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Reliance Cotton Spinning Mills Limited

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Company Profile

Board of Directors

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

Audit Committee

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

Human Resource & Remuneration Committee

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

Chief Financial Officer

Mr. Jawwad Faisal

Company Secretary

Mr. Nauman Iqbal

Auditors

Deloitte Yousuf Adil,
Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor

Hassan & Hassan, Advocates

Bankers of the Company

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

Share Registrar

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

Geographical Presence:

Registered Office

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

Mills

Feroze Wattoan,
District, Sheikhpura, Punjab.

Company Website

www.sapphire.com.pk/rcsml

Vision

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

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

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

Mission

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

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 29th Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Wednesday the 24th day of October, 2018 at 04:00 p.m.to transact the following business:

ORDINARY BUSINESS:

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

SPECIAL BUSINESS

5. To approve by way of special resolution with or without modification the following resolutions in respect of related party transaction in terms of Section 208 of the Companies Act, 2017:
6. **“RESOLVED THAT** the related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 35 of the unconsolidated financial statements for the year ended June 30, 2018 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed.”

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending June 30, 2019.

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

Any other Business

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

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

By Order of the Board

Karachi
September 27, 2018

Nauman Iqbal
Company Secretary

NOTES

1. Closure of share transfer books:
Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18th October, 2018 to 24th October, 2018 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 17th October, 2018 will be considered in time for the payment of dividend.
2. Participation in the annual general meeting:
A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.
3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 312, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

Notice of Annual General Meeting

4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:
 - A. For attending the meeting:
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
 - B. For appointing proxies:
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2012 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. Payment of Cash Dividend Electronically (Mandatory Requirement)

In accordance with the provisions of Section 242 of the Companies Act and Companies (Distribution of Dividends) Regulation 2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In this regard, Reliance Cotton Spinning Mills Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders.

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

Notice of Annual General Meeting

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

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

8. (i) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of tax deduction for filer of income tax return 15%
 2. Rate of tax deduction for non-filers of income tax return 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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

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

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

- (iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or, Hameed Majeed Associates (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.
9. The Company shall provide video conference facility to its members for attending the Annual General Meeting at places other than the town in which general meeting is taking place, provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference atleast 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

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

Notice of Annual General Meeting

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

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

Signature of Member

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

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

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

All transactions with related parties to be ratified have been disclosed in the note 35 to the unconsolidated financial statements for the year ended June 30, 2018.

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

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

The nature of relationship with these related parties has also been indicated in the note 35 to the unconsolidated financial statements for the year ended June 30, 2018.

2. Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2019

The Company shall be conducting transactions with its related parties during the year ending June 30, 2019 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, 2019 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.

اطلاع سالانہ اجلاس عام

کرنے کے لئے بورڈ آف ڈائریکٹرز کے اختیارات 30 جون 2019 کے دوران، کمپنی اپنی متعلقہ پارٹیوں کے ساتھ لین دین بورڈ آڈٹ کمیٹی کی طرف سے متوقع جائزہ اور کاروبار کے عام معمول میں متعلقہ پارٹی کے ساتھ ٹرانزیکشن کے لحاظ سے منظور شدہ پالیسی کے مطابق قابل رسائی بنیاد پر کرے گی۔ ذیلی ادارے/شریک کمپنیوں میں ان کی مشترکہ ڈائریکٹر شپ کی وجہ سے اکثر ڈائریکٹرز ان ٹرانزیکشنز میں دلچسپی رکھتے ہیں۔ شفاف کاروباری طریقوں کو فروغ دینے کے لئے، بورڈ آف ڈائریکٹرز 30 جون 2019 کو ختم ہونے والے سال کے لئے کیس ٹوکیس بنیاد پر وقتاً فوقتاً متعلقہ پارٹیوں کے ساتھ ٹرانزیکشنز کو منظور کرنے کے لئے حصص داران کی اجازت چاہتے ہیں اور اس طرح کے معاملات کو حصص داران کی طرف سے منظور شدہ خیال کیا جائے گا۔ اس طرح کے متعلقہ پارٹی معاملات کی نوعیت اور سکوپ اوپر بیان کی گئی ہے۔ یہ ٹرانزیکشنز حصص داروں کی رسمی منظوری/تصدیق کے لئے AGM میں رکھی جائیں گی۔

عام میں شرکت کے لئے وڈیو کانفرنس سہولت مہیا کرے گی، اگر ارکان کمپنی کو جغرافیائی محل وقوع میں سکونتی مجموعی 10% یا زیادہ شیئر ہولڈنگ کے مالک ممبران سے اجلاس کی تاریخ سے کم از کم 10 یوم قبل وڈیو کانفرنس کے ذریعے اجلاس میں شرکت کیلئے رضامندی مہیا کرتے ہیں تو، کمپنی اس شہر میں ایسی سہولت کی دستیابی کے حوالے سے وڈیو کانفرنس سہولت کا انتظام کرے گی۔ اس سلسلہ میں، براہ مہربانی درج ذیل فارم پُر اور کمپنی کے رجسٹرڈ پتہ پر سالانہ اجلاس عام کے انعقاد سے دس (10) یوم قبل جمع کرائیں۔

"میں رہم..... ساکنہ..... بحیثیت رکن ریلائنس کاٹن سپننگ ملز لمیٹڈ، مالک..... عام حصص برطبق رجسٹرڈ فوئیو نمبر..... بذریعہ ہذا..... میں وڈیو کانفرنس سہولت اختیار کرنا چاہتا/چاہتی ہوں۔"

دستخط رکن

کمپنیز ایکٹ، 2017 کی دفعہ (3) 134 کے تحت مادی حقائق کا بیان

1۔ نوٹس کا آئٹم نمبر 5۔ متعلقہ پارٹی ٹرانزیکشن کی تصدیق اور منظوری

کمپنی اپنی شریک اور متعلقہ پارٹیوں کے ساتھ لین دین پالیسیوں، قابل اطلاق قوانین، ریگولیشنز کے مطابق اور کمپنی کے بورڈ آف ڈائریکٹرز کی منظوری سے کرتی ہے۔ تاہم، سال کے دوران کمپنی کے اکثر ڈائریکٹران نے چند ٹرانزیکشن (بحیثیت شیئر ہولڈر یا مشترکہ ڈائریکٹر شپ کی فہمیت سے) دلچسپی لی ہے، اس لئے بورڈ آف ڈائریکٹرز کے اجلاس میں منظوری کے لئے مطلوبہ قورم پورا نہ ہونے کی وجہ سے، یہ ٹرانزیکشن حصص داران کی منظوری کے لئے سالانہ اجلاس عام میں رکھی جارہی ہیں۔

متعلقہ پارٹیوں کے ساتھ تمام لین دین جن کی تصدیق کی جانی ہے 30 جون 2018 کو ختم ہونے والے سال کے لئے غیر اشتمال شدہ مالی گوشواروں کے نوٹ 35 میں انکشاف کیا گیا ہے۔

کمپنی اپنی متعلقہ پارٹیوں کے ساتھ لین دین بورڈ آڈٹ کمیٹی کی طرف سے متوقع جائزہ اور کاروبار کے عام معمول میں متعلقہ پارٹی کے ساتھ ٹرانزیکشن کے لحاظ سے منظور شدہ پالیسی کے مطابق قابل رسائی بنیاد پر کرتی ہے۔ بورڈ آڈٹ کمیٹی کی سفارش پر، اس طرح کے معاملات کو منظوری کے لئے بورڈ آف ڈائریکٹرز کے سامنے رکھے جاتے ہیں۔

متعلقہ پارٹیوں کے ساتھ ہونے والی ٹرانزیکشن بشمول، لیکن محدود نہیں، اشیاء کی خرید و فروخت، ڈیویڈنڈز کی ادائیگی اور وصولی، سرمایہ کاری کران (جہاں قابل اطلاق ہو) حصص داران اور بورڈ کی منظوری کے مطابق اور عام اخراجات کا اشتراک کرنا۔

ان متعلقہ پارٹیوں کے ساتھ تعلقات کی نوعیت بھی 30 جون 2018 کو ختم ہونے والے سال کے لئے غیر اشتمال شدہ مالی حسابات کے نوٹ 35 میں ظاہر کی گئی ہے۔

2۔ 30 جون 2019 کو ختم ہونے والے سال کے دوران متعلقہ پارٹی لین دین کو منظور

اطلاع سالانہ اجلاس عام

تحت ذیوینڈ سے انکم ٹیکس کی ڈیکشن کے رٹس درج ذیل کے مطابق ہیں۔

1- انکم ٹیکس ریٹرز کے فائلز کیلئے ٹیکس ڈیکشن کی شرح: 15%

2- انکم ٹیکس ریٹرز کے نان فائلز کیلئے ٹیکس ڈیکشن کی شرح: 20%

حصص داران جن کے نام ایف بی آر کی ویب سائٹ پر مہیا شدہ ایکٹو ٹیکس ریٹرز فہرست (ATL) میں درج نہیں، باوجود اس حقیقت کے کہ وہ فائلز ہیں کی نقد ذیوینڈ پر ٹیکس

ڈیکشن 20% کی بجائے 15% شرح پر کرنے کے قابل بنانے کے لئے حصص داران سے

درخواست ہے کہ ATL میں اپنے ناموں کا اندراج یقینی بنائیں۔ بصورت دیگر ان کے نقد

ذیوینڈ پر ٹیکس 15% کی بجائے 20% کی شرح سے منہا کیا جائے گا۔

(ii) اس کے علاوہ، فیڈرل بورڈ آف ریونیو (FBR) سے موصولہ وضاحت کے مطابق، وہ ہولڈنگ ٹیکس کا تعین اصل شیئر ہولڈر کی حیثیت "فائلر نان فائلر" اور بصورت مشترکہ اکاؤنٹ ان کے شیئر ہولڈنگ تناسب کی بنیاد پر جوائنٹ ہولڈر پر الگ الگ کیا جائے گا۔ اس سلسلے میں تمام حصص داران جو انٹیلی حصص رکھتے ہیں سے درخواست ہے کہ اپنے ملکیتی حصص کے لحاظ سے اصل شیئر ہولڈر اور جوائنٹ ہولڈرز کے شیئر ہولڈنگ تناسب حسب ذیل کے مطابق تحریری صورت میں ہمارے شیئر رجسٹر کو مہیا کریں۔

کمپنی کا نام	فولیو ای سی ڈی ایس اکاؤنٹ نمبر	کل حصص	اصل حصص دار	مشترکہ حصص دار
نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر
نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر
نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر
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نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر	نام اور CNIC نمبر

مطلوبہ معلومات نوٹس ہذا کے 10 یوم کے اندر ہمارے شیئر رجسٹر کو پہنچ جانی چاہئیں، بصورت دیگر یہ فرض کر لیا جائے گا کہ اصل شیئر ہولڈر اور جوائنٹ ہولڈرز کے ملکیتی حصص مساوی ہیں۔

(iii) سی ڈی سی اکاؤنٹس کے حامل کارپوریٹ حصص داران کو اپنے متعلقہ پارٹینٹس کے ہاں اپنے نیشنل ٹیکس نمبر (NTN) اپ ڈیٹ رکھنے چاہئیں، جبکہ کارپوریٹ مادی حصص داران کو اپنے NTN شمولیت کی کاپی کمپنی یا حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو ارسال کرنی چاہئے۔ حصص داران کو NTN NTN شمولیت، جو بھی صورت ہو، ارسال کرتے وقت کمپنی کا نام اور اپنے متعلقہ فولیو نمبر لازماً تحریر کرنے چاہئیں۔

9- کمپنی اس شہر جس میں اجلاس عام منعقد ہو رہا ہے کے علاوہ اپنے ارکان کو سالانہ اجلاس

رجسٹرڈ ممبران یا بااختیار شخص کے CNIC نمبر تحریر ہونے چاہئیں۔ اس کے مطابق، ممبران جنہوں نے ابھی تک اپنے کارآمد CNIC/NTN کی کاپی (بصورت کارپوریٹ ایسوسی ایٹس) جمع نہیں کرائی سے درخواست ہے کہ وہ ریکارڈ کو اپ ڈیٹ کرنے کے لئے ممبران کا فولیو نمبر کے ہمراہ جمع کرائیں۔

7- نقد منافع منقسمہ کی الیکٹرونکس ادائیگی (مینڈیٹری)

کمپنیز ایکٹ 2017ء کے سیکشن 242 پرویز کے مطابق، فہرستی کمپنیوں کے لئے ضروری ہے کہ نقد منافع منقسمہ کا لین دین فقط الیکٹرانک موڈ کے ذریعہ براہ راست حقدار حصص داران کی طرف سے منسوب بینک اکاؤنٹ میں کیا جائے گا۔ اس بابت، ریلائنس کاٹن سپننگ ملز لمیٹڈ پہلے ہی لیٹرز اور الیکٹرونک کرڈٹ مینڈیٹ فارمز حصص داران کو ارسال کر چکی ہے۔

وہ حصص داران جنہوں نے ابھی تک اپنے IBAN مہیا نہیں کئے سے دوبارہ التماس ہے کہ درج ذیل "الیکٹرونک کرڈٹ مینڈیٹ فارم" پُر اور دستخط کر کے کارآمد CNIC کی کاپی کے ہمراہ

اپنے متعلقہ CDC پارٹیشننگ کو / CDC انویسٹر اکاؤنٹ سروسز (بک انٹری فارم میں

شیئر ہولڈنگ کی صورت میں) کو یا کمپنی کے شیئر رجسٹر ارمیزر حمید مجید ایسوسی ایٹس (پرائیویٹ)

لمیٹڈ، چوتھی منزل، کراچی چیمبرز، حسرت موہانی روڈ، کراچی (مادی شکل میں شیئر ہولڈنگ کی صورت میں) کو مہیا کریں۔

1	شیئر ہولڈرز کی تفصیل
	نام
	فولیو نمبر / سی ڈی ایس اکاؤنٹ نمبر
	CNIC نمبر (کاپی منسلک)
	موبائل / لینڈ لائن نمبر
2	شیئر ہولڈرز کی بینک تفصیل
	عنوان بینک اکاؤنٹ
	انٹرنیشنل بینک اکاؤنٹ (IBAN) نمبر
	نام بینک
	برانچ
	برانچ کا نام اور پتہ

IBAN کی عدم فراہمی کی صورت میں، کمپنی کو SECP کی ہدایات کے مطابق نقد ذیوینڈ روکنے ہوں گے۔

8-(i) یکم جولائی 2017 سے مؤثر فنانس ایکٹ کی پرویز کے مطابق انکم ٹیکس آرڈیننس کے

اطلاع سالانہ اجلاس عام

نوٹ:

1- حصص منتقلی کتابوں کی بندش
کمپنی کی حصص منتقلی کتابیں 18 اکتوبر 2018ء تا 24 اکتوبر 2018ء (بشمول ہر دو ایام) بند رہیں گی اور حصص کی کوئی منتقلی رجسٹریشن کے لئے قابل قبول نہ ہوگی۔ حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، چوتھی منزل، کراچی چیمبرز، حسرت موہانی روڈ، کراچی میں 17 اکتوبر 2018ء کو موصول ہونے والی منتقلیاں ڈیویڈنڈ کی ادائیگی کے لئے بروقت تصور ہوگی۔

2- سالانہ اجلاس عام میں شرکت
اجلاس ہذا میں شرکت اور ووٹ دینے کا مستحق ممبر اپنے بجائے کسی دیگر ممبر کسی دیگر شخص کو بطور پراکسی شرکت اور ووٹ دینے کیلئے مقرر کر سکتا/سکتی ہے۔
3- پراکسی کے باقاعدہ مکمل شدہ انسٹرمنٹ اور دیگر اتھارٹی جس کے تحت یہ دستخط شدہ ہو کمپنی کے رجسٹرڈ دفتر 312، کاٹن اسپننگ بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازماً جمع کرائی جانی چاہئے۔

4- پتہ میں تبدیلی
ممبران کے پتہ میں کسی تبدیلی بارے کمپنی کے شیئر رجسٹرار حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، چوتھی منزل، کراچی چیمبرز، حسرت موہانی روڈ، کراچی کوئی الفور مطلع فرمائیں۔
5- سی ڈی سی اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے دی گئی درج ذیل گائیڈ لائنز کے تحت مزید برآں پیروی کرنا ہوگی۔
A- اجلاس میں شرکت کیلئے۔

i- بصورت افراد، اکاؤنٹ ہولڈر اور/یا سب اکاؤنٹ ہولڈر اور ان کی رجسٹریشن تفصیلات سی ڈی سی ریکولیشنز کے مطابق اپ لوڈ ہیں، اجلاس میں شرکت کے وقت اپنا اصل CNIC یا اصل پاسپورٹ دکھا کر اپنی شناخت کی تصدیق دینا ہوگی۔

ii- بصورت کارپوریٹ اینٹی بورڈ کی قرارداد/مختار نامہ مع نمونہ دستخط اجلاس کے وقت مہیا کرنے ہو گئے۔

B- پراکسیز تقرری کیلئے:

i- بصورت افراد، اکاؤنٹ ہولڈر اور/یا سب اکاؤنٹ ہولڈر اور ان کی رجسٹریشن تفصیلات سی ڈی سی ریکولیشنز کے مطابق اپ لوڈ ہیں درج بالا کے مطابق پراکسی فارم جمع کرانا ہوگا۔

ii- پراکسی فارم دو افراد سے گواہی شدہ ہو گئے جن کے نام، پتے اور CNIC نمبرز فارم پر تحریر ہو گئے۔

iii- CNIC یا پاسپورٹ کی مصدقہ نقول۔

iv- پراکسی کو اجلاس کے وقت اصل CNIC یا اصل پاسپورٹ مہیا کرنے ہو گئے۔

v- بصورت کارپوریٹ اینٹی بورڈ کی قرارداد/مختار نامہ مع نمونہ دستخط پراکسی فارم کے ہمراہ کمپنی کے ہاں جمع کرانا ہو گئے۔

6- سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان کے نوٹیفکیشن 2012 (1) SRO 831 مورخہ 05 جولائی 2012ء کے مطابق ڈیویڈنڈ وارنٹس پر ماسوائے بصورت نابالغ اور کارپوریٹ ممبران،

ریٹائنس کاٹن سپننگ ملز لمیٹڈ

اطلاع سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ ریٹائنس کاٹن سپننگ ملز لمیٹڈ 29 واں سالانہ اجلاس عام، ٹریڈنگ ہال، کاٹن اسپننگ بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں بروز بدھ 24 اکتوبر 2018ء شام 04:00 بجے درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

- 1- گذشتہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2- حسابات، بیلنس شیٹس اور ڈائریکٹران اور آڈیٹران کی رپورٹس پر غور و خوض کرنا۔
- 3- ڈیویڈنڈ کا اعلان کرنا۔
- 4- آڈیٹران کا تقرر اور ان کے صلہ خدمت کا تعین کرنا۔

خصوصی امور

5- کمپنیز ایکٹ 2017ء کی دفعہ 208 کی شرائط میں متعلقہ پارٹی ٹرانزیکشن کی بابت مندرجہ ذیل قراردادوں کو مع یا بلا ترمیم خصوصی قرارداد کے طریقہ سے منظور کرنا۔
6- سال کے دوران کی گئی متعلقہ پارٹیز ٹرانزیکشن جن میں اکثر ڈائریکٹر دلچسپی رکھتے ہیں جیسا کہ 30 جون 2018ء کو ختم ہونے والے سال کے لئے غیر اشتمال شدہ مالی گوشواروں کے نوٹ 35 میں انکشاف اور دفعہ (3) 134 کے تحت مادی معلومات کے بیان میں مخصوص ہے اور بذریعہ ہذا تصدیق، منظور اور توثیق کی گئی ہیں۔

قرارداد پاپا کہ کمپنی کے بورڈ آف ڈائریکٹرز بذریعہ ہذا 30 جون 2019ء کو ختم ہونے والے سال کے دوران کیس ٹوکیس بنیاد پر متعلقہ پارٹیز کے ساتھ کی گئی ٹرانزیکشنز کی منظوری دینے کے اختیار ہیں۔

مزید قرارداد پاپا کہ بورڈ کی طرف سے منظور کردہ ٹرانزیکشنز حصص داران سے بھی منظور شدہ خیال کی جائیں گی اور ان کی رسمی تصدیق / منظوری کے لئے اگلے سالانہ اجلاس عام میں حصص داران کے روبرو رکھی جائیں گی۔

کوئی دیگر امور

7- صاحب صدر کی اجازت سے کسی دیگر ممبر پراکسی کرنا۔
(کمپنیز ایکٹ 2017ء کی دفعہ (3) 134 کے تحت درکار مذکورہ بالا خصوصی امور کا احاطہ کرنے والے مادی حقائق کا بیان نوٹس ہذا سے منسلک کیا گیا ہے)۔

کراچی

27 ستمبر 2018ء

بحکم بورڈ

نعمان اقبال

کمپنی سیکرٹری

Review Report by the Chairman

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

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

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

Lahore :

Dated: September 27, 2018

Amer Abdullah

Chairman

چیئر مین کی طرف سے رپورٹ کا جائزہ

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

30 جون، 2018 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور اثرات کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار، اسٹریٹجک منصوبہ بندی میں مصروفیت، پالیسیوں کی تشکیل، تنظیم کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل مینجمنٹ کی نگرانی، مؤثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے کی صلاحیت اور تمام ملازمین سے منصفانہ سلوک سمیت لازمی اجزاء کی تشخیص پڑی ہے۔

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

عامر عبداللہ
چیئر مین

لاہور
مورخہ: 27 ستمبر، 2018ء

Directors' Report to the Shareholders

The Directors of your Company are pleased to submit their report along with the audited financial statements of the Company for the year ended 30 June 2018.

