Contents

Reliance Cotton Spinning Mills Limited

Company Profile

BOARD OF DIRECTORS

Chairman	:	Mr. Mohammad Abdullah
Chief Executive	:	Mr. Shayan Abdullah
Director	:	Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Mohammad Yamin
Independent Director		Mr. Asif Elahi
Audit Committee	:	
Chairman		Mr. Amer Abdullah
Member		Mr. Asif Elahi
Member		Mr. Nabeel Abdullah
Humon Resource & Remuneration Committee	:	
Chairman		Mr. Mohammad Yamin
Member		Mr. Shayan Abdullah
Member		Mr. Asif Elahi
Chief Financial Officer	:	Mr. Naveed-ul-Islam
Secretary	:	Mr. Umer Rahi
Auditors	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Management Consultant	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Tax Consultants	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Habib Bank Limited MCB Bank Limited Habib Metropolitan Bank Limited
Share Registrar	:	Hameed Majeed Associates (Private) Ltd
Registered Office	:	312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mills	:	Feroze Wattoan, Tehsil and District Sheikhupura

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 miss ion 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 25th Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Friday the 24th day of October, 2014 at 04:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. Consideration of the accounts, balance sheets and the reports of the directors and auditors.

2. Declaration of a dividend.

3. Appointment and fixation of remuneration of auditors.

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

By Order of the Board

Karachi.
Dated : 01st October, 2014

(MOHAMMAD UMER RAHI)
Secretary

NOTES

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18th October, 2014 to 24th October, 2014 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 17nd October, 2014 will be considered in time for the payment of dividend.

2. Participation in the annual general meeting:

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

3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 312, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 5th 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)2013 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.

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

DIRECTORS' REPORT

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

FINANCIAL PERFORMANCE

The company's net profit for the year has decreased as compared to the last year mainly because of higher raw material cost and hike in fuel and power cost . Yarn sales prices remained better in first half of the year but due to globally depressed market demand, resulted in decline of sale rates in second half of the year.

FINANCIAL HIGHLIGHTS

	2014 Rs. (000)	2013 Rs. (000)
Sales – net	4,243,955	3,853,608
Gross Profit	417,286	637,167
Profit from Operations	253,623	437,222
Finance Cost	168,719	160,493
Pre Tax Profit	143,610	350,982
After Tax Profit	125,558	308,875

APPROPRIATION OF PROFITS

The Board of Directors of the Company has recommended Cash Dividend 15% (2013: 20%)

EARNING PER SHARE

The earning per share for the year ended June 30, 2014 is Rs.12.20 as compared to Rs.30.01 for the Year ended June 30, 2013.

FUTURE OUTLOOK

Textile industry has been going through one of the toughest periods in the decade. It has been facing multiple challenges like comparative lower cost of doing business in neighboring countries, absence of export incentives from the Government and higher energy cost. However, the management of your company is vigilant with the prevailing circumstances and will continue to put all its efforts to mitigate the negative impacts by planning full utilization of production capacity, diversification of product range, adopting aggressive marketing strategy and developing strong customer relations.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

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

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. The company has maintained proper books of account.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

DIRECTORS' REPORT

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further.

6. All liabilities with regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the financial statements.

7. There is no doubt about the Company's ability to continue as a going concern.

8. There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.

9. The Company operates unfunded gratuity scheme for permanent employees and provision has been made in the financial statements accordingly.

10. The board of directors in compliance with the Code of Corporate Governance has established Audit and Human Resource & Remuneration committees, the names of their members are given in the Company's profile.

11. Operating and financial data and key ratios of six years are annexed.

12. Except purchase of shares, as stated hereunder, no trades in the shares of the Company were carried out by the Directors, Chief Executive Officer, and Chief Financial Officer, Company Secretary, their spouses and minor children:

Mrs. Shamshad Begum	12,500 shares

13. During the year, nineteen (19) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Muhammad Abdullah	=12=
Mr. Shayan Abdullah	=12=
Mr. Amer Abdullah	=11=
Mr. Yousuf Abdullah	=10=
Mr. Nabeel Abdullah	=11=
Mr. Muhammad Yamin	=09=
Mr. Muhammad Younas	=06=
Mr. Asif Elahi	=05=

14. During the year five (5) meetings of the Audit Committee were held. Attendance by each member is as follows:

Mr. Amer Abdullah	=5=
Mr. Nabeel Abdullah	=3=
Mr. Yousuf Abdullah	=1=
Mr. Asif Elahi	=1=

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

DIRECTORS' REPORT

16. 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.

CHANGES IN THE BOARD OF DIRECTORS

During the year, the election of the Board of Directors was held on February 26, 2014 and Mr. Asif Elahi was elected as Independent Director in place of Mr. Muhammad Yamin. Subsequently Mr. Muhammad Younus resigned from the Board on 20th March 2014 and Mr. Muhammad Yamin was appointed as Director in his place.

PATTERN OF SHARE HOLDING

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

AUDITORS

The present Auditors M.Yousuf Adil Saleem and Company, Chartered Accountants retire and being eligible offer themselves for re-appointment for the year 2014-2015. Audit committee and Board of Directors have also recommended their appointment as Auditor for the year ending June 30, 2015.

ACKNOWLEDGEMENTS

The Management would like to place on record its appreciation for the support of the Shareholders, Bankers, Suppliers and the dedication and hard work of the Staff and Workers.

For and on behalf of the Board of Directors

Karachi	**Amer Abdullah**	**Yousuf Abdullah**
Dated: October 01, 2014	Director	Director

SIX YEARS' KEY OPERATING AND FINANCIAL DATA

Rupees in million		YEARS 2014	2013	2012	2011	2010	2009
Sales		4,243.955	3,853.608	2,557.935	2,613.864	1,753.876	1,544.923
Gross Profit		417.286	637.167	367.916	737.760	394.982	312.516
Profit Before Tax		143.610	350.982	104.472	503.164	162.560	164.967
Profit After Tax		125.558	308.875	71.803	476.540	137.703	143.869
Share Capital		102.920	102.920	102.920	102.920	102.920	102.920
Shareholder's Equity		1,806.886	1,629.332	1,298.985	1,214.390	786.809	635.409
Fixed Assets		1,436.170	1,201.244	966.777	751.621	589.377	470.702
Total Assets		4,203.199	3,281.305	2,601.956	2,400.897	1,741.224	1,495.111
DIVIDEND							
Cash	%	15.00	20.00	12.50	25.00	20.00	15.00
RATIOS:							
Profitability	%						
Gross Profit		9.83	16.53	14.38	28.22	22.52	20.23
Profit Before Tax		3.38	9.11	4.08	19.25	9.27	10.68
Profit After Tax		2.96	8.02	2.81	18.23	7.85	9.31
Return To Shareholders							
R.O.E-Before Tax		7.95	21.54	8.05	41.43	20.66	25.96
R.O.E-After Tax		6.95	18.96	5.53	39.24	17.50	22.64
EPS	Rupees	12.20	30.01	6.98	46.3	13.38	13.98
Activity	Times						
Sales To Total Assets		1.01	1.17	0.98	1.09	1.01	1.04
Sales To Fixed Assets		2.96	3.21	2.65	3.48	2.98	3.28
Liquidity / Leverage							
Current Ratio		0.96	1.08	1.04	1.23	1.14	1.09
Debt Equity Ratio		1.08	0.79	0.79	0.78	0.88	1.12
Total Liabilities To Equity		1.33	1.01	1.00	0.98	1.21	1.33
Break up Value of Shares	Rupees	175.56	158.31	126.21	117.99	76.45	61.74

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Reliance Cotton Spinning Mills Limited**, for the year ended June 30, 2014, to comply with the requirement of Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

As part of our audit of 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 controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner:
Talat Javed

Multan
Dated: October 1, 2014

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company : Reliance Cotton Spinning Mills Limited year ending June 30, 2014.

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

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

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

Category	Names
Independent Directors	Mr. Asif Elahi
Executive Directors	Mr. Shayan Abdullah
Non-Executive Directors	Mr. Mohammad Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Mohammad Yamin

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors is a member of a stock exchange.

4. During the year election of directors was held. Mr. Mohammad Yamin retired from the office of director of the Company and Mr. Asif Elahi was elected as an independent director of the Company. Further Mr. Mohammad Younus resigned from the office of the director of the Company and Mr. Mohammad Yamin appointed to fill the casual vacancy during the year.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.

