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
Human Resource & Remuneration Committee	:	
Chairman		Mr. Mohammad Yamin
Member		Mr. Shayan Abdullah
Member		Mr. Asif Elahi
Chief Financial Officer	:	Mr. Naveed-ul-Islam
Secretary	:	Mr. Umar Rahi
Auditors	:	DeloitteYousuf Adil Chartered Accountants
Management Consultant	:	Deloitte Yousuf Adil Chartered Accountants
Tax Consultants	:	Deloitte Yousuf Adil Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Habib Bank Limited MCB Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited United 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 mission will be accomplished through excellence in customer service, sales and manufacturing supported by teamwork of all associates .

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 26th Annual General Meeting of **RELIANCE COTTON SPINNING MILLS LIMITED** will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Monday the 26th day of October, 2015 at 12:30 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. **(MOHAMMAD UMER RAHI)**
Dated : 28th September, 2015 Secretary

NOTES

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from20th October, 2015 to 26th October, 2015 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 19th October, 2015 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)2012 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.

7. 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.

8. (i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 12.5%

2. Rate of tax deduction for non-filers of income tax return 17.5%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

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

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

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

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

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, 2015.

FINANCIAL PERFORMANCE

The performance of the company remained satisfactory in spite of the fact the year under review was a difficult period for the industry.

FINANCIAL HIGHLIGHTS

	2015 Rs. (000)	**2014** Rs. (000)
Sales – net	4,007,150	4,243,955
Gross Profit	423,488	417,286
Profit from Operations	275,876	259,321
Finance Cost	156,079	168,719
Pre Tax Profit	182,379	143,610
After Tax Profit	142,722	125,558

APPROPRIATION OF PROFITS

The Board of Directors of the Company has recommended Cash Dividend 50% (2014: 15%)

EARNING PER SHARE

The earning per share for the year ended June 30, 2015 is Rs.13.87 as compared to Rs.12.20 for the year ended June 30, 2014.

FUTURE OUTLOOK

Presently the textile industry is facing several challenges including poor demand of products for both local and international markets and increase in manufacturing cost. Although energy prices have come down and the load shedding situation has improved, lower energy prices are a global phenomena, and it does not give us any added advantage over our competitors in other countries. The government needs to build a favorable import and export policy in order to help facilitate the textile industry during these difficult times.

However, the management of your company is putting all its efforts to handle the situation and to mitigate the negative impacts.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

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

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

2. The company has maintained proper books of account.

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

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

Directors' Report

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:

Shares purchased by	Mrs. Shamshad Begum	4,000
Shares purchased by	Mr. Muhammad Abdullah	10
Shares purchased by	Mr. Amer Abdullah	9

13. During the year, seven (7) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Muhammad Abdullah	=7=
Mr. Shayan Abdullah	=4=
Mr. Amer Abdullah	=5=
Mr. Yousuf Abdullah	=3=
Mr. Nabeel Abdullah	=3=
Mr. Muhammad Yamin	=4=
Mr. Asif Elahi	=4=

14. The Board of Directors have approved revision in Chief Executive's Remuneration w.e.f 1st October, 2015 as follows:

Mr. Shayan Abdullah (from Rs. 400,000 to 600,000 per month)
There was no change in other terms and conditions of his appointment.

15. During the year four (4) meetings of the Audit Committee were held. Attendance by each member is as follows:

Mr. Amer Abdullah	=4=
Mr. Nabeel Abdullah	=2=
Mr. Asif Elahi	=4=

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

17. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to

Directors' Report

disseminate it throughout the company along with its supporting policies and procedures.

PATTERN OF SHARE HOLDING

The pattern of shareholding of the company as at June 30, 2015 is annexed. The statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

AUDITORS

The present Auditors Deloitte Yousuf Adil, Chartered Accountants retire and being eligible offer themselves for re-appointment for the year 2015-2016. Audit committee and Board of Directors have also recommended their appointment as Auditor for the year ending June 30, 2016.

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

Lahore:
Dated: September 28, 2015

Shayan Abdullah
Chief Executive

Six Years' Key Operating and Financial Data

	Rupees in million	2015	2014	2013	2012	2011	2010
Sales		4,007.150	4,243.955	3,853.608	2,557.935	2,613.864	1,753.876
Gross Profit		423.488	417.286	637.167	367.916	737.760	394.982
Profit Before Tax		182.379	143.610	350.982	104.472	503.164	162.560
Profit After Tax		142.722	125.558	308.875	71.803	476.540	137.703
Share Capital		102.920	102.920	102.920	102.920	102.920	102.920
Shareholder's Equity		1,917.077	1,806.886	1,629.332	1,298.985	1,214.390	786.809
Fixed Assets		1,483.822	1,436.170	1,201.244	966.777	751.621	589.377
Total Assets		3,730.857	4,203.199	3,281.305	2,601.956	2,400.897	1,741.224
DIVIDEND							
Cash	%	50.00	15.00	20.00	12.50	25.00	20.00
RATIOS:							
Profitability	%						
Gross Profit		10.57	9.83	16.53	14.38	28.22	22.52
Profit Before Tax		4.55	3.38	9.11	4.08	19.25	9.27
Profit After Tax		3.56	2.96	8.02	2.81	18.23	7.85
Return To Shareholders							
R.O.E-Before Tax		9.51	7.95	21.54	8.05	41.43	20.66
R.O.E-After Tax		7.44	6.95	18.96	5.53	39.24	17.50
EPS	Rupees	13.87	12.20	30.01	6.98	46.30	13.38
Activity	Times						
Sales To Total Assets		1.07	1.01	1.17	0.98	1.09	1.01
Sales To Fixed Assets		2.70	2.96	3.21	2.65	3.48	2.98
Liquidity / Leverage							
Current Ratio		0.94	0.96	1.08	1.04	1.23	1.14
Debt Equity Ratio		0.72	1.08	0.79	0.79	0.78	0.88
Total Liabilities To Equity		0.95	1.33	1.01	1.00	0.98	1.21
Break up Value of Shares	Rupees	186.27	175.56	158.31	126.21	117.99	76.45

Review Report to the Members

On Statement of Compliance with best practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) 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 (the company), for the year ended June 30, 2015, to comply with the relevant Listing Regulations of the Karachi Stock Exchange and Lahore Stock Exchange where the Company is listed.

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

As 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 controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of 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 the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended June 30, 2015.

Lahore :
Dated : September 28, 2015

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner:
Talat Javed

Statement of Compliance

With the Code of Corporate Governance

Name of Company: **Reliance Cotton Spinning Mills Limited** year ended June 30, 2015.

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of 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 Director	Mr. Asif Elahi
Executive Director	Mr. Shayan Abdullah
Non-Executive Directors	Mr. Mohammad Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Mohammad Yamin

   The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

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

4. During the year no casual vacancy occurred in the board of directors.

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

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant 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.

9. In accordance with the criteria specified on clause (xi) of CCG, four Directors of the Company are exempted from the requirement of directors' training program, two of them has done certificate program from Institute of Cost and Management Accountants of Pakistan, and one of the Directors to be trained within specified time.

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

Statement of Compliance

With the Code of Corporate Governance

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 and annual evaluation of the board's own performance approved during the year.