Financial Highlights:

		2018 Rupees	2017 Rupees
Sales	:	4,398,017,387	3,570,713,354
Gross profit	:	633,457,240	394,111,961
Profit from operations	:	440,019,424	279,099,712
Finance cost	:	96,152,190	71,059,958
Profit before taxation	:	343,867,234	208,039,754
Profit after taxation	:	316,080,539	190,859,883

Appropriation of profits:

The Board of Directors of the Company has recommended Cash Dividend @ 65%. (2017: 15%)

Earning Per Share

The earnings per share (EPS) of current year is Rs.30.71 as compared to Rs. 18.54 for the last year.

Review of Operations:

During the year under review, the company achieved sales of Rs. 4,398 million as compared to Rs. 3,571 million in the corresponding period; an increase of 23.17%. Gross profit as a percentage of sales improved from 11.03% to 14.40% compared with last year. Whereas, profit after tax increased to Rs. 316 million as compared to Rs. 191 million during last year showing an impressive growth of 65%.

Future Outlook:

After several years of declining or stagnant export performance, Pakistan's textile exports finally increased by around 9.0% during the financial year 2017-18 mainly on account of support from the Export Package announced by the Government and devaluation of Pak Rupee. However, textile sector still faces tough challenges in global competition due to weak apparel demand and significant increase in cost of doing business in the country.

Your company continued to perform well during the year and we expect that this trend of profitable growth will continue in near future as well.

Subsidiary Company

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

Related Parties:

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

Health, Safety and Environment (HSE)

Your Company take all possible measures to ensure that all our employees as well as communities within which we operate remain safe at all time. Environmental protection is a top priority on company's HSE agenda. The company ensures that its

Directors' Report to the Shareholders

production processes are eco friendly and efficient. We constantly try and improve energy efficiencies both at production facilities and in our offices.

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

Cash Flow Strategy

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

Corporate Social Responsibility

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

Good Corporate Governance

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

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

1. The Financial statements prepared by the management represent fairly and accurately Company's state of affairs, results of its operations, cash flows, and changes in equity;
2. Proper books of accounts have been maintained;
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure thereof has been properly disclosed;
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously through internal audit function. On-going review will continue in future for further improvements in controls;
6. There is no significant doubt about the Company's ability to continue as going concern;
7. We have an audit committee, the members of which are from the Board of Directors and Chairman is an independent director;
8. There has been no material departure from best practices of corporate governance;
9. We have prepared and circulated Statement of Ethics and Business Strategy amongst directors and employees;
10. The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy;
11. Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
12. During the year under review, following meetings of the Board and committees were held and following were in attendance:

Directors' Report to the Shareholders

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

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

Role of Chairman and Chief Executive:

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

The Roles and Responsibilities of the Chairman include:

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

The Roles and Responsibilities of the CEO include:

- Serving as Chief Representative of the Company;
- Overseeing the business operations and implementing the policies and strategies recommended and approved by the Board;
- Closely monitor the operating and financial results of the company against plans and budgets on a consistent basis;
- Ensuring that effective reporting mechanisms exist within the organization to provide feedback at all levels of management;
- Ensuring that the Company complies with all relevant laws and corporate governance principles and that these principles are recommended to and adopted by the Board to mitigate key risks;
- Setting the ethical tone in providing ethical leadership and creating an ethical environment.

Directors' Report to the Shareholders

Performance Evaluation of Directors on the Board

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

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

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

CEO Performance Evaluation

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

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

Director's Training

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

Auditors:

The present Auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants have completed the annual audit for the year ended June 30, 2018 and issued clean audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company and being eligible; have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2019.

Acknowledgements:

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

For and on behalf of the Board

Lahore:
September 27, 2018

Shayan Abdullah	Yousuf Abdullah
Chief Executive	Director

ڈائریکٹرز کی حصص داران کو رپورٹ

لئے کمپنی کے محاسب کی حیثیت سے ان کی تقرری کی منظوری دے دی ہے۔

اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

یوسف عبداللہ
ڈائریکٹر

شایان عبداللہ
چیف ایگزیکٹو

لاہور

تاریخ: 27 ستمبر 2018ء

ڈائریکٹرز کی حصص داران کو رپورٹ

سی ای او کی ذمہ داریوں میں شامل ہیں:

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

بورڈ پر ڈائریکٹرز کی کارکردگی کی تشخیص

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

بورڈ کا کام بہترین کاروباری طریقوں پر مبنی اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے وضاحت کردہ کوڈ کے مطابق کیا جاتا ہے۔ بورڈ نے اپنی کارکردگی کی تشخیص کے لئے ایک انتہائی منظم طریقہ اپنایا ہے جس میں بورڈ کے انفرادی ارکان کی کارکردگی کی تشخیص کے سلسلے میں جواب دینے کے ذریعے بورڈ کی مجموعی کارکردگی کو بڑھاتے ہیں۔ ڈائریکٹرز کے ریسپانز 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 داریاں کے ساتھ کمیٹیوں کے قیام میں بورڈ فعال رہا ہے۔ مجموعی بنیاد پر، کمپنی کے بورڈ کی کارکردگی انتہائی اطمینان بخش رہی ہے اور بورڈ اس حقیقت سے واقف ہے کہ اس کے کام میں مسلسل بہتری کی کامیابی کی بنیاد ہے۔

سی ای او کی کارکردگی کی تشخیص

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

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

ڈائریکٹرز کی ٹریننگ

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

محاسب کا تقرر

موجودہ محاسب میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، نے 30 جون 2018 کو ختم ہونے والے سال کے لئے سالانہ آڈٹ مکمل اور واضح آڈٹ رپورٹ جاری کر دی ہے۔ محاسب کمپنی کے سالانہ اجلاس عام کے اختتام پر بیان ہو جائیں گے اور اہل ہونے کی بناء پر خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی کی تجویز کے مطابق، بورڈ نے 30 جون 2019 کو ختم ہونے والے سال کے

ڈائریکٹرز کی حصص داران کو رپورٹ

12- زیر جائزہ سال کے دوران، بورڈ اور کمیٹیوں کے درج ذیل اجلاس منعقد ہوئے اور حاضری حسب ذیل تھی:

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

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

تجارت نہیں کی گئی ہے۔

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

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

نمونه، حصص داری کا بیان

✽ شریک انڈریٹکنگز اور متعلقہ پارٹیوں کے ملکیتی حصص کا بیان

گزشتہ 6 سالوں کے کلیدی آپرٹنگ اور مالیاتی اعداد و شمار

چیسر مین اور چیف ایگزیکٹو کا کردار:

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

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

چیئر مین کے کردار اور ذمہ داریوں میں شامل ہیں:

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

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

✽ ذیلی کمیٹی کے ساتھ رابطہ اور تعاون کرنا۔

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

✽ دلچسپی کے تنازعات کا انتظام اور موثر ٹیم کو برقرار رکھنا۔

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

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

ڈائریکٹرز کی حصص داران کو رپورٹ

صحت، تحفظ اور ماحول (HSE)

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

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

نقد فلو کی حکمت عملی

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

اچھی کارپوریٹ گورننس

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

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

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

ڈائریکٹرز کی حصص داران کو رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشوارے معاہدہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

تفصیل	2018 روپے	2017 روپے
فروخت	4,398,017,387	3,570,713,354
مجموعی منافع	633,457,240	394,111,961
آپریشنز سے منافع	440,019,424	279,099,712
مالی لاگت	96,152,190	71,059,958
ٹیکس سے پہلے منافع	343,867,234	208,039,754
ٹیکس کے بعد منافع	316,080,539	190,859,883

منافع کا تصرف:

کمپنی کے بورڈ آف ڈائریکٹرز نے نقد منافع منقسمہ بشرح 65% (2017 : 15%) کی منظوری دی ہے۔

فی حصص آمدنی

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 30.71 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 18.54 روپے تھی۔

آپریشنز کا جائزہ

کمپنی نے گزشتہ سال کی اسی مدت میں 3,571 ملین روپے کے مقابلے زیر جائزہ سال کے دوران 4,398 ملین روپے کی فروخت حاصل کی جو 23.17 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 11.03 فیصد کے مقابلے 14.40 فیصد تک بہتر ہوا۔ جبکہ ٹیکس کے بعد منافع گزشتہ سال کے دوران 191 ملین روپے کے مقابلے موجودہ سال کے دوران 316 ملین روپے تک بڑھ گیا جو 65% کی متاثر کن نمو ظاہر کر رہا ہے۔

مستقبل کا نقطہ نظر

کئی سالوں کی کمی یا منجمد برآمد کارکردگی کے بعد، بالآخر پاکستان کی برآمدات حکومت کی طرف سے اعلان کردہ برآمد پیکج کی مدد اور پاکستانی روپیہ کی قدر میں کمی کی وجہ سے مالی سال 2017-18 کے دوران تقریباً 9.0% تک پاکستان کی برآمدات بڑھ گئیں۔ تاہم، ٹیکسٹائل سیکٹر اپیل کی کم طلب اور ملک میں کاروبار کرنے کے اخراجات میں نمایاں اضافہ کی وجہ سے اب بھی عالمی مقابلہ میں سخت دشواریوں کا سامنا ہے۔

آپ کی کمپنی نے سال کے دوران اچھی کارکردگی کا مظاہرہ کیا اور ہم امید کرتے ہیں کہ منافع بخش نمو کا یہ رجحان مستقبل قریب میں بھی جاری رہے گا۔

ذیلی کمپنی

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

متعلقہ پارٹیوں سے لین دین

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

SIX YEARS GROWTH AT A GLANCE

	Rupees in million	SIX YEARS GROWTH AT A GLANCE					
		2018	2017	2016	2015	2014	2013
Sales		4,398	3,570	3,221	4,007	4,243	3,853
Gross Profit		627	390	334	428	417	637
Profit Before Tax		343	208	110	128	95	286
Profit After Tax		316	190	76	91	84	257
Share Capital		102	102	102	102	102	102
Shareholder's Equity		1,872	1,574	1,386	1,378	1,312	1,259
Fixed Assets		1,460	1,410	1,465	1,483	1,436	1,201
Total Assets		3,951	3,038	2,969	3,192	3,709	2,911
DIVIDEND							
Cash	%	65.00	15.00	50.00	50.00	15.00	20.00
RATIOS:							
Profitability							
	%						
Gross Profit		14.26	10.93	10.38	10.57	9.83	16.53
Profit Before Tax		7.82	5.83	3.43	3.20	2.25	7.44
Profit After Tax		7.19	5.35	2.37	2.28	2.00	6.69
Return To Shareholders							
Return on equity		16.88	12.12	5.50	6.63	6.47	20.45
EPS	Rupees	30.71	18.54	7.41	8.89	8.25	25.03
Activity							
	Times						
Sales To Total Assets		1.11	1.18	1.08	1.26	1.14	1.32
Sales To Fixed Assets		3.01	2.53	2.20	2.70	2.96	3.21
Liquidity / Leverage							
Current Ratio		1.33	1.17	1.01	0.94	0.96	1.08
Debt Equity Ratio		0.10	0.05	0.04	-	0.03	0.05
Total Liabilities To Equity		1.11	0.93	1.14	1.32	1.83	1.31
Break up Value of Shares	Rupees	181.93	152.97	134.70	133.95	127.57	122.42

Independent Auditor's Review Report 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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Reliance Cotton Spinning Mills Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Lahore
Date: September 27, 2018

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner:
Rana M. Usman Khan

Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017

Reliance Cotton Spinning Mills Limited For the year ended **June 30, 2018**.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2017 (Regulations) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

- a) Male 07
- b) Female-

2. The composition of the board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures besides being placed on the Company's website.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Companies Act 2017 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 and board met at least once in every quarter. The board has complied with the requirements of Act and Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and Regulations.
9. Three (03) of the Board members have the prescribed qualification and experience required for exemption from the training programmes of Directors under the criteria prescribed by the Code of Corporate Governance and three of the Directors are trained. Rest will be trained within due time.
10. There was no new appointment of CFO and Head of Internal Audit during the year. Mr. Umar Rahi resigned from the Office of Company Secretary and Mr. Nauman Iqbal was appointed in his place during the year.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

Statement of Compliance

With the Code of Corporate Governance

12. The board has formed committees comprising of members given below;

Audit Committee

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

HR & Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance
14. The frequency of meetings (quarterly/ half yearly/ yearly of committees were as follows;
- Audit Committee 4
 - HR & Remuneration Committee 1
15. The board has set up an effective internal audit function. The Head of Internal Audit is a Chartered Accountant and experienced for the purpose and is conversant with the policies and procedures of the Company and is being assisted by in house executives to carry out the Internal Control functions.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with

Lahore
September 27, 2018

Amer Abdullah
Chairman

Shayan Abdullah
Chief Executive Officer

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 consolidated financial statements of Reliance Cotton Spinning Mills Limited (the Company) and its subsidiaries (the group) which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Group generates revenue from export and local sale of yarn and waste.</p> <p>The Group has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods against local sale and indirect exports is recognized on dispatch of goods as risk and rewards are transferred on dispatch whereas export sales are recognized on the shipment of goods. Revenue recognition criteria has been explained in note 3.17 to the consolidated financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy; assessing the appropriateness of the Group accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; checked on a sample basis the recorded sales transactions with underlying supporting documents; and assessed the adequacy of related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Reliance Cotton Spinning Mills Limited

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Reliance Cotton Spinning Mills Limited

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

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

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

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

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

Lahore
Date: September 27, 2018

Deloitte Yousuf Adil
Chartered Accountants

Statement of Financial Position

as at June 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,460,765,061	1,410,953,664
Long term investments	5	89,069,645	88,969,645
Long term deposits		8,987,690	8,987,690
		<u>1,558,822,396</u>	<u>1,508,910,999</u>
CURRENT ASSETS			
Stores and spare parts	6	49,466,734	19,672,095
Stock-in-trade	7	1,242,826,867	824,793,139
Trade debts	8	665,550,377	304,660,386
Loans and advances	9	64,191,180	48,868,890
Short term deposits and prepayments	10	2,255,778	1,936,407
Other receivables	11	48,129,947	20,417,554
Tax refunds due from the Government	12	233,635,886	201,941,408
Short term investments	13	78,692,660	84,154,658
Cash and bank balances	14	7,780,802	22,711,121
		<u>2,392,530,231</u>	<u>1,529,155,658</u>
		<u><u>3,951,352,627</u></u>	<u><u>3,038,066,657</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2017: 12,000,000) ordinary shares of Rs. 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	15	102,920,000	102,920,000
Reserves		<u>1,769,452,558</u>	<u>1,471,436,479</u>
		<u>1,872,372,558</u>	<u>1,574,356,479</u>
NON-CURRENT LIABILITIES			
Long term financing	16	185,732,252	74,900,000
Employee retirement benefits	17	92,932,343	80,336,813
		<u>278,664,595</u>	<u>155,236,813</u>
CURRENT LIABILITIES			
Trade and other payables	18	314,624,738	268,639,778
Unclaimed dividend		410,117	408,477
Markup accrued	19	22,471,434	16,062,689
Short term borrowings	20	1,427,713,150	1,004,827,710
Current portion of long term financing	16	7,318,748	-
Provision for taxation	29	27,777,287	18,534,711
		<u>1,800,315,474</u>	<u>1,308,473,365</u>
CONTINGENCIES AND COMMITMENTS			
	21	<u>3,951,352,627</u>	<u>3,038,066,657</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement Of Profit or Loss

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	22	4,398,017,387	3,570,713,354
Cost of sales	23	<u>(3,764,560,147)</u>	<u>(3,176,601,393)</u>
Gross profit		633,457,240	394,111,961
Distribution cost	24	<u>(94,854,080)</u>	<u>(87,787,234)</u>
Administrative expenses	25	<u>(61,688,265)</u>	<u>(58,650,091)</u>
Other operating expenses	26	<u>(46,576,415)</u>	<u>(10,944,671)</u>
		(203,118,760)	(157,381,996)
Other income	27	<u>9,680,944</u>	<u>42,369,747</u>
Operating profit before finance cost		440,019,424	279,099,712
Finance cost	28	<u>(96,152,190)</u>	<u>(71,059,958)</u>
Profit before taxation		343,867,234	208,039,754
Provision for taxation	29	<u>(27,786,695)</u>	<u>(17,179,871)</u>
Profit for the year		<u>316,080,539</u>	<u>190,859,883</u>
Earnings per share - basic and diluted	30	<u>30.71</u>	<u>18.54</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Comprehensive Income

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Profit for the year		316,080,539	190,859,883
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Unrealized loss on remeasurment of short term investments- available for sale		(8,927,074)	(8,919,200)
Realized gain/(loss) on disposal of available for sale investments		7,131,436	(451,027)
		(1,795,638)	(9,370,227)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post retirement benefits obligation	17.1.6	(830,822)	661,669
		(2,626,460)	(8,708,558)
Total comprehensive income for the year		313,454,079	182,151,325