7. All the power of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met at least once in every quarter. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

9. In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of directors' training program and rest has done certificate program from Institute of Cost and Management Accountants of Pakistan.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: October 01, 2014

Amer Abdullah
Director

Yousuf Abdullah
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Reliance Cotton Spinning Mills Limited** (the Company) as at June 30, 2014 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as mentioned in note 4 to the financial statements with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner:
Talat Javed
Multan
October 01, 2014

BALANCE SHEET
As at June 30, 2014

	Note	2014	2013 Restated	2012 Restated
		.... Rupees		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	**1,436,170,103**	1,201,243,703	966,777,021
Long term investments	6	**582,886,019**	438,944,127	332,052,454
Long term loans	7	**57,000**	136,000	418,000
Long term deposits		**8,858,230**	8,858,230	8,858,230
		2,027,971,352	1,649,182,060	1,308,105,705
CURRENT ASSETS				
Stores, spare parts and loose tools	8	**29,108,575**	30,848,492	27,518,693
Stock-in-trade	9	**1,462,768,437**	1,080,605,587	924,963,661
Trade debts	10	**457,109,986**	377,973,930	251,950,928
Loans and advances	11	**11,088,006**	3,887,792	1,923,764
Deposit and short term prepayments	12	**630,870**	986,140	371,218
Other receivables	13	**11,168,271**	7,485,384	5,127,146
Other financial assets	14	**3,024,125**	-	-
Advance income tax		**61,824,031**	49,217,138	37,744,543
Tax refunds due from the Government	15	**118,568,199**	69,758,320	39,218,641
Cash and bank balances	16	**19,937,567**	11,360,581	5,031,306
		2,175,228,067	1,632,123,364	1,293,849,900
		4,203,199,419	3,281,305,424	2,601,955,605

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

BALANCE SHEET
As at June 30, 2014

	Note	2014	2013 Restated	2012 Restated
		....	Rupees	....
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
12,000,000 (2013: 12,000,000) ordinary shares of Rs. 10 each		**120,000,000**	120,000,000	120,000,000
Issued, subscribed and paid up capital	17	**102,920,000**	102,920,000	102,920,000
General reserve		**130,000,000**	130,000,000	130,000,000
Capital reserve		**153,821,273**	77,562,392	34,964,040
Un-appropriated profit		**1,420,145,118**	1,318,849,539	1,031,100,903
		1,806,886,391	1,629,331,931	1,298,984,943
NON-CURRENT LIABILITIES				
Long term financing	18	**33,333,335**	66,666,667	-
Deferred liabilities				
- employee benefits - unfunded	19	**56,063,679**	44,491,122	36,056,420
- deferred tax liability	20	**39,959,077**	32,299,419	19,229,902
		129,356,091	143,457,208	55,286,322
CURRENT LIABILITIES				
Trade and other payables	21	**297,341,886**	241,395,567	177,327,949
Mark-up accrued	22	**32,146,591**	13,899,589	16,474,191
Short term borrowings	23	**1,871,422,800**	1,190,849,919	1,027,326,011
Current portion of long term financing	18	**41,666,665**	33,333,333	-
Provision for taxation		**24,378,995**	29,037,877	26,556,189
		2,266,956,937	1,508,516,285	1,247,684,340
CONTINGENCIES AND COMMITMENTS	24			
		4,203,199,419	3,281,305,424	2,601,955,605

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi
Dated: October 01, 2014

Amer Abdullah
Director

Yousuf Abdullah
Director

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2014

	Note	2014	2013
		……………….. Rupees	………………..
Sales	25	**4,243,954,943**	3,853,607,717
Cost of sales	26	**3,826,669,180**	3,216,440,612
Gross profit		**417,285,763**	637,167,105
Distribution cost	27	**111,970,359**	132,388,767
Administrative expenses	28	**42,299,169**	39,075,484
Other operating expenses	29	**9,393,136**	28,481,397
Finance cost	30	**168,719,386**	160,492,602
		332,382,050	360,438,250
		84,903,713	276,728,855
Other income	31	**5,698,351**	2,753,602
Share of profit of associates		**53,008,273**	71,499,476
Profit before taxation		**143,610,337**	350,981,933
Provision for taxation	32	**18,051,867**	42,107,394
Profit for the year		**125,558,470**	308,874,539
Earnings per share - basic and diluted	33	**12.20**	30.01

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi
Dated: October 01, 2014

Amer Abdullah	**Yousuf Abdullah**
Director	Director

STATEMENT OF COMPREHENSIVE INCOME
For the year ended June 30, 2014

	Note	2014	2013
		……………….. Rupees ………………..	
Profit for the year		**125,558,470**	308,874,539
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Share in associates' unrealized gain on available for sale investments - net		**41,487,422**	40,491,467
Share in associate's unrealized gain on hedging instruments		**99,481**	135,831
Share in associate's remeasurement of post retirement benefits obligation		**(741,688)**	-
		40,845,215	40,627,298
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of post retirement benefits obligation	4	**(3,678,891)**	(8,260,903)
		37,166,324	**32,366,395**
Total comprehensive income for the year		**162,724,794**	341,240,934

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi
Dated: October 01, 2014

Amer Abdullah
Director

Yousuf Abdullah
Director

CASH FLOW STATEMENT

For the year ended June 30, 2014

	Note	2014	2013
		......Rupees......	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**143,610,337**	350,981,933
Adjustments for:			
Depreciation on property, plant and equipment		**114,090,914**	102,684,111
Provision for employee benefits		**18,419,947**	12,507,894
Provision for doubtful debts		**-**	2,872,147
Gain on disposal of property, plant and equipment		**(1,913,354)**	(176,360)
Finance cost		**168,719,386**	160,492,602
Share of profit of associates		**(53,008,273)**	(71,499,476)
		389,918,957	557,862,851
Working capital changes			
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		**1,739,917**	(3,329,799)
Stock-in-trade		**(382,162,850)**	(155,641,926)
Trade debts		**(79,136,056)**	(128,895,149)
Loans and advances		**(7,200,214)**	(1,964,028)
Short term investment		**(3,024,125)**	-
Deposit and short term prepayments		**355,270**	(614,922)
Other receivables		**(3,682,887)**	(2,358,238)
Increase in trade and other payables		**55,925,351**	64,048,167
		(417,185,594)	(228,755,895)
Cash (used in)/generated from operations		**(27,266,637)**	329,106,956
Dividends paid		**(20,563,032)**	(12,845,549)
Employee benefits paid		**(10,526,281)**	(12,334,095)
Finance cost paid		**(150,472,384)**	(163,067,204)
Sales tax paid		**(14,528,654)**	(20,349,986)
Income taxes paid		**(61,939,209)**	(48,218,477)
		(258,029,560)	(256,815,311)
Net cash (used in)/from operating activities		**(285,296,197)**	72,291,645
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		**(358,633,960)**	(337,284,433)
Proceeds from disposal of property, plant and equipment		**11,530,000**	310,000
Long term investments		**(19,425,000)**	-
Proceeds from long term loans		**79,000**	282,000
Dividend received		**4,750,262**	7,206,155
Net cash used in investing activities		**(361,699,698)**	(329,486,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		**-**	100,000,000
Long term financing repaid		**(25,000,000)**	-
Short term borrowings - net		**680,572,881**	163,523,908
Net cash from financing activities		**655,572,881**	263,523,908
Net increase in cash and cash equivalents		**8,576,986**	6,329,275
Cash and cash equivalents at beginning of the year		**11,360,581**	5,031,306
Cash and cash equivalents at the end of the year	16	**19,937,567**	11,360,581

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi
Dated: October 01, 2014

Amer Abdullah
Director

Yousuf Abdullah
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

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

	Share capital	Revenue reserves		Capital reserve					Total
		General reserve	Un-appropriated profit	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	Items directly recognized in equity	Sub-total	
	....	....	....	....	Rupees	....	....	....	
Balance as at July 01, 2012 - previously reported	102,920,000	130,000,000	1,064,816,311	-	-	-	-	-	1,297,736,311
Reclassification Adjustment (refer note 42)			(34,964,040)	17,796,045	(90,139)	-	17,258,134	34,964,040	-
Effect of retrospective application of change in accounting policy (refer note 4)	-	-	1,248,632	-	-	-	-	-	1,248,632
Balance as at July 01, 2012 - restated	102,920,000	130,000,000	1,031,100,903	17,796,045	(90,139)	-	17,258,134	34,964,040	1,298,984,943
Comprehensive income:									
Profit for the year ended June 30, 2013	-	-	308,874,539	-	-	-	-	-	308,874,539
Other comprehensive income - restated	-	-	(8,260,903)	40,491,467	135,831	-	-	40,627,298	32,366,395
Total comprehensive income	-	-	300,613,636	40,491,467	135,831	-	-	40,627,298	341,240,934
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	1,971,054	1,971,054	1,971,054
Transactions with owners:									
Final dividend for the year ended June 30, 2012 @ Rs. 1.25 per share	-	-	(12,865,000)	-	-	-	-	-	(12,865,000)
Balance as at June 30, 2013	102,920,000	130,000,000	1,318,849,539	58,287,512	45,692	-	19,229,188	77,562,392	1,629,331,931
Comprehensive income:									
Profit for the year ended June 30, 2014	-	-	**125,558,470**	-	-	-	-	-	**125,558,470**
Other comprehensive income	-	-	**(3,678,891)**	**41,487,422**	**99,481**	**(741,688)**	-	**40,845,215**	**37,166,324**
Total comprehensive income	-	-	**121,879,579**	**41,487,422**	**99,481**	**(741,688)**	-	**40,845,215**	**162,724,794**
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	**35,413,666**	**35,413,666**	**35,413,666**
Transactions with owners:									-
Final dividend for the year ended June 30, 2013 @ Rs. 2 per share	-	-	**(20,584,000)**	-	-	-	-	-	**(20,584,000)**
Balance as at June 30, 2014	**102,920,000**	**130,000,000**	**1,420,145,118**	**99,774,934**	**145,173**	**(741,688)**	**54,642,854**	**153,821,273**	**1,806,886,391**

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi
Dated: October 01, 2014

Amer Abdullah
Director

Yousuf Abdullah
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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. The Company is currently listed on Karachi Stock Exchange Limited and Lahore 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. The mill is located at District Sheikhupura in the Province of Punjab.

