profit</b>		<b>1,705,455,508</b>	<b>3,706,631,866</b>
Distribution cost	26	(166,399,764)	(212,136,733)
Administrative expenses	27	(187,053,686)	(123,621,306)
Other income	28	74,867,492	27,740,463
Other expenses	29	(75,834,067)	(223,895,803)
<b>Profit from operations</b>		<b>1,351,035,483</b>	<b>3,174,718,487</b>
Finance cost	30	(350,942,396)	(236,661,308)
		1,000,093,087	2,938,057,179
Share of profit from Associated Companies		440,759,725	307,528,627
<b>Profit before taxation</b>		<b>1,440,852,812</b>	<b>3,245,585,806</b>
Taxation	31	(243,902,358)	(199,523,771)
<b>Profit after taxation</b>		<b>1,196,950,454</b>	<b>3,046,062,035</b>
<b>Earnings per share - basic and diluted</b>	32	<b>116.30</b>	<b>295.96</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Consolidated Statement of Other Comprehensive Income


For the Year Ended June 30, 2023

	2023 Rupees	2022 Rupees
<b>Profit after taxation</b>	1,196,950,454	3,046,062,035
<b>Other comprehensive loss</b>		
<b>Items that will not be reclassified to statement of profit or loss subsequently</b>		
Unrealised gain / (loss) on remeasurement of investment at fair value through other comprehensive income	2,748,279	(2,008,104)
Realised loss on disposal of investment at fair value through other comprehensive income	(9,944,577)	-
Share of fair value loss on remeasurement of investment at fair value through other comprehensive income by Associates	(30,767,935)	(46,905,788)
	(37,964,233)	(48,913,892)
Loss on re-measurement of staff retirement benefit obligation	(9,323,592)	(3,661,570)
Share of (loss) / gain on remeasurement of staff retirement benefit obligation of Associates	(1,522,589)	63,626
Impact of deferred tax	1,292,437	1,168,945
	(9,553,744)	(2,428,999)
	(47,517,977)	(51,342,891)
<b>Items that will be reclassified to statement of profit or loss subsequently</b>		
<b>Forward foreign exchange contracts</b>		
Share of unrealised gain on remeasurement of forward foreign currency contract of Associates	1,469,912	42,534
Other comprehensive loss for the year	(46,048,065)	(51,300,357)
<b>Total comprehensive income for the year</b>	<b>1,150,902,389</b>	<b>2,994,761,678</b>

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



Chief Executive Officer



Director



Chief Financial Officer

# Consolidated Statement of Cash Flow

For the Year Ended June 30, 2023

	2023	2022
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,000,093,087	2,938,057,179
Adjustments for non-cash and other items:		
Depreciation	285,624,241	237,810,939
Amortisation of government grant	(841,007)	(2,973,489)
Staff retirement benefit - gratuity	38,482,517	28,989,200
Provision for workers' profit participation fund	45,946,678	148,524,276
Provision for workers' welfare fund	20,942,535	60,068,194
Provision for doubtful tax refunds	7,608,603	13,510,939
Remeasurement loss / (gain) on investment at FVPL	2,221	(1,075)
Reversal / provision for expected credit loss in trade debtors	(47,214,395)	3,520,000
Gain on disposal of operating fixed assets	(4,436,617)	(3,420,023)
Unwinding of interest of GIDC	2,949,225	4,541,356
Dividend income	(5,522,673)	(7,085,418)
Finance cost	347,993,171	232,119,952
	1,691,627,586	3,653,662,030
<b>Working capital changes</b>		
<b>Increase in current assets:</b>		
- stores, spare parts and loose tools	(7,594,859)	21,112,390
- stock-in-trade	(1,496,926,727)	(1,868,965,990)
- trade debts	(183,134,622)	(771,247,575)
- loans and advances	82,226,882	(82,404,481)
- short term deposit and prepayments	(3,511,250)	2,342,781
- other receivables and sales tax	115,625,138	9,663,913
	(1,493,315,438)	(2,689,498,962)
<b>Increase in current liabilities:</b>		
- trade and other payables	285,624,167	309,378,762
- contract liabilities	(3,956,864)	47,718,333
	281,667,303	357,097,095
<b>Net working capital changes</b>	479,979,451	1,321,260,163
Staff retirement benefits paid	(26,839,146)	(12,335,017)
Finance cost paid	(297,122,499)	(218,036,161)
Taxes refunds / (paid)	(90,156,768)	(538,906,867)
Rebate income received	2,561,370	693,430
Workers' profit participation fund paid	(150,824,250)	(63,679,920)
Long term advances and deposits - net	100,000	2,100,000
	(562,281,293)	(830,164,535)
<b>Net cash generated from operating activities</b>	(82,301,842)	491,095,628
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(644,167,434)	(1,325,981,804)
Proceeds from disposal of operating fixed assets	12,120,750	12,322,977
Proceeds from disposal of short term investment	32,173,928	-
Long term investment	(426,557,601)	-
Short term investment	(10,301,076)	(188,783)
Investment in term deposit receipts	(50,000,000)	-
Dividend income received	10,461,873	12,525,733
<b>Net cash used in investing activities</b>	(1,076,269,560)	(1,301,321,877)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances - obtained	312,039,880	793,176,358
- repaid	(193,348,634)	(140,151,866)
Dividend paid	(77,232,758)	(51,233,339)
Short term borrowings - net	1,287,903,134	228,298,848
<b>Net cash generated from / (used in) financing activities</b>	1,329,361,622	830,090,001
<b>Net increase in cash and cash equivalents</b>	170,790,220	19,863,752
<b>Cash and cash equivalents - at beginning of the year</b>	27,011,777	7,148,025
<b>Cash and cash equivalents - at end of the year</b>	197,801,997	27,011,777

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2023

	Reserves						Total
	Issued, subscribed and paid-up capital	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	On hedging instruments	Revenue		Revenue	
General				Sub-total	Unappropriated profit		
Rupees							
<b>Balance as at July 01, 2021</b>	102,920,000	(8,977,256)	467,951	118,353,673	109,844,368	4,222,246,418	4,435,010,786
<b>Total comprehensive income for the year ended June 30, 2022</b>							
Profit for the year	-	-	-	-	-	3,046,062,035	3,046,062,035
Other comprehensive income	-	(48,913,892)	42,534	-	(48,871,358)	(2,428,999)	(51,300,357)
	-	(48,913,892)	42,534	-	(48,871,358)	3,043,633,036	2,994,761,678
Share of decrease in reserves of associated companies under equity method	-	-	-	-	-	25,582	25,582
<b>Transactions with owners</b>							
<b>Final cash dividend for the year ended June 30, 2021 @ Rs.5 per share</b>							
	-	-	-	-	-	(51,460,000)	(51,460,000)
<b>Balance as at June 30, 2022</b>	102,920,000	(57,891,148)	510,485	118,353,673	60,973,010	7,214,445,036	7,378,338,046
<b>Total comprehensive income for the year ended June 30, 2023</b>							
Profit for the year	-	-	-	-	-	1,196,950,454	1,196,950,454
Other comprehensive (loss) / income	-	(37,964,233)	1,469,912	-	(36,494,321)	(9,553,744)	(46,048,065)
	-	(37,964,233)	1,469,912	-	(36,494,321)	1,187,396,710	1,150,902,389
Share of decrease in reserves of associated companies under equity method	-	-	-	-	-	294,580,705	294,580,705
<b>Transactions with owners</b>							
<b>Final cash dividend for the year ended June 30, 2022 @ Rs.7.5 per share</b>							
	-	-	-	-	-	(77,190,000)	(77,190,000)
<b>Balance as at 30 June 2023</b>	102,920,000	(95,855,381)	1,980,397	118,353,673	24,478,689	8,619,232,451	8,746,631,140

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 1. THE GROUP AND ITS OPERATIONS

**The Group consist of:**

### **The Parent Company**

- Reliance Cotton Spinning Mills Limited

### **Subsidiary Company**

- RCSM Company (Private) Limited

### **Reliance Cotton Spinning Mills Limited**

Reliance Cotton Spinning Mills Limited ("The Parent 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 Holding Company is manufacturing and sale of yarn.

#### **Karachi**

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

#### **Purpose**

**Registered office**

#### **Lahore**

1st Floor, Tricon Corporate Centre,  
73-E, Main Jail Road, Gulberg II,

#### **Head office**

#### **Sheikhupura**

Feroze Wattoan,

#### **Production plant**

### **Subsidiary Companies**

#### **RCSM Company (Private) Limited**

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.

## 2. BASIS OF PREPARATION

### 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 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

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

### 2.2 Principal of consolidation

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the 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. Further, the Group also considers whether:

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

- it has power to direct the relevant activities of the subsidiary;
- is exposed to variable returns from the subsidiary; and
- decision making power allows the Group to affect its variable returns from the subsidiary.

Subsidiary is consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The assets, liabilities, income and expenses of subsidiary company is consolidated on a line by line basis and the carrying value of investments held by the Parent Company is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements.

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Act, 2017, are accounted for under the equity method of accounting.

## 2.3 Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2.4 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for investment valued at fair value, derivative financial instruments which have been marked to market and staff retirement benefit - gratuity which is stated at present value of defined benefit obligation.

## 2.5 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees unless otherwise specified.

## 2.6 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

### 2.6.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year

The accounting policies adopted in the preparation of these Consolidated financial statements are consistent with those of the previous financial year, except for change resulted due to adoption of amendments to accounting standards. The below mentioned amendments to approved accounting standards are effective for the financial year beginning on July 01, 2022 and have been adopted by the Group:

#### (a) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

#### (b) IAS 16 Property, Plant and Equipment

Amendment to IAS 16 (regarding proceeds before an asset's intended use) prohibit a Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, a Group will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the Consolidated financial statements in which the Group first applies the amendments.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

The adoption of the above amendments to accounting standards did not have any material effect on the Consolidated financial statement of the Group.