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		343,867,234	208,039,754
Adjustments for:			
Depreciation on property, plant and equipment	4.1	141,989,810	141,226,826
Provision for employee benefits	17.1.2	25,518,219	23,589,762
Rebate Income		(41,138,845)	(12,336,186)
Gain on disposal of property, plant and equipment	4.3	(1,356,120)	(269,475)
Finance cost	28	96,152,190	71,742,623
Dividend income on short and long term investment		(4,394,800)	(13,223,137)
		<u>560,637,688</u>	<u>418,770,167</u>
Working capital changes			
Decrease / (Increase) in current assets			
Stores and spare parts		(29,794,639)	8,661,547
Stock-in-trade		(418,033,728)	(115,517,879)
Trade debts		(360,889,991)	46,357,697
Loans and advances		(1,485,345)	10,761,928
Short term deposits and prepayments		(319,371)	(746,941)
Other receivables		(1,536,931)	(739,904)
Increase / (decrease) in current liabilities			
Trade and other payables		45,984,960	61,554,468
		<u>(766,075,045)</u>	<u>10,330,916</u>
Cash (used in) / generated from operations		<u>(205,437,357)</u>	<u>429,101,083</u>
Dividend paid		(15,436,360)	(51,392,257)
Employee benefits paid		(13,753,511)	(15,983,741)
Finance cost paid		(89,743,445)	(68,016,037)
Sales tax (paid) / refunded		(3,545,374)	30,196,571
Income taxes paid		(60,530,168)	(42,442,558)
Rebate income received		14,963,383	5,693,492
		<u>(168,045,475)</u>	<u>(141,944,530)</u>
Net cash (used in) / generated from operating activities		<u>(373,482,832)</u>	<u>287,156,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(194,450,356)	(105,586,717)
Proceeds from disposal of property, plant and equipment		4,005,269	19,207,991
Long term investments made		(100,000)	-
Short term investments - net		3,666,360	(93,524,885)
Dividend received		4,394,800	13,223,138
		<u>(182,483,927)</u>	<u>(166,680,473)</u>
Net cash used in investing activities		<u>(182,483,927)</u>	<u>(166,680,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained		118,151,000	16,350,000
Short term borrowings - net		422,885,440	(135,419,023)
		<u>541,036,440</u>	<u>(119,069,023)</u>
Net cash from / (used in) financing activities		<u>541,036,440</u>	<u>(119,069,023)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(14,930,319)</u>	<u>1,407,057</u>
Cash and cash equivalents at beginning of the year		<u>22,711,121</u>	<u>21,304,064</u>
Cash and cash equivalents at the end of the year		<u>7,780,802</u>	<u>22,711,121</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Changes in Equity

For the year ended June 30, 2018

Share capital	Revenue reserves		Unrealized loss on remeasurement of investments available for sale - net	Total reserves	Total
	Un-appropriated profit	General reserve			

----- Rupees -----

Balance as at July 01, 2016 102,920,000 1,210,745,154 130,000,000 - 1,340,745,154 1,443,665,154

Total comprehensive income:

Profit for the year ended June 30, 2017	-	190,859,883	-	-	190,859,883	190,859,883
Other comprehensive income	-	661,669	-	(9,370,227)	(8,708,558)	(8,708,558)
Total comprehensive income	-	191,521,552	-	(9,370,227)	182,151,325	182,151,325

Transactions with owners:

Final dividend for the year ended June 30, 2016 @ Rs. 5 per share	-	(51,460,000)	-	-	(51,460,000)	(51,460,000)
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Balance as at June 30, 2017 102,920,000 1,350,806,706 130,000,000 (9,370,227) 1,471,436,479 1,574,356,479

Total comprehensive income:

Profit for the year ended June 30, 2018	-	316,080,539	-	-	316,080,539	316,080,539
Other comprehensive income	-	(830,822)	-	(1,795,638)	(2,626,460)	(2,626,460)
Total comprehensive income	-	315,249,717	-	(1,795,638)	313,454,079	313,454,079

Transactions with owners:

Final dividend for the year ended June 30, 2017 @ Rs. 1.5 per share	-	(15,438,000)	-	-	(15,438,000)	(15,438,000)
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Balance as at June 30, 2018 102,920,000 1,650,618,423 130,000,000 (11,165,865) 1,769,452,558 1,872,372,558

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Notes to the Financial Statements

For the year ended June 30, 2018

1 LEGAL STATUS AND OPERATIONS

- 1.1** Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan stock exchange limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi and mills are located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.
- 1.2** These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.
- 1.3** These are the standalone financial statements of the company in which investments in subsidiary and associates are accounted for on cost. Consolidated financial statements are prepared separately.
- 1.4** Summary of significant events and transactions in the current reporting year
- The Company's financial position and performance was particularly affected by the following events and transactions during the reporting year:
- 1.4.1** The Company has incorporated its wholly owned subsidiary on November 08, 2017, a private limited company under the name of RCSM Company (Private) Limited. 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.
- 1.4.2** As referred in note 4.1, the Company has made an addition aggregating to Rs. 194.45 million (2017: Rs. 104.59 million) in property, plant and equipment.
- 1.4.3** As referred in note 20, during the year the Company has availed short term borrowings aggregating to Rs. 422.89 million.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

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

-Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Separate financial statements

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

Consequent to preparation of consolidated financial statements by consolidating its subsidiary RCSM Company (Private) Limited, the Company has prepared its separate financial statements for the first time for the year ended June 30, 2018 and also presented corresponding figures for the year ended June 30, 2017. The Company has chosen to present all equity investments at cost as fully explained in note 3.2.

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

2.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

2.3.1 New amendments that are effective for the year ended June 30, 2018

- 2.3.1.1** The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to

Notes to the Financial Statements

For the year ended June 30, 2018

the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after January 01, 2017
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Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	Effective from accounting period beginning on or after January 01, 2017
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Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

-elimination of duplicative disclosures with the IFRS disclosure requirements; and

- incorporation of certain additional disclosures.

New accounting standards, amendments to published standards and interpretations that are not yet effective.

The following standards, amendments and interpretations are only effective for accounting period beginning on/or after the date mentioned against each of them.

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after January 01, 2018
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IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	Effective from accounting period beginning on or after January 01, 2018
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IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	Effective from accounting period beginning on or after July 01, 2018
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Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	Effective from accounting period beginning on or after January 01, 2019
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IFRS 15 'Revenue from contracts with customer' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	Effective from accounting period beginning on or after July 01, 2018
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IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	Effective from accounting period beginning on or after January 01, 2019
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Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	Effective from accounting period beginning on or after January 01, 2019
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Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	Effective from accounting period beginning on or after January 01, 2019
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Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
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IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
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IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019
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Certain annual improvements have also been made to a number of IFRSs.

Notes to the Financial Statements

For the year ended June 30, 2018

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

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

2.3 Significant estimates

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

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

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

Employee retirement benefits

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

Property, plant and equipment

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

Taxation

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 Accounting convention

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

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

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS

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

3.1 Property, plant and equipment

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

Notes to the Financial Statements

For the year ended June 30, 2018

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

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

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

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

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

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

3.2 Investments in associates and subsidiaries

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

3.3 Stores, spare parts and loose tools

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

3.4 Stock-in-trade

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

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

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

Waste stock are valued at net realizable value.

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

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

3.5 Impairment

Financial assets

At each reporting date, the Company reviews the carrying amounts of the financial assets to assess whether there is any indication that such financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the statement of profit or loss. In respect of 'available for sale' financial assets, cumulative impairment loss less any

Notes to the Financial Statements

For the year ended June 30, 2018

impairment loss on that financial asset previously recognised in statement of profit or loss, is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

Non - financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortisation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units). Non - financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.6 Financial instruments

3.6.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through other comprehensive income

financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of profit or loss. Financial assets carried at fair value through statement of profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Notes to the Financial Statements

For the year ended June 30, 2018

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as 'available-for-sale' are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company determines the fair value of financial assets using valuation techniques based on assumptions that are dependent on market conditions existing at statement of financial position date.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

3.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in respective carrying amounts is recognised in the statement of profit or loss.

3.7 Off setting of financial assets and financial liabilities

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

3.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

3.9 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks.

3.10 Short term investments

Available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value using quoted market prices. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognized in other comprehensive income until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in statement of profit or

Notes to the Financial Statements

For the year ended June 30, 2018

loss.

De-recognition

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

3.11 Trade and other payables

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

3.12 Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.13 Employee benefits

Defined benefit plan

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

The amount recognized in the statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried on June 30, 2018.

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

3.14 Provisions

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

3.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.16 Borrowings

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

3.17 Revenue recognition

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

Notes to the Financial Statements

For the year ended June 30, 2018

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

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

3.18 Borrowing costs

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

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

3.19 Taxation

Current

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

Deferred

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

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

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

3.20 Foreign currencies

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

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

3.21 Dividend distribution

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

3.22 Segment Reporting

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

3.23 Related party transactions

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

For the year ended June 30, 2018

4.1 At June 30, 2018

4.2 At June 30, 2017

4.2.1 Depreciation for the year has been charge to cost of sales and administrative expenses.

Notes to the Financial Statements

For the year ended June 30, 2018

4.3 Disposal of property, plant and equipment

2018								
Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
..... Rupees								
Vehicle								
Suzuki Mehran, LEH-13-2057	692,930	400,434	292,496	380,000	87,504	Negotiation	Mansoor Atta	Third Party
Toyota Hilux Pickup, CJ-1954	361,000	359,672	1,328	323,000	321,672	Negotiation	Muhammad Amin	Third Party
Suzuki Mehran, LEH-13-2056	692,930	410,880	282,050	300,000	17,950	Negotiation	Muhammad Zeshan	Third Party
Honda City LED-10-6831	1,451,880	1,149,302	302,578	630,000	327,422	Negotiation	Abdul Ghaffar	Third Party
Toyota Corolla LED-10-7561	1,512,980	1,226,864	286,116	700,000	413,884	Negotiation	M Saleem Anjum	Third Party
Computer								
Laptop	140,999	85,425	55,574	29,412	(26,162)	Negotiation	Muhammad Asim	Employee
Plant & machinery								
Carding Machine	437,500	302,242	135,258	142,857	7,599	Negotiation	Abdullah Textile Traders	Third Party
Blow Room	3,092,113	1,798,364	1,293,749	1,500,000	206,251	Negotiation	Al-Ahmad Textile (Pvt) Ltd	Third Party
	8,382,332	5,733,183	2,649,149	4,005,269	1,356,120			

4.4

2017								
Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
					Rupees			
Plant & machinery								
Auto coners	19,986,091	18,280,919	1,705,172	2,250,000	544,828	Negotiations	Sadiq Textile Mills (Pvt) Ltd.	Third Party
Drawing set	710,550	652,783	57,767	75,630	17,863	Negotiations	Mukhtar Ali	Third Party
Carding machine	9,104,827	6,419,920	2,684,907	2,689,076	4,169	Negotiations	Multi Star Textile Company	Third Party
Carding machine	1,312,500	850,339	462,161	113,445	(348,716)	Negotiations	Syed Hafiz Haider Shah	Third Party
Draw frames	2,594,587	2,375,969	218,618	282,052	63,434	Negotiations	Malik Muhammad Arshad	Third Party
Murata vortex spinner	8,933,401	7,041,059	1,892,342	1,894,017	1,675	Negotiations	Malik Muhammad Arshad	Third Party
Carding machines	18,722,521	8,081,991	10,640,530	9,273,505	(1,367,025)	Negotiations	International Textile Machinery Enterprises	Third Party
Vehicle								
Suzuki Cultus, LED-09-9198	802,563	632,383	170,180	170,180	-	Negotiations	Muhammad Alam	Employee
Toyota XLI, LEC-10-4542	1,319,180	1,001,798	317,382	400,000	82,618	Negotiations	Naveed Ahmed	Employee
Forklift Truck Tcm	1,452,873	1,300,777	152,096	210,086	57,990	Negotiations	Muhammad Akram	Third Party
Suzuki Cultus, LED-09-9069	807,563	645,497	162,066	350,000	187,934	Negotiations	Muhammad Amir Javed	Third Party
Suzuki Cultus, LEJ-07-4806	709,533	618,401	91,132	300,000	208,868	Negotiations	Kashif Hussain	Third Party
Honda City, LEC-11-4492	1,379,260	995,097	384,163	1,200,000	815,837	Negotiations	Adamjee Insurance Company Limited	Third Party
	67,835,449	48,896,933	18,938,516	19,207,991	269,475			

Notes to the Financial Statements

For the year ended June 30, 2018

		2018		2017	
4.5 LOCATION AND AREA OF LAND		(Area in Kanals)			
Description	Location				
Plant site	Ferozewattoan, District Sheikhpura, Pakistan	300.5		296	
5 LONG TERM INVESTMENTS		2018		2017	
	Note	Rupees		Rupees	
Investments in subsidiary - at cost:	5.1	100,000		-	
Investments in associates - at cost:	5.2	88,969,645		88,969,645	
		<u>89,069,645</u>		<u>88,969,645</u>	
5.1 Investments in subsidiary - unquoted at cost:					
RCSM Company (Private) Limited					
10,000 (2017: Nil) ordinary share of Rs. 10 each-cost		100,000		-	
5.2 Investments in associates - at cost:					
Quoted:					
Sapphire Fibres Limited					
393,697 (2017: 393,697) ordinary shares of Rs. 10 each - cost		41,956,482		41,956,482	
Sapphire Textile Mills Limited					
100,223 (2017: 100,223) ordinary shares of Rs. 10 each - cost		8,114,578		8,114,578	
SFL Limited					
401,570 (2017: 401,570) ordinary shares of Rs. 10 each - cost		2,439,475		2,439,475	
Un quoted:					
Sapphire Finishing Mills Limited					
1,556,000 (2017: 1,556,000) ordinary shares of Rs. 10 each - cost		16,509,160		16,509,160	
Sapphire Holding Limited					
100,223 (2017: 100,223) ordinary shares of Rs. 10 each - cost		524,950		524,950	
Sapphire Power Generation Limited					
555,000 (2017: 555,000) ordinary shares of Rs. 10 each - cost		19,425,000		19,425,000	
		<u>89,069,645</u>		<u>88,969,645</u>	
6 STORES AND SPARE PARTS					
Stores		8,149,425		8,072,815	
Spare parts	6.1	41,317,309		11,599,280	
		<u>49,466,734</u>		<u>19,672,095</u>	
6.1 These include spare parts in transit amounting to Rs. 26.948 million (2017: Rs. 7.435 million).					
7 STOCK-IN-TRADE					
Raw material	7.1	953,597,004		598,736,983	
Work-in-process		140,912,165		143,725,269	
Finished goods		135,851,946		80,383,670	
Waste		12,465,752		1,947,217	
		<u>1,242,826,867</u>		<u>824,793,139</u>	
7.1 Raw material includes stock in transit amounting to Rs. 65.913 million (2017: Rs. 104.307 million).					

Notes to the Financial Statements

For the year ended June 30, 2018

8	TRADE DEBTS	Note	2018 Rupees	2017 Rupees
	Considered good:			
	Foreign			
	Secured		141,347,296	14,537,825
	Unsecured		57,551,842	27,508,456
		8.1	198,899,138	42,046,281
	Local			
	Secured		-	1,547,896
	Unsecured from related parties- considered good	8.2	57,521,907	56,056,420
	Unsecured - considered good	8.4	409,129,332	205,009,789
		8.5	466,651,239	262,614,105
			665,550,377	304,660,386

8.1	Jurisdiction	Category		
	Asia	Letter of Credit	95,622,340	2,154,453
		Contract	179,892	329,724
	Africa	Cash against document	654,197	-
		Contract	3,870,586	4,300,280
	Europe	Letter of Credit	42,503,971	12,383,372
		Contract	47,834,461	22,878,452
	Oceania	Letter of Credit	3,220,985	-
	South America	Contract	5,012,707	-
			198,899,139	42,046,281

8.2 These includes amount due from following related parties:

	2018				2017
	Up to 1 month	1 to 6 months	Over 6 months	Total	
Rupees.....				
Sapphire Textile Mills Limited (STML)	2,389,600	315,000	-	2,704,600	-
Sapphire Power Generation Limited	-	15,889	-	15,889	-
Sapphire Fibres Limited (SFL)	30,446,297	864,001	-	31,310,298	45,643,597
Diamond Fabrics Limited (DFL)	23,491,120	-	-	23,491,120	10,412,823
	56,327,017	1,194,890	-	57,521,907	56,056,420

8.3 The maximum aggregate amount due from the STML , SPGL , SFL and DFL is Rs 12.5 million , Rs 0.05 million, Rs 125.5 million and Rs 70 million respectively at any time during the year.

8.4 As at 30 June 2018, trade debts of Rs. 177.724 million (2017: Rs. 42.042 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these past due trade debts is as follows:

	2018 Rupees	2017 Rupees
Upto 1 month	129,842,168	30,434,065
1 to 6 months	47,173,944	11,449,413
More than 6 months	708,258	158,146
	177,724,370	42,041,624

8.5 Local trade debts includes Rs. 252.661 million (2017: Rs. 193.997 million) receivable against indirect export sales.

Notes to the Financial Statements

For the year ended June 30, 2018

			2018 Rupees	2017 Rupees
9	LOANS AND ADVANCES	Note		
	Loans to employees - considered good	9.1	400,000	1,200,000
	Advances to suppliers - considered good		3,390,669	1,105,324
	Advance income tax		60,400,511	46,563,566
			64,191,180	48,868,890
9.1	These are interest free loans and are secured against post employment benefits.			
10	SHORT TERM DEPOSITS AND PREPAYMENTS			
	Bank guarantee margin		1,403,797	1,151,230
	Prepayments		851,981	785,177
			2,255,778	1,936,407
11	OTHER RECEIVABLES			
	Export rebate receivable		7,142,673	9,414,795
	Duty drawback receivable		38,188,944	9,741,360
	Others		2,798,330	1,261,399
			48,129,947	20,417,554
12	TAX REFUNDS DUE FROM THE GOVERNMENT			
	Sales tax refundable		75,063,333	71,517,959
	Income tax refundable		158,572,553	130,423,449
			233,635,886	201,941,408
13	SHORT TERM INVESTMENTS			
	Available for sale investments			
	Investments in quoted companies		89,858,525	93,524,885
	Unrealized loss on remeasurement of investments		(11,165,865)	(9,370,227)
			78,692,660	84,154,658

Notes to the Financial Statements

For the year ended June 30, 2018

13.1 Investments in quoted securities

Name of Companies	No of Shares		2018		2017
	2018	2017	Cost (Rupees)	Fair Value (Rupees)	Fair value (Rupees)
AGP Limited	18,000	-	1,695,974	1,598,220	-
Attock Refinery Limited	4,000	-	1,013,431	861,240	-
Crescent Steel & Allied Products Limited	-	11,000	-	-	2,624,270
D. G. Khan Cement Company Limited	12,000	17,000	1,969,935	1,373,880	3,623,720
Engro Corporation Limited	23,400	43,900	7,296,579	7,344,324	14,307,449
Engro Fertilizers Limited	61,000	30,000	3,679,203	4,569,510	1,657,200
Engro Polymer & Chemicals Limited	273,500	183,500	9,679,533	8,576,960	6,697,750
Engro Polymer & Chemicals Limited (LOR)	101,183	-	-	892,435	-
Fauji Cement Company Limited	-	22,000	-	-	902,660
Ghandhara Nissan Limited	5,066	-	1,157,532	910,208	-
Hascol Petroleum Limited	25,200	11,000	8,011,107	7,906,752	3,752,100
HI Tech Lubricant Limited	10,000	-	973,586	1,013,200	-
The HUB Power Company Limited	19,000	39,000	2,428,134	1,751,040	4,579,770
ICI Pakistan Limited	5,900	5,900	6,980,061	4,728,850	6,457,845
K-Electric Limited	390,000	250,000	2,702,044	2,215,200	1,725,000
Lucky Cement Limited	7,550	8,550	6,007,051	3,834,872	7,150,024
National Refinery Limited	3,000	2,400	1,331,563	1,329,030	1,742,376
Nishat Mills Limited	31,000	25,000	5,175,391	4,368,520	3,967,000
Oil & Gas Development Company Limited	-	60,000	-	-	8,441,400
Packages Limited	2,400	2,400	2,037,824	1,175,328	1,669,392
Pak Elektron Limited	-	17,000	-	-	1,875,440
Pakistan Oilfield Limited	800	-	504,276	537,432	-
Pakistan Petroleum Limited.	32,800	16,800	6,434,988	7,048,720	2,488,752
Pakistan State Oil Company Limited	9,156	-	2,931,408	2,914,446	-
Pakistan Telecommunication Company Limited	-	-	-	-	-
Pioneer Cement Limited	7,000	7,000	1,030,847	328,020	910,000
Sui Northern Gas Pipeline Limited	80,000	42,000	9,921,151	8,017,600	6,254,640
Sui Southern Gas Company Limited	52,000	-	1,931,748	1,758,640	-
Systems Limited	10,000	-	984,935	1,012,200	-
The Searle Company Limited	7,735	6,500	3,980,224	2,626,033	3,327,870
	1,191,690	800,950	89,858,525	78,692,660	84,154,658