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

2.2 STANDARDS, INTERPRETATION AND AMENDMENT ADOPTED DURING THE YEAR

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

2.2.1.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to 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 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities"	**Effective from accounting period beginning on or after January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	**Effective from accounting period beginning on or after January 01, 2013**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	**Effective from accounting period beginning on or after January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

2.2.2 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. These standards, interpretations and the amendments are either not relevant to 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 19 Employee Benefits: Employee contributions	**Effective from accounting period beginning on or after July 01, 2014**

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

IAS 27 (Revised 2011) – Separate Financial Statements	**Effective from accounting period beginning on or after January 01 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	**Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

Amendments to IAS 32 Financial Instruments Presentation - Offsetting financial assets and financial liabilities	**Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	**Effective from accounting period beginning on or after January 01, 2014**

"The amendments:
- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal."

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	**Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

IFRS 10 – Consolidated Financial Statements — **Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

IFRS 11 – Joint Arrangements — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

IFRIC 21 - Levies — **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

2.2.3 **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 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

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.

Changes in accounting estimate

During the current year, the depreciation rate of computer have been revised from 10% to 30%. Since the related effect on the depreciation expense of current and future periods is immaterial hence it has not been disclosed.

Employee 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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 law 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

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

- financial instruments at fair value
- recognition of certain employee benefits at present value
- investments in associates at equity method

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, capital work-in-progress and stores held for capital expenditure 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 balance sheet 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 profit and loss account applying the reducing balance method over estimated useful life at the rates specified in Note 5 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 disposal respectively.

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

Capital work-in-progress is stated at cost accumulated upto the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

3.2 Investments in associates

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

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 profit or loss. When impairment losses subsequently reverse, the carrying amounts 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 profit and loss account.

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 less allowances for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon up to the balance sheet 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 balance sheet 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

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.
Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized for that asset. Reversal of impairment loss is recognized as income.

3.6 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Financial instruments are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.7 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, 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 Trade and other payables

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

3.11 Financial instruments - hedge arrangements

In certain cases, the Company uses forward foreign exchange contracts (cash flow hedge arrangements) to hedge its risk associated primarily with foreign currency fluctuations.

These contracts (except those having immaterial financial impact) are included in the balance sheet at fair value and any resultant unrealized gain or loss is recognized in the statement of changes in equity, on realization of same is transferred to profit and loss account. The fair value of forward foreign exchange contracts are included in "Other receivables" in case of favorable contracts and "Trade and other payables" in case of unfavorable contracts. The fair values of forward foreign exchange contracts are calculated by reference to current forward foreign exchange rates with similar maturity profiles.

3.12 Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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 profit and loss account for the year. The assumptions are determined by independent actuary.

The amount recognized in the balance sheet 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, 2014.

The Company has adopted IAS 19 (as revised in 2011) during the year and all the changes have been fully explained in note 4.

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

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.14 Provisions

Provisions are recognized in the balance sheet 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 balance sheet 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, 2014

Revenue from local sales is recognized when goods are dispatched to customers, 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 as 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 profit or loss account 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 is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. 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 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.

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 balance sheet 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet 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 profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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 Related party transactions

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

4 CHANGES IN ACCOUNTING POLICY

4.1 Adoption of amendments in IAS 19, (Revised) 'Employee Benefits' as revised in 2011

"In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time."

Previously as per Company's policy cumulative net unrecognized actuarial gains and losses at the end of previous period which exceeded 10% of the present value of the Company's gratuity were amortized over the average expected remaining working lives of the employees.

As per IAS 19 (revised) actuarial gains and losses are recognised in other comprehensive income in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting policies, Changes in Accounting Estimates and Errors' and corresponding figures have been restated. The effects of the change in accounting policy on the current and prior periods' financial statements have been summarized as follow:

Effect on balance sheet:

	June 30, 2012		
	Balance as reported earlier	Effect of change in accounting policy	Restated balance
Employee benefits - unfunded	37,305,052	-1,248,632	36,056,420
Un-appropriated profits	1,064,816,311	1,248,632	1,066,064,943

	June 30, 2013		
	Balance as reported earlier	Effect of change in accounting policy	Restated balance
Employee benefits - unfunded	37,478,851	7,012,271	44,491,122
Un-appropriated profits	1,403,424,202	-7,012,271	1,396,411,931

Effect on statement of comprehensive income:

	June 30, 2013		
	Balance as reported earlier	Effect of change in accounting policy	Restated balance
Remeasurement of post retirement benefits obligation	-	-8,260,903	-8,260,903

The change in accounting policy has no impact on profit and loss, earning per share and cashflow statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

5 PROPERTY, PLANT AND EQUIPMENT

5.1 At June 30, 2014

Particulars	Cost: As at July 01, 2013	Cost: Additions	Cost: Transfers	Cost: Disposals	Cost: As at June 30, 2014	Depreciation: As at July 01, 2013	Depreciation: Charge for the year	Depreciation: Disposals	Depreciation: As at June 30, 2014	Book value As at June 30, 2014	Annual depreciation rate %
	Rupees										
Operating fixed assets											
Freehold land	13,251,424	6,153,000	-	-	19,404,424	-	-	-	-	19,404,424	-
Buildings on freehold land:											
Residential	121,379,248	-	-	-	121,379,248	28,307,976	4,653,564	-	32,961,540	88,417,708	5
Factory	466,278,588	-	135,555,262	-	601,833,850	134,843,469	35,415,946	-	170,259,415	431,574,435	10
Plant and machinery	1,173,732,009	79,000	197,529,396	13,380,401	1,357,960,004	608,161,819	66,737,149	5,311,518	669,587,450	688,372,554	10
Furniture and fittings	1,345,627	-	-	-	1,345,627	925,241	42,039	-	967,280	378,347	10
Vehicles	23,530,187	3,470,790	-	228,200	26,772,777	11,830,906	2,786,635	53,627	14,563,914	12,208,863	20
Office equipment	962,499	635,000	-	-	1,597,499	574,766	62,298	-	637,064	960,435	10
Electric installation	61,289,832	-	13,018,897	2,000,350	72,308,379	22,030,905	4,005,555	627,160	25,409,300	46,899,079	10
Electric equipment	195,500	-	-	-	195,500	173,340	2,216	-	175,556	19,944	10
Computers	2,691,728	223,171	-	-	2,914,899	1,532,565	385,512	-	1,918,077	996,822	30
	1,864,656,642	10,560,961	346,103,555	15,608,951	2,205,712,207	808,380,987	114,090,914	5,992,305	916,479,596	1,289,232,611	
Capital work-in-progress											
Building - civil work	97,880,784	132,647,842	(135,555,262)	-	94,973,364					94,973,364	
Plant and machinery	35,087,264	177,647,060	(197,529,396)	-	15,204,928					15,204,928	
Electric installation	12,000,000	36,496,097	(13,018,897)	-	35,477,200					35,477,200	
Vehicles	-	1,282,000	-	-	1,282,000					1,282,000	
	144,968,048	348,072,999	(346,103,555)	-	146,937,492					146,937,492	
Total	2,009,624,690	358,633,960	-	15,608,951	2,352,649,699	808,380,987	114,090,914	5,992,305	916,479,596	1,436,170,103	

5.1.1 Depreciation charge for the year has been charged to cost of sales.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

5.1.2 Disposal of property, plant and equipment

Particulars		Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(loss)	Mode of disposal	Particulars of buyer
		Rupees						
Plant and machinery								
Autoconer machine		1,000,000	114,938	885,062	1,250,000	364,938	Negotiation	M/s International Textile Machinery Equipment
Generator		6,713,717	2,027,323	4,686,394	6,200,000	1,513,606	Negotiation	M/s Sapphire Fibres Limited
Synchronizing control panel		2,000,350	627,160	1,373,190	1,800,000	426,810	Negotiation	M/s Sapphire Fibres Limited
Autoconer machine		5,666,684	3,169,257	2,497,427	1,980,000	(517,427)	Negotiation	M/s Sapphire Fibres Limited
Vehicle								
Daihatsu Cuore		228,200	53,627	174,573	300,000	125,427	Negotiation	Mr. Irfan Ramzan s/o Muhammad Ramzan
	2014	**15,608,951**	**5,992,305**	**9,616,646**	**11,530,000**	**1,913,354**		
	2013	489,403	355,763	133,640	310,000	176,360		