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

### (a) IAS 1 Presentation of Financial Statements Effective: January 01, 2024

The amendments clarify how to classify a debt and other liabilities as current or non-current. The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

### (b) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Effective: January 01, 2023

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Group develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments.

### (c) IAS 1 Presentation of Financial Statements Effective: January 01, 2023

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring Group to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Group's financial statements.

The Group has assessed that the impact of these amendments is not expected to be significant.

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

## 2.7 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

### (a) Property, plant and equipment

The Group reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

**(b) Stores & spares and stock-in-trade**

The Group estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

**(c) Provision for impairment of trade debts**

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss model. Management used actual credit loss experience over past years for the calculation of expected credit loss. Trade and other receivables are written off when there is no reasonable expectation of recovery.

**(d) Staff retirement benefits - gratuity**

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 18.

**(e) Income taxes**

In making the estimates for income taxes, the Group takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Group's view differs with the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Investments in Associated Companies

Investments in Associated Companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amounts are increased or decreased to recognise the Group's share of consolidated statement of profit or loss of the Investee after the date of acquisition.

The Group's share of post acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in consolidated statement of other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in Associates equals or exceeds its interest in the Associates the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associates.

The Group determines at each reporting date whether there is any objective evidence that the investments in the Associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associates and its carrying values and recognises the amount adjacent to share of profit / loss of Associates in the consolidated statement of profit or loss.

### 3.2 Property, plant and equipment

#### Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the date the assets are available for use while no depreciation is charged in the date in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

## Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the statement of profit or loss.

## Impairment

The Group assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in income currently.

## Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalized and apportioned to the respective items of property, plant and equipment on completion.

### 3.3 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Group recognised right of use assets equal to the present value of lease payments.

The Group has elected not to recognise right-of-use assets and its corresponding lease liabilities for some of the low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

### 3.4 Financial assets

#### Initial measurement

The Group classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

#### Subsequent Measurement

##### - Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## - Debt Instruments at FVTOCI

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

## - Debt Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the consolidated statement of profit or loss.

## - Financial Assets measured at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss.

## Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

## Investments in Subsidiary and Associated Companies

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

## 3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost which is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

## 3.6 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

### Particulars

Raw material  
Raw materials in transit  
Work-in-process

Finished goods  
Waste

### Mode of valuation

- weighted average cost  
- cost accumulated to the reporting date  
- cost of direct materials and appropriate manufacturing overheads  
- lower of average cost and net realizable value  
- net realizable value.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

## 3.7 Trade debts and other receivables and related impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Group uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Group has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 3.8 Government grants

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the Company.

Government grant towards research and development activities is recognized in consolidated statement of profit or loss as deduction from the relevant expenses on matching basis.

## 3.9 Impairment

### a) Financial assets

The Group assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Group followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for the calculation of ECL.

For debt instruments measured as FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The provision for impairment loss is recognized in the consolidated statement of profit or loss.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the consolidated statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

## 3.10 Financial liabilities

### Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in the consolidated statement of profit or loss.

### Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

## 3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 3.12 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit or loss over the period of the borrowings as interest expense.

## 3.13 Employees' retirement benefits

### (a) Defined contribution plan

The Parent operates a defined contribution plan through an approved provident fund (the Fund) for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the Fund.

### (b) Defined benefit plan

The Parent operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2023 on the basis of projected unit credit method by an Independent Actuary. The liability recognized in the consolidated statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements is recognized in the consolidated statement of financial statement immediately, with a charge or credit to consolidated statement of other comprehensive income in the periods in which they occur.

## 3.14 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in consolidated statement of other comprehensive income or directly in equity. In this case, the tax is also recognized in consolidated statement of other comprehensive income or directly in equity, respectively.

### Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

### Deferred

Deferred tax is recognized using the consolidated statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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 by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income / equity in which case it is included in statement of other comprehensive income / equity.

## 3.15 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 3.16 Provisions

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

## 3.17 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognized in the consolidated statement of profit or loss.

## 3.18 Revenue recognition

Revenue is recognized when the performance obligation associated with the sale contract is satisfied. Revenue is measured at the fair value of consideration received or receivable on the following basis:

### Sale of goods

- 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;

### Rendering of services

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;

### Other sources of revenue

- 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 Group'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 is established.

## 3.19 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the consolidated statement of profit or loss.

## 3.20 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognized in the period in which they are approved.

## 3.21 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 4 PROPERTY, PLANT AND EQUIPMENT

	Note	2023 Rupees	2022 Rupees
Operating fixed assets	4.1	2,990,289,649	2,484,217,013
Capital work-in-progress	4.3	600,998,537	756,212,113
		3,591,288,186	3,240,429,126

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 4.1 Operating fixed assets

	Equipment										Furniture and fixtures	Total
	Freehold land	Residential buildings and others on freehold land	Factory buildings on freehold land	Plant and machinery	Electric installations	Office	Electric	Computer hardware	Vehicles			
<b>Rupees</b>												
<b>At July 1, 2021</b>												
Cost	65,109,754	132,914,353	857,960,609	2,720,251,181	167,104,495	5,588,279	408,950	3,899,712	86,965,878	3,024,347	4,043,227,558	
Accumulated depreciation	-	61,320,267	488,987,520	1,255,177,409	80,142,666	2,576,564	245,103	3,398,530	44,183,992	1,875,162	1,937,907,213	
Net book value	65,109,754	71,594,086	368,973,089	1,465,073,772	86,961,829	3,011,715	163,847	501,182	42,781,886	1,149,185	2,105,320,345	
<b>Year ended June 30, 2022</b>												
Opening net book value	65,109,754	71,594,086	368,973,089	1,465,073,772	86,961,829	3,011,715	163,847	501,182	42,781,886	1,149,185	2,105,320,345	
Additions	-	14,708,434	4,940,697	575,248,430	-	-	-	-	30,713,000	-	625,610,561	
Disposals:												
- cost	-	-	-	63,148,880	-	-	-	89,000	6,088,330	-	69,326,210	
- accumulated depreciation	-	-	-	(55,708,477)	-	-	-	(66,963)	(4,647,816)	-	(60,423,256)	
Depreciation charge	-	4,253,841	37,359,133	175,064,515	8,696,183	301,172	16,385	147,015	11,857,776	114,919	237,810,939	
<b>Closing net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>	
<b>At 30 June 2022</b>												
cost	65,109,754	147,622,787	862,901,306	3,232,350,731	167,104,495	5,588,279	408,950	3,810,712	111,590,548	3,024,347	4,599,511,909	
Accumulated depreciation	-	65,574,108	526,346,653	1,374,533,447	88,838,849	2,877,736	261,488	3,478,582	51,393,952	1,990,081	2,115,294,896	
<b>Net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>	
<b>Year ended June 30, 2023</b>												
Opening net book value	65,109,754	82,048,679	336,554,653	1,857,817,284	78,265,646	2,710,543	147,462	332,130	60,196,596	1,034,266	2,484,217,013	
Additions	-	8,793,033	131,404,444	637,937,175	4,261,358	-	-	-	16,985,000	-	799,381,010	
Disposals:												
- cost	-	-	-	13,639,152	-	-	-	-	10,787,915	-	24,427,067	
- accumulated depreciation	-	-	-	(10,277,127)	-	-	-	-	(6,465,807)	-	(16,742,934)	
Depreciation charge	-	4,259,772	38,379,810	220,441,132	8,146,167	271,054	14,746	99,639	13,908,494	103,427	285,624,241	
<b>Closing net book value</b>	<b>65,109,754</b>	<b>86,581,940</b>	<b>429,579,287</b>	<b>2,271,951,302</b>	<b>74,380,837</b>	<b>2,439,489</b>	<b>132,716</b>	<b>232,491</b>	<b>58,950,994</b>	<b>930,839</b>	<b>2,990,289,649</b>	
<b>At June 30, 2023</b>												
Cost	65,109,754	156,415,820	994,305,750	3,856,648,754	171,365,853	5,588,279	408,950	3,810,712	117,787,633	3,024,347	5,374,465,852	
Accumulated depreciation	-	69,833,880	564,726,463	1,584,697,452	96,985,016	3,148,790	276,234	3,578,221	58,836,639	2,093,508	2,384,176,203	
<b>Net book value</b>	<b>65,109,754</b>	<b>86,581,940</b>	<b>429,579,287</b>	<b>2,271,951,302</b>	<b>74,380,837</b>	<b>2,439,489</b>	<b>132,716</b>	<b>232,491</b>	<b>58,950,994</b>	<b>930,839</b>	<b>2,990,289,649</b>	
Depreciation rate (% - per annum)		5	10	10	10	10	10	30	20	10		

\*\* This include Solar Power Solution costing Rs.46.637 million purchased from Ignite Power (Private) Limited (a related party), machinery costing Rs.23.545 million purchased from Sapphire Fibres Limited ( a related party) and machinery costing Rs. 1.900 million purchased from Amer Cotton Mills (Private) Limited (a related party).

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

4.1.1 Particulars of immovable property in the name of Group are as follows:

Location	Usage of immovable property	Total area in square yards
<b>Freehold Land</b>		
- Ferozewattoan, District Shiekhupura.	Production plant	181,802

4.2 The depreciation charge for the year has been allocated as follows:

	Note	2023 Rupees	2022 Rupees
Cost of goods manufactured		280,375,260	231,992,757
Administrative expenses		5,248,981	5,818,182
		285,624,241	237,810,939

4.3 Capital work-in-progress

Buildings		138,643,918	81,893,953
Plant and machinery (including in transit aggregating Rs. Nil (2022: Rs.96.860 million))	4.3.1	446,319,619	552,706,333
Advance payments against:			
- factory / office building		16,035,000	22,505,003
- Plant and machinery		-	93,241,824
- vehicles		-	5,865,000
		16,035,000	121,611,827
		600,998,537	756,212,113

4.3.1 The Group during the year has capitalised borrowing cost of Rs.7.322 million charged at the rate ranging from 3.5% to 4.0% per annum.