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 who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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

Lahore:
Dated: September 28, 2015

SHAYAN ABDULLAH
CHIEF EXECUTIVE

Auditors' Report to the Members

We have audited the annexed balance sheet of Reliance Cotton Spinning Mills Limited (the Company) as at June 30, 2015 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,

- **(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, statement of comprehensive income, 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, 2015 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.

Lahore :
Dated : September 28, 2015

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner:
Talat Javed

Balance Sheet as at June 30, 2015

	Note	2015	2014
		.... Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**1,483,821,749**	1,436,170,103
Long term investments	5	**627,402,950**	582,886,019
Long term loans	6	**-**	57,000
Long term deposits		**9,129,670**	8,858,230
		2,120,354,369	2,027,971,352
CURRENT ASSETS			
Stores, spare parts and loose tools	7	**41,109,792**	29,108,575
Stock-in-trade	8	**853,124,362**	1,462,768,437
Trade debts	9	**434,038,719**	457,109,986
Loans and advances	10	**5,406,078**	11,088,006
Deposit and short term prepayments	11	**1,348,780**	630,870
Other receivables	12	**13,476,572**	11,168,271
Other financial assets	13	**-**	3,024,125
Advance income tax		**65,924,143**	61,824,031
Tax refunds due from the Government	14	**188,395,154**	118,568,199
Cash and bank balances	15	**7,679,271**	19,937,567
		1,610,502,871	2,175,228,067
		3,730,857,240	4,203,199,419
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2014: 12,000,000) ordinary shares of Rs.10 each		**120,000,000**	120,000,000
Issued, subscribed and paid up capital	16	**102,920,000**	102,920,000
General reserve		**130,000,000**	130,000,000
Capital reserve		**144,013,053**	153,821,273
Un-appropriated profit		**1,540,143,805**	1,420,145,118
		1,917,076,858	1,806,886,391
NON-CURRENT LIABILITIES			
Long term financing	17	**-**	33,333,335
Deferred liabilities			
- employee benefits - unfunded	18	**62,258,658**	56,063,679
- deferred tax liability	19	**43,034,414**	39,959,077
		105,293,072	129,356,091
CURRENT LIABILITIES			
Trade and other payables	20	**278,733,515**	297,341,886
Mark-up accrued	21	**18,119,425**	32,146,591
Short term borrowings	22	**1,342,194,285**	1,871,422,800
Current portion of long term financing	17	**33,333,333**	41,666,665
Provision for taxation		**36,106,752**	24,378,995
		1,708,487,310	2,266,956,937
CONTINGENCIES AND COMMITMENTS	23		
		3,730,857,240	4,203,199,419

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi:	**SHAYAN ABDULLAH**	**AMER ABDULLAH**
Dated: September 28, 2015	CHIEF EXECUTIVE	DIRECTOR

Profit and Loss Account

For the year ended June 30, 2015

	Note	2015	2014
		.... Rupees	
Sales	24	**4,007,149,572**	4,243,954,943
Cost of sales	25	**(3,583,661,769)**	(3,826,669,180)
Gross profit		**423,487,803**	417,285,763
Distribution cost	26	**(98,346,119)**	(111,970,359)
Administrative expenses	27	**(42,766,682)**	(42,299,169)
Other income	28	**4,075,681**	5,698,351
Other operating expenses	29	**(10,574,661)**	(9,393,136)
		(147,611,781)	(157,964,313)
		275,876,022	259,321,450
Finance cost	30	**(156,079,216)**	(168,719,386)
Share of profit of associates		**62,582,594**	53,008,273
Profit before taxation		**182,379,400**	143,610,337
Provision for taxation	31	**(39,657,052)**	(18,051,867)
Profit for the year		**142,722,348**	125,558,470
Earnings per share - basic and diluted	32	**13.87**	12.20

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi:
Dated: September 28, 2015

SHAYAN ABDULLAH
CHIEF EXECUTIVE

AMER ABDULLAH
DIRECTOR

Statement of Comprehensive Income

For the year ended June 30, 2015

	2015	2014
	.... Rupees	
Profit for the year	**142,722,348**	125,558,470
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Share in associates' unrealized (loss)/gain on available for sale investments - net	**(10,017,863)**	41,487,422
Share in associate's unrealized (loss)/gain on hedging instruments	**(158,884)**	99,481
Share in associate's remeasurement of post retirement benefits obligation	**(783,880)**	(741,688)
	(10,960,627)	40,845,215
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of post retirement benefits obligation	**(7,285,661)**	(3,678,891)
	(18,246,288)	**37,166,324**
Total comprehensive income for the year	**124,476,060**	162,724,794

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi:
Dated: September 28, 2015

SHAYAN ABDULLAH
CHIEF EXECUTIVE

AMER ABDULLAH
DIRECTOR

Cash Flow Statement

For the year ended June 30, 2015

	Note	2015	2014
		………………. Rupees	……………….
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**182,379,400**	143,610,337
Adjustments for:			
Depreciation on property, plant and equipment		**131,404,715**	114,090,914
Provision for employee benefits		**18,937,242**	18,419,947
Gain on disposal of property, plant and equipment		**(831,469)**	(1,913,354)
Finance cost		**156,079,216**	168,719,386
Share of profit of associates		**(62,582,594)**	(53,008,273)
		425,386,510	389,918,957
Working capital changes			
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		**(12,001,217)**	1,739,917
Stock-in-trade		**609,644,075**	(382,162,850)
Trade debts		**23,071,267**	(79,136,056)
Loans and advances		**5,681,928**	(7,200,214)
Other financial asset		**3,024,125**	(3,024,125)
Deposit and short term prepayments		**(717,910)**	355,270
Other receivables		**(2,308,301)**	(3,682,887)
Increase in trade and other payables		**(18,626,254)**	55,925,351
		607,767,713	(417,185,594)
Cash generated from / (used in) in operations		**1,033,154,223**	(27,266,637)
Dividends paid		**(15,420,117)**	(20,563,032)
Employee benefits paid		**(20,027,924)**	(10,526,281)
Finance cost paid		**(170,106,382)**	(150,472,384)
Sales tax paid		**(32,863,714)**	(14,528,654)
Income taxes paid		**(65,917,311)**	(61,939,209)
		(304,335,448)	(258,029,560)
Cash generated from / (used in) in operating actvities		**728,818,775**	(285,296,197)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		**(180,596,992)**	(358,633,960)
Proceeds from disposal of property, plant and equipment		**2,372,100**	11,530,000
Long term investments		**-**	(19,425,000)
Proceeds from long term loans		**57,000**	79,000
Long term deposits made		**(271,440)**	-
Dividend received		**8,257,443**	4,750,262
Net cash used in investing activities		**(170,181,889)**	(361,699,698)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		**(41,666,667)**	(25,000,000)
Short term borrowings - net		**(529,228,515)**	680,572,881
Net cash from financing activities		**(570,895,182)**	655,572,881
Net (decrease)/increase in cash and cash equivalents		**(12,258,296)**	8,576,986
Cash and cash equivalents at beginning of the year		**19,937,567**	11,360,581
Cash and cash equivalents at the end of the year	15	**7,679,271**	19,937,567

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi: Dated: September 28, 2015	**SHAYAN ABDULLAH** CHIEF EXECUTIVE	**AMER ABDULLAH** DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2015