14	CASH AND BANK BALANCES	2018	2017
		Rupees	Rupees
	Cash in hand	440,687	67,393
	Cash at banks in current accounts	7,340,115	22,643,728
		7,780,802	22,711,121
15	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	2018	2017
		Rupees	Rupees
	10,292,000 (2017: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash	102,920,000	102,920,000

15.1 Ordinary shares of the Company held by associated companies as at the statement of financial position date are as follows;

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017
Number of shares.....	
Amer Cotton Mills (Private) Limited	18,100	18,100
Amer Tex (Pvt.) Limited	15,087	15,087
Crystal Enterprises (Pvt) Limited	27,696	27,696
Galaxy Agencies (Private) Limited	108,217	108,217
Neelum Textile Mills (Private) Limited	1,365,515	1,365,515
Nadeem Enterprises (Private) Limited	87,104	87,104
Reliance Textiles (Pvt.) Limited	1,098,118	1,098,118
Salman Ismail (SMC-Private) Limited	1,500	1,500
Sapphire Textile Mills Limited	316,214	316,214
Sapphire Fibres Limited	154,004	154,367
Sapphire Holding Limited	636,156	636,156
SFL Limited	557,621	557,621
Sapphire Agencies (Pvt.) Limited	2,318,899	2,318,899
Sapphire Power Generation Limited	20,539	20,539
Yousuf Agencies (Private) Limited	3,223	3,223
	6,727,993	6,728,356

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

16 LONG TERM FINANCING

	Note	2018 Rupees	2017 Rupees
From banking company - secured			
At beginning of the year		74,900,000	58,550,000
Obtained during the year		118,151,000	16,350,000
	17.1	193,051,000	74,900,000
Current maturity		(7,318,748)	-
		185,732,252	74,900,000

- 16.1 These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 500 million. During the year, the Company further obtained Rs.118.51 million (2017: Rs. 16.350 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 667 million over all present and future plant and machinery of the Company. These loans are repayable in 16 equal semi-annual installments over 10 years including 2 years grace period. These loans carry mark up at the (SBP rate) + 0.5%. Installment under these arrangements are detailed below along with date of last payment:

16.2 Particulars of financing

Serial No.	Particulars	Installment Amount (Rupees)	First installment date	Date of final payment
1	MCB-LTFF-I	2,685,687	December 9, 2018	June 9, 2026
2	MCB--LTFF-II	322,812	December 13, 2018	June 13, 2026
3	MCB-LTFF-III	650,875	December 15, 2018	June 15, 2026
4	MCB-LTFF-IV	316,688	September 16, 2019	March 16, 2027
5	MCB-LTFF-V	705,187	October 13, 2019	April 13, 2027
6	MCB-LTFF-VI	2,830,125	June 12, 2020	December 12, 2027
7	MCB-LTFF-VII	4,554,312	July 3, 2020	January 3, 2028

Notes to the Financial Statements

For the year ended June 30, 2018

17	EMPLOYEE RETIREMENT BENEFITS	Note	2018 Rupees	2017 Rupees
	Gratuity - unfunded	17.1	92,932,343	80,336,813
			<u>92,932,343</u>	<u>80,336,813</u>
17.1	The amount recognized in the statement of financial position			
	Present value of defined benefit obligations		92,932,343	80,336,813
17.1.2	Movement in net liability recognized in the Statement of financial position			
	At beginning of the year		80,336,813	73,392,461
	Expense recognized in statement of profit or loss	17.1.4	25,518,219	23,589,762
	Remeasurement loss charged in other Statement of comprehensive income		830,822	(661,669)
	Benefits paid during the year		(13,753,511)	(15,983,741)
	At end of the year		<u>92,932,343</u>	<u>80,336,813</u>
17.1.3	Movement in the present value of defined benefit obligation			
	Present value of obligation at beginning of the year		80,336,813	73,392,461
	Current service cost		20,192,365	18,848,219
	Interest cost		5,325,854	4,741,543
	Benefits paid during the year		(13,753,511)	(15,983,741)
	Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:			
	Experience adjustment		830,822	(661,669)
	Present value of obligation at end of the year		<u>92,932,343</u>	<u>80,336,813</u>
17.1.4	Expense recognized in statement of profit or loss			
	Current service cost		20,192,365	18,848,219
	Interest cost		5,325,854	4,741,543
			<u>25,518,219</u>	<u>23,589,762</u>
17.1.5	Charge for the year has been allocated as follows			
	Cost of sales		19,709,383	17,676,648
	Administrative expenses		2,223,905	2,347,691
	Distribution cost		3,584,931	3,565,423
			<u>25,518,219</u>	<u>23,589,762</u>
17.1.6	Total remeasurements chargeable to statement of comprehensive income			
	Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:			
	- Actuarial losses / (gains) from changes in financial assumptions		-	-
	- Experience adjustment		830,822	(661,669)
			<u>830,822</u>	<u>(661,669)</u>
17.1.7	Principal actuarial assumptions:		2018	2017
	Principal actuarial assumptions used are as follows: -			
	Discount rate - per annum		7.75%	7.25%
	Expected rate of growth per annum in future salaries		6.75%	6.25%
	Average expected remaining working life time of employees		9 years	8 years

The estimated expense to be charged in statement of profit or loss for the year ending June 30, 2019 will be Rs. 29.316 million.

Notes to the Financial Statements

For the year ended June 30, 2018

17.1.8 Risk associated with defined benefit plans

Longevity risks

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

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

	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
		----- Rupees -----	
Discount rate	1%	9,925,533	11,989,377
Salary growth rate	1%	11,989,377	2,499,225

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

		2018	2017
18	TRADE AND OTHER PAYABLES	Note	Rupees
	Creditors	18.1	83,105,160
	Accrued liabilities	18.2	143,530,424
	Infrastructure fee	18.3	50,836,858
	Advances from customers		4,700,700
	Workers' profit participation fund	18.4	18,098,276
	Electricity duty		14,353,320
			<u>314,624,738</u>
			<u>268,639,778</u>

18.1 Creditors include Rs. 14.988 million (2017: Rs. 2.656 million) due to associated companies namely Amer cotton mills (pvt) Ltd , sapphire electric company limited , SFL unit-3 and SFL fabric dyeing . Creditors also include Rs. 26.280 million (2017: Rs. 61.763 million) as against foreign currency bills payable.

18.2 Accrued liabilities include Rs. 10.199 million (2017: Rs. 1.771 million) due to associated company Sapphire power generation limited .

Provision for Gas Infrastructure Development Cess (GIDC)

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

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

Further, the Company has also obtained an interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Northern Gas Pipelines Limited (SNGPL) from charging and recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 71.436 million (2017 Rs: 52.269) million pertaining to the liability on account of GIDC which includes a provision amounting to Rs. 19.168 million (2017 Rs: 18.457 million) recognized in these financial statements for the year ended June 30, 2018.

Notes to the Financial Statements

For the year ended June 30, 2018

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

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

		2018 Rupees	2017 Rupees
18.4	Workers' profit participation fund		
	At the beginning of the year	10,262,006	5,525,170
	Interest on funds utilized in the Company's business	18.5 103,185	121,137
	Provision for the year	18,098,276	10,262,006
		28,463,467	15,908,313
	Payments made during the year	(10,365,191)	(5,646,307)
	At the end of the year	18,098,276	10,262,006
18.5	Interest on workers' profit participation fund has been provided at 11.50% (2017: 8.25%) per annum.		
19	MARKUP ACCRUED		
	Markup accrued on:		
	Long term financing	1,204,031	442,127
	Short term borrowings	21,267,403	15,620,562
		22,471,434	16,062,689
20	SHORT TERM BORROWINGS		
	From banking companies-secured		
	Running finance	887,713,150	411,083,543
	Foreign currency import finance	-	248,744,167
	Other short term finance	540,000,000	345,000,000
		1,427,713,150	1,004,827,710
20.1	The short term borrowing facilities amounting to Rs. 2,102 million (2017: Rs. 3,805 million) remained unutilized at the year end.		
20.2	These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned limit of Rs. 3,530 million (2017: Rs. 4,810 million). These facilities carry mark-up at the rates ranging from 1.15% to 7.75% (2017: 1.15% to 7.37%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.		
20.3	Facilities available for opening letters of credit and guarantees aggregate to Rs. 1,472 million (2017: Rs. 1,451 million) of which facilities amounting to Rs. 1,472 million (2017: Rs. 1,202 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.		

Notes to the Financial Statements

For the year ended June 30, 2018

21	CONTINGENCIES AND COMMITMENTS		2018 Rupees	2017 Rupees
21.1	CONTINGENCIES			
	Guarantees have been issued by banks on behalf of the Company in the normal course of business		168,990,298	99,990,298
	Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs		147,531,396	75,596,056
			<u>316,521,694</u>	<u>175,586,354</u>
21.2	Claim of Input Sales Tax			
	The Company has claimed an input tax of Rs. 13.985 million and the same has been disallowed by Federal Board of Revenue (FBR) Pakistan by a notice dated June 20, 2015. However, the Company has filed an appeal dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax. The management is expecting the case to be in favour of the Company.			
21.3	Refer to Note 29.3 to the financial statements for contingencies relating to income tax matters.			
21.4	COMMITMENTS	Note	2018 Rupees	2017 Rupees
	Letters of credit for import of:			
	- plant and machinery		294,675,883	196,791,240
	- stores and spare parts		4,430,999	1,394,375
	- raw material		88,464,191	35,340,890
	Contracts for capital expenditure		-	131,522
			<u>387,571,073</u>	<u>233,658,027</u>
22	SALES - NET			
	Exports			
	Yarn			
	- Direct	22.1	1,018,102,671	852,442,858
	- Indirect	22.2	2,458,299,418	1,938,499,639
			<u>3,476,402,089</u>	<u>2,790,942,497</u>
	Waste			
	- Direct		84,129,919	64,317,654
	- Indirect		-	-
			<u>84,129,919</u>	<u>64,317,654</u>
	Local			
	- Yarn		730,920,358	651,820,226
	- Waste		61,547,530	48,603,271
		22.2	<u>792,467,888</u>	<u>700,423,497</u>
	Processing income		3,878,646	2,693,520
	Export rebate		41,138,845	12,336,186
			<u>4,398,017,387</u>	<u>3,570,713,354</u>
22.1	Export sales include foreign currency exchange gain-net aggregating to Rs.9.583 million (2017: Rs.5.506 million).			
22.2	Sales tax on local and indirect exports is Rs. 0.06 million (2017: Rs. 0.347			

Notes to the Financial Statements

For the year ended June 30, 2018

23	COST OF SALES	Note	2018 Rupees	2017 Rupees
	Raw material consumed	23.1	2,769,091,967	2,237,471,265
	Packing material consumed		61,205,745	53,555,764
	Store and spare parts consumed		97,664,091	81,432,289
	Salaries, wages and other benefits	23.2	342,221,533	318,411,682
	Fuel and power		331,951,549	316,900,655
	Insurance		5,434,265	9,644,458
	Repair and maintenance		12,356,596	8,130,969
	Travelling and conveyance		4,582,101	3,925,511
	Other manufacturing overheads		2,866,674	2,983,166
	Depreciation	4.1.1	135,845,581	137,386,452
			<u>3,763,220,102</u>	<u>3,169,842,211</u>
	Work-in-process			
	At beginning of the year		143,725,269	128,561,008
	At end of the year		(140,912,165)	(143,725,269)
			<u>2,813,104</u>	<u>(15,164,261)</u>
	Cost of goods manufactured		3,766,033,206	3,154,677,950
	Finished goods			
	At beginning of year		82,330,887	94,836,235
	Yarn / fabric purchased during the year		64,513,752	9,418,095
	Fabric purchased		-	-
	At end of the year	7	(148,317,698)	(82,330,887)
			<u>(1,473,059)</u>	<u>21,923,443</u>
	Cost of goods sold		<u>3,764,560,147</u>	<u>3,176,601,393</u>
23.1	Raw material consumed			
	At beginning of the year		494,430,240	383,920,696
	Purchased during the year		3,162,346,217	2,347,980,809
			<u>3,656,776,457</u>	<u>2,731,901,505</u>
	At end of the year		(887,684,490)	(494,430,240)
			<u>2,769,091,967</u>	<u>2,237,471,265</u>
23.2	Salaries, wages and other benefits include Rs.19.709 million (2017: Rs.17.677 million) in respect of employee benefits - gratuity.			
24	DISTRIBUTION COST	Note	2018 Rupees	2017 Rupees
	Salaries and other benefits	24.1	19,485,628	19,285,209
	Postage and telephone		800,895	534,074
	Traveling, conveyance and entertainment		14,148,568	13,093,700
	Printing, stationery and others		490,199	258,830
	Commission			
	- Local		1,963,805	2,857,118
	- Export		15,543,229	14,912,581
	Freight and forwarding			
	- Local		6,394,709	5,644,940
	- Export		33,567,732	28,676,691
	Export development surcharge		2,319,542	2,326,383
	Insurance charges - export		139,773	197,708
			<u>94,854,080</u>	<u>87,787,234</u>
24.1	Salaries and other benefits include Rs. 3.585 million (2017: Rs. 2.348 million) in respect of employee benefits - gratuity.			

Notes to the Financial Statements

For the year ended June 30, 2018

25	ADMINISTRATIVE EXPENSES	Note	Rupees	Rupees
	Salaries and other benefits	25.1	32,984,822	35,591,262
	Postage and telephone		2,061,364	1,726,500
	Fees and subscription		2,602,957	1,068,495
	Depreciation		6,144,229	3,840,374
	Printing and stationery		450,924	543,320
	Traveling and conveyance		4,203,259	2,090,712
	Repair and maintenance		324,944	3,234,517
	Legal and professional charges		3,093,220	3,317,405
	Advertisement		58,140	82,095
	Entertainment		1,376,208	4,238,233
	Donation	25.2	5,000,000	415,000
	Auditors' remuneration	25.3	927,500	882,300
	Utility charges		2,172,479	1,527,400
	Others		288,219	92,478
			61,688,265	58,650,091
25.1	Salaries and other benefits include Rs. 2.224 million (2017: Rs. 3.565 million) in respect of employee benefits - gratuity.			
25.2	Donations of Rs. 5 million (2017: Nil) has been paid to Abdullah Foundation, 212 Cotton Exchange Building, I.I. Chundrigar Road, Karachi, a Trust. Mr. Shahid Abdullah, Mr. Amer Abdullah, Mr. Yousuf Abdullah, Mr. Shayan Abdullah and Mr. Mohammad Yamin, directors of the Company, are trustees of this trust.			
25.3	Auditors' remuneration	Note	2018 Rupees	2017 Rupees
	Annual audit		625,000	599,100
	Half-yearly review		132,500	132,000
	Compliance report on Code of Corporate Governance		55,000	52,500
	Other certification		50,000	25,000
	Out-of-pocket expenses		65,000	73,700
			927,500	882,300
26	OTHER OPERATING EXPENSES			
	Workers' profit participation fund		18,098,276	10,262,006
	Realized loss of short term investment held for trading		10,751,165	-
	Foreign exchange loss		17,726,974	682,665
			46,576,415	10,944,671
27	OTHER INCOME			
	Gain on disposal of property, plant and equipment		1,356,120	269,475
	Provision for WWF no more required - written back	27.1	-	25,780,077
	Scrap sales	27.2	3,930,024	2,646,031
	Gain on disposal of investment		-	451,027
	Dividend income		4,394,800	13,223,137
			9,680,944	42,369,747
27.1	Through Finance Act, 2008 an amendment was made in section 4(5) of the Workers' Welfare Fund Ordinance 1971 (WWF Ordinance) whereby WWF liability was made applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return. In the year 2011, the Lahore High Court struck down the aforementioned amendments to the WWF Ordinance. The Supreme Court has declared the changes made in WWF Ordinance through Finance Act 2008 as ultra vires and void ab initio. The amount includes reversal of excess provisioning made on the basis of accounting profit from year 2011 till 2016.			
27.2	Scrap sales inclusive of sales tax amounts to Rs. 4.665 million (2017: Rs. 3.108 million).			

Notes to the Financial Statements

For the year ended June 30, 2018

			2018 Rupees	2017 Rupees
28	FINANCE COST	Note		
	Markup on:			
	Long term financing		3,899,649	1,736,134
	Short term borrowings		85,961,308	63,591,313
	Interest on workers' profit participation fund		103,185	121,137
	Bank charges and commission		6,188,048	5,611,374
			<u>96,152,190</u>	<u>71,059,958</u>
29	PROVISION FOR TAXATION			
	Current			
	-for the year	29.1	27,777,287	18,534,711
	-for prior year		9,408	(1,354,840)
			<u>27,786,695</u>	<u>17,179,871</u>
29.1	The Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, therefore provision for income tax is made accordingly. Assessment for the tax year 2017 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001.			
29.2	There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.			
29.3	There is a dispute between the Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. The Sindh High Court has decided the case in favour of the Company on the appeals filed by Commissioner Inland Revenue and appeal effect is pending.			
29.4	The Finance Act, 2018 and 2017 have amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% (2017: 7.5%) of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% (2017: 40%) of the accounting profit through cash dividend within six months of the end of the said year.			
	The Company filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.			
	The dividend declared by the directors for the year ended June 30, 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. However, The Company has not made any provision based on opinion issued by legal Counsel.			
29.5	Management is of view that the income tax provision for the year is sufficient to discharge the tax liability. Comparison of tax provision as per accounts viz a viz tax assessments for last three years is as follows:			
	Year	Tax assessments	Accounts	
		Rupees	Rupees	
	2014-15	36,420,243	36,106,752	
	2015-16	32,572,067	33,926,907	
	2016-17	18,544,119	18,534,711	

Notes to the Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
30 EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earning per share which is based on: Profit attributable to ordinary shareholders (Rupees)	316,080,539	190,859,883
Weighted average number of ordinary shares outstanding during the year (Numbers of shares)	10,292,000	10,292,000
Earnings per share - Rupees	30.71	18.54

31 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	Chief Executive		Executives	
	2018	2017	2018	2017
	Rupees		Rupees	
Managerial remuneration	4,824,000	4,824,000	24,473,101	23,377,244
House rent	2,170,800	2,170,800	9,817,840	7,857,942
Utilities	205,200	205,200	1,554,310	1,423,666
Conveyance	-	-	30,000	30,000
Medical expenses	-	-	641,452	1,384,568
Bonus/Leave encashment	-	-	4,022,767	5,537,171
	7,200,000	7,200,000	40,539,470	39,610,591
Number of persons	1	1	13	14

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

- 31.1** The executives are also provided with cars maintained by the Company.
- 31.2** The Company has paid Rs.40,000 (2017: Rs.50,000) as meeting fee to an independent director.
- 31.3** No remuneration is paid to the directors of the Company.

32 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2018

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

32.1 Credit risk and concentration of credit risk

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

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

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

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

Trade debts

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

Bank

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

32.1.1 Exposure to credit risk

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

	2018 Rupees	2017 Rupees
Long term deposits	8,987,690	8,987,690
Trade debts	665,550,377	304,660,386
Loans and advances	400,000	1,200,000
Short term deposits and prepayments	1,403,797	1,151,230
Other receivables	2,798,330	1,261,399
Bank balances	7,340,115	22,643,728
	686,480,309	339,904,433

Geographically there is no concentration of credit risk.