4.3.2 Movement in the account of capital work in progress during the year is as follows:

Particulars	1 July 2022	Additions during the year	Transferred to operating fixed assets	30 June 2023
	Rupees			
Building	81,893,953	174,442,441	117,692,476	138,643,918
Plant and Machinery	552,706,333	442,569,993	548,956,707	446,319,619
	634,600,286	617,012,434	666,649,183	584,963,537
Advance payments against:				
Factory / office building	22,505,003	16,035,000	22,505,003	16,035,000
Plant and Machinery	93,241,824	-	93,241,824	-
Vehicles	5,865,000	11,120,000	16,985,000	-
	121,611,827	27,155,000	132,731,827	16,035,000

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 4.4 The details of operating fixed assets disposed-off is as follows:

Particulars of assets	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain	Mode of disposal	Sold to:
Rupees							
Assets having net book value exceeding Rs.500,000 each							
<b>Plant and machinery</b>							
Drawing Machines DX-08 Toyota	7,898,113	6,699,111	1,199,002	1,710,000	510,998	Negotiation	M/s. Liaqat Spinning Mills
Rieter Card C-51	2,310,562	1,405,042	905,520	1,820,000	914,480	Negotiation	M/s. Liaqat Spinning Mills
Rieter Card C-51	2,310,562	1,405,042	905,520	1,820,000	914,480	Negotiation	M/s. Liaqat Spinning Mills
	2,519,237	9,509,195	3,010,042	5,350,000	2,339,958		
<b>Vehicles</b>							
Suzuki Cultus	1,443,680	753,177	690,503	800,000	109,497	Negotiation	Mr. Zia Ullah
Honda Civic	4,127,000	1,655,385	2,471,615	2,700,000	228,385	Negotiation	Mr. Mujahid Akbar
	5,570,680	2,408,562	3,162,118	3,500,000	337,882		
Various assets having net book value upto Rs.500,000 each							
	6,337,150	4,825,177	1,511,973	3,270,750	1,758,777	Negotiation	Various parties
<b>2023</b>	24,427,067	16,742,934	7,684,133	12,120,750	4,436,617		
<b>2022</b>	69,326,210	60,423,256	8,902,954	12,322,977	3,420,023		

5	LONG TERM INVESTMENTS	Note	2023 Rupees	2022 Rupees
	Associated Companies - equity method	5.1	2,446,709,699	1,320,571,480

5.1	Associated Companies	Note	2023 Rupees	2022 Rupees
<b>Quoted</b>				
	Sapphire Fibres Limited	5.2.1	1,585,853,521	667,230,823
	Sapphire Textile Mills Limited	5.2.2	215,873,353	185,929,252
<b>Un quoted</b>				
	SFL Limited	5.2.3	206,129,848	133,536,834
	Sapphire Finishing Mills Limited	5.2.4	285,370,250	212,582,801
	Sapphire Holding Limited	5.2.5	91,769,570	65,894,734
	Sapphire Power Generation Limited	5.2.6	61,713,157	55,397,036
			2,446,709,699	1,320,571,480

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 5.1 Summarised financial information of associates

The table below summarise the financial information / reconciliation of based on un-audited financial statements of Associates as at June 30, 2023. Financial statements have been amended to reflect adjustments made by the entity using the equity method.

	SFL		STML		SFLL		SFML		SHL		SPGL	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Rupees												
<b>Summarised Statement of Financial Position</b>												
Non current assets	31,699,100,790	31,243,074,613	97,869,647,965	83,370,880,772	10,484,205,138	6,683,115,826	17,052,317,063	13,939,375,203	19,405,608,170	14,139,118,496	1,902,119,456	1,682,947,163
Current assets	45,059,972,721	42,553,343,534	73,640,240,135	66,200,326,555	56,199,848	54,109,038	22,084,910,337	21,135,116,995	186,285,373	148,970,497	136,829,212	138,095,131
Non current liabilities and current liabilities	76,759,073,511	73,796,418,147	171,509,888,100	149,571,207,327	10,540,404,986	6,737,224,864	39,137,227,400	35,074,492,198	19,591,893,543	14,288,088,993	2,038,948,668	1,821,042,294
Net assets	28,763,691,628	32,423,275,751	108,581,865,433	96,439,464,650	227,265,227	56,076,824	22,264,436,293	22,505,329,132	1,193,533,800	1,077,228,058	257,135,364	221,591,215
Net Share	6,955,409,522	6,338,808,434	16,209,725,347	12,893,807,201	-	-	-	-	-	-	-	-
Opening net assets	35,034,333,962	29,280,873,418	40,237,935,476	30,552,096,684	6,681,148,040	4,903,405,818	12,569,163,066	10,010,167,043	13,210,960,935	10,229,967,552	1,599,451,079	1,388,626,484
Profit for the year	6,785,600,152	7,525,528,605	7,450,195,757	11,576,522,891	2,157,146,133	1,885,548,174	4,392,404,980	2,770,827,506	3,972,206,787	3,374,375,792	199,513,745	269,422,331
Other comprehensive (loss) / income	(579,407,369)	(1,566,518,994)	(750,026,770)	(1,565,359,052)	(82,934,924)	(107,831,274)	(88,759,031)	(211,831,483)	(192,438,634)	(393,671,291)	(24,454,167)	(68,625,889)
Other adjustments	6,164,366	1,169,683	(2,909,233)	21,813	1,557,780,510	25,322	(17,908)	-	1,407,630,655	188,882	7,302,647	28,153
Dividend paid during the year	(206,718,750)	(206,718,750)	(216,897,910)	(825,346,860)	-	-	-	-	-	-	-	-
Closing net assets	41,039,972,361	35,034,333,962	46,718,297,320	40,237,935,476	10,313,139,759	6,681,148,040	16,872,791,107	12,569,163,066	18,398,359,743	13,210,860,935	1,781,813,304	1,599,451,079
Group's share (percentage)	3.8642%	1.9045%	0.462%	0.462%	2.00%	2.00%	1.69%	1.69%	0.50%	0.50%	3.46%	3.46%
Carrying amount of investment (Rupees)	1,585,853,521	667,230,823	215,873,353	185,929,252	206,129,848	133,536,894	285,370,250	212,582,801	91,769,570	66,894,734	61,713,157	55,397,036
<b>Summarised Statement of profit or loss</b>												
Revenue	65,461,810,451	65,729,421,620	109,496,981,039	90,646,435,432	6,715,338	6,257,155	42,348,220,379	34,253,229,257	19,166,116	6,525,229	-	-
Profit before tax	8,785,095,978	9,244,912,472	12,825,804,007	16,768,101,945	2,330,986,765	1,910,846,511	5,045,713,810	3,321,208,149	4,106,943,674	1,646,106,661	236,972,977	310,336,238
Profit after tax	7,807,862,463	8,400,011,404	10,723,157,462	15,007,690,445	2,157,146,133	1,885,548,174	4,392,404,980	2,770,827,506	3,972,206,787	1,496,232,847	199,513,745	269,422,331
Other comprehensive income loss	(579,407,369)	(1,566,518,994)	(750,026,770)	(1,565,359,052)	(82,934,924)	(107,831,274)	(88,759,031)	(211,831,483)	(192,438,634)	-	(24,454,167)	(68,625,889)
Total comprehensive income / (loss)	7,228,455,094	6,833,492,410	9,973,130,692	13,442,331,393	2,074,211,209	1,777,716,900	4,303,645,949	2,568,996,023	3,779,768,153	1,496,232,847	175,059,578	210,796,442

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

- 5.2.1** Investment in SFL represents 798,796 (2022: 393,697) fully paid ordinary shares of Rs.10 each representing 3.8642% (2022: 1.905%) of SFL's issued, subscribed and paid-up capital as at June 30, 2023. SFL was incorporated on June 05, 1979 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of SFL is manufacturing and sale of yarn, fabrics and garments.
- 5.2.2** Investment in STML represents 100,223 fully paid ordinary shares of Rs.10 each representing 0.462% (2022: 0.462%) of STML's issued, subscribed and paid-up capital as at June 30, 2023. STML was incorporated as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of STML is manufacturing and sale of yarn, fabrics, home textile products, finishing, stitching and printings of fabrics.
- 5.2.3** Investment in SFLL represents 401,570 fully paid ordinary shares of Rs.10 each representing 2.00% (2022: 2.00%) of SFLL's issued, subscribed and paid-up capital as at June 30, 2023. SFLL was incorporated in Pakistan as a public limited company and is principally engaged in the business to invest in the shares of associated companies and other business.
- 5.2.4** Investment in SFML represents 1,556,000 fully paid ordinary shares of Rs.10 each representing 1.69% (2022: 1.69%) of SFML's issued, subscribed and paid-up capital as at June 30, 2023. SFML was incorporated as a public limited company and is principally engaged in processing, dyeing and finishing of fabric and stitching of garments (work wear and fashion apparel).
- 5.2.5** Investment in SHL represents 100,223 fully paid ordinary shares of Rs.10 each representing 0.5% (2022: 0.5%) of SHL's issued, subscribed and paid-up capital as at June 30, 2023. SHL was incorporated in Pakistan as a public limited company by shares and its principal business is to invest in the shares of associated companies and other business.
- 5.2.6** Investment in SPGL represents 555,000 fully paid ordinary shares of Rs.10 each representing 3.46% (2022: 3.46%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2023. SPGL was incorporated in Pakistan as a public limited company by shares and its principal business is electric power generation and distribution.
- 5.2.7** The Group investment in above companies is less than 20% but these are considered associated companies as the Group has significant influence over the financial and operating policies through representation on the Board of Directors of these companies.