5.2 At June 30, 2013

Particulars	Cost: As at July 01, 2012	Cost: Additions	Cost: Transfers	Cost: Disposals	Cost: As at June 30, 2013	Depreciation: As at July 01, 2012	Depreciation: Charge for the year	Depreciation: Disposals	Depreciation: As at June 30, 2012	Book value As at June 30, 2013	Annual depreciation rate %
	Rupees										
Operating fixed assets											
Freehold land	13,251,424	-	-	-	13,251,424	-	-	-	-	13,251,424	-
Buildings on freehold land:											
Residential	94,346,479	-	27,032,769	-	121,379,248	24,653,775	3,654,201	-	28,307,976	93,071,272	5
Factory	415,613,113	-	50,665,475	-	466,278,588	101,275,401	33,568,068	-	134,843,469	331,435,119	10
Plant and machinery	1,069,844,730	-	103,887,279	-	1,173,732,009	549,596,070	58,565,749	-	608,161,819	565,570,190	10
Furniture and fittings	1,345,627	-	-	-	1,345,627	878,531	46,710	-	925,241	420,386	10
Vehicles	21,223,730	2,795,860	-	489,403	23,530,187	9,574,206	2,612,463	355,763	11,830,906	11,699,281	20
Office equipment	962,499	-	-	-	962,499	531,685	43,081	-	574,766	387,733	10
Electric installation	53,775,534	-	7,514,298	-	61,289,832	18,155,839	3,875,066	-	22,030,905	39,258,927	10
Electric equipment	195,500	-	-	-	195,500	170,878	2,462	-	173,340	22,160	10
Computers	2,138,133	553,595	-	-	2,691,728	1,216,254	316,311	-	1,532,565	1,159,163	30
	1,672,696,769	3,349,455	189,099,821	489,403	1,864,656,642	706,052,639	102,684,111	355,763	808,380,987	1,056,275,655	
Capital work-in-progress											
Building - civil work	-	175,579,028	(77,698,244)	-	97,880,784					97,880,784	
Plant and machinery	132,891	138,841,652	(103,887,279)	-	35,087,264					35,087,264	
Vehicles	-	19,514,298	(7,514,298)	-	12,000,000					12,000,000	
	132,891	333,934,978	(189,099,821)	-	144,968,048					144,968,048	
Total	1,672,829,660	337,284,433	-	489,403	2,009,624,690	706,052,639	102,684,111	355,763	808,380,987	1,201,243,703	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014	2013
			------------- Rupees -------------	
6	**LONG TERM INVESTMENTS**			
	Investments in associates - at equity method:			
	Quoted:			
	Sapphire Fibres Limited	6.2	**329,539,544**	271,198,039
	Sapphire Textile Mills Limited	6.3	**68,070,007**	57,934,410
	SFL Limited	6.4	**54,491,757**	46,372,275
	Un quoted:			
	Sapphire Finishing Mills Limited	6.5	**50,910,735**	40,390,735
	Sapphire Holding Limited	6.6	**28,074,191**	23,048,668
	Sapphire Power Generation Limited	6.7	**51,799,785**	-
			582,886,019	438,944,127

6.1 The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.

6.2 Investment in Sapphire Fibres Limited

	2014	2013
393,697 (2013: 393,697) ordinary shares of Rs. 10 each - cost	**41,956,482**	41,956,482
Share of post acquisition profit items directly recognized in equity	**289,551,547**	233,965,921
	(1,968,485)	(4,724,364)
Dividend received	**329,539,544**	271,198,039

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, 2014 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Fibres Limited is set out below:

	2014	2013
Total assets	**39,725,465,161**	36,481,215,764
Total liabilities	**21,126,021,052**	20,136,508,807
Net assets	**18,599,444,109**	16,344,706,957
Sales	**31,117,254,263**	30,759,727,973
Profit for the year	**1,493,901,379**	2,680,651,542
Market value per share	**290**	169.08
Percentage of ownership	**1.99%**	1.99%

6.3 Investment in Sapphire Textile Mills Limited

	2014	2013
100,223 (2013: 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	**60,857,436**	51,523,623
Dividend received	**(902,007)**	(1,703,791)
	68,070,007	57,934,410

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, 2014 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below:

	2014	2013
Total assets	**22,723,479,673**	19,047,160,748
Total liabilities	**8,837,775,668**	7,451,535,674
Net assets	**13,885,704,005**	11,595,625,074
Sales	**25,411,301,753**	25,296,639,461
Profit for the year	**966,037,022**	2,128,772,892
Market value per share	**280**	285
Percentage of ownership	**0.50%**	0.50%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014	2013
		------------ Rupees ------------	
6.4	**Investment in SFL Limited**		
	401,570 (2013: 401,570) ordinary shares of Rs. 10 each - cost	**2,439,475**	2,439,475
	Share of post acquisition profit	**52,453,852**	43,932,800
	Dividend received	**(401,570)**	-
		54,491,757	46,372,275

The financial year of SFLLimited ends on June 30. The latest unaudited consolidated financial results of SFLLimited as of June 30, 2014 have been used for the purpose of application of equity method. Summarized financial information of SFL Limited is set out below:

	2014	2013
Total assets	**2,726,773,089**	2,320,988,133
Total liabilities	**427,948**	878,967
Net assets	**2,726,345,141**	2,320,109,166
Revenue	**3,320,838**	1,232,405
Profit for the year	**387,114,417**	401,788,398
Market value per share	**65**	41.62
Percentage of ownership	**1.99%**	1.99%

		2014	2013
6.5	**Investment in Sapphire Finishing Mills Limited**		
	1,556,000 (2013: 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	**35,879,775**	24,659,575
	Dividend received	**(1,478,200)**	(778,000)
		50,910,735	40,390,735

The financial year of Sapphire Finishing Mills Limited ends on June 30. Financial results of Sapphire Finishing Mills Limited as of June 30, 2014 are used for the purpose of application of equity method, which are based on the un-audited management accounts. Summarized financial information of Sapphire Finishing Mills Limited is set out below:

	2014	2013
Total assets	**8,532,013,748**	7,338,659,300
Total liabilities	**5,521,867,474**	4,948,190,775
Net assets	**3,010,146,274**	2,390,468,525
Sales	**14,458,904,445**	14,181,868,848
Profit for the year	**709,907,719**	446,096,443
Breakup value per share	**32.61**	25.96
Percentage of ownership	**1.70%**	1.70%

		2014	2013
6.6	**Investment in Sapphire Holding Limited**		
	100,223 (2013: 100,223) ordinary shares of Rs. 10 each - cost	**524,950**	524,950
	Share of post acquisition profit	**27,549,241**	22,523,718
		28,074,191	23,048,668

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, 2014 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Holding Limited is set out below:

	2014	2013
Total assets	**5,925,815,334**	4,866,085,504
Total liabilities	**192,690,219**	245,189,002
Net assets	**5,733,125,115**	4,620,896,502
Income	**4,985,974**	2,237,633
(Loss) / profit for the year	**761,199,192**	754,522,567
Breakup value per share	**285.33**	176.15
Percentage of ownership	**0.50%**	0.50%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014	2013
			------------- Rupees -------------	
6.7	**Investment in Sapphire Power Generation Limited**			
	555,000 (2013: Nil) ordinary shares of Rs. 10 each - cost		**19,425,000**	-
	Share of post acquisition profit		**32,374,785**	-
			51,799,785	-

The financial year of Sapphire Power Generation Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Holding Limited as of June 30, 2014 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Power Generation Limited is set out below:

	2014	2013
Total assets	**1,445,652,298**	-
Total liabilities	**328,262,092**	-
Net assets	**1,117,390,206**	-
Sales	**737,583,933**	-
Profit for the year	**24,768,933**	-
Breakup value per share	**69.73**	0.00
Percentage of ownership	**3.46%**	0.00%

		Note	2014	2013
7	**LONG TERM LOANS**			
	Considered good:			
	Executive s- secured	7.1	**256,000**	418,000
	Other employees - secured		**21,000**	-
			277,000	418,000
	Less: Current portion			
	Executives		**208,000**	282,000
	Other employees		**12,000**	-
		11	**220,000**	282,000
			57,000	136,000
7.1	**Reconciliation of carrying amount of loan to executives**			
	At the beginning of year		**418,000**	700,000
	Add: Disbursement		**150,000**	-
	Less: Repayments made by executives		**312,000**	282,000
	At the end of year		**256,000**	**418,000**

7.1.1 These represent interest free loans to executive employees for construction of house and is secured against post employment benefits. Loan is payable in monthly installments and would be adjusted against salary. The maximum balance outstanding at the end of any month during the year was Rs. 0.403 million (2013: Rs. 0.677 million).

		Note	2014	2013
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores	8.1	**8,397,088**	8,323,257
	Spare parts	8.2	**20,679,456**	22,500,115
	Loose tools	8.3	**32,031**	25,120
			29,108,575	30,848,492

8.1 These include stores in transit amounting to Rs. 0.218 million (2013: Nil).

8.2 These include spare parts in transit amounting to Rs. 8.284 million (2013: Rs. 8.031 million).

8.3 These include loose tools in transit amounting to Rs. 0.171 million (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014	2013
			------------- Rupees -------------	
9	**STOCK-IN-TRADE**			
	Raw material	9.1	**1,148,362,014**	816,390,572
	Work-in-process	9.2	**134,041,989**	78,014,316
	Finished goods			
	Manufactured yarn		**175,345,545**	169,364,407
	Purchased yarn		**-**	3,560,555
		9.3	**175,345,545**	172,924,962
	Waste		**5,018,889**	13,275,737
			1,462,768,437	1,080,605,587

9.1 Raw material include stock in transit of Rs. 157.448 million (2013: Rs. 22.347 million). It also includes stock of Rs. 598.796 million (2013: Nil) being carried out at net realizable value. The amount charged to cost of sales in respect of written down of inventories is Rs.127.815 million (2013: Rs. Nil).