	Share capital	Revenue reserves: General reserve	Revenue reserves: Un-appropriated profit	Capital reserve: Share in associates' unrealized gain on available for sale investments - net	Capital reserve: Share in associate's unrealized gain / (loss) on hedging instruments	Capital reserve: Share in associate's remeasurement of post retirement benefits obligation	Capital reserve: Share of items directly recognized in equity by associates	Capital reserve: Sub-total	Total
	....	....	....	....	Rupees	....	....	....	....
Balance as at July 01, 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
Comprehensive income:									
Profit for the year ended June 30, 2015	-	-	**142,722,348**	-	-	-	-	-	**142,722,348**
Other comprehensive income	-	-	**(7,285,661)**	**(10,017,863)**	**(158,884)**	**(783,880)**	-	**(10,960,627)**	**(18,246,288)**
Total comprehensive income	-	-	**135,436,687**	**(10,017,863)**	**(158,884)**	**(783,880)**	-	**(10,960,627)**	**124,476,060**
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	**1,152,407**	**1,152,407**	**1,152,407**
Transactions with owners:									
Final dividend for the year ended June 30, 2014 @ Rs. 1.5 per share	-	-	(15,438,000)	-	-	-	-	-	**(15,438,000)**
Balance as at June 30, 2015	**102,920,000**	**130,000,000**	**1,540,143,805**	**89,757,071**	**(13,711)**	**(1,525,568)**	**55,795,261**	**144,013,053**	**1,917,076,858**

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi:
Dated: September 28, 2015

SHAYAN ABDULLAH
CHIEF EXECUTIVE

AMER ABDULLAH
DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2015

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 and mills are located at Warburton Road, Ferozewattoan, District Sheikhpura 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, 2015

2.2.1.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2015. 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**

"The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required."

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial financial liabilities	**Effective assets and 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 counter parties 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 to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair value Measurements. The amendments require retrospective application.

IAS 39 Financial Instruments: Recognition and accounting measurement - Novation of derivatives and — **Effective from accounting period beginning on or after January 01, 2014 continuation of hedge**

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 conditiond are met.

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

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.

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 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization — **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants — **Effective from accounting period beginning on or a fter January 01, 2016**

"The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.The produce growing on bearer plants continues to be accounted for in accordance with IAS 41."

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

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.

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'- IFRS 11 – Joint Arrangements — **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.

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

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 1First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14Regulatory 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.

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.

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 4 to these financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the 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.

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 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 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, 2015.

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.

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.

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.

Notes to the Financial Statements

For the year ended June 30, 2015

4 PROPERTY, PLANT AND EQUIPMENT

4.1 At June 30, 2015

Particulars	Cost: As at July 01, 2014	Cost: Additions	Cost: Transfers	Cost: Disposals	Cost: As at June 30, 2015	Depreciation: As at July 01, 2014	Depreciation: Charge for the year	Depreciation: Disposals	Depreciation: As at June 30, 2015	Book value As at June 30, 2015	Annual depreciation rate %
	Rupees										
Operating fixed assets											
Freehold land	19,404,424	17,990,000	-	-	37,394,424	-	-	-	-	37,394,424	-
Buildings on freehold land:											
Residential	121,379,248	-	-	-	121,379,248	32,961,540	4,420,885	-	37,382,425	83,996,823	5
Factory	601,833,850		81,847,838	-	683,681,688	170,259,415	47,808,153	-	218,067,568	465,614,120	10
Plant and machinery	1,357,960,004	-	61,988,350	7,529,696	1,412,418,658	669,587,450	70,976,736	6,335,870	734,228,316	678,190,342	10
Furniture and fittings	1,345,627	-	-	-	1,345,627	967,280	37,835	-	1,005,115	340,512	10
Vehicles	26,772,777	-	7,354,061	1,438,110	32,688,728	14,563,914	3,057,713	1,091,305	16,530,322	16,158,406	20
Office equipment	1,597,499	-	-	-	1,597,499	637,064	96,044	-	733,108	864,391	10
Electric installation	72,308,379	-		-	72,308,379	25,409,300	4,689,908	-	30,099,208	42,209,171	10
Electric equipment	195,500	-	-	-	195,500	175,556	1,994	-	177,550	17,950	10
Computers	2,914,899	192,499	-	-	3,107,398	1,918,077	315,447	-	2,233,524	873,874	30
	2,205,712,207	18,182,499	151,190,249	8,967,806	2,366,117,149	916,479,596	131,404,715	7,427,175	1,040,457,136	1,325,660,013	
Capital work-in-progress											
Building - civil work	94,973,364	49,880,842	(81,847,838)	-	63,006,368					63,006,368	
Plant and machinery	15,204,928	60,914,922	(61,988,350)	-	14,131,500					14,131,500	
Electric installation	35,477,200	45,046,668	-	-	80,523,868					80,523,868	
Vehicles	1,282,000	6,572,061	(7,354,061)	-	500,000					500,000	
	146,937,492	162,414,493	(151,190,249)	-	158,161,736					158,161,736	
Total	**2,352,649,699**	**180,596,992**	**-**	**8,967,806**	**2,524,278,885**	**916,479,596**	**131,404,715**	**7,427,175**	**1,040,457,136**	**1,483,821,749**	

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

4.1.2 Disposal of property, plant and equipment

Particulars		Cost	Accumulate deprercition	Book value	Sales proceeds	Gain	Mode of disposal	Particulars of buyer
		Rupees						
Plant and machinery								
	Autoconer machine	7,529,696	6,335,870	1,193,826	1,722,100	528,274	Negotiation	Textile Central Co. Ltd.
Vehicle								
	Suzuki Cultus	776,290	574,062	202,228	250,000	47,772	Negotiation	Zohra Saleem
	Suzuki Cultus	661,820	517,243	144,577	400,000	255,423	Negotiation	Muhammad Azeem
	2015	**8,967,806**	**7,427,175**	**1,540,631**	**2,372,100**	**831,469**		
	2014	15,608,951	5,992,305	9,616,646	11,530,000	1,913,354		

4.2 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	

Notes to the Financial Statements

For the year ended June 30, 2015

		Note	2015	2014
5	**LONG TERM INVESTMENTS**		------------ Rupees ------------	
	Investments in associates - at equity method:			
	Quoted:			
	Sapphire Fibres Limited	5.2	**351,680,520**	329,539,544
	Sapphire Textile Mills Limited	5.3	**73,008,307**	68,070,007
	SFL Limited	5.4	**58,165,846**	54,491,757
	Un quoted:			
	Sapphire Finishing Mills Limited	5.5	**58,547,645**	50,910,735
	Sapphire Holding Limited	5.6	**31,744,979**	28,074,191
	Sapphire Power Generation Limited	5.7	**54,255,653**	51,799,785
			627,402,950	582,886,019

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

5.2 Investment in Sapphire Fibres Limited

	2015	2014
393,697 (2014: 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	**314,645,251**	289,551,547
Dividend received	**(4,921,213)**	(1,968,485)
	351,680,520	329,539,544

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, 2015 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Fibres Limited is set out below:

	2015	2014
Total assets	**41,138,445,641**	39,725,465,161
Total liabilities	**20,999,479,644**	21,126,021,052
Net assets	**20,138,965,997**	18,599,444,109
Sales	**32,194,204,224**	31,117,254,263
Profit for the year	**2,627,609,188**	1,493,901,379
Market value per share	**590**	290.00
Percentage of ownership	**1.99%**	1.99%