## 6 STORES, SPARE PARTS AND LOOSE TOOLS

	2023 Rupees	2022 Rupees
Stores	21,646,143	11,482,681
Spare parts	29,681,269	21,542,450
Loose tools	93,600	40,800
Items in transit	23,556,851	34,317,073
	<b>74,977,863</b>	<b>67,383,004</b>

## 7 STOCK-IN-TRADE

### Raw materials:

- at mills	3,982,794,123	3,560,945,774
- in transit	767,222,050	435,749,233
	<b>4,750,016,173</b>	<b>3,996,695,007</b>
<b>Work-in-process</b>	<b>609,784,835</b>	<b>309,372,499</b>
Finished goods		
- at mills	782,193,926	345,981,922
- at third party premises	-	34,555,013
	<b>782,193,926</b>	<b>380,536,935</b>
Waste	61,138,997	19,602,763
	<b>6,203,133,931</b>	<b>4,706,207,204</b>

- 7.1** As at June 30, 2023, raw material costing Rs.2,842.465 million have been written down to Rs.2,187.171 million to arrive at the net realisable value. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.655.294 million.
- 7.2** As at June 30, 2023, finished goods at mills costing Rs.680.732 million have been written down to Rs.668.672 million to arrive at the net realisable value. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.12.060 million.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 8 TRADE DEBTS

	Note	2023 Rupees	2022 Rupees
<b>Considered good</b>			
Unsecured - local	8.1	1,856,307,118	1,316,235,087
Secured - foreign debts		171,088,039	528,025,448
		2,027,395,157	1,844,260,535
Less: provision for expected credit loss	8.4	14,529,933	61,744,328
		2,012,865,224	1,782,516,207

### 8.1 These include the following amounts due from related parties:

	2023 Rupees	2022 Rupees
Amer Cotton Mills (Pvt.) Limited	15,371,284	-
Diamond Fabrics Limited	11,251,470	212,663
Sapphire Fibers Limited	538,403,297	163,710,932
Sapphire Power Generation Limited	10,951	17,294
Sapphire Textile Mills Limited	1,924,002	9,720,062
	566,961,004	173,660,951

### 8.2 The ageing of trade debts at June 30, is as follows:

	Related parties		Others	
	2023	2022	2023	2022
	Rupees			
Not past due	18,938,867	1,016,120	533,110,815	520,807,354
Past due 1-30 days	159,450,079	99,134,253	434,906,866	538,882,230
Past due 31-60 days	91,661,427	70,456,051	360,948,028	449,093,841
Past due 61-90 days	41,233,233	2,958,943	58,178,456	129,746,018
Past due 91-365 days	255,666,447	69,264	48,463,448	17,327,449
Past due one year	10,951	26,320	24,826,540	14,742,692
	566,961,004	173,660,951	1,460,434,153	1,670,599,584

8.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.714.54 million (2022: Rs.424.164 million).

### 8.4 Provision for expected credit loss

	2023 Rupees	2022 Rupees
Balance at the beginning of the year	61,744,328	58,224,328
Charged during the year	-	3,520,000
Reversal of provision	(47,214,395)	-
Balance at the end of the year	14,529,933	61,744,328

## 9 LOANS AND ADVANCES

	Note	2023 Rupees	2022 Rupees
Current portion of long term loans to employees		100,000	1,100,000
Advances to supplier and contractors	9.1	32,806,723	114,033,605
		32,906,723	115,133,605

9.1 This include amount of Rs. 3.433 million paid to Sapphire Textile Mills Limited (a related party) for purchase of polyester.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 10 SHORT TERM DEPOSITS AND PREPAYMENTS

	2023 Rupees	2022 Rupees
Bank guarantee margin	2,295,700	833,473
Prepayments	231,234	214,592
Letter of credit margin	2,032,381	-
	4,559,315	1,048,065

## 11 SHORT TERM INVESTMENTS

	Note	2023 Rupees	2022 Rupees
Equity instruments			
- at FVTOCI	11.1	14,088,516	53,461,960
- at FVTPL	11.2	2,849,259	2,492,583
		16,937,774	55,954,543

### 11.1 Equity instruments at fair value through other comprehensive income (FVTOCI)

(Investment in quoted securities)

Number of Shares / Certificates		Name of the investee company	Market value		Cost	
2023	2022		2023	2022	2023	2022
			Rupees			
-	14,000	Attock Cement Pakistan Limited	-	931,000	-	1,870,481
-	14,200	D.G.Khan Cement Company Limited	-	887,500	-	1,659,557
-	25,740	Engro Corporation Limited	-	6,617,497	-	7,296,579
-	55,000	Engro Fertilizers Limited	-	4,875,200	-	3,317,315
-	156,683	Engro Polymer & Chemicals Limited	-	12,476,667	-	4,881,318
-	19,000	The Hub Power Company Limited	-	1,295,230	-	2,428,134
-	5,900	ICI Pakistan Limited	-	4,274,845	-	6,980,061
-	290,000	K-Electric Limited	-	881,600	-	1,879,537
-	3,350	Lucky Cement Limited	-	1,537,784	-	2,167,609
-	847	Mari Petroleum Company Limited	-	1,473,560	-	1,054,594
39,796	36,179	Meezan Bank Limited	3,437,181	4,087,503	2,431,357	2,431,357
30,000	30,000	Oil & Gas Development Company Limited	2,340,000	2,360,100	4,574,621	4,574,621
-	2,400	Packages Limited	-	957,264	-	2,037,824
-	15,264	Pakistan Petroleum Limited	-	1,030,473	-	1,530,272
17,744	17,744	Pakistan State Oil Company Limited	1,969,761	3,049,129	3,969,942	3,969,942
26,000	66,000	Sui Northern Gas Pipeline Limited	1,023,620	2,257,860	3,224,374	8,184,950
50,950	52,000	Sui Southern Gas Company Limited	437,661	471,120	1,892,741	1,931,748
12,100	12,100	Systems Limited	4,880,293	3,991,306	492,468	492,468
-	58	The Searle Company Limited	-	6,323	-	18,860
			14,088,516	53,461,961	16,585,503	58,707,227
Adjustment arising from re-measurement to fair value					(2,496,987)	(5,245,266)
<b>Market value</b>					<b>14,088,516</b>	<b>53,461,961</b>

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 11.2 Equity Instruments - at FVTPL

Number of Units		Name of the investee company	2023	2022	2023	2022
2023	2022		Market		Cost	
Rupees						
56,551	49,389	Pakistan Cash Management Fund	2,849,258	2,492,583	2,854,026	2,492,583
Add: Adjustment arising from re-measurement to fair value					(4,768)	-
					2,849,258	2,492,583

## 12 OTHER RECEIVABLES

	2023 Rupees	2022 Rupees
Advance income tax	141,123,852	168,447,782
Export rebate & duty drawbacks	559,348	3,120,718
Deposits with the High Court	6,993,302	6,993,302
Claims receivable	235,360	306,940
Profit on Term Deposit Receipts	308,904	-
	149,220,766	178,868,742

## 13 TAX REFUNDS DUE FROM GOVERNMENT

	2023 Rupees	2022 Rupees
Sales tax	395,964,231	504,218,090
Less: provision for doubtful tax refunds	45,677,070	38,068,467
	350,287,161	466,149,623
Income tax	225,476,998	206,602,350
	575,764,159	672,751,973

## 14 CASH AND BANK BALANCES

	Note	2023 Rupees	2022 Rupees
Cash-in-hand		788,500	1,304,000
Cash at bank			
- at current account	14.1	146,387,351	25,509,599
- at dividend account		626,146	732,651
		147,013,497	26,242,250
Term deposit receipts	14.2	50,000,000	-
		197,801,997	27,546,250

14.1 This include US\$ 457,393 (2022: US\$ 60,658).

14.1 This carried mark up at the rate of 20.5% per annum and is having a maturity period of three months.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023		2022	
Numbers		Rupees	
10,292,000	10,292,000	102,920,000	102,920,000
Ordinary shares of Rs.10 each fully paid in cash			

**15.1** Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

**15.2** 6,761,808 (June 30, 2022: 6,709,970) ordinary shares of Rs.10 each are held by the related parties as at year-end.

## 16 LONG TERM LIABILITIES - Secured

	Note	2023 Rupees	2022 Rupees
Long term finances	16.1	1,872,866,164	1,754,174,918
Provision for Gas infrastructure Development Cess	16.2	92,876,938	89,927,713
		1,965,743,102	1,844,102,631
Less: current portion grouped under current liabilities		(325,244,097)	(210,608,139)
		1,640,499,005	1,633,494,492

### 16.1 Long term finances (from banking companies)

- Faysal Bank Limited	16.1.1	217,795,286	154,503,000
- Habib Bank Limited	16.1.2	169,951,993	227,389,661
- MCB Bank Limited	16.1.3	747,708,885	634,872,257
- Mezaan Bank Limited	16.1.4	737,410,000	737,410,000
		1,872,866,164	1,754,174,918

**16.1.1** The Parent Company has arranged long term finance facilities amounting to Rs.300 million from Faysal Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.154.503 million in six tranches of different amounts during the preceding years and Rs. 115.144 million in 5 tranches of different amounts during the current year. Each tranche is repayable in 32 equal quarterly instalments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranging from 3.00% to 24.08% (2022: 3.00% to 4.00%) per annum and are secured against first charge of Rs.400 million with 25% margin over all present and future plant and machinery of the Parent Company.