9.2 It also includes stock of Rs.76.153 million (2013: Nil) being carried out at net realizable value. The amount charged to cost of sales in respect of written down of inventories is Rs. 11.024 million (2013: Nil).

9.3 Finished goods include stock in transit of Rs. 28.415 million (2013: Rs. 94.953 million).

		Note	2014	2013
10	**TRADE DEBTS**			
	Considered good:			
	Foreign			
	Secured	10.1	**60,918,945**	80,527,071
	Unsecured		**59,311,011**	11,545,002
			120,229,956	92,072,073
	Local			
	Secured	10.1	**5,800,655**	12,995,365
	Unsecured - considered good	10.3	**331,079,375**	272,906,492
	Unsecured - considered doubtful		**18,572,147**	18,572,147
		10.2	**355,452,177**	304,474,004
			475,682,133	396,546,077
	Less: Provision for doubtful debts	10.4	**(18,572,147)**	(18,572,147)
			457,109,986	377,973,930

10.1 These are secured against letters of credit.

10.2 Local trade debts includes Rs. 234.657 million (2013: Rs. 208.428 million) receivable against indirect export sales.

10.3 These includes amount due from following associated companies:

	Up to 1 month	1 to 6 months	Over 6 months	2014	2013
	----------------------Rupees----------------------				
Sapphire Textile Mills Limited	2,600,176	-	-	**2,600,176**	28,811,095
Sapphire Fibres Limited	22,488,567	15,894,323	-	**38,382,890**	39,087,526
Diamond Fabrics Limited	20,815,789	-	-	**20,815,789**	13,356,354
	45,904,532	15,894,323	-	**61,798,855**	81,254,975

		Note	2014	2013
10.4	**Movement in provision for doubtful debts**			
	Balance at 1 July		**18,572,147**	15,700,000
	Charge for the year		**-**	2,872,147
	Balance at 30 June		**18,572,147**	18,572,147
11	**LOANS AND ADVANCES**			
	Considered good:			
	Current portion of long term loans	7	**220,000**	282,000
	Loans to employees	11.1	**448,000**	448,000
	Advances to suppliers		**10,420,006**	2,970,957
	Advances against letters of credit		**-**	186,835
			11,088,006	3,887,792

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014	2013
			------------- Rupees -------------	
12	**DEPOSIT AND SHORT TERM PREPAYMENTS**			
	Bank guarantee margin		**23,809**	23,809
	Prepayments		**607,061**	962,331
			630,870	986,140
13	**OTHER RECEIVABLES**			
	Export rebate receivable		**11,025,677**	6,766,376
	Sundry receivables		**142,594**	719,008
			11,168,271	7,485,384

14 OTHER FINANCIAL ASSETS

This represents 60,482 (2013: nil) units of Pakistan Cash Management Fund.

		2014	2013
15	**TAX REFUNDS DUE FROM THE GOVERNMENT**		
	Sales tax refundable	**62,552,997**	48,024,343
	Income tax refundable	**56,015,202**	21,733,977
		118,568,199	69,758,320
16	**CASH AND BANK BALANCES**		
	Cash-in-hand	**84,756**	3,358,354
	Cash at banks on current accounts	**19,852,811**	8,002,227
		19,937,567	11,360,581
17	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	10,292,000 (2013:10,292,000) ordinary shares of Rs. 10 each fully paid in cash.	**102,920,000**	102,920,000

17.1 Ordinary shares of the Company held by associated companies as at the balance sheet date:

	2014	2013
	…………..Number of shares…………..	
Sapphire Agencies (Private) Limited	**2,318,899**	2,318,899
Diamond Fabrics Limited	**1,662,000**	1,662,000
Amer Cotton Mills (Private) Limited	**1,584,800**	1,584,800
Reliance Textiles Limited	**1,098,118**	1,098,118
Neelum Textile Mills (Private) Limited	**365,515**	365,515
Sapphire Textile Mills Limited	**316,692**	317,682
Sapphire Fibres Limited	**156,420**	158,691
Galaxy Agencies (Private) Limited	**108,217**	108,217
Nadeem Enterprises (Private) Limited	**87,104**	87,104
Crystal Enterprises (Private) Limited	**27,696**	27,696
Sapphire Power Generation Limited	**20,539**	20,539
Amer Textile (Pvt) Limited	**6,500**	-
Yousuf Agencies (Private) Limited	**3,223**	3,223
Salman Ismail (SMC Private) Limited	**1,500**	1,500
	7,757,223	7,753,984

17.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		Note	2014	2013
			------------ Rupees ------------	
18	**LONG TERM FINANCING**			
	From banking companies - secured			
	Long term loan	18.1	**100,000,000**	100,000,000
	Less: Payment made during the year		**25,000,000**	-
			75,000,000	100,000,000
	Less: Current portion		**41,666,665**	33,333,333
			33,333,335	66,666,667

18.1 This facility was obtained from United Bank Limited during the period and carries mark up at the rate of 3 months KIBOR+0.5% payable on quarterly basis. The loan is secured against hypothecation charge of Rs. 134 million on all present and future fixed assets excluding land and building of the Company. It is repayable in twelve equal quarterly installments commencing from September 2013.

		Note	2014	2013
19	**EMPLOYEE BENEFITS - UNFUNDED**			
19.1	**The amount recognised in the balance sheet**			
	Present value of defined benefit obligations		**55,725,429**	44,491,122
	Add: Payables		**338,250**	-
	Liability recognized in the balance sheet at 30th June		**56,063,679**	44,491,122
19.2	**Movement in net liability recognized in the balance sheet**			
	At beginning of the year		**44,491,122**	36,056,420
	Expense recognised in profit and loss account	19.4	**18,419,947**	12,507,894
	Remeasurement component charged in other comprehensive income		**3,678,891**	8,260,903
	Liability transferred from other group company		**-**	634,500
	Payments during the year		**(10,526,281)**	(12,968,595)
	At end of the year		**56,063,679**	44,491,122
19.3	**Movement in the present value of defined benefit obligation**			
	Present value of obligation at beginning of the year		**44,491,122**	36,056,420
	Current service cost		**9,492,142**	7,820,559
	Past service cost		**4,826,625**	-
	Interest cost		**4,101,180**	4,687,335
	Liability transferred from other group company		**-**	634,500
	Benefits due but not paid		**(338,250)**	-
	Benefit paid during the year		**(10,526,281)**	(12,968,595)
	Actuarial loss on obligation		**3,678,891**	8,260,903
	Present value of obligation at end of the year		**55,725,429**	44,491,122
19.4	**Expense recognised in profit and loss account**			
	Current service cost		**9,492,142**	7,820,559
	Past service cost		**4,826,625**	-
	Interest cost		**4,101,180**	4,687,335
			18,419,947	12,507,894

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		2014	2013
		------------- Rupees	-------------
19.5	**Charge for the year has been allocated as follows**		
	Cost of sales	**13,779,963**	9,000,646
	Distribution cost	**3,037,449**	2,106,615
	Administrative expenses	**1,602,535**	1,400,633
		18,419,947	12,507,894
19.6	**Total Remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Experience adjustment	**3,678,891**	8,260,903
		3,678,891	8,260,903
19.7	**Principal actuarial assumptions:**	**2014**	**2013**
	Principal actuarial assumptions used are as follows: -		
	Discount rate - per annum	**13.25%**	10.5%
	Expected rate of growth per annum in future salaries	**12.25%**	9.5%
	Average expected remaining working life time of employees	**7 years**	6 years

19.8 Risk associated with with defined benfit plans

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shorthfall in the funding objectives.

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 assumptions	Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	52,114,081	59,855,332
Salary growth rate	1%	60,009,767	51,910,158

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 (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

19.9 Estimated contribution for the year ending June 30, 2015 is Rs. 19.618 million.

20 DEFERRED TAX LIABILITY

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 Company is being assessed under the final tax regime and the management is confident that the Company will continue to be taxed under final tax regime in foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014	2013
			------------ Rupees ------------	
21	**TRADE AND OTHER PAYABLES**			
	Creditors	21.1	**128,875,506**	65,069,095
	Accrued liabilities	21.2	**100,820,233**	88,191,157
	Fuel price adjustment		**-**	21,005,959
	Workers' welfare fund		**19,924,019**	16,576,551
	Infrastructure fee		**28,763,287**	23,028,839
	Advances from customers		**6,991,256**	7,643,301
	Workers' profit participation fund	21.3	**4,944,712**	15,009,799
	Electricity duty		**4,844,134**	3,615,434
	Equalisation surcharge		**1,937,136**	1,034,797
	Unclaimed dividend		**241,603**	220,635
			297,341,886	241,395,567

21.1 Creditors include Rs. 51.012 million (2013: Rs. 15.428 million) due to associated companies. Creditors also include Rs. 49.631 (2013: Rs. 16.482 million) payable against foreign currency bills payable.