5.3 Investment in Sapphire Textile Mills Limited

	2015	2014
100,223 (2014: 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	**65,895,959**	60,857,436
Dividend received	**(1,002,230)**	(902,007)
	73,008,307	68,070,007

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, 2015 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below:

	2015	2014
Total assets	**36,478,851,412**	22,723,479,673
Total liabilities	**21,036,958,486**	8,837,775,668
Net assets	**15,441,892,926**	13,885,704,005
Sales	**23,322,851,055**	25,411,301,753
Profit for the year	**1,009,589,900**	966,037,022
Market value per share	**572**	280
Percentage of ownership	**0.50%**	0.50%

5.4 Investment in SFL Limited

	2015	2014
401,570 (2014: 401,570) ordinary shares of Rs. 10 each - cost	**2,439,475**	2,439,475
Share of post acquisition profit	**55,726,371**	52,453,852
Dividend received	**-**	(401,570)
	58,165,846	54,491,757

The financial year of SFL Limited ends on June 30. The latest unaudited consolidated financial results of SFL Limited as of June 30, 2015 have been used for the purpose of application of equity method. Summarized consolidated financial information of SFL Limited is set out below:

	2015	2014
	------------- Rupees -------------	
Total assets	**2,920,403,668**	2,726,773,089
Total liabilities	**10,235,615**	427,948
Net assets	**2,910,168,053**	2,726,345,141
Revenue	**4,510,801**	3,320,838
Profit for the year	**173,931,086**	387,114,417
Market value per share	**62**	65
Percentage of ownership	**1.99%**	1.99%

5.5 Investment in Sapphire Finishing Mills Limited

1,556,000 (2014: 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	**44,372,485**	35,879,775
Dividend received	**(2,334,000)**	(1,478,200)
	58,547,645	**50,910,735**

The financial year of Sapphire Finishing Mills Limited ends on June 30. Financial results of Sapphire Finishing Mills Limited as of June 30, 2015 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:

Total assets	**8,760,409,751**	8,532,013,748
Total liabilities	**5,298,723,972**	5,521,867,474
Net assets	**3,461,685,779**	3,010,146,274
Sales	**13,157,408,877**	14,458,904,445
Profit for the year	**565,251,933**	709,907,719
Breakup value per share	**37.63**	32.61
Percentage of ownership	**1.70%**	1.70%

5.6 Investment in Sapphire Holding Limited

100,223 (2014: 100,223) ordinary shares of Rs. 10 each - cost	**524,950**	524,950
Share of post acquisition profit	**31,220,029**	27,549,241
	31,744,979	28,074,191

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, 2015 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Holding Limited is set out below:

Total assets	**6,392,535,495**	5,925,815,334
Total liabilities	**224,108,706**	192,690,219
Net assets	**6,168,426,789**	5,733,125,115
Income	**10,402,113**	4,985,974
(Loss) / profit for the year	**520,094,558**	761,199,192
Breakup value per share	**306.89**	285.33
Percentage of ownership	**0.50%**	0.50%

5.7 Investment in Sapphire Power Generation Limited

555,000 (2014: 555,000) ordinary shares of Rs. 10 each - cost	**19,425,000**	19,425,000
Share of post acquisition profit	**34,830,653**	32,374,785
	54,255,653	51,799,785

The financial year of Sapphire Power Generation Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Power Generation Limited as of June 30, 2015 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Power Generation Limited is set out below:

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		------------ Rupees ------------	
Total assets		**1,580,633,274**	1,445,652,298
Total liabilities		**217,154,513**	328,262,092
Net assets		**1,363,478,761**	1,117,390,206
Sales		**990,082,431**	737,583,933
Profit for the year		**21,580,886**	24,768,933
Breakup value per share		**85.09**	69.73
Percentage of ownership		**3.46%**	3.46%

6 LONG TERM LOANS

	Note	2015	2014
Considered good:			
Executives - secured	6.1	**48,000**	256,000
Other employees - secured		**9,000**	21,000
		57,000	277,000
Less: Current portion			
Executives		**48,000**	208,000
Other employees		**9,000**	12,000
	10	**57,000**	220,000
		-	57,000

6.1 Reconciliation of carrying amount of loan to executives

	2015	2014
At the beginning of year	**256,000**	418,000
Add: Disbursement	**-**	150,000
Less: Repayments made by executives	**208,000**	312,000
At the end of year	**48,000**	**256,000**

6.1.1 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. 0.246 million (2014: Rs. 0.403 million).

7 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2015	2014
Stores	7.1	**11,010,386**	8,397,088
Spare parts	7.2	**30,065,528**	20,679,456
Loose tools	7.3	**33,878**	32,031
		41,109,792	29,108,575

7.1 These include stores in transit amounting to nil (2014:Rs. 0.218 million).

7.2 These include spare parts in transit amounting to Rs. 5.935 million (2014: Rs. 8.284 million).

7.3 These include loose tools in transit amounting to nil (2014:Rs. 0.171 million).

8 STOCK-IN-TRADE

	Note	2015	2014
Raw material	8.1	**671,712,501**	1,148,362,014
Work-in-process	8.2	**120,307,562**	134,041,989
Finished goods	8.3	**55,551,609**	175,345,545
Waste		**5,552,690**	5,018,889
		853,124,362	**1,462,768,437**

8.1 Raw material include stock in transit of Rs. 112.051 million (2014: Rs. 157.448 million). It also includes stock of Rs. 395.535 million (2014: Rs. 598.796 million) being carried out at net realizable value. The amount charged to cost of sales in respect of written down inventories is Rs.54.911 million (2014: Rs. 127.815 million).

8.2 It also includes stock of Rs. 96.220 million (2014: Rs. 76.153 million) being carried out at net realizable value. The amount charged to cost of sales in respect of written down inventories is Rs. 3.548 million (2014: Rs. 11.024 million).

8.3 It also includes stock of Rs. 15.169 (2014: nil) being carried out at net realizable value. The amount charged to cost of sales in respect of written down inventories is Rs. 2.771 million (2014: nil). Finished goods include stock in transit amounting to nil (2014: Rs. 28.415 million).

		Note	2015	2014
9	**TRADE DEBTS**			
	Considered good:		------------ Rupees ------------	
	Foreign			
	Secured	9.2	**43,578,452**	60,918,945
	Unsecured		**57,156,378**	59,311,011
			100,734,830	120,229,956
	Local			
	Secured	9.2	**-**	5,800,655
	Unsecured - considered good	9.4	**333,303,889**	331,079,375
	Unsecured - considered doubtful		**-**	18,572,147
		9.3	**333,303,889**	355,452,177
			434,038,719	475,682,133
	Less: Provision for doubtful debts	9.1	**-**	(18,572,147)
			434,038,719	457,109,986

9.1 **Provision for doubtful debts**

	2015	2014
Opening balance	**18,572,147**	**18,572,147**
Charge for the year	**-**	**-**
Write off	**(18,572,147)**	**-**
Closing balance	**-**	**18,572,147**

9.2 These are secured against letters of credit.

9.3 Local trade debts include Rs. 208.973 million (2014: Rs. 234.657 million) receivable against indirect export sales.

9.4 These includes amount due from following associated companies:

	Up to 1 month	1 to 6 months	Over 6 months	Total	
	----------------------Rupees----------------------				
Sapphire Textile Mills Limited	**614,838**	**12,347**	**-**	**627,185**	2,600,176
Sapphire Fibres Limited	**14,004,492**	**33,483,794**	**-**	**47,488,286**	38,382,890
Diamond Fabrics Limited	**12,940,476**	**426,307**	**-**	**13,366,783**	20,815,789
	27,559,806	**33,922,448**	**-**	**61,482,254**	61,798,855