**16.1.2** The Parent Company has arranged long term finance facilities amounted Rs.250 million and Rs.138 million from Habib Bank Limited under the state bank of Pakistan (SBP) scheme for imported plant and machinery and for refinance payment of wages and salaries respectively. These finance facilities have different repayment terms and carry mark-up at the rates ranged from 1.00% to 2.85% per annum, payable on quarterly basis. This facility secured against Pari pasu charge over present and future plant and machinery of the Parent Company for Rs.641.333 million.

As the above loan of Rs.138 million is below market rate of interest it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as a government grant. The said loan has been repaid during the year.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

**16.1.3** The Parent Company has arranged a long term finance facility amounting Rs.1,065.548 million from MCB Bank Limited to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.736.576 million in 22 tranches of different amount during the preceding years and Rs.196.896 million in 2 tranches of different amounts during the current year. Each tranche is repayable in 16 equal quarterly instalments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranged from 2.50% to 18.32% (2022: 2.50% to 10.82%) per annum and are secured against 1st joint Pari passu charge of Rs.2,534 million with 25 % margin over all present and future plant and machinery of the Parent Company.

**16.1.4** The Parent Company has arranged a long term Islamic finance facility (Diminishing Musharka Facility) amounting Rs.1,400 million from Meezan Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.737.410 million in 14 tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate ranged from 3.50% to 4.00% (2022: 3.50% to 4.00%) per annum and are secured against 1st Pari passu charge with 25 % margin overall present and future plant and machinery of the Parent Company.

## 16.2 Movement in Gas Infrastructure Development Cess payable

	Note	2023 Rupees	2022 Rupees
Balance of provision for GIDC	16.2.1	89,927,713	85,386,356
Unwinding of interest		2,949,225	4,541,356
		92,876,938	89,927,713

**16.2.1** The Honourable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 2020 decided the appeal against the Parent Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Parent Company has filed a civil suit before the Honourable Sindh High Court (SHC) on the grounds that the Parent Company falls under the category of consumer and had not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Parent Company.

The Parent Company has recorded a provision against GIDC. The amount has been recorded at its present value, by discounting future estimated cash flows using risk free rate of return.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 17 STAFF RETIREMENT BENEFIT - Gratuity

The Parent Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2023 Rupees	2022 Rupees
<b>Amount recognized in the statement of financial position</b>		
Net liability at the beginning of the year	92,326,481	72,010,728
Charge to statement of profit or loss	38,482,517	28,989,200
Remeasurement recognized in statement of other comprehensive income	9,323,592	3,661,570
Payments made during the year	(26,839,146)	(12,335,017)
Net liability at the end of the year	113,293,444	92,326,481
<b>Movement in the present value of defined benefit obligation</b>		
Balance at beginning of the year	92,326,481	72,010,728
Current service cost	27,830,084	22,240,270
Interest cost	10,652,433	6,748,930
Benefits paid	(26,839,146)	(12,335,017)
Remeasurements on obligation	9,323,592	3,661,570
Balance at end of the year	113,293,444	92,326,481
<b>Expense recognized in Statement of profit or loss</b>		
Current service cost	27,830,084	22,240,270
Interest cost	10,652,433	6,748,930
	38,482,517	28,989,200
<b>Remeasurements recognized in statement of other comprehensive income</b>		
Experience adjustment	9,323,592	3,661,570
	2023	2022
<b>Actuarial assumptions used</b>		
Discount rate	16.25%	13.25%
Expected rate of increase in future estimates	15.25%	12.50%
Average age of employees	11 years	13 years
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## Sensitivity analysis for actuarial assumptions

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

	Change in assumptions	Increase in assumptions Rupees	Decrease in assumptions Rupees
Discount rate	1%	(103,589,980)	123,908,589
Increase in future salaries	1%	123,905,849	(103,588,708)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Based on actuary's advice, the expected charge for the year ending June 30, 2024 amounts to Rs.53.672 million.

The weighted average duration of defined benefit obligation is 9 years.

## Historical information

	2023	2022	2021	2020	2019
	Rupees				
Present value of defined benefit obligation	113,293,444	92,326,481	72,010,728	62,585,160	48,699,241
Experience adjustment on obligation / actuarial loss	(9,323,592)	(3,661,570)	(2,009,990)	(2,324,570)	(116,423)

	2023 Rupees	2022 Rupees
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## 18 DEFERRED TAXTION - Net

The balance of deferred tax is in respect of following major temporary differences

Taxable temporary differences arising in respect of :

- accelerated tax depreciation allowance	41,781,987	30,910,022
- Investment in associate	218,429,341	140,127,961
	260,211,328	171,037,983

Deductible temporary differences arising in respect of :

- staff retirement benefit - gratuity	8,397,763	4,990,801
- provision for doubtful tax refunds	3,385,767	2,057,829
- provision for impairment in trade debts	1,077,017	3,337,651
	12,860,547	10,386,281
	247,350,781	160,651,702

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

**18.1** The Parent Company's income of the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001. However, deferred tax liability / (asset) is recognized as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

**18.2** No deferred tax liability / (asset) has arisen on temporary differences with respect to the Subsidiary Company RCSM Company Private Limited.

	Note	2023 Rupees	2022 Rupees
<b>20 TRADE AND OTHER PAYABLES</b>			
Trade creditors	19.1	398,060,892	239,580,111
Accrued expenses		313,782,230	371,487,696
Bills payable	19.2	501,433,624	390,704,691
Sindh government infrastructure fee	19.3	227,399,957	155,927,910
Workers' profit participation fund	19.4	45,946,678	148,524,276
Workers' welfare fund		81,010,729	60,068,194
Current portion of Government grant		-	841,007
		1,567,634,110	1,367,133,885

**19.1** These balances include the following amounts due to related parties:

Amer Cotton Mills (Pvt.) Limited	170,448,677	16,842,326
Sapphire Fibres Limited	43,837,396	26,800,373
Sapphire Textile Mills Limited	76,399	241,018
	214,362,472	43,883,717

**19.2** These are secured against import documents.

**19.3** This provision has been recognized against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Parent Company has contested this issue in the Sindh High Court (the High Court). The Parent 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 28, 2006 as illegal and ultra vires and after that it was legal. 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 come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared up to December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2023, the Parent Company has provided bank guarantees aggregating Rs.260.720 million (2022: Rs.174.707 million) in favor of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Parent Company's Favor.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>19.4 Workers' profit participation fund</b>			
Balance at beginning of the year		148,524,276	63,132,291
Add: interest on funds utilized by the Company		2,299,974	547,629
		150,824,250	63,679,920
Less: payments made during the year		150,824,250	63,679,920
		-	-
Add: allocation for the year		45,946,678	148,524,276
Balance at end of the year		45,946,678	148,524,276
<b>20 ACCRUED MARK-UP / INTEREST</b>			
Mark-up / interest accrued on:			
- long term finances		21,562,560	18,454,770
- short term borrowings		72,963,689	25,200,807
		94,526,249	43,655,577
<b>21 SHORT TERM BORROWINGS</b>			
Short term loans	21.1	1,625,449,000	745,000,000
Running / cash finances - secured	21.1	705,694,302	297,705,695
Temporary bank overdraft - unsecured		-	534,473
		2,331,143,302	1,043,240,168

**21.1** The Parent Company has obtained short term finance facilities under mark-up arrangements aggregate to Rs.5,553 million (2022: Rs.5,723 million). These finance facilities, during the year, carried mark-up at the rates ranged from 14.06% to 23.08% (2022: 7.44% to 15.31%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.16,539 million (2022: Rs.14,829 million) over current assets of the Parent Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Facilities available for opening letters of credit and guarantees aggregate to Rs.6,620 million (2022: Rs.6,000 million) out of which the amount remained unutilized at the year-end was Rs.4,818.88 (2022: Rs.4,329 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Parent Company, cash margins and counter guarantee by the Parent Company.

Above mentioned facilities are expiring on various dates upto March 31, 2024.

	Note	2023 Rupees	2022 Rupees
<b>22 CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term finances	16	235,039,316	143,935,040
Current portion of Gas Infrastructure			
Development Cess payable	16	90,204,781	66,673,099
		325,244,097	210,608,139

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

#### 23.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.386.662 million (2022: Rs.286.662 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

**23.1.2** Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2023 the value of these cheques amounted to Rs 5,343.701 million (2022: Rs.550.659 million).

**23.1.3** The Holding Company has claimed an input tax credit of Rs.45.749 million (2022: Rs.38.068 million) which was disallowed by FBR through its notice dated June 20, 2015. The Holding Company has filed an appeal against the decision of FBR in the Honourable Lahore High Court dated July 07, 2015. The management expects a favourable outcome in this case.

	2023 Rupees	2022 Rupees
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### 23.2 COMMITMENTS

Commitments in respect of :		
- letters of credit for capital expenditure	571,789,427	653,562,710
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	308,063,329	203,360,516
- capital expenditure other than letters of credit	51,039,978	145,465,316
- foreign & local bills discounted	283,113,000	136,793,710

## 24 SALES - NET

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

	Note	2023 Rupees	2022 Rupees
<b>Types of goods and services</b>			
Local sales			
- yarn		2,566,235,017	2,229,678,993
- waste		154,957,553	151,506,318
- raw materials		40,394,396	62,584,359
- local steam income		13,142,730	11,697,894
- processing income		6,903,449	182,725
		2,781,633,145	2,455,650,289
Export Sales			
- yarn	24.1	9,260,171,217	10,013,382,942
- waste		213,864,063	133,532,610
		9,474,035,280	10,146,915,552
		12,255,668,425	12,602,565,841
Less: sales tax		1,206,828,817	1,216,096,436
		11,048,839,608	11,386,469,405

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

**24.1** This includes indirect export of Rs.7,108 million (2022: Rs.6,759 million).

**24.2** Waste sales include sale of comber noil.

**24.3** Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.82.51 (2022: Rs.72.795 million) has been included in export sales.