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

	Gross 2018	Impairment 2018	Gross 2017	Impairment 2017
	----- Rupees -----			
Past due				
Upto 1 month	129,842,168	-	30,434,065	-
1 month to 6 months	47,173,944	-	11,449,413	-
Over 6 months	708,258	-	158,146	-
Over 6 months - impaired		-	-	-
	177,724,370	-	42,041,624	-

Notes to the Financial Statements

For the year ended June 30, 2018

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

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

32.2 Liquidity risk management

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

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

32.2.1 Liquidity risk table

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

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

2018						
Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above	
..... Rupees						
Non-derivative Financial liabilities						
Long term financing	193,051,000	193,051,000	3,659,374	3,659,374	9,362,498	176,369,754
Trade and other payable	245,143,977	245,143,977	245,143,977	-	-	-
Mark up accrued	22,471,434	22,471,434	22,471,434	-	-	-
Short term borrowings	1,427,713,150	1,427,713,150	1,427,713,150	-	-	-
	1,888,379,561	1,888,379,561	1,698,987,935	3,659,374	9,362,498	176,369,754
2017						
Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above	
..... Rupees						
Non-derivative Financial liabilities						
Long term financing	74,900,000	74,900,000	-	-	7,318,748	67,581,252
Trade and other payable	211,639,730	211,639,730	211,639,730	-	-	-
Mark up accrued	16,062,689	16,062,689	16,062,689	-	-	-
Short term borrowings	1,004,827,710	1,004,827,710	1,004,827,710	-	-	-
	1,307,430,129	1,307,430,129	1,232,530,129	-	7,318,748	67,581,252

32.3 Market risk

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

32.3.1 Foreign currency risk management

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

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

Notes to the Financial Statements

For the year ended June 30, 2018

The potential currency exposures are discussed below;

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

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2018		2017	
	USD	EURO	USD	EURO
Trade debts	1,580,555	49,669	289,179	97,241
Trade creditors	(141,099)	(64,440)	(562,800)	(22,214)
Short term Foreign Currency loan	-	-	(2,368,992)	-
	<u>1,439,456</u>	<u>(14,771)</u>	<u>(2,642,613)</u>	<u>75,027</u>

Commitments outstanding at year end amounted to Rs. 387.571 million (2017: Rs. 233.527 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees
USD 1	<u>113.20</u>	<u>103.73</u>	<u>121.40</u>	<u>105.00</u>
EURO 1	<u>130.74</u>	<u>112.99</u>	<u>141.33</u>	<u>120.14</u>

Sensitivity analysis

A 5 percent strengthening of the Pakistani Rupee against the USD & EURO at June 30, 2018 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for June 30, 2017.

	2018	2017
	Rupees	Rupees
Increase / (decrease) in profit or loss account (USD)	(8,737,498)	13,873,718
Increase / (decrease) in profit or loss account (EURO)	<u>104,379</u>	<u>(450,687)</u>

A 5 percent weakening of the Pakistani Rupee against the USD & EURO at June 30, 2018 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

32.4 Interest rate risk

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

Profile

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

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017	2018	2017
 %		Rupees	Rupees
Financial liabilities				
Long term financing	2.50 to 6.80	2.50 to 6.76	193,051,000	74,900,000
Short term borrowings	1.15 to 7.75	1.15 to 7.37	1,427,713,150	1,004,827,710
			1,620,764,150	1,079,727,710

Cash flow sensitivity analysis for floating rate instruments

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

	Increase / (Decrease) in	Effect on profit before tax
	%	Rupees
2018		
Long term financing	1.00%	1,930,510
Short term borrowings		14,277,132
		16,207,642
2017		
Long term financing	1.00%	749,000
Short term borrowings		10,048,277

32.4 Interest rate risk

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

Profile

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

	2018	2017	2018	2017
 %		Rupees	Rupees
Financial liabilities				
Long term financing	2.50 to 6.80	2.50 to 6.76	193,051,000	74,900,000
Short term borrowings	1.15 to 7.75	1.15 to 7.37	1,427,713,150	1,004,827,710
			1,620,764,150	1,079,727,710

Cash flow sensitivity analysis for floating rate instruments

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

	Increase / (Decrease) in	Effect on profit before tax
	%	Rupees
2018		
Long term financing	1.00%	1,930,510
Short term borrowings		14,277,132
		16,207,642
2017		
Long term financing	1.00%	749,000
Short term borrowings		10,048,277
		10,797,277

Notes to the Financial Statements

For the year ended June 30, 2018

32.5 Equity Price Risk Management

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

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

At the statement of financial position date, the exposure to listed equity securities at fair value was Rs. 78,692,660 (2017: 84,154,658). An increase of 25% on the KSE market index would have an impact of approximately Rs. 19,673,165 on the income or equity attributable to the group, depending on whether or not the increase is significant and prolonged. An decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

33	FINANCIAL INSTRUMENTS BY CATEGORY	2018 Rupees	2017 Rupees
	Financial Assets		
	Loans and receivables at amortized cost		
	Long term investments	89,069,645	88,969,645
	Long term deposits	8,987,690	8,987,690
	Trade debts	665,550,377	304,660,386
	Loans and advances	400,000	1,200,000
	Cash and bank balances	7,780,802	22,711,121
	Short term deposits & prepayments	1,403,797	1,151,230
		<u>773,192,311</u>	<u>427,680,072</u>
	Financial Assets - At fair value		
	Short term investments	78,692,660	84,154,658
		<u>851,884,971</u>	<u>511,834,730</u>
	Financial Liabilities - At amortized cost		
	Long term financing	193,051,000	74,900,000
	Trade and other payable	249,844,677	216,268,401
	Mark up accrued	22,471,434	16,062,689
	Short term borrowings	1,427,713,150	1,004,827,710
		<u>1,893,080,261</u>	<u>1,312,058,800</u>

34 CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserve or/and issue new shares.

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

	2018 Rupees	2017 Rupees
Total borrowings including mark-up accrued	1,643,235,584	1,095,790,399
Total equity	1,872,372,558	1,574,356,479
Total capital employed	<u>3,515,608,142</u>	<u>2,670,146,878</u>
Gearing ratio	46.74%	41.04%

Notes to the Financial Statements

For the year ended June 30, 2018

35 TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2018 Rupees	2017 Rupees
RCSML (Pvt) Limited	Holding Company holds 100% (2017: 0%) share capital	Payment against issue of shares	100,000	-
Amer Cotton Mills (Pvt) Limited	Associated Company by virtue of common directorship	Sales: Yarn / raw material Purchase: Yarn / raw material Shared expenses - net Dividend: Paid	22,181,501 35,310,265 521,452 27,150	4,298,832 - 982,712 90,500
Diamond Fabrics Limited	Associated Company by virtue of common directorship	Sales: Yarn / raw material Purchase: Yarn / raw material Shared expenses - net Dividend: Paid	240,419,604 137,540 - -	299,118,473 - - -
Sapphire Power Generation Limited	Associated Company by virtue of common directorship	Sales: waste Purchase: Electricity Shared expenses - net Dividend: Paid	42,490 50,464,155 - 30,809	59,080 91,814,429 (54,390) 102,695
Sapphire Textile Mills Limited	Associated Company by virtue of common directorship	Sales: Yarn Purchase: Raw material Services: Rendered Obtained Shared expenses - net Dividend: received Paid	34,047,286 5,102,640 212,484 2,349,094 4,603,819 - 474,321	41,022,429 177,300 - 1,699,334 4,233,496 2,806,244 1,583,095

Notes to the Financial Statements

For the year ended June 30, 2018

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2018 Rupees	2017 Rupees
Sapphire Fibres Limited	Associated Company by virtue of common directorship	Sales: Yarn / raw material / scrap Purchase: Yarn / raw material / scrap Property plant and equipment Services: Rendered Obtained Shared expenses - net Dividend: received Paid	279,990,508 35,343,087 - 1,627,941 268,150 2,090,428 590,546 231,551	218,471,637 35,335,881 15,750,000 1,952,640 4,192,661 52,940 7,480,243 775,755
Neelum Textile Mills Limited	Associated Company by virtue of common directorship	Dividend paid	2,048,273	6,827,575
Galaxy Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	162,326	541,085
Sapphire Holding Limited	Associated Company by virtue of common directorship	Dividend paid Dividend received	954,234 -	3,180,780 350,781
Crystal Enterprises (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	41,544	138,480
Salman Ismail (SMC) (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	2,250	7,500
Yousuf Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	4,835	16,115
Nadeem Enterprises (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	130,656	435,520
Reliance Textile (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	1,647,177	5,490,590
Amer Tex (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	22,631	75,435
Sapphire Finishing Mills Limited	Associated Company by virtue of common directorship	Dividend received	-	2,022,800
Sapphire Agencies (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	3,478,349	11,594,495
SFL Limited	Associated Company by virtue of common directorship	Dividend paid Dividend received	836,432 301,178	2,788,105 401,570

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

Notes to the Financial Statements

For the year ended June 30, 2018

36 NUMBER OF EMPLOYEES

	At year end		Average	
	2018	2017	2018	2017
Head office	25	25	25	25
Plant	967	958	964	974
	992	983	989	999

37 PLANT CAPACITY AND ACTUAL PRODUCTION

	2018	2017
Total number of spindles installed	37,920	34,848
Installed capacity after conversion into 20's count (Lbs.)	24,381,119	25,149,564
Actual production		
Number of spindles	34,378	32,665
Number of shifts per day	3	3
Total days worked	365	365
Actual production of yarn after conversion into 20's count (Lbs.)	23,462,808	22,241,943

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

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

The Company only have short term investments at fair value through other comprehensive income of Rs.78.69 million that are classified at level 1.

39 OPERATING SEGEMENTS

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

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

81.70% (2017: 80.24%) sales of the Company relates to export customers.

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

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs. 1,339 million (2017 Rs. 1,070 million).

Notes to the Financial Statements

For the year ended June 30, 2018

40 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements of the Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017. Following major reclassifications due to the Companies Act, 2017 together with others have been made during the year:

			2017 Rupees
Reclassified from	Reclassified to	Reason	
Trade and other payables	Unclaimed dividend (Presented on face of statement of financial position)	The Companies Act, 2017	408,477
Other Operating expenses-Auditor Remuneration	Administrative expenses	For better presentation	882,300
Cost of sale-Depreciation	Administrative expenses	For better presentation	3,840,374
Finance cost-Exchange loss	Other operating expenses	For better presentation	682,665

41 EVENT AFTER CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on September 27, 2018 has proposed to pay cash dividend for the year ended June 30, 2018 of Rs. 66.898 million @ Rs. 6.5 per ordinary share of Rs. 10 each (2017: Rs. 15.438 million @ Rs. 1.5 per ordinary share of Rs. 10 each). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these consolidated financial statements.

42 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issue on September 27, 2018 by the Board of Directors of the Company.

43 GENERAL

Figures have been rounded off to the nearest Rupee.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Pattern of Shareholding

As At June 30, 2018

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
360	1	100	7,351
69	101	500	24,859
27	501	1000	23,889
21	1001	5000	58,704
9	5001	10000	65,428
2	10001	15000	22,397
3	15001	20000	51,440
1	20001	25000	20,539
3	25001	30000	85,161
4	35001	40000	153,085
2	40001	45000	85,164
1	65001	70000	69,160
1	75001	80000	79,027
2	85001	90000	176,154
1	105001	110000	108,217
1	120001	125000	123,902
1	145001	150000	149,194
1	150001	155000	154,004
1	230001	235000	232,838
1	315001	320000	315,985
1	340001	345000	340,826
1	365001	370000	365,515
1	435001	440000	435,645
1	465001	470000	465,638
1	520001	525000	522,570
1	545001	550000	545,522
1	555001	560000	557,621
1	635001	640000	636,156
1	930001	935000	934,026
1	995001	1000000	1,000,000
1	1095001	1100000	1,097,110
1	1380001	1385000	1,384,873
523		Total	10,292,000

Categories of Shareholders

As At June 30, 2018

Particulars	No. of Shares Held	Percentage %
Directors, CEO, spouses and Minor Children	1,895,782	18.4200
Associated Companies, undertakings, related parties	6,727,764	65.3689
NIT & ICP	465,638	4.5243
Banks, DFI & NBFIs	325	0.0032
Insurance Companies	16,940	0.1646
Modaraba Companies and Mutual Funds	500	0.0049
Individuals Local	1,140,112	11.0777
Joint Stock Companies	5,543	0.0539
Other Companies	39,396	0.3828
	10,292,000	100.0000

Pattern of Shareholding

As At June 30, 2018

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Reliance Textiles (Private) Limited	1,098,118
Neelum Textile Mills (Private) Limited	1,365,515
Sapphire Textile Mills Limited	315,985
Sapphire Fibres Limited	154,004
Sapphire Agencies (Pvt) Ltd.	2,318,899
Amer Cotton Mills (Private) Limited	18,100
Galaxy Agencies (Private) Limited	108,217
Sapphire Power Generation Limited	20,539
Nadeem Enterprises (Private) Limited	87,104
Crystal Enterprises (Private) Limited	27,696
Salman Ismail (SMC-Private) Limited	1,500
Yousuf Agencies (Private) Limited	3,223
Amer Tex (Pvt.) Limited	15,087
SFL Limited	557,621
Sapphire Holding Limited	636,156

B) NIT & ICP

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

DIRECTORS & THEIR SPOUSES

Mr. Shahid Abdullah	117,777
Mr. Yousuf Abdullah	588,710
Mr. Abdul Sattar	100
Mr. Amer Abdullah	379,576
Mrs. Ambareen Amer	240,838
Mrs. Shireen Shahid	538,970
Mrs. Usma Yousuf	28,013
Mr. Nabeel Abdullah	570
Mr. Asif Elahi	500

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shayan Abdullah	728
---------------------	-----

Pattern of Shareholding

As At June 30, 2018

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

BANKS

National Bank of Pakistan	225
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Development Financial Institutions

National Development Finance Corporation	100
--	-----

INSURANCE COMPANIES

State Life Insurance Company of Pakistan	16,940
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MODARABA COMPANIES

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

Neelum Textile Mills (Private) Limited	1,365,515
Reliance Textiles (Private) Limited	1,098,118
Sapphire Agencies (Private) Limited	2,318,899
SFL Limited	557,621
Sapphire Holding Limited	636,156
Mr. Yousuf Abdullah	588,710
Mrs. Shireen Shahid	538,970

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.

Nil

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Directors' Report to the Shareholders

The directors are pleased to present their report together with consolidated financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (Pvt.) Limited for the year ended 30 June, 2018. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

RCSM Company (Pvt.) Limited

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

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

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

For and on behalf of the Board

Lahore
September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کے لئے ریلیئنس 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 (پرائیویٹ) لمیٹڈ جو مجموعی طور پر ایک "گروپ" کہلاتا ہے کمپنیز آرڈیننس 1984 کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کمپنی پاکستان اسٹاک ایکسچینج لمیٹڈ (سابقہ کراچی اسٹاک ایکسچینج لمیٹڈ اور لاہور اسٹاک ایکسچینج لمیٹڈ) میں اندراج شدہ ہے۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔ ذیلی کمپنی کا بنیادی کاروبار کسی دیگر کمپنی کے حصص لینا یا دوسری صورت میں خریدنا اور ہولڈ کرنا، لیکن سرمایہ کاری کمپنی کے طور پر کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

یوسف عبداللہ

ڈائریکٹر

شایان عبداللہ

چیف ایگزیکٹو

لاہور

تاریخ: 27 ستمبر 2018ء

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 consolidated financial statements of Reliance Cotton Spinning Mills Limited (the Company) and its subsidiaries (the group) which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Group generates revenue from export and local sale of yarn and waste.</p> <p>The Group has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods against local sale and indirect exports is recognized on dispatch of goods as risk and rewards are transferred on dispatch whereas export sales are recognized on the shipment of goods. Revenue recognition criteria has been explained in note 3.17 to the consolidated financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy; • assessing the appropriateness of the Group accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • checked on a sample basis the recorded sales transactions with underlying supporting documents; and • assessed the adequacy of related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Reliance Cotton Spinning Mills Limited

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Reliance Cotton Spinning Mills Limited

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

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

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

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

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

Lahore
Date: September 27, 2018

Deloitte Yousuf Adil
Chartered Accountants

Consolidated Statement of Financial Position

as at June 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,460,765,061	1,410,953,664
Long term investments	5	718,327,402	734,778,699
Long term deposits		8,987,690	8,987,690
		2,188,080,153	2,154,720,053
CURRENT ASSETS			
Stores and spare parts	6	49,466,734	19,672,095
Stock-in-trade	7	1,242,826,867	824,793,139
Trade debts	8	665,550,377	304,660,386
Loans and advances	9	64,191,180	48,868,890
Short term deposits and prepayments	10	2,255,778	1,936,407
Other receivables	11	48,129,947	20,417,554
Tax refunds due from the Government	12	233,635,886	201,941,408
Short term investments	13	78,692,660	84,154,658
Cash and bank balances	14	7,880,802	22,711,121
		2,392,630,231	1,529,155,658
		4,580,710,384	3,683,875,711
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2017: 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		2,322,673,005	2,052,331,899
		2,425,593,005	2,155,251,899
NON-CURRENT LIABILITIES			
Long term financing	16	185,732,252	74,900,000
Deferred liabilities	17	168,983,093	145,250,447
		354,715,345	220,150,447
CURRENT LIABILITIES			
Trade and other payables	18	314,711,298	268,639,778
Unclaimed dividend		410,117	408,477
Markup accrued	19	22,471,434	16,062,689
Short term borrowings	20	1,427,713,150	1,004,827,710
Current portion of long term financing	16	7,318,748	-
Provision for taxation	29	27,777,287	18,534,711
		1,800,402,034	1,308,473,365
CONTINGENCIES AND COMMITMENTS			
	21	4,580,710,384	3,683,875,711

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement Of Profit or Loss

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	22	4,398,017,387	3,570,713,354
Cost of sales	23	<u>(3,764,560,147)</u>	<u>(3,176,601,393)</u>
Gross profit		633,457,240	394,111,961
Distribution cost	24	<u>(94,854,080)</u>	<u>(87,787,234)</u>
Administrative expenses	25	<u>(61,774,825)</u>	<u>(58,650,091)</u>
Other operating expenses	26	<u>(46,576,415)</u>	<u>(10,944,671)</u>
		(203,205,320)	(157,381,996)
Other income	27	<u>8,789,219</u>	<u>29,308,110</u>
Operating profit before finance cost		439,041,139	266,038,075
Finance cost	28	<u>(96,152,190)</u>	<u>(71,059,958)</u>
Share of profit from associates		<u>54,041,257</u>	<u>58,813,587</u>
Profit before taxation		396,930,206	253,791,704
Provision for taxation	29	<u>(38,923,811)</u>	<u>(24,797,679)</u>
Profit for the year		<u>358,006,395</u>	<u>228,994,025</u>
Earnings per share - basic and diluted	30	<u>34.78</u>	<u>22.25</u>

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Profit for the year		358,006,395	228,994,025
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share in associates' unrealized loss on available for sale investments - net		(68,048,815)	66,866,337
Share in associates' unrealized gain on hedging instruments		278,758	(111,262)
Unrealized loss on remeasurement of short term investments- available for sale		(8,927,074)	(8,919,200)
Realized gain/(loss) on disposal of available for sale investments		7,131,436	(451,027)
		(69,565,695)	57,384,848
Items that will not be reclassified subsequently to profit or loss			
Share in associates' remeasurement of post retirement benefits obligation loss		(236,597)	(237,792)
Remeasurement of post retirement benefits obligation	17.1.6	(830,822)	661,669
		(70,633,114)	57,808,725
Total comprehensive income for the year		287,373,281	286,802,750