		Note	2015	2014
10	**LOANS AND ADVANCES**			
	Considered good:			
	Current portion of long term loans	6	**57,000**	220,000
	Loans to employees	10.1	**400,000**	448,000
	Advances to suppliers		**4,949,078**	10,420,006
			5,406,078	11,088,006

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

		2015	2014
11	**DEPOSIT AND SHORT TERM PREPAYMENTS**		
	Bank guarantee margin	**-**	23,809
	Prepayments	**1,348,780**	607,061
		1,348,780	630,870
12	**OTHER RECEIVABLES**		
	Export rebate receivable	**13,197,391**	11,025,677
	Sundry receivables	**279,181**	142,594
		13,476,572	11,168,271
13	**OTHER FINANCIAL ASSETS**		
	Pakistan Trustee Cash Management Fund (60,482 Units)	**3,024,125**	3,024,125
	Less: Encash during the year (60,482 Units)	**(3,024,125)**	-
		-	3,024,125

13.1 This investment is held for trading purposes.

Notes to the Financial Statements

For the year ended June 30, 2015

		2015	2014
		------------- Rupees -------------	
14	**TAX REFUNDS DUE FROM THE GOVERNMENT**		
	Sales tax refundable	**95,416,711**	62,552,997
	Income tax refundable	**92,978,443**	56,015,202
		188,395,154	118,568,199
15	**CASH AND BANK BALANCES**		
	Cash-in-hand	**167,908**	84,756
	Cash at banks on current accounts	**7,511,363**	19,852,811
		7,679,271	19,937,567
16	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	10,292,000 (2014:10,292,000) ordinary shares of Rs. 10 each fully paid in cash.	**102,920,000**	102,920,000

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

	2015	2014
	…………..Number of shares…………..	
Sapphire Agencies (Private) Limited	**2,318,899**	2,318,899
Reliance Textiles Limited	**1,098,118**	1,098,118
Neelum Textile Mills (Private) Limited	**1,365,515**	365,515
Sapphire Holdings Limited	**636,156**	-
SFL Limied	**557,621**	-
Sapphire Textile Mills Limited	**316,619**	316,692
Sapphire Fibres Limited	**155,579**	156,420
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 Cotton Mills (Private) Limited	**18,100**	1,584,800
Amer Tex (Pvt) Limited	**15,087**	6,500
Yousuf Agencies (Private) Limited	**3,223**	3,223
Salman Ismail (SMC Private) Limited	**1,500**	1,500
Diamond Fabrics Limited	**-**	1,662,000
	6,729,973	7,757,223

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

		Note	2015	2014
17	**LONG TERM FINANCING**		------------- Rupees -------------	
	From banking companies - secured			
	Long term loan	17.1	**75,000,000**	100,000,000
	Less: Payment made during the year		**41,666,667**	25,000,000
			33,333,333	75,000,000
	Less: Current portion		**33,333,333**	41,666,665
			-	33,333,335

17.1 This facility was obtained from United Bank Limited in 2013 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.

Notes to the Financial Statements

For the year ended June 30, 2015

		Note	2015	2014
			------------ Rupees	------------
18	**EMPLOYEE BENEFITS - UNFUNDED**			
18.1	**The amount recognised in the balance sheet**			
	Present value of defined benefit obligations		**61,392,853**	55,725,429
	Add: Payables		**865,805**	338,250
	Liability recognized in the balance sheet as at 30th June		**62,258,658**	56,063,679
18.2	**Movement in net liability recognized in the balance sheet**			
	At beginning of the year		**56,063,679**	44,491,122
	Expense recognised in profit and loss account	18.4	**18,937,242**	18,419,947
	Remeasurement component charged in other comprehensive income		**7,285,661**	3,678,891
	Payments during the year		**(20,027,924)**	(10,526,281)
	At end of the year		**62,258,658**	56,063,679
18.3	**Movement in the present value of defined benefit obligation**			
	Present value of obligation at beginning of the year		**55,725,429**	44,491,122
	Current service cost		**12,915,423**	9,492,142
	Past service cost		**-**	4,826,625
	Interest cost		**6,021,819**	4,101,180
	Benefits due but not paid		**(865,805)**	(338,250)
	Benefit paid during the year		**(19,689,674)**	(10,526,281)
	Actuarial loss on obligation		**7,285,661**	3,678,891
	Present value of obligation at end of the year		**61,392,853**	55,725,429
18.4	**Expense recognised in profit and loss account**			
	Current service cost		**12,915,423**	9,492,142
	Past service cost		**-**	4,826,625
	Interest cost		**6,021,819**	4,101,180
			18,937,242	18,419,947
18.5	**Charge for the year has been allocated as follows**			
	Cost of sales		**14,604,589**	13,779,963
	Distribution cost		**2,799,498**	3,037,449
	Administrative expenses		**1,533,155**	1,602,535
			18,937,242	18,419,947
18.6	**Total Remeasurement chargeable to other comprehensive income**			
	Remeasurement of plan obligation:			
	Experience adjustment		**7,285,661**	3,678,891
			7,285,661	3,678,891

		2015	2014
18.7	**Principal actuarial assumptions:**		
	Principal actuarial assumptions used are as follows: -		
	Discount rate - per annum	**9.75%**	13.25%
	Expected rate of growth per annum in future salaries	**8.75%**	12.25%
	Average expected remaining working life time of employees	**7 years**	7 years

18.8 Risk associated with defined benfit plans

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall 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%	57,290,129	66,117,910
Salary growth rate	1%	66,311,606	57,039,517

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.

18.9 Estimated contribution for the year ending June 30, 2016 is Rs. 21.814 million.

19 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.

20 TRADE AND OTHER PAYABLES

	Note	2015	2014
		------------ Rupees	------------
Creditors	20.1	**80,301,497**	128,875,506
Accrued liabilities	20.2	**124,186,207**	100,820,233
Workers' welfare fund		**23,165,482**	19,924,019
Infrastructure fee		**33,214,085**	28,763,287
Advances from customers		**2,953,268**	6,991,256
Workers' profit participation fund	20.3	**6,475,698**	4,944,712
Electricity duty		**6,240,656**	4,844,134
Equalisation surcharge		**1,937,136**	1,937,136
Unclaimed dividend		**259,486**	241,603
		278,733,515	297,341,886

20.1 Creditors include Rs. 0.274 million (2014: Rs. 51.012 million) due to associated companies. Creditors also include Rs. 38.675 (2014: Rs. 49.631 million) as against foreign currency bills payable.