21.2 Accrued liabilities includes Rs. 8.176 million (2013: Rs. 7.069 million) due to associated company.

		Note	2014	2013
21.3	**Workers' profit participation fund**			
	At the beginning of the year		**15,009,799**	2,715,630
	Interest on funds utilized in the Company's business	21.4	**755,219**	154,071
	Provision for the year		**4,944,712**	15,009,799
			20,709,730	17,879,500
	Payments made during the year		**(15,765,018)**	(2,869,701)
	At the end of the year		**4,944,712**	15,009,799

21.4 Interest on workers' profit participation fund has been provided at the rates ranging from 11.5% to 15% (2013: 12.50% to 14.50%) per annum.

		2014	2013
22	**MARK-UP ACCRUED**		
	Mark-up accrued on:		
	Long term financing	**2,016,520**	2,528,110
	Short term borrowings	**30,130,071**	11,371,479
		32,146,591	13,899,589
23	**SHORT TERM BORROWINGS**		
	From banking companies-secured		
	Running finance	**527,631,896**	233,628,626
	Foreign currency import finance	**518,790,904**	-
	Other short term finance	**825,000,000**	957,017,000
	Temporary bank overdraft	**-**	204,293
		1,871,422,800	1,190,849,919

23.1 The short term borrowing facilities amounting to Rs. 1,215 million (2013: Rs. 1,658 million) remained unutilized at the year end.

23.2 These facilities have been obtained from various banks under mark-up arrangements against aggregate sanctioned limit of Rs. 3,250 million (2013: Rs. 2,849 million). These facilities carry mark-up at the rates ranging from 2 % to 14.16 % (2013: 1.73 % to 13.47 %) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.

23.3 Facilities available for opening letters of credit and guarantees aggregate to Rs. 1,955 million (2013: Rs. 2,016 million) of which facilities amounting to Rs. 1,905 million (2013: Rs. 1,999 million) were 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, 2014

	Note	2014	2013
		------------- Rupees -------------	
24 CONTINGENCIES AND COMMITMENTS			
24.1 CONTINGENCIES			
Guarantees have been issued by banks on behalf of the Company in the normal course of business.		**21,694,394**	22,428,843
Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs.		**92,774,615**	105,803,446
		114,469,009	128,232,289

24.2 Claim not acknowledged as debt

During the period it was discovered that there were unauthorized withdrawals of funds from one of the Company's bank accounts using forged signatures on cheques from cheque books fraudulently issued by the Bank's staff without the Company's authority. On becoming aware of the matter, FIR has been lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believes that the company does not have any liability whatsoever in respect of such net unauthorized withdrawals of funds accumulating to Rs.20,605,789/- (including markup).

Furthermore the Company has filed a suit on 21 March, 2014 in the honorable Sindh High Court, which has granted a stay order on 8 April, 2014 in favor of the Company whereby the bank has been restrained from placing the Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Company.

24.3 Refer to Note 32.3 to the financial statements for contingencies relating to income tax matters.

	2014	2013
	------------ Rupees ------------	
24.4 COMMITMENTS		
Letters of credit for import of:		
- stores and spare parts	**3,670,045**	4,879,795
- raw material	**58,480,401**	33,038,720
- plant and machinery	**-**	80,526,906
Contracts for capital expenditure	**4,426,332**	72,666,632
	66,576,778	191,112,053

25 SALES

	2014			2013		
	Export	Local	Total	Export	Local	Total
	………… Rupees …………					
Yarn	**1,677,205,627**	**781,783,783**	**2,458,989,410**	1,865,627,352	539,094,376	2,404,721,728
Yarn (under SPO)	**1,660,076,909**	**-**	**1,660,076,909**	1,318,756,438	-	1,318,756,438
	3,337,282,536	**781,783,783**	**4,119,066,319**	3,184,383,790	539,094,376	3,723,478,166
Waste	**52,373,793**	**45,233,283**	**97,607,076**	10,310,254	114,946,441	125,256,695
Waste (under SPO)	**21,158,810**	**-**	**21,158,810**	-	-	-
	73,532,603	**45,233,283**	**118,765,886**	10,310,254	114,946,441	125,256,695
	3,410,815,139	**827,017,066**	**4,237,832,205**	3,194,694,044	654,040,817	3,848,734,861
Processing fee	**-**	**1,256,831**	**1,256,831**	-	1,570,375	1,570,375
Export rebate	**4,865,907**	**-**	**4,865,907**	3,302,481	-	3,302,481
	3,415,681,046	**828,273,897**	**4,243,954,943**	3,197,996,525	655,611,192	3,853,607,717

25.1 Export sales includes foreign currency exchange gain amounting to Rs. 8.942 million (2013: Rs. 7.032million) realized on export proceeds.

25.2 Local yarn inclusive of sales tax amounts to Rs. 797.025 million (2013: Rs. 544.850 million), local waste inclusive of sales tax amounts to Rs. 47.332 million (2013: Rs. 115.805 million) and processing fee inclusive of sales tax amounts to Rs. 1.281 million (2013: Rs. 1.597 million). SPO sales inclusive of sales tax is Rs.1,686.466 million (2013: Rs.1,328.484 million), waste under SPO inclusive of sales tax is Rs.21.582 million (2013: Nil)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		Note	2014	2013
			------------ Rupees ------------	
26	**COST OF SALES**			
	Raw material consumed	26.1	**2,831,416,357**	2,445,674,500
	Packing material consumed		**60,377,873**	56,683,958
	Store and spare parts consumed		**80,280,634**	82,183,326
	Salaries, wages and other benefits	26.2	**276,397,551**	239,066,948
	Fuel and power		**345,425,551**	290,600,902
	Insurance		**15,280,963**	10,747,413
	Repair and maintenance		**20,800,889**	22,687,586
	Travelling and conveyance		**7,007,938**	5,600,473
	Processing charges		**79,321,428**	20,446,803
	Other manufacturing overheads		**2,196,383**	1,889,321
	Depreciation	5.1.1	**114,090,913**	102,684,110
			3,832,596,480	3,278,265,340
	Work-in-process			
	At beginning of year		**78,014,316**	90,743,089
	At end of year		**(134,041,989)**	(78,014,316)
			(56,027,673)	12,728,773
	Cost of goods manufactured		**3,776,568,807**	3,290,994,113
	Finished goods			
	At beginning of year		**186,200,699**	91,679,107
	Yarn purchased		**44,264,108**	19,968,091
	At end of year		**(180,364,434)**	(186,200,699)
			50,100,373	(74,553,501)
	Cost of goods sold		**3,826,669,180**	3,216,440,612
26.1	**Raw material consumed**			
	At beginning of the year		**794,043,606**	688,937,660
	Add: Purchases - net	26.1.1	**3,028,286,011**	2,550,780,446
			3,822,329,617	3,239,718,106
	Less: At end of the year		**(990,913,260)**	(794,043,606)
			2,831,416,357	2,445,674,500

26.1.1 Purchases are adjusted by Rs. 11.394 million, inclusive of sales tax Rs. 11.622 million (2013: Rs. 208.897 million inclusive of sales tax Rs. 209.846 million) on account of raw material sold.

26.2 Salaries, wages and other benefits include Rs. 13.779 million (2013: Rs. 9.001 million) in respect of employee benefits - gratuity.

		Note	2014	2013
27	**DISTRIBUTION COST**			
	Salaries and other benefits	27.1	**15,190,691**	11,811,229
	Postage and telephone		**473,918**	408,299
	Traveling and conveyance		**5,574,597**	3,993,513
	Printing, stationery and others		**262,317**	198,639
	Entertainment		**2,156,136**	1,592,313
	Commission			
	- Local		**1,628,564**	2,337,237
	- Export		**30,795,292**	47,437,042
	Freight and forwarding			
	- Local		**6,221,020**	4,074,564
	- Export		**43,129,680**	55,621,708
	Export development surcharge		**4,681,874**	2,988,130
	Insurance charges - export		**1,856,270**	1,926,093
			111,970,359	132,388,767

27.1 Salaries and other benefits include Rs. 3.037 million (2013: Rs. 2.107 million) in respect of employee benefits - unfunded gratuity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

		Note	2014	2013
			------------ Rupees ------------	
28	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	28.1	**23,442,003**	21,401,216
	Postage and telephone		**2,406,566**	1,476,993
	Fees and subscription		**1,185,928**	517,380
	Printing and stationery		**471,986**	438,657
	Traveling and conveyance		**1,762,239**	2,020,939
	Repair and maintenance		**2,526,689**	3,580,481
	Legal and professional charges		**5,427,739**	1,932,843
	Advertisement		**175,500**	84,375
	Entertainment		**1,163,174**	894,630
	Donation	28.2	**1,001,313**	4,564,559
	Utility charges		**1,313,965**	716,925
	Others		**1,422,067**	1,446,486
			42,299,169	39,075,484

28.1 Salaries and other benefits include Rs. 1.602 million (2013: Rs. 1.401 million) in respect of employee benefits - unfunded gratuity.

28.2 Donations of Rs. 1 million (2013: 4 million) is paid to Abdullah Foundation, 212 Cotton Exchange Building, I.I. Chundrigar Road, Karachi, a Trust. Mr. Muhammad Abdullah, Mr. Amer Abdullah, Mr. Yousuf Abdullah, Mr. Shayan Abdullah and Mr. Mohammad Yamin, directors of the Company, are trustees of this trust.