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		396,930,206	253,791,704
Adjustments for:			
Depreciation on property, plant and equipment	4.1	141,989,810	141,226,826
Provision for employee benefits	17.1.2	25,518,219	23,589,762
Rebate Income		(41,138,845)	(12,336,186)
Gain on disposal of property, plant and equipment	4.3	(1,356,120)	(269,475)
Finance cost	28	96,152,190	71,742,623
Dividend income on short and long term investment		(3,503,075)	(161,500)
Share of profit from associates		(54,041,257)	(58,813,587)
		<u>560,551,128</u>	<u>418,770,167</u>
Working capital changes			
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		(29,794,639)	8,661,547
Stock-in-trade		(418,033,728)	(115,517,879)
Trade debts		(360,889,991)	46,357,697
Loans and advances		(1,485,345)	10,761,928
Short term deposits and prepayments		(319,371)	(746,941)
Other receivables		(1,536,931)	(739,904)
Increase / (decrease) in current liabilities			
Trade and other payables		46,071,520	61,554,468
		<u>(765,988,485)</u>	<u>10,330,916</u>
Cash (used in) / from operations		<u>(205,437,357)</u>	<u>429,101,083</u>
Dividend paid		(15,436,360)	(51,392,257)
Employee benefits paid		(13,753,511)	(15,983,741)
Finance cost paid		(89,743,445)	(68,016,037)
Sales tax (paid) / refunded		(3,545,374)	30,196,571
Income taxes paid		(60,530,168)	(42,442,558)
Rebate income received		14,963,383	5,693,492
		<u>(168,045,475)</u>	<u>(141,944,530)</u>
Net cash (used in) / from operating activities		<u>(373,482,832)</u>	<u>287,156,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(194,450,356)	(105,586,717)
Proceeds from disposal of property, plant and equipment		4,005,269	19,207,991
Short term investments - net		3,666,360	(93,524,885)
Dividend received		4,394,800	13,223,138
		<u>(182,383,927)</u>	<u>(166,680,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained		118,151,000	16,350,000
Short term borrowings - net		422,885,440	(135,419,023)
Net cash from / (used in) financing activities		<u>541,036,440</u>	<u>(119,069,023)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(14,830,319)</u>	<u>1,407,057</u>
Cash and cash equivalents at beginning of the year		<u>22,711,121</u>	<u>21,304,064</u>
Cash and cash equivalents at the end of the year		<u>7,880,802</u>	<u>22,711,121</u>

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 27, 2018Shayan Abdullah
Chief ExecutiveYousuf Abdullah
DirectorJawwad Faisal
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended June 30, 2018

	Revenue reserves							Sub-total	Total	
	Share capital	Un-appropriated profit	General reserve	Unrealized loss on remeasurement of investments available for sale -net	Share in associates' unrealized gain on available for sale investments - net	Share in associate's unrealized gain/(loss) on hedging instruments	Share in associate's remeasurement of post retirement benefits obligation			Share of items directly recognized in equity by associates
----- Rupees -----										
Balance as at July 01, 2016	102,920,000	1,607,769,051	130,000,000	-	70,818,689	114,481	(1,555,028)	53,175,026	1,860,322,219	1,963,242,219
Comprehensive income:										
Profit for the year ended June 30, 2017	-	228,994,025	-	-	-	-	-	-	-	228,994,025
Other comprehensive income	-	661,669	-	(9,370,227)	66,866,337	(111,262)	(237,792)	-	57,147,056	57,808,725
Total comprehensive income	-	229,655,694	-	(9,370,227)	66,866,337	(111,262)	(237,792)	-	57,147,056	286,802,750
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	-	(43,333,070)	(43,333,070)	(43,333,070)
Transactions with owners:										
Final dividend for the year ended June 30, 2016 @ Rs. 5 per share	-	(51,460,000)	-	-	-	-	-	-	-	(51,460,000)
Balance as at June 30, 2017	102,920,000	1,785,964,745	130,000,000	(9,370,227)	137,685,026	3,219	(1,792,820)	9,841,956	2,052,331,899	2,155,251,899
Comprehensive income:										
Profit for the year ended June 30, 2018	-	358,006,395	-	-	-	-	-	-	-	358,006,395
Other comprehensive income	-	(630,822)	-	(1,795,638)	(68,048,815)	278,758	(236,597)	-	(69,802,292)	(70,633,114)
Total comprehensive income	-	357,175,573	-	(1,795,638)	(68,048,815)	278,758	(236,597)	-	(69,802,292)	287,373,281
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	-	(1,594,175)	(1,594,175)	(1,594,175)
Transactions with owners:										
Final dividend for the year ended June 30, 2017 @ Rs. 1.50 per share	-	(15,438,000)	-	-	-	-	-	-	-	(15,438,000)
Balance as at June 30, 2018	102,920,000	2,127,702,318	130,000,000	(11,165,865)	69,636,211	281,977	(2,029,417)	9,841,956	1,980,935,432	2,425,593,005

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Lahore :

Dated : September 27, 2018

Shayan Abdullah
Chief ExecutiveYousuf Abdullah
DirectorJawwad Faisal
Chief Financial Officer

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

1 THE GROUP AND ITS LEGAL STATUS AND OPERATIONS

The Group comprises of :

Reliance Cotton Spinning Mills Limited -the Holding Company

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

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

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

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

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

1.3 Summary of significant events and transactions in the current reporting year

The Group's financial position and performance were particularly affected by the following events and transactions during the reporting year:

- 1.3.1 As referred in note 4.1, the Group has made an addition aggregating to Rs. 194.45 million (2017: Rs. 104.59 million) in property, plant and equipment.
- 1.3.2 As referred in note 20, during the year the Group has availed short term borrowings aggregating to Rs. 422.89 million.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

2.3.1 New amendments that are effective for the year ended June 30, 2018

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

2.3.1.1 The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after January 01, 2017
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Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	Effective from accounting period beginning on or after January 01, 2017
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Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Group. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of certain additional disclosures.

New accounting standards, amendments to published standards and interpretations that are not yet effective.

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after January 01, 2018
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IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	Effective from accounting period beginning on or after January 01, 2018
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IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	Effective from accounting period beginning on or after July 01, 2018
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Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	Effective from accounting period beginning on or after January 01, 2019
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IFRS 15 'Revenue from contracts with customer' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	Effective from accounting period beginning on or after July 01, 2018
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IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	Effective from accounting period beginning on or after January 01, 2019
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Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	Effective from accounting period beginning on or after January 01, 2019
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Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	Effective from accounting period beginning on or after January 01, 2019
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Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
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IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
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IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019
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Certain annual improvements have also been made to a number of IFRSs.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

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

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

2.3 Significant estimates

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

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

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

Employee retirement benefits

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

Property, plant and equipment

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

Taxation

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 Accounting convention

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

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS

3.1 Property, plant and equipment

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

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

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

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

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

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

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

3.2 Investments in associates

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

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

3.3 Basis of consolidation

These consolidated financial statements include the financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary company RSCM Company (pvt) Limited.

3.3.1 Subsidiary

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These consolidated financial statements include Reliance and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

3.3.2 Business Combination

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

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair value at the acquisition date. For each business combination, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable net assets.

Acquisition related cost are expensed as incurred.

3.4 Stores, spare parts and loose tools

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

3.5 Stock-in-trade

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

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

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

Waste stock are valued at net realizable value.

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

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

3.6 Impairment

Financial assets

At each reporting date, the Group reviews the carrying amounts of the financial assets to assess whether there is any indication that such financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the statement of profit or loss. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in statement of profit or loss, is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

Non - financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortisation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units). Non - financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.7 Financial instruments

3.7.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through other comprehensive income

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the consolidated statement of financial position date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the consolidated statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the consolidated statement of financial position date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through consolidated statement of profit or loss. Financial assets carried at fair value through consolidated statement of profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as 'available-for-sale' are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Group determines the fair value of financial assets using valuation techniques based on assumptions that are dependent on market conditions existing at consolidated statement of financial position date.

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

3.7.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in respective carrying amounts is recognised in the consolidated statement of profit or loss.

3.8 Off setting of financial assets and financial liabilities

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

3.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

3.10 Cash and cash equivalents

For the purpose of cash flow consolidated statement, cash and cash equivalents consist of cash in hand, balances with banks.

3.11 Short term investments

Available for sale

Investment securities held by the Group which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value using quoted market prices. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognized in other comprehensive income until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in consolidated statement of profit or loss.

De-recognition

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

3.12 Trade and other payables

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

3.13 Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

3.14 Employee benefits

Defined benefit plan

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

The amount recognized in the consolidated statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in consolidated statement of other comprehensive income. The latest actuarial valuation was carried on June 30, 2018.

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

3.15 Provisions

Provisions are recognized in the consolidated statement of financial position when the Group has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate.

3.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.17 Borrowings

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

3.18 Revenue recognition

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

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

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

3.19 Borrowing costs

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

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

3.20 Taxation

Current

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

Deferred

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

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

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

Deferred tax provision has been recognized only in respect of share of profit of associates considering that other temporary differences will not have any tax impact in foreseeable future, as the income of the Group is being assessed under the final tax regime and the management is confident that the Group will continue to be taxed under final tax regime in foreseeable future.

3.21 Derivative financial instruments and hedging activities

The Group designates derivative financial instruments as either fair value hedge or cash flow hedge.

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to the statement of profit or loss in the periods in which the hedged item will affect the statement of profit or loss.

(b) Fair value hedge

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is recorded in the statement of profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

3.22 Foreign currencies

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

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

3.23 Dividend distribution

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

3.24 Segment Reporting

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

3.25 Related party transactions

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

4 PROPERTY, PLANT AND EQUIPMENT

4.1 At June 30, 2018

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

4.2 At June 30, 2017

Particulars	COST				DEPRECIATION				Book value As at June 30, 2017	Annual depreciation rate %
	As at July 01, 2016	Additions	Transfers	Disposals	As at June 30, 2017	Charge for the year		Disposals		
						As at July 01, 2016	As at June 30, 2017			
Rupees										
Operating fixed assets										
Freehold land	42,216,754	20,525,000	-	-	62,741,754	-	-	-	62,741,754	-
Buildings on freehold land:										
Residential	121,379,248	-	-	-	121,379,248	41,582,266	3,989,849	-	45,572,115	5
Factory	737,923,721	-	36,610,879	-	774,534,600	268,314,959	50,027,090	-	318,342,049	10
Plant and machinery	1,437,459,505	50,043,444	75,589,922	61,364,477	1,501,728,394	800,507,858	71,168,994	43,702,979	673,754,521	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,078,192	194,616	-	1,272,808	10
Vehicles	35,236,256	23,319,263	1,700,095	6,470,972	53,784,642	17,652,703	6,160,702	5,193,954	35,165,191	20
Office equipment	4,227,057	-	-	-	4,227,057	1,009,830	321,723	-	1,331,553	10
Electric installation	72,308,379	360,000	65,077,007	-	137,745,386	34,320,125	9,121,090	-	43,441,215	10
Electric equipment	195,500	-	-	-	195,500	179,345	1,616	-	180,961	10
Computers	3,245,952	78,000	-	-	3,323,952	2,507,132	241,146	-	2,748,278	30
	2,457,216,719	94,325,707	178,977,903	67,835,449	2,662,684,880	1,167,152,410	141,226,826	48,896,933	1,259,482,303	1,403,202,577
Capital work-in-progress										
Building - civil work	36,192,908	2,387,433	(36,610,879)	-	1,969,462	-	-	-	-	1,969,462
Plant and machinery	73,698,065	2,178,576	(75,589,922)	-	286,719	-	-	-	-	286,719
Electric installation	65,077,007	-	(65,077,007)	-	-	-	-	-	-	-
Vehicles	500,000	6,695,001	(1,700,095)	-	5,494,906	-	-	-	-	5,494,906
	175,467,980	11,261,010	(178,977,903)	-	7,751,087	-	-	-	-	7,751,087
Total	2,632,684,699	105,586,717	-	67,835,449	2,670,435,967	1,167,152,410	141,226,826	48,896,933	1,259,482,303	1,410,953,664

4.1.1 Depreciation for the year has been charge to cost of sales and administrative expenses.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

4.3 Disposal of property, plant and equipment

2018								
Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
..... Rupees								
Vehicle								
Suzuki Mehran, LEH-13-2057	692,930	400,434	292,496	380,000	87,504	Negotiation	Mansoor Atta	Third Party
Toyota Hilux Pickup, CJ-1954	361,000	359,672	1,328	323,000	321,672	Negotiation	Muhammad Amin	Third Party
Suzuki Mehran, LEH-13-2056	692,930	410,880	282,050	300,000	17,950	Negotiation	Muhammad Zeshan	Third Party
Honda City LED-10-6831	1,451,880	1,149,302	302,578	630,000	327,422	Negotiation	Abdul Ghaffar	Third Party
Toyota Corolla LED-10-7561	1,512,980	1,226,864	286,116	700,000	413,884	Negotiation	M Saleem Anjum	Third Party
Computer								
Laptop	140,999	85,425	55,574	29,412	(26,162)	Negotiation	Muhammad Asim	Employee
Plant & machinery								
Carding Machine	437,500	302,242	135,258	142,857	7,599	Negotiation	Abdullah Textile Traders	Third Party
Blow Room	3,092,113	1,798,364	1,293,749	1,500,000	206,251	Negotiation	Al-Ahmad Textile (Pvt) Ltd	Third Party
	8,382,332	5,733,183	2,649,149	4,005,269	1,356,120			

4.4

2017								
Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
..... Rupees								
Plant & machinery								
Auto coners	19,986,091	18,280,919	1,705,172	2,250,000	544,828	Negotiations	Sadiq Textile Mills (Pvt) Ltd.	Third Party
Drawing set	710,550	652,783	57,767	75,630	17,863	Negotiations	Mukhtar Ali	Third Party
Carding machine	9,104,827	6,419,920	2,684,907	2,689,076	4,169	Negotiations	Multi Star Textile Company	Third Party
Carding machine	1,312,500	850,339	462,161	113,445	(348,716)	Negotiations	Syed Hafiz Haider Shah	Third Party
Draw frames	2,594,587	2,375,969	218,618	282,052	63,434	Negotiations	Malik Muhammad Arshad	Third Party
Murata vortex spinner	8,933,401	7,041,059	1,892,342	1,894,017	1,675	Negotiations	Malik Muhammad Arshad	Third Party
Carding machines	18,722,521	8,081,991	10,640,530	9,273,505	(1,367,025)	Negotiations	International Textile Machinery Enterprises	Third Party
Vehicle								
Suzuki Cultus, LED-09-9198	802,563	632,383	170,180	170,180	-	Negotiations	Muhammad Alam	Employee
Toyota XLI, LEC-10-4542	1,319,180	1,001,798	317,382	400,000	82,618	Negotiations	Naveed Ahmed	Employee
Forklift Truck Tcm	1,452,873	1,300,777	152,096	210,086	57,990	Negotiations	Muhammad Akram	Third Party
Suzuki Cultus, LED-09-9069	807,563	645,497	162,066	350,000	187,934	Negotiations	Muhammad Amir Javed	Third Party
Suzuki Cultus, LEJ-07-4806	709,533	618,401	91,132	300,000	208,868	Negotiations	Kashif Hussain	Third Party
Honda City, LEC-11-4492	1,379,260	995,097	384,163	1,200,000	815,837	Negotiations	Adamjee Insurance Company Limited	Third Party
<hr/>								
	67,835,449	48,896,933	18,938,516	19,207,991	269,475			

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

		2018	2017
4.5	LOCATION AND AREA OF LAND	(Area in Kanals)	
	Description	Location	
	Plant site	Ferozewattoan, District Sheikhpura, Pakistan	300.5 296
			2018 2017
5	LONG TERM INVESTMENTS	Note	Rupees Rupees
	Investments in associates - at equity method:		
	Quoted:		
	Sapphire Fibres Limited	5.2	418,447,167 421,873,451
	Sapphire Textile Mills Limited	5.3	82,983,620 91,363,134
	SFL Limited	5.4	58,084,718 58,583,020
	Un quoted:		
	Sapphire Finishing Mills Limited	5.5	76,483,467 72,953,670
	Sapphire Holding Limited	5.6	32,902,293 33,445,413
	Sapphire Power Generation Limited	5.7	49,426,137 56,560,011
			718,327,402 734,778,699
5.1	The existence of significant influence by the Group is evidenced by the representation on the board of directors of associated companies.		
5.2	Investment in Sapphire Fibres Limited		Rupees Rupees
	393,697 (2017: 393,697) ordinary shares of Rs. 10 each - cost		41,956,482 41,956,482
	Share of post acquisition profit and items directly recognized in equity		377,081,231 387,397,212
	Dividend received		(590,546) (7,480,243)
			418,447,167 421,873,451
The financial year of Sapphire Fibres Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Fibres Limited as of June 30, 2018 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Fibres Limited is set out below:			
		2018	2017
		Rupees	Rupees
	Total Non Current assets	29,567,163,066	29,550,328,960
	Total Current assets	22,113,798,862	19,358,682,775
	Total Non Current liabilities	7,085,393,352	8,789,400,440
	Total Current liabilities	20,154,528,509	15,815,911,269
	Net assets	24,441,040,067	24,303,700,026
	Sales	31,026,148,790	28,341,763,329
	Profit for the year	2,502,661,094	2,634,207,967
	Other comprehensive (loss)/income for the year	(1,929,997,228)	938,713,378
	Market value per share	923	1,200
	Percentage of ownership	1.9997%	1.9997%
	Reconciliation to carrying amount		
	Net assets	24,441,040,067	24,303,700,026
	Non-controlling interest	(3,515,865,102)	(3,207,187,832)
		20,925,174,965	21,096,512,194
	Percentage of ownership	1.9997%	1.9997%
	Carrying value	418,447,167	421,873,451

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

5.3 Investment in Sapphire Textile Mills Limited

100,223 (2017: 100,223) ordinary shares of Rs. 10 each - cost	8,114,578	8,114,578
Share of post acquisition profit and items directly recognized in equity	74,869,042	86,054,800
Dividend received	-	(2,806,244)
	82,983,620	91,363,134

The financial year of Sapphire Textile Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Textile Mills Limited as of June 30, 2018 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below:

	2018 Rupees	2017 Rupees
Total Non Current assets	59,440,760,944	34,695,138,092
Total Current assets	24,039,219,635	24,743,336,253
Total Non Current liabilities	41,589,579,908	21,421,033,798
Total Current liabilities	20,179,066,184	14,816,293,961
Net assets	21,711,334,487	23,201,146,586
Sales	35,380,562,771	30,240,880,104
Profit for the year	1,173,796,483	3,419,860,277
Other comprehensive (loss)/income for the year	(1,390,603,122)	3,365,474,176
Market value per share	1,144	1,990
Percentage of ownership	0.4990%	0.4990%

Reconciliation to carrying amount

Net assets	21,711,334,487	23,201,146,586
Non-controlling interest	(5,082,699,819)	(4,893,365,292)
	16,628,634,668	18,307,781,294
Percentage of ownership	0.4990%	0.4990%
Carrying value	82,983,620	91,363,134

5.4 Investment in SFL Limited

401,570 (2017: 401,570) ordinary shares of Rs. 10 each - cost	2,439,475	2,439,475
Share of post acquisition profit and items directly recognized in equity	55,946,421	56,545,115
Dividend received	(301,178)	(401,570)
	58,084,718	58,583,020

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

The financial year of SFL Limited ends on June 30. The latest unaudited consolidated financial results of SFL Limited as of June 30, 2018 have been used for the purpose of application of equity method. Summarized consolidated financial information of SFL Limited is set out below:

	2018 Rupees	2017 Rupees
Total Non Current assets	2,882,902,451	2,887,478,543
Total Current assets	113,808,420	54,520,453
Total Non Current liabilities	76,523,247	1,057,512
Total Current liabilities	14,078,607	9,901,286
Net assets	2,906,109,017	2,931,040,198
Revenue	650,917	(4,363,651)
Profit for the year	246,147,301	22,218,191
Other comprehensive (loss)/income for the year	(183,523,479)	28,506,456
Market value per share	148	147
Percentage of ownership	1.9987%	1.9987%