20.2 Accrued liabilities includes Rs.1.765 million (2014: Rs. 8.176 million) due to associated company.

20.3 Workers' profit participation fund

	Note	2015	2014
At the beginning of the year		**4,944,712**	15,009,799
Interest on funds utilized in the Company's business	20.4	**191,354**	755,219
Provision for the year		**6,475,698**	4,944,712
		11,611,764	20,709,730
Payments made during the year		**(5,136,066)**	(15,765,018)
At the end of the year		**6,475,698**	4,944,712

20.4 Interest on workers' profit participation fund has been paid at the rate 12.5% (2014: 11.50% to 15%) per annum.

Notes to the Financial Statements

For the year ended June 30, 2015

		2015	2014
		------------ Rupees ------------	
21	**MARK-UP ACCRUED**		
	Mark-up accrued on:		
	Long term financing	**6,831**	2,016,520
	Short term borrowings	**18,112,594**	30,130,071
		18,119,425	32,146,591
22	**SHORT TERM BORROWINGS**		
	From banking companies-secured		
	Running finance	**122,163,938**	527,631,896
	Foreign currency import finance	**147,288,147**	518,790,904
	Other short term finance	**1,072,742,200**	825,000,000
		1,342,194,285	1,871,422,800

22.1 The short term borrowing facilities amounting to Rs. 2,730 million (2014: Rs. 1,215 million) remained unutilized at the year end.

22.2 These facilities have been obtained from various banks under mark-up arrangements against aggregate sanctioned limit of Rs.4,032 million (2014: Rs. 3,250 million). These facilities carry mark-up at the rates ranging from 2% to 13.67% (2014: 2 % to 14.16%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.

22.3 Facilities available for opening letters of credit and guarantees aggregate to Rs. 1,360 million (2014: Rs. 1,955 million) of which facilities amounting to Rs. 1,272 million (2014: Rs. 1,905 million) were remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.

23 CONTINGENCIES AND COMMITMENTS

23.1 CONTINGENCIES

	2015	2014
Guarantees have been issued by banks on behalf of the Company in the normal course of business.	**53,863,694**	21,694,394
Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs.	**181,839,732**	92,774,615
	235,703,426	114,469,009

23.2 Claim not acknowledged as debt

During the year ended June 30, 2014 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.

23.3 Claim of Input Sales Tax

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

Notes to the Financial Statements

For the year ended June 30, 2015

23.4 Refer to Note 31.3 to the financial statements for contingencies relating to income tax matters.

		2015	2014
		Rupees	
23.5	**COMMITMENTS**		
	Letters of credit for import of:		
	- stores and spare parts	**2,137,439**	3,670,045
	- raw material	**16,322,220**	58,480,401
	Contracts for capital expenditure	**21,547,386**	4,426,332
		40,007,045	66,576,778

24 **SALES**

	2015			2014		
	Export	Local	Total	Export	Local	Total
	Rupees					
Yarn	**1,462,242,789**	**715,776,386**	**2,178,019,175**	1,677,205,627	781,783,783	2,458,989,410
Yarn (Indirect exports)	**1,694,526,811**	**-**	**1,694,526,811**	1,660,076,909	-	1,660,076,909
	3,156,769,600	**715,776,386**	**3,872,545,986**	3,337,282,536	781,783,783	4,119,066,319
Waste	**42,447,768**	**76,524,314**	**118,972,082**	52,373,793	45,233,283	97,607,076
Waste (Indirect exports)	**12,126,540**	**-**	**12,126,540**	21,158,810	-	21,158,810
	54,574,308	**76,524,314**	**131,098,622**	73,532,603	45,233,283	118,765,886
	3,211,343,908	**792,300,700**	**4,003,644,608**	3,410,815,139	827,017,066	4,237,832,205
Processing income	**-**	**667,458**	**667,458**	-	1,256,831	1,256,831
Export rebate	**2,837,506**	**-**	**2,837,506**	4,865,907	-	4,865,907
	3,214,181,414	**792,968,158**	**4,007,149,572**	3,415,681,046	828,273,897	4,243,954,943

24.1 Export sales includes foreign currency exchange gain amounting to Rs. 9.156 million (2014: Rs. 8.942million) realized on export proceeds.

24.2 Sales tax on local and indirect exports sale is Rs. 41.099 million (2014: Rs. 44.318million)

Notes to the Financial Statements

For the year ended June 30, 2015

		Note	2015	2014
			------------ Rupees	------------
25	**COST OF SALES**			
	Raw material consumed	25.1	**2,439,284,545**	2,831,416,357
	Packing material consumed		**62,505,897**	60,377,873
	Store and spare parts consumed		**69,443,256**	80,280,634
	Salaries, wages and other benefits	25.2	**318,017,979**	276,397,551
	Fuel and power		**333,119,914**	345,425,551
	Insurance		**7,081,010**	15,280,963
	Repair and maintenance		**4,714,440**	20,800,889
	Travelling and conveyance		**5,107,337**	7,007,938
	Processing charges		**71,263,401**	79,321,428
	Other manufacturing overheads		**2,667,561**	2,196,383
	Depreciation	4.1.1	**131,404,718**	114,090,913
			3,444,610,058	3,832,596,480
	Work-in-process			
	At beginning of year		**134,041,989**	78,014,316
	At end of year		**(120,307,562)**	(134,041,989)
			13,734,427	(56,027,673)
	Cost of goods manufactured		**3,458,344,485**	3,776,568,807
	Finished goods			
	At beginning of year		**180,364,434**	186,200,699
	Yarn purchased		**6,057,149**	44,264,108
	At end of year	8	**(61,104,299)**	(180,364,434)
			125,317,284	50,100,373
	Cost of goods sold		**3,583,661,769**	3,826,669,180
25.1	**Raw material consumed**			
	At beginning of the year		**990,913,260**	794,043,606
	Add: Purchases - net		**2,008,032,782**	3,028,286,011
			2,998,946,042	3,822,329,617
	Less: At end of the year		**(559,661,497)**	(990,913,260)
			2,439,284,545	2,831,416,357

25.2 Salaries, wages and other benefits include Rs. 14.604 million (2014: Rs. 13.779 million) in respect of employee benefits - gratuity.

		Note	2015	2014
26	**DISTRIBUTION COST**			
	Salaries and other benefits	26.1	**15,909,844**	15,190,691
	Postage and telephone		**338,911**	473,918
	Traveling and conveyance		**5,640,725**	5,574,597
	Printing, stationery and others		**120,766**	262,317
	Entertainment		**2,535,163**	2,156,136
	Commission			
	- Local		**3,332,724**	1,628,564
	- Export		**20,931,110**	30,795,292
	Freight and forwarding			
	- Local		**5,105,651**	6,221,020
	- Export		**39,107,778**	43,129,680
	Export development surcharge		**3,784,429**	4,681,874
	Insurance charges - export		**1,539,018**	1,856,270
			98,346,119	111,970,359

26.1 Salaries and other benefits include Rs. 2.799 million (2014: Rs. 3.037 million) in respect of employee benefits - unfunded gratuity.

		Note	2015	2014
			------------ Rupees ------------	
27	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	27.1	**26,470,805**	23,442,003
	Postage and telephone		**2,108,350**	2,406,566
	Fees and subscription		**1,033,581**	1,185,928
	Printing and stationery		**439,369**	471,986
	Traveling and conveyance		**1,431,210**	1,762,239
	Repair and maintenance		**1,944,612**	2,526,689
	Legal and professional charges		**2,709,664**	5,427,739
	Advertisement		**43,000**	175,500
	Entertainment		**1,093,941**	1,163,174
	Donation	27.2	**3,360,500**	1,001,313
	Utility charges		**1,094,314**	1,313,965
	Others		**1,037,336**	1,422,067
			42,766,682	42,299,169

27.1 Salaries and other benefits include Rs. 1.533 million (2014: Rs. 1.602 million) in respect of employee benefits - unfunded gratuity.