		Note	2014	2013
29	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	29.1	**823,500**	826,209
	Workers' profit participation fund		**4,944,712**	15,009,799
	Workers' welfare fund		**3,347,468**	5,703,724
	Provision for bad debts		**-**	2,872,147
	Foreign exchange loss		**277,456**	2,011,597
	Sales Tax under amnesty scheme		**-**	2,057,921
			9,393,136	28,481,397
29.1	**Auditors' remuneration**			
	Annual audit		**550,000**	550,000
	Half-yearly review		**125,000**	125,000
	Compliance report on Code of Corporate Governance		**50,000**	50,000
	Other certification		**25,000**	25,000
	Out-of-pocket expenses		**73,500**	76,209
			823,500	826,209
30	**FINANCE COST**			
	Mark-up on:			
	Long term financing		**8,874,081**	4,947,014
	Short term borrowings		**158,239,177**	139,317,456
	Interest on workers' profit participation fund		**755,219**	154,071
	Bank charges and commission		**9,221,665**	16,074,061
	Foreign Exchange Gain on foreign currency loans		**(8,370,756)**	-
			168,719,386	160,492,602
31	**OTHER INCOME**			
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		**1,913,354**	176,360
	Scrap sales	31.1	**3,760,872**	2,577,242
	Income from financial assets			
	Unrealised gain on remeasurement of financial assets		**24,125**	-
			5,698,351	2,753,602

31.1 Scrap sales inclusive of sales tax amounts to Rs. 4.3 million (2013: Rs. 3 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		Note	2014	2013
			------------- Rupees	-------------
32	**PROVISION FOR TAXATION**			
	Current			
	-for the year	32.2	**24,378,995**	29,037,877
	-for prior year		**(13,986,786)**	-
			10,392,209	29,037,877
	Deferred - for the year		**7,659,658**	13,069,517
			18,051,867	42,107,394
32.1	**Relationship between tax expense and accounting profit**			
	Accounting profit before tax		**143,610,337**	**350,981,933**
	Tax rate %		**34%**	35%
	Tax on accounting rate		**48,827,515**	122,843,677
	Income chargeable to tax at lower rate		**(6,425,707)**	(68,780,983)
	Effect of tax on share of profits from associates		**(10,363,155)**	(11,955,300)
	Effect of prior year tax		**(13,986,786)**	-
	Current tax provision		**18,051,867**	42,107,394

32.2 The Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, provision for income tax is made accordingly. Assessments for the tax year 2013 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001.

32.3 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%. For these years there are two set of appeals on two different angles.

First one is on refusal of the tax department to pass refund order under section 170(4) as claimed by the Company as a result of application of aforementioned difference in tax rates. Appeals on this matter at Commissioner Inland Revenue (Appeals) were decided against tax department. Inland Revenue Appellate Tribunal also maintained the decision of Commissioner Inland Revenue (Appeals) against the appeals filed by tax department.

The second one is against the Order passed under section 122(5A) of the Ordinance for the same years whereby the tax department has framed amendment of assessment disallowing the eligibility of tax rate adopted by the Company in the tax returns filed. Appeals on this matter at Commissioner Inland Revenue (Appeals) were decided against the Company. The Company filed appeals against combined appeals order of Commissioner Inland Revenue (Appeals), before Inland Revenue Appellate Tribunal which are decided in favor of the Company.

33	**EARNINGS PER SHARE - BASIC AND DILUTED**	**2014**	**2013**
	There is no dilutive effect on the basic earning per share which is based on:		
	Profit attributable to ordinary shareholders **(Rupees)**	**125,558,470**	308,874,539
	Weighted average number of ordinary shares outstanding during the year (**Numbers)**	**10,292,000**	10,292,000
	Earnings per share - (Rupees)	**12.20**	30.01

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

34 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer		Executives	
	2014	2013	2014	2013
	Rupees		Rupees	
Managerial remuneration	**3,216,000**	3,216,000	**17,658,508**	15,656,674
House rent	**1,447,200**	1,447,200	**7,177,436**	7,861,503
Utilities	**136,800**	136,800	**657,763**	647,993
Conveyance	**-**	-	**20,700**	18,000
Medical expenses	**-**	-	**421,796**	382,088
Bonus/Leave encashment	**-**	-	**5,393,907**	4,532,153
	4,800,000	4,800,000	**31,330,110**	29,098,411
Number of persons	**1**	1	**14**	11

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

34.2 The Company has paid Rs.10,000 (2013: Nil) as meeting fee to director.

34.3 No remuneration was paid to the directors of the Company.

35 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 processesfor 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'sactivities. 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 purposesare carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company'sAudit 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.

35.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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

The Company does not hold collateral as security.

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

Counterparties

The Company conducts the following major types of transactions with counterparties:

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 and investments

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.

35.1.1 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:

	2014	2013
	Rupees	Rupees
Long term loans	**277,000**	418,000
Long term deposits	**8,858,230**	8,858,230
Trade debts	**475,682,133**	396,546,077
Loans and advances	**448,000**	448,000
Deposits	**23,809**	23,809
Other receivables	**142,594**	719,008
Bank balances	**19,852,811**	8,002,227
	505,284,577	415,015,351

Geographically there is no concentration of credit risk.

The aging of trade receivables at the reporting date is:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
	Rupees	Rupees	Rupees	Rupees
Past due				
Upto 1 month	**165,846,414**	**-**	136,202,124	-
1 month to 6 months	**121,520,157**	**-**	87,377,981	-
Over 6 months	**2,881,541**	**-**	4,788,442	-
Over 6 months - impaired	**18,572,147**	**18,572,147**	18,572,147	18,572,147
	308,820,259	**18,572,147**	246,940,694	18,572,147

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

	2014	2013
	...…..Rupees...……	
Balance at beginning of the year	**18,572,147**	15,700,000
Charge for the period	**-**	2,872,147
Balance at end of the year	**18,572,147**	18,572,147

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.

35.2 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 21.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

35.3 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.

35.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional 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 comprise;

- 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;

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 profit and loss account. 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

Exposure to currency risk

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

	2014		2013	
	USD	EURO	USD	EURO
Trade debts	**1,218,753**	**-**	931,904	-
Trade creditors	**(5,095)**	**-**	(112,254)	(41,760)
Short term borrowings	**(5,258,904)**	**-**	-	-
	(4,045,246)	**-**	819,650	(41,760)

Commitments outstanding at year end amounted to Rs. 62.150 million (2013: Rs. 118.445 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 mid spot rate	
	2014	2013	2014	2013
	------------- Rupees -------------		------------- Rupees -------------	
USD 1	**102.65**	95.2	**98.75**	98.80
EURO 1	**139.39**	125.51	**134.73**	129.11

Sensitivity analysis

A 5 percent strengthening of the Pak Rupee against the USD& EURO at June 30, 2014 would have decreased profit or loss by the amounts shown below. This analysis assumesthat all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2013.

	2014	2013
	------------- Rupees -------------	
Increase / (Decrease) Increase in profit and loss account	**19,973,402**	(4,318,653)

A 5 percent weakening of the Pak Rupee against the USD& EUROat June 30, 2014 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

35.4 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changesin the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assetsand liabilities that mature in a given period.

Profile

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

	2014	2013	2014	2013
	……………….. % ………………..		------------- Rupees -------------	
Financial liabilities				
Long term financing	**9.5 to 10.68**	9.81 to 10.03	**75,000,000**	100,000,000
Short term borrowings	**2 to 14.6**	1.73 to 13.47	**1,871,422,800**	1,190,849,919
			1,946,422,800	1,290,849,919

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

Fair value 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. There is only an immaterial impact on the Company's equity .

2014	**Increase / (Decrease) in basis %**	**Effect on profit before tax Rupees**
Long term financing	**1.00%**	**750,000**
Short term borrowings		**18,714,228**
		19,464,228
2013		
Long term financing	1.00%	1,000,000
Short term borrowings		11,908,499
		12,908,499

35.5 Equity Price Risk Management

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

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

35.6 Fair value hierarchy

Financial instruments at fair value are measured at three level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments

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)

As all the long term investments of the Company are in associates and recorded on equity method, so these investments do not fall under the levels given above. Other financial assets are measured using level 1.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

35.2.1 Liquidity and interest 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.

	2014					
	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	**75,000,000**	83,133,771	28,427,280	19,131,972	35,574,519	-
Employee benefits - unfunded	**56,063,679**	56,063,679	-	-	-	56,063,679
Trade and other payable	**231,874,478**	231,874,478	231,874,478	-	-	-
Mark up accrued	**32,146,591**	32,146,591	32,146,591	-	-	-
Short term borrowings	**1,871,422,800**	2,070,167,901	1,068,208,134	1,001,959,767	-	-
	2,266,507,548	2,473,386,420	1,360,656,483	1,021,091,739	35,574,519	56,063,679