Reconciliation to carrying amount

Net assets	2,906,109,017	2,931,040,198
Non-controlling interest	-	-
	2,906,109,017	2,931,040,198
Percentage of ownership	1.9987%	1.9987%
Carrying value	58,084,718	58,583,020

5.5 Investment in Sapphire Finishing Mills Limited

1,556,000 (2017: 1,556,000) ordinary shares of Rs. 10 each - cost	16,509,160	16,509,160
Share of post acquisition profit and items directly recognized in equity	59,974,307	58,467,310
Dividend received	-	(2,022,800)
	76,483,467	72,953,670

The financial year of Sapphire Finishing Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Finishing Mills Limited as of June 30, 2018 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Finishing Mills Limited is set out below:

Total Non Current assets	8,682,792,330	6,272,227,426
Total Current assets	7,041,612,479	6,780,486,226
Total Non Current liabilities	4,044,502,194	2,151,915,957
Total Current liabilities	7,157,743,926	6,590,474,089
Net assets	4,522,158,689	4,310,323,606
Sales	17,015,120,857	14,823,569,969
Profit for the year	641,427,695	249,604,599
Breakup value per share	49.15	46.85
Percentage of ownership	1.6913%	1.6913%

Reconciliation to carrying amount

Net assets	4,522,158,689	4,313,455,955
Non-controlling interest	-	-
	4,522,158,689	4,313,455,955
Percentage of ownership	1.6913%	1.6913%
Carrying value	76,483,467	72,953,670

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
5.6 Investment in Sapphire Holding Limited		
100,223 (2017: 100,223) ordinary shares of Rs. 10 each - cost	524,950	524,950
Share of post acquisition profit	32,377,343	33,271,244
Dividend received	-	(350,781)
	32,902,293	33,445,413

The financial year of Sapphire Holding Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Holding Limited as of June 30, 2018 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Holding Limited is set out below:

Total Non Current assets	7,053,129,858	7,051,717,954
Total Current assets	116,099,463	148,600,126
Total Non Current liabilities	1,572,320	14,641,329
Total Current liabilities	571,263,088	480,395,783
Net assets	6,596,393,913	6,705,280,968
Profit for the year	463,735,774	313,921,954
Other comprehensive (loss)/income for the year	(556,322,928)	474,846,440
Breakup value per share	328.29	333.71
Percentage of ownership	0.4988%	0.4988%

Reconciliation to carrying amount

Net assets	6,596,393,913	6,705,280,968
Non-controlling interest	-	-
	6,596,393,913	6,705,280,968
Percentage of ownership	0.4988%	0.4988%
Carrying value	32,902,293	33,445,413

5.7 Investment in Sapphire Power Generation Limited		
555,000 (2017: 555,000) ordinary shares of Rs. 10 each - cost	19,425,000	19,425,000
Share of post acquisition profit and items directly recognized in equity	30,001,137	37,135,011
	49,426,137	56,560,011

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

The financial year of Sapphire Power Generation Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Power Generation Limited as of June 30, 2018 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Power Generation Limited is set out below:

Total Non Current assets	1,201,076,072	1,306,038,904
Total Current assets	400,502,515	496,459,521
Total Non Current liabilities	115,579,810	98,846,167
Total Current liabilities	58,942,506	70,634,846
Net assets	1,427,056,271	1,633,017,412
Sales	573,175,513	867,853,465
Profit for the year	(124,930,292)	(242,277,793)
Other comprehensive (loss)/income for the year	(80,809,892)	69,525,338
Breakup value per share	89.06	101.91
Percentage of ownership	3.4635%	3.4635%
Reconciliation to carrying amount		
Net assets	1,427,056,271	1,633,030,048
Non-controlling interest	-	-
	1,427,056,271	1,633,030,048
Percentage of ownership	3.4635%	3.4635%
Carrying value	49,426,137	56,560,011

6 STORES AND SPARE PARTS

		2018	2017
		Rupees	Rupees
Stores		8,149,425	8,072,815
Spare parts	6.1	41,317,309	11,599,280
		49,466,734	19,672,095

6.1 These include spare parts in transit amounting to Rs. 26.948 million (2017: Rs. 7.435 million).

7 STOCK-IN-TRADE

Raw material	7.1	953,597,004	598,736,983
Work-in-process		140,912,165	143,725,269
Finished goods		135,851,946	80,383,670
Waste		12,465,752	1,947,217
		1,242,826,867	824,793,139

7.1 Raw material includes stock in transit amounting to Rs. 65.913 million (2017: Rs. 104.307 million).

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

8	TRADE DEBTS	Note	2018	2017
			Rupees	Rupees
	Considered good:			
	Foreign			
	Secured		141,347,296	14,537,825
	Unsecured		57,551,842	27,508,456
		8.1	198,899,138	42,046,281
	Local			
	Secured		-	1,547,896
	Unsecured from related parties- considered good	8.2	57,521,907	56,056,420
	Unsecured - considered good	8.4	409,129,332	205,009,789
		8.5	466,651,239	262,614,105
			665,550,377	304,660,386
8.1	Jurisdiction	Category		
	Asia	Letter of Credit	95,622,340	2,154,453
		Contract	179,892	329,724
	Africa	Cash against document	654,197	-
		Contract	3,870,586	4,300,280
	Europe	Letter of Credit	42,503,971	12,383,372
		Contract	47,834,461	22,878,452
	Oceania	Letter of Credit	3,220,985	-
	South America	Contract	5,012,707	-
			198,899,139	42,046,281

8.2 These includes amount due from following related parties:

	2018				2017
	Up to 1 month	1 to 6 months	Over 6 months	Total	
Rupees.....				
Sapphire Textile Mills Limited (STML)	2,389,600	315,000	-	2,704,600	-
Sapphire Power Generation Limited	-	15,889	-	15,889	-
Sapphire Fibres Limited (SFL)	30,446,297	864,001	-	31,310,298	45,643,597
Diamond Fabrics Limited (DFL)	23,491,120	-	-	23,491,120	10,412,823
	56,327,017	1,194,890	-	57,521,907	56,056,420

8.3 The maximum aggregate amount due from the STML, SPGL, SFL and DFL is Rs 12.5 million, Rs 0.05 million, Rs 125.5 million and Rs 70 million respectively at any time during the year.

8.4 As at 30 June 2018, trade debts of Rs. 177.724 million (2017: Rs. 42.042 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these past due trade debts is as follows:

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

		2018 Rupees	2017 Rupees
	Upto 1 month	129,842,168	30,434,065
	1 to 6 months	47,173,944	11,449,413
	More than 6 months	708,258	158,146
		<u>177,724,370</u>	<u>42,041,624</u>
8.5	Local trade debts includes Rs. 252.661 million (2017: Rs. 193.997 million) receivable against indirect export sales.		
9	LOANS AND ADVANCES	Note	2018 Rupees
	Loans to employees - considered good	9.1	400,000
	Advances to suppliers - considered good		3,390,669
	Advance income tax		60,400,511
			<u>64,191,180</u>
9.1	These are interest free loans and are secured against post employment benefits.		
10	SHORT TERM DEPOSITS AND PREPAYMENTS		
	Bank guarantee margin		1,403,797
	Prepayments		851,981
			<u>2,255,778</u>
11	OTHER RECEIVABLES		
	Export rebate receivable		7,142,673
	Duty drawback receivable		38,188,944
	Others		2,798,330
			<u>48,129,947</u>
12	TAX REFUNDS DUE FROM THE GOVERNMENT		
	Sales tax refundable		75,063,333
	Income tax refundable		158,572,553
			<u>233,635,886</u>
13	SHORT TERM INVESTMENTS		
	Available for sale investments		
	Investments in quoted companies		89,858,525
	Unrealized loss on remeasurement of investments		(11,165,865)
			<u>78,692,660</u>

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

13.1 Investments in quoted securities

Name of Companies	No of Shares		2018		2017
	2018	2017	Cost (Rupees)	Fair Value (Rupees)	Fair value (Rupees)
AGP Limited	18,000	-	1,695,974	1,598,220	-
Attock Refinery Limited	4,000	-	1,013,431	861,240	-
Crescent Steel & Allied Products Limited	-	11,000	-	-	2,624,270
D. G. Khan Cement Company Limited	12,000	17,000	1,969,935	1,373,880	3,623,720
Engro Corporation Limited	23,400	43,900	7,296,579	7,344,324	14,307,449
Engro Fertilizers Limited	61,000	30,000	3,679,203	4,569,510	1,657,200
Engro Polymer & Chemicals Limited	273,500	183,500	9,679,533	8,576,960	6,697,750
Engro Polymer & Chemicals Limited (LOR)	101,183	-	-	892,435	-
Fauji Cement Company Limited	-	22,000	-	-	902,660
Ghandhara Nissan Limited	5,066	-	1,157,532	910,208	-
Hascol Petroleum Limited	25,200	11,000	8,011,107	7,906,752	3,752,100
HI Tech Lubricant Limited	10,000	-	973,586	1,013,200	-
The HUB Power Company Limited	19,000	39,000	2,428,134	1,751,040	4,579,770
ICI Pakistan Limited	5,900	5,900	6,980,061	4,728,850	6,457,845
K-Electric Limited	390,000	250,000	2,702,044	2,215,200	1,725,000
Lucky Cement Limited	7,550	8,550	6,007,051	3,834,872	7,150,024
National Refinery Limited	3,000	2,400	1,331,563	1,329,030	1,742,376
Nishat Mills Limited	31,000	25,000	5,175,391	4,368,520	3,967,000
Oil & Gas Development Company Limited	-	60,000	-	-	8,441,400
Packages Limited	2,400	2,400	2,037,824	1,175,328	1,669,392
Pak Elektron Limited	-	17,000	-	-	1,875,440
Pakistan Oilfield Limited	800	-	504,276	537,432	-
Pakistan Petroleum Limited.	32,800	16,800	6,434,988	7,048,720	2,488,752
Pakistan State Oil Company Limited	9,156	-	2,931,408	2,914,446	-
Pakistan Telecommunication Company Limited	-	-	-	-	-
Pioneer Cement Limited	7,000	7,000	1,030,847	328,020	910,000
Sui Northern Gas Pipeline Limited	80,000	42,000	9,921,151	8,017,600	6,254,640
Sui Southern Gas Company Limited	52,000	-	1,931,748	1,758,640	-
Systems Limited	10,000	-	984,935	1,012,200	-
The Searle Company Limited	7,735	6,500	3,980,224	2,626,033	3,327,870
	1,191,690	800,950	89,858,525	78,692,660	84,154,658

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

14	CASH AND BANK BALANCES	2018 Rupees	2017 Rupees
	Cash in hand	440,687	67,393
	Cash at banks in current accounts	7,440,115	22,643,728
		7,880,802	22,711,121

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

10,292,000 (2017: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash	102,920,000	102,920,000
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15.1 Ordinary shares of the group held by associated companies as at the statement of financial position date are as follows;

	2018Number of shares.....	2017
Amer Cotton Mills (Private) Limited	18,100	18,100
Amer Tex (Pvt.) Limited	15,087	15,087
Crystal Enterprises (Pvt) Limited	27,696	27,696
Galaxy Agencies (Private) Limited	108,217	108,217
Neelum Textile Mills (Private) Limited	1,365,515	1,365,515
Nadeem Enterprises (Private) Limited	87,104	87,104
Reliance Textiles (Pvt.) Limited	1,098,118	1,098,118
Salman Ismail (SMC-Private) Limited	1,500	1,500
Sapphire Textile Mills Limited	316,214	316,214
Sapphire Fibres Limited	154,004	154,367
Sapphire Holding Limited	636,156	636,156
SFL Limited	557,621	557,621
Sapphire Agencies (Pvt.) Limited	2,318,899	2,318,899
Sapphire Power Generation Limited	20,539	20,539
Yousuf Agencies (Private) Limited	3,223	3,223
	6,727,993	6,728,356

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

16 LONG TERM FINANCING

	Note	2018 Rupees	2017 Rupees
From banking company - secured			
At beginning of the year		74,900,000	58,550,000
Obtained during the year		118,151,000	16,350,000
	17.1	193,051,000	74,900,000
Current maturity		(7,318,748)	-
		185,732,252	74,900,000

16.1 These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 500 million. During the year, the group further obtained Rs.118.51 million (2017: Rs. 16.350 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 667 million over all present and future plant and machinery of the group. These loans are repayable in 16 equal semi-annual installments over 10 years including 2 years grace period. These loans carry mark up at the (SBP rate) + 0.5%. Installment under these arrangements are detailed below along with date of last payment:

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

16.2 Particulars of financing

Serial No.	Particulars	Installment Amount (Rupees)	First installment date	Date of final payment
1	MCB-LTFF-I	2,685,687	December 9, 2018	June 9, 2026
2	MCB-LTFF-II	322,812	December 13, 2018	June 13, 2026
3	MCB-LTFF-III	650,875	December 15, 2018	June 15, 2026
4	MCB-LTFF-IV	316,688	September 16, 2019	March 16, 2027
5	MCB-LTFF-V	705,187	October 13, 2019	April 13, 2027
6	MCB-LTFF-VI	2,830,125	June 12, 2020	December 12, 2027
7	MCB-LTFF-VII	4,554,312	July 3, 2020	January 3, 2028

17	DEFFERRED LIABILITIERS	Note	2018 Rupees	2017 Rupees
	Gratuity - unfunded	17.1	92,932,343	80,336,813
	Deferred tax liability		76,050,750	64,913,634
			168,983,093	145,250,447
17.1	The amount recognized in the consolidated statement of financial position			
	Present value of defined benefit obligations		92,932,343	80,336,813
17.1.2	Movement in net liability recognized in the consolidated statement of financial position			
	At beginning of the year		80,336,813	73,392,461
	Expense recognized in consolidated statement of profit or loss	17.1.4	25,518,219	23,589,762
	Remeasurement loss charged in other consolidated statement of comprehensive income		830,822	(661,669)
	Benefits paid during the year		(13,753,511)	(15,983,741)
	At end of the year		92,932,343	80,336,813
17.1.3	Movement in the present value of defined benefit obligation			
	Present value of obligation at beginning of the year		80,336,813	73,392,461
	Current service cost		20,192,365	18,848,219
	Interest cost		5,325,854	4,741,543
	Benefits paid during the year		(13,753,511)	(15,983,741)
	Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:			
	Experience adjustment		830,822	(661,669)
	Present value of obligation at end of the year		92,932,343	80,336,813
17.1.4	Expense recognized in consolidated statement of profit or loss			
	Current service cost		20,192,365	18,848,219
	Interest cost		5,325,854	4,741,543
			25,518,219	23,589,762
17.1.5	Charge for the year has been allocated as follows			
	Cost of sales		19,709,383	17,676,648
	Administrative expenses		2,223,905	2,347,691
	Distribution cost		3,584,931	3,565,423
			25,518,219	23,589,762

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
17.1.6 Total remeasurements chargeable to consolidated statement of comprehensive income		
Actuarial losses / (gains) on remeasurement of defined benefit obligation due to:		
- Actuarial losses / (gains) from changes in financial assumptions	-	-
- Experience adjustment	830,822	(661,669)
	830,822	(661,669)

17.1.7 Principal actuarial assumptions:	2018	2017
Principal actuarial assumptions used are as follows: -		
Discount rate - per annum	7.75%	7.25%
Expected rate of growth per annum in future salaries	6.75%	6.25%
Average expected remaining working life time of employees	9 years	8 years

The estimated expense to be charged in consolidated statement of profit or loss for the year ending June 30, 2019 will be Rs. 29.316 million.

17.1.8 Risk associated with defined benefit plans**Longevity risks**

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

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

	Impact on defined benefit obligation		
	Changes in assumpti	Increase in assumption	Decrease in assumption
		----- Rupees -----	
Discount rate	1%	9,925,533	11,989,377
Salary growth rate	1%	11,989,377	2,499,225

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

18	TRADE AND OTHER PAYABLES	Note	2018 Rupees	2017 Rupees
	Creditors	18.1	83,105,160	95,870,481
	Accrued liabilities	18.2	143,616,984	103,474,479
	Infrastructure fee	18.3	50,836,858	42,517,848
	Advances from customers		4,700,700	4,628,671
	Workers' profit participation fund	18.4	18,098,276	10,262,006
	Electricity duty		14,353,320	11,886,293
			314,711,298	268,639,778

- 18.1** Creditors include Rs. 14.988 million (2017: Rs. 2.656 million) due to associated companies namely Amer cotton mills (pvt) Ltd , sapphire electric company limited , SFL unit-3 and SFL fabric dyeing . Creditors also include Rs. 26.280 million (2017: Rs. 61.763 million) as against foreign currency bills payable.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

- 18.2** Accrued liabilities include Rs. 10.199 million (2017: Rs. 1.771 million) due to associated company Sapphire power generation limited .

Provision for Gas Infrastructure Development Cess (GIDC)

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

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

Further, the group has also obtained an interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Northern Gas Pipelines Limited (SNGPL) from charging and recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the group has recognized a provision of Rs. 71.436 million (2017 Rs: 52.269) million pertaining to the liability on account of GIDC which includes a provision amounting to Rs. 19.168 million (2017 Rs: 18.457 million) recognized in these consolidated consolidated financial statements for the year ended June 30, 2018.

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

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

18.4	Workers' profit participation fund	Note	2018 Rupees	2017 Rupees
	At the beginning of the year		10,262,006	5,525,170
	Interest on funds utilized in the group's business	18.5	103,185	121,137
	Provision for the year		18,098,276	10,262,006
			28,463,467	15,908,313
	Payments made during the year		(10,365,191)	(5,646,307)
	At the end of the year		18,098,276	10,262,006

- 18.5** Interest on workers' profit participation fund has been provided at 11.50% (2017: 8.25%) per annum.