**24.4** The Company's revenue from external customers by geographical location is detailed below:

	2023 Rupees	2022 Rupees
Africa	16,979,870	1,891,368
America	674,580,007	628,770,822
Asia	9,554,349,435	9,865,669,025
Australia	47,860,773	18,419,968
Europe	755,069,523	871,718,222
	11,048,839,608	11,386,469,405

	Note	2023 Rupees	2022 Rupees
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## 25 COST OF SALES

Finished goods at beginning of the year		400,139,698	363,753,827
Cost of goods manufactured	25.1	9,732,349,056	7,639,060,576
Yarn / fabric purchased during the year		26,491,754	41,488,320
Cost of raw materials sold		27,736,515	35,674,514
		9,786,577,325	7,716,223,410
		10,186,717,023	8,079,977,237
Finished goods at end of the year		(843,332,923)	(400,139,698)
		9,343,384,100	7,679,837,539

	Note	2023 Rupees	2022 Rupees
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### 25.1 Cost of goods manufactured

Work-in-process at beginning of the year		309,372,499	223,211,728
Raw materials consumed	25.2	7,686,531,115	5,686,622,075
Salaries, wages and benefits	25.3	667,121,883	621,917,127
Packing stores consumed		134,549,070	122,926,881
General stores consumed		208,747,841	182,711,847
Processing charges		260,072,715	247,592,779
Depreciation	4.2	280,375,260	231,992,757
Fuel and power		734,368,714	561,592,770
Repair and maintenance		10,708,597	33,044,158
Insurance		28,648,307	20,550,610
Travelling and conveyance		13,974,943	8,699,440
Other manufacturing expense		7,662,947	7,570,903
		10,342,133,891	7,948,433,075
Work-in-process at end of the year		(609,784,835)	(309,372,499)
		9,732,349,056	7,639,060,576

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

	2023 Rupees	2022 Rupees
<b>25.2 Raw materials consumed</b>		
Stocks at beginning of the year	3,560,945,774	1,793,227,469
Purchases	8,108,379,464	7,454,340,380
	11,669,325,238	9,247,567,849
Stocks at end of the year	(3,982,794,123)	(3,560,945,774)
	7,686,531,115	5,686,622,075

**25.3** Salaries, wages and benefits include Rs.38.482 million (2022: Rs.28.989 million) in respect of staff retirement benefit - gratuity and Rs.4.336 million (2022: Rs.3.790 million) contribution in respect of staff provident fund.

	Note	2023 Rupees	2022 Rupees
<b>26 DISTRIBUTION COST</b>			
Salaries and other benefits	26.1	20,132,824	18,150,507
Travelling, conveyance and entertainment		5,857,965	9,159,273
Insurance charges - exports		656,643	512,820
Telephone & Postage		1,611,743	1,173,705
Printing and stationery		1,041,883	525,261
Commission:			
- local		10,755,444	8,380,884
- export		41,361,093	34,197,351
		52,116,537	42,578,235
Freight and forwarding:			
- local		13,998,709	10,659,136
- export		65,790,887	119,821,990
		79,789,596	130,481,126
Export development surcharge		5,192,573	6,035,806
Provision for expected credit loss in trade debts		-	3,520,000
		166,399,764	212,136,733

**26.1** Salaries and other benefits include Rs.0.353 million (2022: Rs.0.812 million) in respect of contribution to staff provident fund.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>27 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		21,600,000	19,800,000
Director's meeting fee		240,000	256,000
Salaries and other benefits	27.1	49,527,326	48,307,015
Postage		1,902,883	2,055,045
Fee and subscription		3,294,969	3,518,225
Legal and professional charges		11,462,483	7,433,283
Entertainment		9,928,021	2,019,233
Travelling and conveyance		34,698,055	13,073,356
Printing and stationery		1,563,231	1,276,429
Advertisement		819,164	84,469
Repair and maintenance		4,949,313	231,886
Utility charges		4,404,027	1,989,388
Charity and donations	27.2	36,525,000	17,580,760
Depreciation	4.2	5,248,981	5,818,182
Insurance expense		-	87,779
Others		890,233	90,256
		<b>187,053,686</b>	<b>123,621,306</b>

**27.1** Salaries and other benefits include Rs.2.617 million (2022: Rs.1.089 million) in respect of contribution to staff provident fund.

## **27.2 Donations exceeding 10% of the total donations of the Company**

### **Donations with directors' interest**

These include donations amounted Rs.30.30 million (2022: Rs.10 million) made to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nabeel Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Shayan Abdullah have common directorship in both Companies.

### **Donations without directors' interest**

These include donations amounted Rs. 5 million (2022: Rs.3 million) made to Progressive education Network.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>28 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		5,522,673	7,085,418
Interest income		308,904	-
Amortisation of deferred income - government grant		841,007	2,973,489
		6,672,584	10,058,907
<b>Income from assets other than financial assets</b>			
Gain on disposal of operating fixed assets	4.4	4,436,617	3,420,023
Scrap sales [Net of sales tax aggregating Rs.3.047 million (2022: Rs.2.541 million)]		16,543,896	14,260,458
Miscellaneous Income		-	1,075
		20,980,513	17,681,556
Reversal for expected credit loss in trade debts	8.4	47,214,395	-
		74,867,492	27,740,463

## 29 OTHER EXPENSES

Workers' profit participation fund	19.4	45,946,678	148,524,276
Workers' welfare fund	19	20,942,535	60,068,194
Provision for doubtful tax refunds		7,608,603	13,510,939
Auditors' remuneration	29.1	1,296,200	1,725,850
Loss on fair value shares		4,768	-
Other Expense		35,283	66,544
		75,834,067	223,895,803

### 29.1 Auditors' remuneration:

- statutory audit		794,200	656,250
- prior year under provision		65,750	-
- half yearly review		152,500	138,600
- code of corporate governance review		63,500	57,750
- special audit		-	600,000
- certifications and others		120,250	155,000
- out-of-pocket expenses		100,000	118,250
		1,296,200	1,725,850

## 30 FINANCE COST

Mark-up / interest on long term finances		75,023,623	40,517,653
Mark-up / interest on short term borrowings		256,693,990	177,359,308
Interest on workers' profit participation fund	19.4	2,299,974	547,629
Unwinding effect of long term liabilities	16.2	2,949,225	4,541,356
Unwinding effect of govt grant		-	2,973,489
Bank and other financial charges		13,975,584	10,721,873
		350,942,396	236,661,308

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>31 TAXATION</b>			
Current			
- for the year	31.1	156,129,592	151,318,711
- for prior year		(218,750)	(1,967,147)
Deferred tax		87,991,516	50,172,207
		243,902,358	199,523,771

**31.1** The Group falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 (the Ordinance) and current year's provision is made accordingly.

**31.2** Numeric tax rate reconciliation is not presented as the Group's income is chargeable to tax under presumptive tax regime.

	2023 Rupees	2022 Rupees
<b>32 EARNINGS PER SHARE</b>		
<b>32.1 Basic earnings per share</b>		
Net profit for the period / year	1,196,950,454	3,046,062,035
	Number of shares	
Weighted average ordinary shares in issues	10,292,000	10,292,000
	Rupees	
Earnings per share	116.30	295.96

### 32.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2023 and June 30, 2022 which would have any effect on the earnings per share if the option to convert is exercised.

	2023 Rupees	2022 Rupees
<b>33 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	197,801,997	27,546,250
Bank overdraft	-	(534,473)
	197,801,997	27,011,777

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees
Managerial remuneration	21,600,000	19,800,000	60,225,558	58,369,575
Contribution to provident fund trust	-	-	3,361,253	2,923,347
Medical	-	-	807,023	701,884
Leave encashment / bonus	-	-	19,161,065	9,512,252
	21,600,000	19,800,000	83,554,899	71,507,058
<b>Number of persons</b>	1	1	17	18

34.1 Certain executives are provided with Group maintained vehicles.

34.2 During the year, meeting fees of Rs.240 thousand (2022: Rs.256 thousand) was paid to two non-executive director.

## 35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Group in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Group has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Sapphire Textile Mills Limited	Common directorship	0.462%
Sapphire Fibres Limited	Common directorship	3.864%
Sapphire Electric Company Limited	Common directorship	-
Sapphire Finishing Mills Limited	Common directorship	1.69%
Sapphire Holding Limited	Common directorship	0.50%
SFL Limited	Common directorship	1.998%
Amer Cotton Mills (Private) Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Amer Tex (Private) Limited	Common directorship	-
Crystal Enterprises (Private) Limited	Common directorship	-
Galaxy Agencies (Private) Limited	Common directorship	-
Neelum Textile Mills (Private) Limited	Common directorship	-
Reliance Textile (Private) Limited	Common directorship	-
Salman Ismail (SMC-Private) Limited	Common directorship	-
Sapphire Agencies (Private) Limited	Common directorship	-
Four Strength (Private) Limited	Common directorship	-
Sapphire Power Generation Limited	Common directorship	3.460%

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Group considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

	2023 Rupees	2022 Rupees
<b>Significant transactions with the related parties</b>		
<b>i) Associated Companies</b>		
Sales of:		
- raw material / yarn / fabric / stores	1,298,331,515	964,423,719
Purchases:		
- raw material / yarn / fabric / stores	160,447,947	163,963,664
Expenses charged by	32,892,792	12,257,190
Expenses charged to	300,736	-
Purchase of fixed assets	48,537,601	28,100,000
Advance for purchase of fixed assets	-	46,637,601
Dividend:		
- received	4,939,200	5,440,315
- paid	50,552,310	33,549,850
<b>ii) Director and their related parties</b>		
Donation	30,300,000	10,000,000
<b>iii) Key management personnel</b>		
Salary and other employment benefits	36,873,380	32,847,829
<b>iv) Retirement Fund</b>		
Contribution towards provident fund	12,686,700	11,385,506

## 36 FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price risk).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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

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

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

### (a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans and advances, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note. 36.4, the financial assets exposed to credit risk aggregated to Rs.2,259.091 million as at June 30, 2023 (2022: Rs.1,942.234 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2022: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2023 Rupees	2022 Rupees
Long term deposits	8,987,690	9,087,690
Trade debts	2,027,395,157	1,844,260,535
Loans and advances	100,000	1,100,000
Short term deposits	4,328,081	833,473
Short term investments	16,937,774	55,954,543
Other receivables	7,228,662	7,300,242
Bank balances	196,387,351	26,242,250
	<b>2,261,364,715</b>	<b>1,944,778,733</b>

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the Company various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Export sales made to major customers are secured through letters of credit.