27.2 Donations of Rs.1.2 million (2014: 1 million) has been 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	2015	2014
28	**OTHER INCOME**			
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		**831,469**	1,913,354
	Scrap sales	28.1	**3,003,976**	3,760,872
	Income from financial assets			
	Gain on in disposal of Investment	13	**240,236**	-
	Unrealised gain on remeasurement of financial assets		**-**	24,125
			4,075,681	5,698,351

28.1 Scrap sales inclusive of sales tax amounts to Rs. 3.541 million (2014: Rs. 4.3 million).

		Note	2015	2014
29	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	29.1	**857,500**	823,500
	Workers' profit participation fund		**6,475,698**	4,944,712
	Workers' welfare fund		**3,241,463**	3,347,468
	Foreign exchange loss		**-**	277,456
			10,574,661	9,393,136
29.1	**Auditors' remuneration**			
	Annual audit		**577,500**	550,000
	Half-yearly review		**125,000**	125,000
	Compliance report on Code of Corporate Governance		**52,500**	50,000
	Other certification		**25,000**	25,000
	Out-of-pocket expenses		**77,500**	73,500
			857,500	823,500
30	**FINANCE COST**			
	Mark-up on:			
	Long term financing		**5,478,923**	8,874,081
	Short term borrowings		**132,200,316**	158,239,177
	Interest on workers' profit participation fund		**191,354**	755,219
	Bank charges and commission		**8,757,748**	9,221,665
	Exchange loss/ (gain) on foreign currency loans		**9,450,875**	(8,370,756)
			156,079,216	168,719,386

Notes to the Financial Statements

For the year ended June 30, 2015

		Note	2015	2014
			------------- Rupees -------------	
31	**PROVISION FOR TAXATION**			
	Current			
	-for the year	31.2	**36,106,752**	24,378,995
	-for prior year		**474,963**	(13,986,786)
			36,581,715	10,392,209
	Deferred - for the year		**3,075,337**	7,659,658
			39,657,052	18,051,867
31.1	**Relationship between tax expense and accounting profit**			
	Accounting profit before tax		**182,379,400**	**143,610,337**
	Tax rate %		**33%**	34%
	Tax on accounting rate		**60,185,202**	48,827,515
	Income chargeable to tax at different rates		**(3,426,194)**	(6,425,707)
	Effect of tax on share of profits from associates		**(17,576,919)**	(10,363,155)
	Effect of prior year tax		**474,963**	(13,986,786)
	Current tax provision		**39,657,052**	18,051,867

31.2 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 2014 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001.

31.3 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.

However the Commissioner Inland Revenue has filed appeal (ITR 8, 9 and 10 of 2013) in Sindh High Court of which decision is still pending.

31.4 Under section 5A of the Income Tax Ordinance, 2001, the Company is obligated to pay tax at the rate of 10 percent on its undistributed reserves exceeding 100 percent of its paid-up capital. Further, such tax shall not be applicable to a public company which distributes lower of 40 percent of its after tax profits or 50 percent of its paid up capital, within six months of the end of the tax year. The Company intends to comply with the requirements under section 5A of the Income Tax Ordinance, 2001 in the forthcoming six months.

		2015	2014
32	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	There is no dilutive effect on the basic earning per share which is based on:		
	Profit attributable to ordinary shareholders **(Rupees)**	**142,722,348**	125,558,470
	Weighted average number of ordinary shares outstanding during the year (**Numbers)**	**10,292,000**	10,292,000
	Earnings per share - (Rupees)	**13.87**	12.20

33 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer		Executives	
	2015	2014	2015	2014
	Rupees		Rupees	
Managerial remuneration	**3,216,000**	3,216,000	**17,040,831**	17,658,508
House rent	**1,447,200**	1,447,200	**7,205,864**	7,177,436
Utilities	**136,800**	136,800	**663,151**	657,763
Conveyance	**-**	-	**18,000**	20,700
Medical expenses	**-**	-	**428,415**	421,796
Bonus/Leave encashment	**-**	-	**3,736,264**	5,393,907
	4,800,000	4,800,000	**29,092,525**	31,330,110
Number of persons	**1**	1	**13**	14

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

33.2 The Company has paid Rs.40,000 (2014: Rs.10,000) as meeting fee to director.

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

34 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

34.1 Credit risk and concentration of credit risk

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

The Company is exposed to credit risk from its operating activities primarily for local trade debts, 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.

34.1.1 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:

	2015	2014
	----------- Rupees	-----------
Long term loans	**57,000**	277,000
Long term deposits	**9,129,670**	8,858,230
Trade debts	**434,038,719**	475,682,133
Loans and advances	**400,000**	448,000
Deposits	**-**	23,809
Other receivables	**279,181**	142,594
Bank balances	**7,511,363**	19,852,811
	451,415,933	505,284,577

Geographically there is no concentration of credit risk.

The aging of trade receivables at the reporting date is:

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
	------------------	------ Rupees	------	------------------
Past due				
Upto 1 month	**215,070,533**	-	165,846,414	-
1 month to 6 months	**113,760,481**	-	121,520,157	-
Over 6 months	**146,999**	-	2,881,541	-
Over 6 months - impaired	**-**	-	18,572,147	18,572,147
	328,978,013	-	308,820,259	18,572,147

There is no movment in the allowance for the receivables classified as impared.

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.

34.2 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.

Notes to the Financial Statements

For the year ended June 30, 2015

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

34.2.1 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.

	2015					
	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	**33,333,333**	36,238,816	18,689,954	17,548,862	-	-
Employee benefits - unfunded	**62,258,658**	62,258,658	865,805	-	-	61,392,853
Trade and other payable	**206,684,326**	206,684,326	206,684,326	-	-	-
Mark up accrued	**18,119,425**	18,119,425	18,119,425	-	-	-
Short term borrowings	**1,342,194,285**	1,479,802,754	762,836,122	716,966,632	-	-
	1,662,590,027	1,803,103,979	1,007,195,632	734,515,494	-	61,392,853

	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

34.3 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.

34.3.1 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.

Exposure to currency risk

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

	2015		2014	
	USD	EURO	USD	EURO
Trade debts	**931,926**	**54,102**	1,218,753	-
Trade creditors	**(120,811)**	**(3,278)**	(5,095)	-
Short term borrowings	**(1,448,261)**	**-**	(5,258,904)	-
	(637,146)	**50,824**	(4,045,246)	-

Commitments outstanding at year end amounted to Rs. 18.459 million (2014: Rs. 62.150 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	
	2015	2014	2015	2014
	------------- Rupees -------------		------------- Rupees -------------	
USD 1	**101.36**	102.65	**101.70**	98.75
EURO 1	**121.73**	139.39	**113.79**	134.73

Sensitivity analysis

A 5 percent strengthening of the Pak Rupee against the USD & EURO at June 30, 2015 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

	2015	2014
	------------- Rupees -------------	
(Increase) / Decrease in profit and loss account	**3,529,051**	19,973,402

A 5 percent weakening of the Pak Rupee against the USD & EURO at June 30, 2015 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

34.4 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and 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:

	2015	2014	2015	2014
	……………….. % ………………..		------------- Rupees -------------	
Financial liabilities				
Long term financing	**8.48 to 10.67**	9.5 to 10.68	**33,333,333**	75,000,000
Short term borrowings	**2 to 13.67**	2 to 14.6	**1,342,194,285**	1,871,422,800
			1,375,527,618	1,946,422,800

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.