19 MARKUP ACCRUED

Markup accrued on:

Long term financing	1,204,031	442,127
Short term borrowings	21,267,403	15,620,562
	22,471,434	16,062,689

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

20	SHORT TERM BORROWINGS	2018 Rupees	2017 Rupees
	From banking companies-secured		
	Running finance	887,713,150	411,083,543
	Foreign currency import finance	-	248,744,167
	Other short term finance	540,000,000	345,000,000
		1,427,713,150	1,004,827,710
20.1	The short term borrowing facilities amounting to Rs. 2,102 million (2017: Rs. 3,805 million) remained unutilized at the year end.		
20.2	These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned limit of Rs. 3,530 million (2017: Rs. 4,810 million). These facilities carry mark-up at the rates ranging from 1.15% to 7.75% (2017: 1.15% to 7.37%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the group and promissory notes.		
20.3	Facilities available for opening letters of credit and guarantees aggregate to Rs. 1,472 million (2017: Rs. 1,451 million) of which facilities amounting to Rs. 1,472 million (2017: Rs. 1,202 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.		
21	CONTINGENCIES AND COMMITMENTS		
21.1	CONTINGENCIES		
	Guarantees have been issued by banks on behalf of the group in the normal course of business	168,990,298	99,990,298
	Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs	147,531,396	75,596,056
		316,521,694	175,586,354
21.2	Claim of Input Sales Tax		
	The group has claimed an input tax of Rs. 13.985 million and the same has been disallowed by Federal Board of Revenue (FBR) Pakistan by a notice dated June 20, 2015. However, the group has filed an appeal dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax. The management is expecting the case to be in favour of the group.		
21.3	Refer to Note 29.3 to the consolidated financial statements for contingencies relating to income tax matters.		
21.4	COMMITMENTS	Note	2018 Rupees
	Letters of credit for import of:		
	- plant and machinery		294,675,883
	- stores and spare parts		4,430,999
	- raw material		88,464,191
	Contracts for capital expenditure		-
			387,571,073
			233,658,027

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

22	SALES - NET	Note	2018 Rupees	2017 Rupees
	Exports			
	Yarn			
	- Direct	22.1	1,018,102,671	852,442,858
	- Indirect	22.2	2,458,299,418	1,938,499,639
			3,476,402,089	2,790,942,497
	Waste			
	- Direct		84,129,919	64,317,654
	- Indirect		-	-
			84,129,919	64,317,654
	Local			
	- Yarn		730,920,358	651,820,226
	- Waste		61,547,530	48,603,271
		22.2	792,467,888	700,423,497
	Processing income		3,878,646	2,693,520
	Export rebate		41,138,845	12,336,186
			4,398,017,387	3,570,713,354
22.1	Export sales include foreign currency exchange gain-net aggregating to Rs.9.583 million (2017: Rs.5.506 million).			
22.2	Sales tax on local and indirect exports is Rs. 0.06 million (2017: Rs. 0.347			
23	COST OF SALES			
	Raw material consumed	23.1	2,769,091,967	2,237,471,265
	Packing material consumed		61,205,745	53,555,764
	Store and spare parts consumed		97,664,091	81,432,289
	Salaries, wages and other benefits	23.2	342,221,533	318,411,682
	Fuel and power		331,951,549	316,900,655
	Insurance		5,434,265	9,644,458
	Repair and maintenance		12,356,596	8,130,969
	Travelling and conveyance		4,582,101	3,925,511
	Other manufacturing overheads		2,866,674	2,983,166
	Depreciation	4.1.1	135,845,581	137,386,452
			3,763,220,102	3,169,842,211
	Work-in-process			
	At beginning of the year		143,725,269	128,561,008
	At end of the year		(140,912,165)	(143,725,269)
			2,813,104	(15,164,261)
	Cost of goods manufactured		3,766,033,206	3,154,677,950
	Finished goods			
	At beginning of year		82,330,887	94,836,235
	Yarn / fabric purchased during the year		64,513,752	9,418,095
	Fabric purchased		-	-
	At end of the year	7	(148,317,698)	(82,330,887)
			(1,473,059)	21,923,443
	Cost of goods sold		3,764,560,147	3,176,601,393

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

		2018 Rupees	2017 Rupees
23.1	Raw material consumed		
	At beginning of the year	494,430,240	383,920,696
	Purchased during the year	3,162,346,217	2,347,980,809
		<u>3,656,776,457</u>	<u>2,731,901,505</u>
	At end of the year	(887,684,490)	(494,430,240)
		<u>2,769,091,967</u>	<u>2,237,471,265</u>
23.2	Salaries, wages and other benefits include Rs.19.709 million (2017: Rs.17.677 million) in respect of employee benefits - gratuity.		
24	DISTRIBUTION COST		
	Salaries and other benefits	24.1 19,485,628	19,285,209
	Postage and telephone	800,895	534,074
	Traveling, conveyance and entertainment	14,148,568	13,093,700
	Printing, stationery and others	490,199	258,830
	Commission		
	- Local	1,963,805	2,857,118
	- Export	15,543,229	14,912,581
	Freight and forwarding		
	- Local	6,394,709	5,644,940
	- Export	33,567,732	28,676,691
	Export development surcharge	2,319,542	2,326,383
	Insurance charges - export	139,773	197,708
		<u>94,854,080</u>	<u>87,787,234</u>
24.1	Salaries and other benefits include Rs. 3.585 million (2017: Rs. 2.348 million) in respect of employee benefits - gratuity.		
25	ADMINISTRATIVE EXPENSES		
	Salaries and other benefits	25.1 32,984,822	35,591,262
	Postage and telephone	2,061,364	1,726,500
	Fees and subscription	2,602,957	1,068,495
	Depreciation	6,144,229	3,840,374
	Printing and stationery	450,924	543,320
	Traveling and conveyance	4,203,259	2,090,712
	Repair and maintenance	324,944	3,234,517
	Legal and professional charges	3,093,220	3,317,405
	Advertisement	58,140	82,095
	Entertainment	1,376,208	4,238,233
	Donation	25.2 5,000,000	415,000
	Auditors' remuneration	25.3 927,500	882,300
	Utility charges	2,172,479	1,527,400
	Others	374,779	92,478
		<u>61,774,825</u>	<u>58,650,091</u>
25.1	Salaries and other benefits include Rs. 2.224 million (2017: Rs. 3.565 million) in respect of employee benefits -		
25.2	Donations of Rs. 5 million (2017: Nil) has been paid to Abdullah Foundation, 212 Cotton Exchange Building, I.I. Chundrigar Road, Karachi, a Trust. Mr. Shahid Abdullah, Mr. Amer Abdullah, Mr. Yousuf Abdullah, Mr. Shayan Abdullah and Mr. Mohammad Yamin, directors of the group, are trustees of this trust.		

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

			2018 Rupees	2017 Rupees
25.3	Auditors' remuneration	Note		
	Annual audit		625,000	599,100
	Half-yearly review		132,500	132,000
	Compliance report on Code of Corporate Governance		55,000	52,500
	Other certification		50,000	25,000
	Out-of-pocket expenses		65,000	73,700
			927,500	882,300
26	OTHER OPERATING EXPENSES			
	Workers' profit participation fund		18,098,276	10,262,006
	Realized loss of short term investment held for trading		10,751,165	-
	Foreign exchange loss		17,726,974	682,665
			46,576,415	10,944,671
27	OTHER INCOME			-
	Gain on disposal of property, plant and equipment		1,356,120	269,475
	Provision for WWF no more required - written back	27.1	-	25,780,077
	Scrap sales	27.2	3,930,024	2,646,031
	Gain on disposal of investment		-	451,027
	Dividend income		3,503,075	161,500
			8,789,219	29,308,110
27.1	Through Finance Act, 2008 an amendment was made in section 4(5) of the Workers' Welfare Fund Ordinance 1971 (WWF Ordinance) whereby WWF liability was made applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return. In the year 2011, the Lahore High Court struck down the aforementioned amendments to the WWF Ordinance. The Supreme Court has declared the changes made in WWF Ordinance through Finance Act 2008 as ultra vires and void abinitio. The amount includes reversal of excess provisioning made on the basis of accounting profit from year 2011 till 2016.			
27.2	Scrap sales inclusive of sales tax amounts to Rs. 4.665 million (2017: Rs. 3.108 million).			
28	FINANCE COST	Note	2018 Rupees	2017 Rupees
	Markup on:			
	Long term financing		3,899,649	1,736,134
	Short term borrowings		85,961,308	63,591,313
	Interest on workers' profit participation fund		103,185	121,137
	Bank charges and commission		6,188,048	5,611,374
			96,152,190	71,059,958
29	PROVISION FOR TAXATION			
	Current			
	-for the year	29.1	27,777,287	18,534,711
	-for prior year		9,408	(1,354,840)
			27,786,695	17,179,871
	Defferred			
	-for the year		11,137,116	7,617,808
			38,923,811	24,797,679
29.1	The group falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, therefore provision for income tax is made accordingly. Assessment for the tax year 2017 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001.			
29.2	There is no relationship between tax expense and accounting profit since the group's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.			

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

- 29.3** There is a dispute between the group and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The group contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. The Sindh High Court has decided the case in favour of the group on the appeals filed by Commissioner Inland Revenue and appeal effect is pending.
- 29.4** The Finance Act, 2018 and 2017 have amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% (2017: 7.5%) of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% (2017: 40%) of the accounting profit through cash dividend within six months of the end of the said year.

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

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

- 29.5** Management is of view that the income tax provision for the year is sufficient to discharge the tax liability. Comparison of tax provision as per accounts viz a viz tax assessments for last three years is as follows:

Year	Tax assessments Rupees	Accounts Rupees
2014-15	36,420,243	36,106,752
2015-16	32,572,067	33,926,907
2016-17	18,544,119	18,534,711
	2018	2017

30 EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit attributable to ordinary shareholders (Rupees)	358,006,395	228,994,025
Weighted average number of ordinary shares outstanding during the year (Numbers of shares)	10,292,000	10,292,000
Earnings per share - Rupees	34.78	22.25

31 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	Chief Executive Officer		Executives	
	2018	2017	2018	2017
	----- Rupees -----		----- Rupees -----	
Managerial remuneration	4,824,000	4,824,000	24,473,101	23,377,244
House rent	2,170,800	2,170,800	9,817,840	7,857,942
Utilities	205,200	205,200	1,554,310	1,423,666
Conveyance	-	-	30,000	30,000
Medical expenses	-	-	641,452	1,384,568
Bonus/Leave encashment	-	-	4,022,767	5,537,171
	7,200,000	7,200,000	40,539,470	39,610,591
Number of persons	1	1	13	14

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

- 31.1** The executives are also provided with cars maintained by the group.
- 31.2** The group has paid Rs.40,000 (2017: Rs.50,000) as meeting fee to an independent director.
- 31.3** No remuneration is paid to the directors of the group.

32 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market 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. Further, quantitative disclosures are included throughout these consolidated financial statements.

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

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

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

32.1 Credit risk and concentration of credit risk

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

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

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

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

Trade debts

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

Bank

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

32.1.1 Exposure to credit risk

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

	2018 Rupees	2017 Rupees
Long term deposits	8,987,690	8,987,690
Trade debts	665,550,377	304,660,386
Loans and advances	400,000	1,200,000
Short term deposits and prepayments	1,403,797	1,151,230
Other receivables	2,798,330	1,261,399
Bank balances	7,440,115	22,643,728
	686,580,309	339,904,433

Geographically there is no concentration of credit risk.

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

	Gross 2018	Impairment 2018	Gross 2017	Impairment 2017
	----- Rupees -----			
Past due				
Upto 1 month	129,842,168	-	30,434,065	-
1 month to 6 months	47,173,944	-	11,449,413	-
Over 6 months	708,258	-	158,146	-
Over 6 months - impaired		-	-	-
	177,724,370	-	42,041,624	-

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

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

32.2 Liquidity risk management

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

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

32.2.1 Liquidity risk table

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

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

2018						
Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above	
..... Rupees						
Non-derivative Financial liabilities						
Long term financing	193,051,000	193,051,000	3,659,374	3,659,374	9,362,498	176,369,754
Trade and other payable	245,230,537	245,230,537	245,230,537	-	-	-
Mark up accrued	22,471,434	22,471,434	22,471,434	-	-	-
Short term borrowings	1,427,713,150	1,427,713,150	1,427,713,150	-	-	-
	1,888,466,136	1,888,466,136	1,699,074,795	3,659,374	9,362,498	176,369,754
2017						
Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above	
..... Rupees						
Non-derivative Financial liabilities						
Long term financing	74,900,000	74,900,000	-	-	7,318,748	67,581,252
Trade and other payable	211,639,730	211,639,730	211,639,730	-	-	-
Mark up accrued	16,062,689	16,062,689	16,062,689	-	-	-
Short term borrowings	1,004,827,710	1,004,827,710	1,004,827,710	-	-	-
	1,307,430,129	1,307,430,129	1,232,530,129	-	7,318,748	67,581,252

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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 on risk.

32.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

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

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

Exposure to currency risk

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

	2018		2017	
	USD	EURO	USD	EURO
Trade debts	1,580,555	49,669	289,179	97,241
Trade creditors	(141,099)	(64,440)	(562,800)	(22,214)
Short term Foreign Currency loan	-	-	(2,368,992)	-
	1,439,456	(14,771)	(2,642,613)	75,027

Commitments outstanding at year end amounted to Rs. 387.571 million (2017: Rs. 233.527 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees
USD 1	113.20	103.73	121.40	105.00
EURO 1	130.74	112.99	141.33	120.14

Sensitivity analysis

A 5 percent strengthening of the Pakistani Rupee against the USD & EURO at June 30, 2018 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for June 30, 2017.

	2018	2017
	Rupees	Rupees
Increase / (decrease) in profit or loss account (USD)	(8,737,498)	13,873,718
Increase / (decrease) in profit or loss account (EURO)	104,379	(450,687)

A 5 percent weakening of the Pakistani Rupee against the USD & EURO at June 30, 2018 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

32.4 Interest rate risk

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

Consolidated Notes to the Financial Statements

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Profile

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

	2018 %	2017	2018 Rupees	2017 Rupees
Financial liabilities				
Long term financing	2.50 to 6.80	2.50 to 6.76	193,051,000	74,900,000
Short term borrowings	1.15 to 7.75	1.15 to 7.37	1,427,713,150	1,004,827,710
			<u>1,620,764,150</u>	<u>1,079,727,710</u>

Cash flow sensitivity analysis for floating rate instruments

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

	Increase / (Decrease) in	Effect on profit before tax
2018	%	Rupees
Long term financing	1.00%	1,930,510
Short term borrowings		14,277,132
		<u>16,207,642</u>
2017		
Long term financing	1.00%	749,000
Short term borrowings		10,048,277
		<u>10,797,277</u>

32.5 Equity Price Risk Management

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

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

At the statement of financial position date, the exposure to listed equity securities at fair value was Rs. 78,692,660 (2017: 84,154,658). An increase of 25% on the KSE market index would have an impact of approximately Rs. 19,673,165 on the income or equity attributable to the group, depending on whether or not the increase is significant and prolonged. An decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

Consolidated Notes to the Financial Statements

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33	FINANCIAL INSTRUMENTS BY CATEGORY	2018 Rupees	2017 Rupees
	Financial Assets		
	Loans and receivables at amortized cost		
	Long term investments	718,327,402	734,778,699
	Long term deposits	8,987,690	8,987,690
	Trade debts	665,550,377	304,660,386
	Loans and advances	400,000	1,200,000
	Cash and bank balances	7,880,802	22,711,121
	Short time deposits & prepayments	1,403,797	1,151,230
		1,402,550,068	1,073,489,126
	Financial Assets - At fair value		
	Short term investments	78,692,660	84,154,658
		1,481,242,728	1,157,643,784
	Financial Liabilities - At amortized cost		
	Long term financing	193,051,000	74,900,000
	Trade and other payable	249,931,237	216,268,401
	Mark up accrued	22,471,434	16,062,689
	Short term borrowings	1,427,713,150	1,004,827,710
		1,893,166,821	1,312,058,800

34 CAPITAL DISCLOSURE

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserve or/and issue new shares.

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

	2018 Rupees	2017 Rupees
Total borrowings including mark-up accrued	1,643,235,584	1,095,790,399
Total equity	-	-
Total capital employed	1,643,235,584	1,095,790,399
Gearing ratio	100.00%	100.00%

Consolidated Notes to the Financial Statements

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35 TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2018 Rupees	2017 Rupees
Amer Cotton Mills (Pvt) Limited	Associated Company by virtue of common directorship	Sales: Yarn / raw material Purchase: Yarn /raw material Shared expenses - net Dividend: Paid	22,181,501 35,310,265 521,452 27,150	4,298,832 - 982,712 90,500
Diamond Fabrics Limited	Associated Company by virtue of common directorship	Sales: Yarn / raw material Purchase: Yarn / raw material Shared expenses - net Dividend: Paid	240,419,604 137,540 - -	299,118,473 - - -
Sapphire Power Generation Limited	Associated Company by virtue of common directorship	Sales: waste Purchase: Electricity Shared expenses - net Dividend: Paid	42,490 50,464,155 - 30,809	59,080 91,814,429 (54,390) 102,695
Sapphire Textile Mills Limited	Associated Company by virtue of common directorship	Sales: Yarn Purchase: Raw material Services: Rendered Obtained Shared expenses - net Dividend: received Paid	34,047,286 5,102,640 212,484 2,349,094 4,603,819 - 474,321	41,022,429 177,300 - 1,699,334 4,233,496 2,806,244 1,583,095
Sapphire Fibres Limited	Associated Company by virtue of common directorship	Sales: Yarn / raw material / scrap Purchase: Yarn / raw material / scrap Property plant and equipment Services: Rendered Obtained Shared expenses - net Dividend: received Paid	279,990,508 35,343,087 - 1,627,941 268,150 2,090,428 590,546 231,551	218,471,637 35,335,881 15,750,000 1,952,640 4,192,661 52,940 7,480,243 775,755
Neelum Textile Mills Limited	Associated Company by virtue of common directorship	Dividend paid	2,048,273	6,827,575

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Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2018 Rupees	2017 Rupees
Galaxy Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	162,326	541,085
Sapphire Holding Limited	Associated Company by virtue of common directorship	Dividend paid Dividend received	954,234 -	3,180,780 350,781
Crystal Enterprises (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	41,544	138,480
Salman Ismail (SMC) (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	2,250	7,500
Yousuf Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	4,835	16,115
Nadeem Enterprises (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	130,656	435,520
Reliance Textile (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	1,647,177	5,490,590
Amer Tex (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	22,631	75,435
Sapphire Finishing Mills Limited	Associated Company by virtue of common directorship	Dividend received	-	2,022,800
Sapphire Agencies (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	3,478,349	11,594,495
SFL Limited	Associated Company by virtue of common directorship	Dividend paid Dividend received	836,432 301,178	2,788,105 401,570

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

36 NUMBER OF EMPLOYEES

	At year end		Average	
	2018	2017	2018	2017
Head office	25	25	25	25
Plant	967	958	964	974
	992	983	989	999

37 PLANT CAPACITY AND ACTUAL PRODUCTION

	2018	2017
Total number of spindles installed	37,920	34,848
Installed capacity after conversion into 20's count (Lbs.)	24,381,119	25,149,564
Actual production		
Number of spindles	34,378	32,665
Number of shifts per day	3	3
Total days worked	365	365
Actual production of yarn after conversion into 20's count (Lbs.)	23,462,808	22,241,943

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

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

The group only have short term investments at fair value through other comprehensive income of Rs.78.69 million that are classified at level 1.

39 OPERATING SEGEMENTS

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

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

81.70% (2017: 80.24%) sales of the group relates to export customers.

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

Sales to two customers of the group is more than 10% of total sales which constitutes total amount of Rs. 1,339 million (2017 Rs. 1,070 million).

Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

40 CORRESPONDING FIGURES

The preparation and presentation of these consolidated financial statements for the year ended June 30, 2018 is in accordance with requirements of the Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of consolidated financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017. Following major reclassifications due to the Companies Act, 2017 together with others have been made during the year:

Reclassified from	Reclassified to	Reason	2017 Rupees
Trade and other payables	Unclaimed dividend (Presented on face of statement of financial position)	The Companies Act, 2017	408,477
Other Operating expenses-Auditor Remuneration	Administrative expenses	For better presentation	882,300
Cost of sale-Depreciation	Administrative expenses	For better presentation	3,840,374
Finance cost-Exchange loss	Other operating expenses	For better presentation	682,665

41 EVENT AFTER CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on September 27, 2018 has proposed to pay cash dividend for the year ended June 30, 2018 of Rs. 66.898 million @ Rs. 6.5 per ordinary share of Rs. 10 each (2017: Rs. 15.438 million @ Rs. 1.5 per ordinary share of Rs. 10 each). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these consolidated financial statements.

42 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issue on September 27, 2018 by the Board of Directors of the Group.

43 GENERAL

Figures have been rounded off to the nearest Rupee.

Lahore :
Dated : September 27, 2018

Shayan Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Form of Proxy

Reliance Cotton Spinning Mills Limited

I / we _____
Folio No. _____ of _____
a member(s) of **Reliance Cotton Spinning Mills Limited** and a holder of _____ Ordinary Shares,
do hereby appoint _____
of _____
or failing him/her _____
of _____

a member of **Reliance Cotton Spinning Mills Limited**, vide Registered Folio No. _____ as
my/our Proxy to act on my/our behalf at 29th Annual General Meeting of the Company to be held on Wednesday the
24th October, 2018 at 04:00 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi
and / or any adjournment thereof.

Signed this _____ day of _____ 2018

Signature _____

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

REVENUE
STAMP OF
RS.5/-

NOTICE

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

Witness :

Name

Address

NIC No.

Name

Address

NIC No.