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2023 Rupees	2022 Rupees
Domestic	1,856,307,118	1,316,235,087
Export	171,088,039	528,025,448
	<b>2,027,395,157</b>	<b>1,844,260,535</b>

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of the Group's bank balances can be assessed with reference to the external credit ratings as follows:

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

Name of bank	Rating		Agency
	Short term	Long term	
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Faysal Bank Limited	A-1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AAA	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Dubai Islamic Bank	A-1+	AA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

## (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
Rupees					
<b>June 30, 2023</b>					
Long term liabilities	1,965,743,102	2,329,721,564	331,228,787	1,262,953,925	735,538,852
Trade and other payables	1,213,276,746	1,213,276,746	1,213,276,746	-	-
Accrued mark-up / interest	94,526,249	94,526,249	94,526,249	-	-
Short term borrowings	2,331,143,302	2,511,827,513	2,511,827,513	-	-
Unclaimed dividend	801,640	801,640	801,640	-	-
	5,605,491,039	6,150,153,712	4,151,660,935	1,262,953,925	735,538,852

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

	Carrying amount	Contractual cash flows	Less than 1 year Rupees	Between 1 to 5 years	More than 5 years
June 30, 2022					
Long term finances	1,844,102,631	2,021,675,812	164,235,101	1,034,807,086	822,633,625
Trade and other payables	1,001,772,498	1,001,772,498	1,001,772,498	-	-
Accrued mark-up / interest	43,655,577	43,655,577	43,655,577	-	-
Short term borrowings	1,042,705,695	1,149,486,460	1,149,486,460	-	-
Unclaimed dividend	844,398	844,398	844,398	-	-
	3,933,080,799	4,217,434,745	2,359,994,034	1,034,807,086	822,633,625

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-ends. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

## (c) Market risk

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

## (i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Japanese Yen and Swiss Franc. The Group's exposure to foreign currency risk for U.S. Dollar, Euro, Japanese Yen (JPY), and Swiss Franc (CHF) is as follow :

	Rupees	US \$	EURO	JPY	CHF
<b>For the year ended June 30, 2022</b>					
Bills payables	501,433,624	1,746,547	-	-	-
Trade debts	171,088,039	(596,958)	-	-	-
Bank balances	(131,088,834)	(457,393)	-	-	-
Net balance sheet exposure	541,432,829	692,196	-	-	-
Outstanding letters of credit	879,852,756	909,187	903,321	2,268,384	1,029,600
	1,421,285,585	1,601,383	903,321	2,268,384	1,029,600
<b>For the year ended June 30, 2022</b>					
Bills payables	390,704,691	1,299,420	570,216	-	-
Trade debts	(528,025,448)	(2,569,467)	-	-	-
Bank balances	(12,465,233)	(60,658)	-	-	-
Net balance sheet exposure	(149,785,990)	(1,330,705)	570,216	-	-
Outstanding letters of credit	856,923,226	2,076,000	809,902	2,535,000	1,116,651
	707,137,236	745,295	1,380,118	2,535,000	1,116,651

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2023	2022	2023	2022
US Dollar to Rupee	259.97	178.68	287.10 / 286.60	206 / 205.50
Euro to Rupee	259.31	200.56	314.27 / 313.72	215.75 / 215.23
Swiss Franc to Rupee	340.65	190.00	320.90 / 320.34	215.96 / 215.43
Japanese Yen to Rupee	1.79	1.66	2.0013 / 1.9978	1.5083 / 1.5047

At June 30, 2023, if Rupee had strengthened / weakened by 10% against US Dollars and Euros with all other variables held constant, profit for the year would have been (lower) / higher by the amount shown below mainly as a result of net foreign exchange (loss) / gain on translation of financial assets and liabilities.

	2023	2022
	Rupees	
<b>Effect on profit for the year</b>		
US Dollar to Rupee	19,872,947	(27,412,514)
Euro to Rupee	-	12,302,410
	19,872,947	(15,110,104)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## (ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Group arises from long & short term borrowings from banks and deposits with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

	2023	2022	2023	2022
	Effective rate		Carrying amount	
	%	%	Rupees	
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	1 to 24.08	1 to 10.82	1,872,866,164	1,754,174,918
<b>Variable rate instruments</b>				
Short term borrowings	14.06 to 23.08	7.44 to 15.31	2,331,143,302	1,042,705,695

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

The Group does not account for any fixed rate financial assets and liabilities at fair value through statement of profit or loss. Therefore, a change in mark-up / interest rates at reporting date would not affect profit or loss for the year.

## (iii) Other price risk

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

The Group's investments in ordinary shares and certificates of listed companies aggregating to Rs.14.089 million (2022: Rs.53.462 million) are exposed to price risk due to changes in market price.

At June 30, 2023, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs.1.409 million (2022: Rs.5.346 million).

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

## 36.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

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

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

The Group's Consolidated financial assets measured at fair value consists of level 1 financial assets amounting to Rs.14.089 million (2022: Rs.53.461 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

### Valuation techniques used to determine fair values

**Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

## 36.3 Capital risk management

The Group's objective when managing capital are to ensure the Group's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Group may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Group that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2023 Rupees	2022 Rupees
Total borrowings	4,204,009,466	2,797,415,086
Less: cash and bank balances	197,801,997	27,546,250
Net debt	4,006,207,469	2,769,868,836
Total equity	8,746,631,140	7,378,338,046
Total capital	12,752,838,609	10,148,206,882
Gearing ratio	31%	27%

## 36.4 Financial instruments by category

	As at 30 June 2023			As at 30 June 2022		
	Amortised cost	At fair value through OCI Rupees	Total	Amortised cost	At fair value through OCI Rupees	Total
<b>Financial assets as per statement of financial position</b>						
Long term advances and deposits	8,987,690	-	8,987,690	9,087,690	-	9,087,690
Trade debts	2,027,395,157	-	2,027,395,157	1,844,260,535	-	1,844,260,535
Short term deposits	4,328,081	-	4,328,081	833,473	-	833,473
Loans and advances	100,000	-	100,000	1,100,000	-	1,100,000
Short term investments	-	14,088,516	14,088,516	-	53,461,961	53,461,961
Other receivables	7,537,566	-	7,537,566	7,300,242	-	7,300,242
Cash and bank balances	197,801,997	-	197,801,997	27,546,250	-	27,546,250
	2,246,150,491	14,088,516	2,260,239,007	1,890,128,190	53,461,961	1,943,590,151

	Financial liabilities measured at amortised cost	
	2023	2022
	Rupees	
<b>Financial liabilities as per statement of financial position</b>		
Long term liabilities and accrued mark-up	1,987,305,662	1,862,557,401
Trade and other payables	1,169,573,218	1,127,553,774
Unclaimed dividend	801,640	844,398
Short term borrowings and accrued mark-up	2,404,106,991	1,068,440,975
	5,561,787,511	4,059,396,548

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 37 CAPACITY AND PRODUCTION

### Spinning units

		2023	2022
Number of spindles installed		57,600	57,600
Number of spindles worked		44,350	46,915
Number of shifts worked per day		3	3
Total number of days worked		365	365
Installed capacity after conversion into 20's count	Lbs.	35,405,073	36,500,000
Actual production after conversion into 20's count	Lbs.	26,479,413	31,134,134

**37.1** It is difficult to describe precisely the production capacity in textile industry since it fluctuate widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw material 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.

## 38 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Dividend
			Rupees	
<b>Balance as at July 01, 2022</b>	1,754,174,918	1,043,240,168	43,655,577	844,398
Changes from financing activities				
Finances obtained	312,039,880	1,287,903,134	-	-
Finances / finance cost repaid	(193,348,634)	-	(297,122,499)	-
Dividends paid	-	-	-	(77,232,758)
Dividend declared	-	-	-	77,190,000
Total changes from financing cash flows	118,691,246	1,287,903,134	(297,122,499)	(42,758)
Finance cost	-	-	347,993,171	-
Balance as at June 30, 2023	1,872,866,164	2,331,143,302	94,526,249	801,640

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Dividend
Balance as at July 01, 2021	1,102,718,295	814,941,320	29,571,786	617,737
Changes from financing activities				
Finances obtained	793,176,357	-	-	-
Finances / finance cost repaid	(140,151,866)	228,298,848	(218,036,161)	-
Dividends paid	-	-	-	(51,233,339)
Dividend declared	-	-	-	51,460,000
Total changes from financing cash flows	653,024,491	228,298,848	(218,036,161)	226,661
Deferred grant	(1,567,868)	-	-	-
Finance cost	-	-	232,119,952	-
Balance as at June 30, 2022	1,754,174,918	1,043,240,168	43,655,577	844,398

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

## 39. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on unaudited financial statements of the Fund for the year ended June 30, 2023 and audited financial statements for June 30, 2022:

	2023 Rupees	2022 Rupees
Size of the Fund - Total Assets	41,526,248	29,815,425
Cost of investments made	41,313,019	29,264,316
Percentage of investments made (%)	99.49	98.15
Fair value of investments	41,526,248	29,815,425

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and conditions specified thereunde

## 40. NUMBER OF EMPLOYEES

	2023	2022
Average number of employees during the year	1,238	1,167
Number of employees	1,237	1,218

## 41. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation the effect of which is not material.

## 42. EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Parent Company, in their meeting held on September 26, 2023, has proposed a final cash dividend of 40% (i.e. Rs. 4 per share) amounting to Rs. 41.168 million for the year ended June 30, 2023, for approval of the members at the Annual General Meeting to be held on October 19, 2023.