	2013					
	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	100,000,000	102,450,832	17,531,666	17,099,166	34,198,332	33,621,668
Employee benefits - unfunded	44,491,122	44,491,122	-	-	-	44,491,122
Trade and other payable	175,521,643	175,521,643	175,521,643	-	-	-
Mark up accrued	13,899,589	13,899,589	13,899,589	-	-	-
Short term borrowings	1,190,849,919	1,311,155,662	675,628,831	635,526,831	-	-
	1,524,762,273	1,647,518,848	882,581,729	652,625,997	34,198,332	78,112,790

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

36 FINANCIAL INSTRUMENTS BY CATEGORY

	2014	2013
	------------ Rupees ------------	
Financial Assets		
Loans and receivables at amortised cost		
Long term loans	**277,000**	418,000
Long term deposits	**8,858,230**	8,858,230
Trade debts	**475,682,133**	396,546,077
Loans and advances	**448,000**	448,000
Deposits	**607,061**	962,331
Other receivables	**142,594**	719,008
	486,015,018	407,951,646
Financial Assets - At equity method		
Long term investments	**582,886,019**	438,944,127
Financial Assets - At fair value		
Other financial assets	**3,024,125**	-
Cash and bank balances	**19,937,567**	11,360,581
	1,091,862,729	**858,256,354**
Financial Liabilities - At amortised cost		
Long term financing	**75,000,000**	100,000,000
Employee benefits - unfunded	**56,063,679**	44,491,122
Trade and other payable	**243,709,868**	186,780,378
Mark up accrued	**32,146,591**	13,899,589
Short term borrowings	**1,871,422,800**	1,190,849,919
	2,278,342,938	1,536,021,008

37 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 stakeholder 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:-

	2014	2013
Total borrowings including mark-up accrued	**1,978,569,391**	1,304,749,508
Total equity	**1,806,886,391**	1,629,331,931
Total capital employed	**3,785,455,782**	2,934,081,439
Gearing ratio	**52.27%**	44.47%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

38 TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	2014	2013
		------------ Rupees ------------	
Associated companies			
	Sales:		
	Yarn / raw material / stores, spare parts	**595,067,788**	**701,856,126**
	Purchase:		
	Yarn /raw material /stores, spare parts	**105,454,270**	**22,011,027**
	Property plant and equipment	**7,350,000**	**1,690,000**
	Electricity	**82,768,469**	**105,551,864**
	Services:		
	Rendered	**1,256,831**	**1,323,375**
	Obtained	**5,200,220**	**2,410,252**
	Dividend:		
	Paid	**15,504,640**	**9,687,230**
	Received	**4,750,267**	**7,206,155**
	Shared expenses paid	**6,277,752**	**4,272,377**
	Investment in Associate:		
	Sapphire Power Generation Limited	**19,425,000**	**-**

38.1 All transactions with related parties have been carried out on agreed terms.

39 NUMBER OF EMPLOYEES

	2014	2013
	--------------Numbers--------------	
Average number of employees during the year	**1,370**	1,484
Number of employees as at June 30	**1,311**	1,591

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Production capacity		
Total number of spindles installed	**34,848**	34,848
Number of MVS units installed (in equivalent number of spindles)	**920**	920
Installed capacity after conversion into 20's count (Lbs.)	**25,149,564**	25,149,564
Actual production		
Number of spindles / MVS worked	**32,420**	32,420
Number of shifts per day	**3**	3
Total days worked	**364**	364
Actual production of yarn after conversion into 20's count (Lbs.)	**20,167,596**	20,303,617

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.

41 EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on October 01, 2014 has proposed to pay cash dividend for the year ended June 30, 2014 of Rs. 15.438 million @ Rs. 1.50 per ordinary share of Rs. 10 each (2013: Rs. 20.584 million @ Rs. 2.00 per ordinary share of Rs. 10 each). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

42 DATE OF AUTHORIZATION FOR ISSUE

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

43 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been re-arranged and re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-classification made in the balance sheet and statement of changes in equity are as follows:

From	To	2013	2012
		------------- Rupees	-------------
Un-appropriated profit	**Capital reserve**		
	Share in associates' unrealized gain on available for sale investments - net	**58,287,512**	17,796,045
	Share in associate's unrealized gain / (loss) on hedging instruments	**45,692**	(90,139)
	Share of items directly recognized in equity by associates	**19,229,188**	17,258,134
		77,562,392	**34,964,040**

44 GENERAL

Figures have been rounded off to the nearest Rupee.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi
Dated: October 01, 2014

Amer Abdullah
Director

Yousuf Abdullah
Director

PATTERN OF SHAREHOLDING

As at June 30, 2014

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
445	1	100	7,961
79	101	500	31,511
38	501	1,000	34,203
29	1,001	5,000	80,290
8	5,001	10,000	58,609
1	10,001	15,000	11,897
2	15,001	20,000	33,340
1	20,001	25,000	20,539
2	25,001	30,000	53,099
5	35,001	40,000	191,061
1	40,001	45,000	43,188
1	45,001	50,000	45,927
2	60,001	65,000	128,298
1	65,001	70,000	68,988
1	70,001	75,000	72,350
1	85,001	90,000	87,104
1	105,001	110,000	108,217
1	130,001	135,000	134,890
1	155,001	160,000	156,420
1	220,001	225,000	224,428
1	275,001	280,000	275,699
1	300,001	305,000	302,630
1	310,001	315,000	310,697
1	315,001	320,000	316,692
1	365,001	370,000	365,515
1	465,001	470,000	465,638
1	565,001	570,000	566,700
1	825,001	830,000	829,200
1	830,001	835,000	832,800
1	930,001	935,000	934,026
1	1,015,001	1,020,000	1,018,100
1	1,095,001	1,100,000	1,097,110
1	1,380,001	1,385,000	1,384,873
634			**10,292,000**

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

PATTERN OF SHAREHOLDING

As at June 30, 2014

CATEGORIES OF SHAREHOLDERS

Particulars	No. of Shares Held	Percentage
Directors, CEO, Spouses and Minor Children	924,347	8.9812
Associated Companies, Undertakings and Related Parties	7,757,223	75.3714
NIT & ICP	465,638	4.5243
Banks, Development Finance Institutions, Non-Banking Financial Institutions	325	0.0032
Insurance Companies	16,940	0.1646
Modarabas Companies & Mutual Funds	1,130	0.0110
General Public (Local)	1,088,019	10.5715
Joint Stock Companies	168	0.0016
Others Companies	38,210	0.3713
	10,292,000	**100.0000**

PATTERN OF SHAREHOLDING

As at June 30, 2014

A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**	**NO. OF SHARES**
	Amer Cotton Mills (Private) Limited	1,584,800
	Amer Tex (Pvt.) Limited	6,500
	Crystal Enterprises (Private) Limited	27,696
	Diamond Fabrics Limited	1,662,000
	Galaxy Agencies (Private) Limited	108,217
	Nadeem Enterprise (Private) Limited	87,104
	Neelum Textile Mills (Pvt.) Limited	365,515
	Reliance Textile (Private) Limited	1,098,118
	Salman Ismail (SMC-PRIVATE) Limited	1,500
	Sapphire Agencies (Pvt.) Limited	2,318,899
	Sapphire Fibres Limited	156,420
	Sapphire Power Generation Limited	20,539
	Sapphire Textile Mills Limited	316,692
	Yousuf Agencies (Private) Limited	3,223
B)	**NIT & ICP**	
	CDC - Trustee National Investement (Unit) Trust	465,638
C)	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**	
	DIRECTORS & THEIR SPOUSES	
	Mr. Mohammad Abdullah	45,927
	Mr. Yousuf Abdullah	353,885
	Mr. Amer Abdullah	314,449
	Mr. Nabeel Abdullah	500
	Mr. Mohammad Yamin	610
	Mr. Asif Elahi	500
	Mrs. Ambareen Amer	80,350
	Mrs. Shamshad Begum	102,223
	Mrs. Usma Yousuf	25,403
	CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
	Mr. Shayan Abdullah	500

PATTERN OF SHAREHOLDING

As at June 30, 2014

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

BANKS	
National Bank of Pakistan	225
DEVELOPMENT FINANCIAL INSTITUTIONS	
National Development Finance Corporation	100
INSURANCE COMPANIES	
State Life Insurance Company of Pakistan	16,940
MODARABAS	
First Punjab Modaraba	500
B.R.R. Guardian Modaraba	630

E) SHAREHOLDERS HOLDING 05% OR MORE

Diamond Fabrics Limited	1,662,000
Reliance Textile (Private) Limited	1,098,118
Amer Cotton Mills (Private) Limited	1,584,800
Sapphire Agencies (Pvt.) Limited	2,318,899

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

Shares purchased by Mrs. Shamshad Begum	12,500

FORM OF PROXY

I / we____

of ____

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

do hereby appoint ____

of ____

or failing him/her ____

of ____

a member of **Reliance Cotton Spinning Mills Limited**, vide Registered Folio No.________________ as my/our Proxy to act on my/our behalf at 25th Annual General Meeting of the Company to be held on Friday the 24th October, 2014 at 4:30 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this________ day of ________________ 2014

REVENUE STAMP OF RS.5/-

Signature ___________________________________

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

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-

2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.

3. Power of attorney or other authority (if any) under which this proxy form is signed 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_______________________	Name_______________________
Address_____________________	Address_____________________
NIC No._____________________	NIC No._____________________