	Increase / (Decrease) in basis %	Effect on profit before tax Rupees
2015		
Long term financing	1.00%	333,333
Short term borrowings		13,421,943
		13,755,276
2014		
Long term financing	1.00%	750,000
Short term borrowings		18,714,228
		19,464,228

Equity Price Risk Management

34.5 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.

Notes to the Financial Statements

For the year ended June 30, 2015

34.6 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 1Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2inputs 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 3Inputs 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.

	2015	**2014**
	------------- Rupees -------------	
35 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial Assets		
Loans and receivables at amortised cost		
Long term loans	**57,000**	277,000
Long term deposits	**9,129,670**	8,858,230
Trade debts	**434,038,719**	475,682,133
Loans and advances	**400,000**	448,000
Deposits	**1,348,780**	607,061
Other receivables	**279,181**	142,594
	445,253,350	486,015,018
Financial Assets - At fair value		
Other financial assets	**-**	3,024,125
Cash and bank balances	**7,679,271**	19,937,567
	452,932,621	508,976,710
Financial Liabilities - At amortised cost		
Long term financing	**33,333,333**	75,000,000
Employee benefits - unfunded	**62,258,658**	56,063,679
Trade and other payable	**215,878,250**	243,709,868
Mark up accrued	**18,119,425**	32,146,591
Short term borrowings	**1,342,194,285**	1,871,422,800
	1,671,783,951	2,278,342,938

36 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:-

Total borrowings including mark-up accrued	**1,393,647,043**	1,978,569,391
Total equity	**1,917,076,858**	1,806,886,391
Total capital employed	**3,310,723,901**	3,785,455,782
Gearing ratio	**42.09%**	52.27%

37 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	2015	2014
Associated companies		------------- Rupees	-------------
	Sales:		
	Yarn / raw material / stores, spare parts	502,599,461	595,067,788
	Purchase:		
	Yarn /raw material /stores, spare parts	96,692,240	105,454,270
	Property plant and equipment	4,223,665	7,350,000
	Electricity	77,121,952	82,768,469
	Services:		
	Rendered	-	1,256,831
	Obtained	3,522,768	5,200,220
	Dividend:		
	Paid	10,095,671	15,504,640
	Received	8,257,443	4,750,267
	Shared expenses paid	7,124,954	6,277,752
	Investment in Associate:		
	Sapphire Power Generation Limited	-	19,425,000

37.1 All transactions with related parties have been carried out at agreed terms

38 **NUMBER OF EMPLOYEES**	2015	2014
	--------------Numbers	--------------
Average number of employees during the year	**1,344**	1,370
Number of employees as at June 30	**1,369**	1,311

39 PLANT CAPACITY AND ACTUAL PRODUCTION

	2015	2014
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	**33,149**	32,420
Number of shifts per day	**3**	3
Total days worked	**365**	364
Actual production of yarn after conversion into 20's count (Lbs.)	**20,747,192**	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.

40 EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on September 28, 2015 has proposed to pay cash dividend for the year ended June 30, 2015 of Rs. 51.460 million @ Rs.5 per ordinary share of Rs. 10 each (2014: Rs. 15.438 million @ Rs. 1.5 per ordinary share of Rs. 10 each). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these financial statements.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 28, 2015 by the Board of Directors of the Company.

42 GENERAL

Figures have been rounded off to the nearest Rupee.

Karachi:
Dated: September 28, 2015

SHAYAN ABDULLAH
CHIEF EXECUTIVE

AMER ABDULLAH
DIRECTOR

Pattern of Shareholding

AS AT JUNE 30, 2015

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
406	1	100	7,553
85	101	500	32,459
33	501	1000	30,637
27	1001	5000	73,597
9	5001	10000	62,228
2	10001	15000	23,397
3	15001	20000	51,440
1	20001	25000	20,539
2	25001	30000	55,709
4	35001	40000	153,085
2	40001	45000	85,164
1	65001	70000	69,160
1	75001	80000	79,027
2	85001	90000	176,154
1	105001	110000	108,217
1	120001	125000	123,902
1	145001	150000	149,194
1	155001	160000	155,579
1	230001	235000	232,838
1	315001	320000	316,619
1	340001	345000	340,826
1	365001	370000	365,515
1	435001	440000	435,645
1	465001	470000	465,638
1	520001	525000	522,570
1	545001	550000	545,522
1	555001	560000	557,621
1	635001	640000	636,156
1	930001	935000	934,026
1	995001	1000000	1,000,000
1	1095001	1100000	1,097,110
1	1380001	1385000	1,384,873
596		**Total**	**10,292,000**

Category of Shareholders

AS AT JUNE 30, 2015

CATEGORY OF SHAREHOLDERS	Shares Held	Percentage
Directors, CEO, spouses and Minor Children	1,494,528	14.5213
Associated Companies, undertakings, related parties	6,729,973	65.3903
NIT & ICP	465,638	4.5243
Banks, DFI & NBFI	325	0.0032
Insurance Companies	16,940	0.1646
Modaraba Companies and Mutual Funds	500	0.0049
Individuals Local	1,545,837	15.0198
Joint Stock Companies	52	0.0005
Other Companies	38,207	0.3712
	10,292,000	**100.0000**

Pattern of Shareholding

AS AT JUNE 30, 2015

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Reliance Textiles (Private) Limited	1,098,118
Neelum Textile Mills Limited.	1,365,515
Sapphire Textile Mills Limited.	316,619
Sapphire Fibres Limited	155,579
Sapphire Agencies (Pvt) Ltd.	2,318,899
Amer Cotton Mills (Private) Limited	18,100
Galaxy Agencies (Private) Limited	108,217
Sapphire Power Generation Limited	20,539
Nadeem Enterprises (Private) Limited	87,104
Crystal Enterprises (Private) Limited	27,696
Salman Ismail (SMC-Private) Limited	1,500
Yousuf Agencies (Private) Limited	3,223
Amer Tex (Pvt.) Limited	15,087
SFL Limited	557,621
Sapphire Holding Limtied	636,156

B) NIT & ICP

National Bank of Pakistan Trustee Department	465,638

C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN

DIRECTORS & THEIR SPOUSES

Mr. Mohammad Abdullah.	89,050
Mr. Yousuf Abdullah.	588,710
Mr. Mohammad Yamin.	665
Mr. Amer Abdullah.	379,576
Mrs. Ambareen Amer	240,838
Mrs. Shamshad Begum	165,878
Mrs. Usma Yousuf	28,013
Mr. Nabeel Abdullah	570
Mr. Asif Elahi	500

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shayan Abdullah	728

Pattern of Shareholding

AS AT JUNE 30, 2015

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
MODARABA COMPANIES	
First Punjab Modaraba	500

E) SHAREHOLDERS HOLDING 5% OR MORE

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

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

Shares purchased by Mrs. Shamshad Begum	4,000
Shares purchased by Mr. Mohammad Abdullah	10
Shares purchased by Mr. Amer Abdullah	9

Form of Proxy

I / we

Folio No. of

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

do hereby appoint

of

or failing him/her

of

a member of **Reliance Cotton Spinning Mills Limited**, vide Registered Folio No. ______________________ as my/our Proxy to act on my/our behalf at 26th Annual General Meeting of the Company to be held on Monday the 26th October, 2015 at 12:30 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this________ day of ________________ 2015

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.