These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in the year ending June 30, 2024.

## 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2023 by the Board of Directors of the Company.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

## PATTERN OF SHAREHOLDING

As at 30 June 2023

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
310	1	100	6,774
67	101	500	24,641
20	501	1,000	18,372
21	1,001	5,000	53,504
6	5,001	10,000	44,882
3	10,001	15,000	33,597
3	15,001	20,000	51,440
1	20,001	25,000	20,539
3	25,001	30,000	83,511
4	35,001	40,000	153,085
1	40,001	45,000	43,188
1	50,001	55,000	50,776
1	65,001	70,000	69,160
1	75,001	80,000	79,027
1	80,001	85,000	82,106
1	85,001	90,000	89,050
1	105,001	110,000	108,233
1	120,001	125,000	123,902
1	145,001	150,000	149,194
1	150,001	155,000	153,668
3	155,001	160,000	465,311
2	165,001	170,000	340,000
1	205,001	210,000	205,522
2	220,001	225,000	440,762
1	315,001	320,000	315,963
1	435,001	440,000	435,645
1	465,001	470,000	465,638
1	555,001	560,000	557,621
4	595,001	600,000	2,395,761
1	635,001	640,000	636,156
4	645,001	650,000	2,594,972
<b>469</b>			<b>10,292,000</b>

\* Note: The slabs representing nil holding have been omitted.

# CATEGORIES OF SHAREHOLDERS

As at 30 June 2023

Particulars	No. of Shares Held	Percentage %
Director's, CEO, Their Spouse and Minor Children	869,645	8.4497
Associated Companies, Undertakings and Related Parties	6,761,808	65.6997
NIT & ICP	465,638	4.5243
Banks, Development Finance Institutions, Non- Banking Financial Institutions	325	0.0032
Insurance Companies	16,940	0.1646
Modarabas Companies & Mutual Funds	500	0.0049
General Public (Local)	2,126,693	20.6636
Joint Stock Companies	12,144	0.1180
Other Companies	38,307	0.3722
	10,292,000	100.0000

# PATTERN OF SHAREHOLDING

As at 30 June 2023

<b>A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	<b>NO OF SHARES</b>
Amer Cotton Mills (Private) Limited	18,100
ATMZ Company (Private) Limited	1,247,684
Channel Holdings (Private) Limited	1,247,684
Crystal Enterprises (Private) Limited	28,798
Resource Corporation (Private) Limited	1,247,684
Salman Ismail (SMC-PRIVATE) Limited	1,500
Sapphire Fibers Limited	153,668
Sapphire Holding Limited	636,156
Sapphire Power Generation Limited	20,539
Sapphire Textile Mills Limited	315,963
SFL Corporation (Pvt) Limited	4,488
SFL Limited	557,621
STM Corporation (Pvt) Limited	3,219
Synergy Holdings (Private) Limited	1,247,681
Yousuf Agencies (Private) Limited	31,023
<b>B) NIT &amp; ICP</b>	
CDC - Trustee National Investment (Unit) Trust	465,638
<b>C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN</b>	
<b>DIRECTORS &amp; THEIR SPOUSES</b>	
Mr. Shahid Abdullah	117,777
Mr. Yousuf Abdullah	248,710
Mr. Amer Abdullah	38,950
Mr. Nabeel Abdullah	570
Mr. Anjum Saleem	58
Mrs. Shireen Shahid	98,506
Mrs. Ambareen Amer	116,233
Mrs. Usma Yousuf	28,013
Mrs. Madiha Saeed Nagra	100
<b>CHIEF EXECUTIVE OFFICER &amp; HIS SPOUSE</b>	
Mr. Shayan Abdullah	220,728

# PATTERN OF SHAREHOLDING

As at 30 June 2023

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

### BANKS, DFI & NBFII

National Bank of Pakistan	225
National Development Finance Corporation	100

### 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

ATMZ Company (Private) Limited	1,247,684
Channel Holdings (Private) Limited	1,247,684
Resource Corporation (Private) Limited	1,247,684
Synergy Holdings (Private) Limited	1,247,681
SFL Limited	557,621
Sapphire Holding Limited	636,156

## 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

Shares purchased by Mr. Anjum Saleem	50
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# FORM OF PROXY Reliance Cotton Spinning Mills Limited

For the year ended 30 June 2023

I/we \_\_\_\_\_ 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 \_\_\_\_\_  
who is also a member of Reliance Cotton Spinning Mills Limited, vide Registered Folio No. \_\_\_\_\_  
as my/ our Proxy to act on my/ our behalf at Annual General Meeting of the Company to be held virtually on Wednesday  
the 26th October, 2023 at 12:30 pm through video conference and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Signature of shareholder \_\_\_\_\_  
CNIC No: \_\_\_\_\_  
Folio No/ CDC and/or Sub Account No: \_\_\_\_\_  
Email: \_\_\_\_\_



Signature of proxy: \_\_\_\_\_  
CNIC No: \_\_\_\_\_  
Folio No/ CDC and/or Sub Account No: \_\_\_\_\_  
Email: \_\_\_\_\_

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

## 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, a certified copy of that Power of Attorney must be deposited along with this form.
4. This proxy form duly completed must be deposited at the Registered Office of the Company at least 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 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 _____
CNIC No. _____

Name _____
Address _____
CNIC No. _____

## فارم برائے قائم مقام / متبادل ریلائنس کاٹن اسپننگ ملز لمیٹڈ

میں / ہم \_\_\_\_\_ جس کا تعلق \_\_\_\_\_ سے ہے:  
ریلائنس کاٹن اسپننگ ملز لمیٹڈ کے ممبر کی حیثیت سے \_\_\_\_\_ شیئرز کی تجویز رکھتا / رکھتی ہوں۔ میں / ہم \_\_\_\_\_ کو یا ان کی  
عدم حاضری کی صورت میں \_\_\_\_\_ کو جس / جن کا تعلق \_\_\_\_\_ سے ہے، کو  
126 اکتوبر 2023 دوپہر 12:30 بجے، ٹریڈنگ ہال، کاٹن اسپننگ بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہونے والے سالانہ اجلاس عام یا ملتوی ہونے کی صورت میں دیگر تاریخ پر  
اپنی / ہماری غیر موجودگی میں شرکت اور ووٹ دینے کے لئے اپنا / ہمارا پراسی مقرر کرتا / کرتی ہوں۔

ریلائنس کاٹن  
پانچ روپے

اس دستاویز پر مورخہ \_\_\_\_\_ 2023 کو دستخط ہوئے۔

\_\_\_\_\_ شیئرز ہولڈر کے دستخط  
\_\_\_\_\_ شیئرز ہولڈر کا فولیو نمبر  
\_\_\_\_\_ اور / یا CDC  
\_\_\_\_\_ پراسی کے دستخط  
\_\_\_\_\_ شیئرز ہولڈر کا فولیو نمبر  
\_\_\_\_\_ اور / یا CDC  
\_\_\_\_\_ شریک ہونے والے کا CNIC نمبر  
\_\_\_\_\_ اور سب اکاؤنٹ نمبر  
\_\_\_\_\_ شریک ہونے والے کا CNIC نمبر  
\_\_\_\_\_ اور سب اکاؤنٹ نمبر

### نوٹس

- ۱۔ کوئی بھی پراسی اس وقت تک درست نہیں سمجھی جائے گی جب تک اس پر پانچ (5) روپے کا محصول ٹکٹ نہ لگایا جائے۔
  - ۲۔ بینک یا کہنی کی صورت میں پراسی فارم پر authorized person کے دستخط کے ساتھ کہنی کی مشترکہ مہر لازم ہوگی۔
  - ۳۔ پاور آف اٹارنی یا دیگر authority کی صورت میں پراسی فارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔
  - ۴۔ دستخط شدہ پراسی فارم کم از کم 48 گھنٹے پہلے کہنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔
  - ۵۔ سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں:
- (i) پراسی فارم پر دو افراد تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر فارم پر موجود ہونا چاہئے۔
  - (ii) Beneficial owners کے CNIC یا پاسپورٹ کی اسکیئن شدہ کاپی پراسی فارم کے ساتھ جمع کرانے ہوں گے۔
  - (iii) پراسی مینٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔
  - (iv) کارپوریٹ اثباتی کی صورت میں، پراسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution/power of attorney کے ساتھ پراسی ہولڈر کے دستخط بھی جمع کروانے جائیں گے (اگر یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1) دستخط: \_\_\_\_\_  
نام: \_\_\_\_\_  
پتہ: \_\_\_\_\_  
CNIC یا پاسپورٹ نمبر: \_\_\_\_\_

(2) دستخط: \_\_\_\_\_  
نام: \_\_\_\_\_  
پتہ: \_\_\_\_\_  
CNIC یا پاسپورٹ نمبر: \_\_\_\_\_





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