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## Reliance Cotton Spinning Mills Limited

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## Company Profile

### Board of Directors

|                     |                 |
|---------------------|-----------------|
| Mr. Amer Abdullah   | Chairman        |
| Mr. Shayan Abdullah | Chief Executive |
| Mr. Shahid Abdullah |                 |
| Mr. Yousuf Abdullah |                 |
| Mr. Nabeel Abdullah |                 |
| Mr. Abdul Sattar    |                 |
| Mr. Asif Elahi      |                 |

### Audit Committee

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

### Human Resource & Remuneration Committee

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

### Chief Financial Officer

Mr. Jawwad Faisal

### Company Secretary

Mr. Umar Rahi

### Bankers of the Company

Habib Bank Limited  
 MCB Bank Limited  
 Habib Metropolitan Bank Limited  
 National Bank of Pakistan  
 Meezan Bank Limited  
 Faysal Bank Limited  
 United Bank Limited  
 Askari Bank Limited

### Auditors

Deloitte Yousuf Adil,  
 Chartered Accountants

### Tax Consultant

Deloitte Yousuf Adil,  
 Chartered Accountants

### Legal Advisor

Hassan & Hassan, Advocates

### Share Registrar

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

### Geographical Presence:

### Registered Office

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

### Mills

Ferozwattoan,  
 District, Sheikhpura, Punjab.

### Company Website

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

## Vision

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

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

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

## Mission

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

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

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

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 28th Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Tuesday the 24th day of October, 2017 at 04:00 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of last General Meeting,
2. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
3. Declaration of a dividend.
4. Appointment and fixation of remuneration of auditors.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.  
Dated : 28th September, 2017

(MOHAMMAD UMAR RAHI)  
Secretary

### NOTES

1. Closure of share transfer books:  
  
Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18th October, 2017 to 24th October, 2017 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 17th October, 2017 will be considered in time for the payment of dividend.
2. Participation in the annual general meeting:  
  
A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.
3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 312, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.
4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:
  - A. For attending the meeting:
    - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
    - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
  - B. For appointing proxies:
    - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.



## Notice of Annual General Meeting

- 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. Section 244 of the Act requires that any shares that remained unclaimed for a period of three years (or more) as well as any dividend which remained unpaid for period of three years (or more) are to vest with the Federal Government. The law requires the company to deposit any unclaimed or unpaid amount to the credit of the Federal Government, if no claim is made before the company after giving due notices to the shareholders. Through this notice all Shareholders, who by any reason, could not claim their dividend or shares, are advised to contact our Share Registrar M/s. Hameed Majeed Associates (Private) Limited to collect / enquire about their unclaimed dividend or pending shares, if any.
9. (i) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
- 1. Rate of tax deduction for filer of income tax return 15%
  - 2. Rate of tax deduction for non-filers of income tax return 20%
- To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.
- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

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

## Notice of Annual General Meeting

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.

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

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

"I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of Reliance Cotton Spinning Mills Ltd, holder of \_\_\_\_\_ Ordinary Shares as per registered folio # \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_."

\_\_\_\_\_  
Signature of Member

## Directors' Report to the Shareholders

The Directors of your Company are pleased to submit their report along with the audited financial statements of the Company for the year ended 30 June 2017.

### Financial Highlights:

|                        | 2017<br>Rupees | 2016<br>Rupees |
|------------------------|----------------|----------------|
| Sales                  | 3,570,713,354  | 3,221,146,642  |
| Gross profit           | 390,271,587    | 334,415,313    |
| Profit from operations | 266,720,740    | 213,000,974    |
| Finance cost           | 71,742,623     | 110,637,339    |
| Profit before taxation | 253,791,704    | 170,399,161    |
| Profit after taxation  | 228,994,025    | 121,897,352    |
| Earning per share      | 22.25          | 11.84          |

### Appropriation of profits:

The Board of Directors of the Company has recommended cash dividend @ 15 % (2016: 50%)

### Review of Operations:

During the year under review, the company achieved sales of Rs. 3,571 million as compared to Rs. 3,221 million in the corresponding period; an increase of 10.85%. Gross profit as a percentage of sales improved from 10.38% to 10.93% compared with last year. Whereas, profit after tax increased to Rs. 229 million as compared to Rs. 122 million during last year showing an impressive growth of 87.85%.

### Future Outlook:

Pakistan's textile exports remained stagnant during financial year 2017. The decline in country's share of global textile exports is an alarming sign for future sustainability of our textile sector. This situation demands that the export package gets implemented in letter and spirit without further delay.

In spite of challenging business environment, financial performance of your Company improved considerably during the period under review. The management of your Company is focused on enhancement of shareholder value through reinvestment in necessary balancing, modernization and replacement of plant and machinery, process improvements and cost optimization initiatives.

### Related parties:

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the stock exchange in Pakistan.

### Health, Safety and Environment (HSE)

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

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

## Directors' Report to the Shareholders

### Compliance with Code of Corporate governance:

Your Company complies with the requirements of best practices of Code of Corporate Governance. In order to protect and enhance the long term value of shareholders. The Board is responsible for the overall corporate governance of the Company including approving strategic policies and decisions, capital expenditures, appointing, removing and creating succession policies. In compliance with the Code of Corporate Governance following statements are given for corporate reporting frame work:

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

| Sr. # | Attendance in meetings | Board | Audit Committee | HR & Remuneration Committee |
|-------|------------------------|-------|-----------------|-----------------------------|
| 1.    | Mr. Muhammad Abdullah  | 3     |                 |                             |
| 2.    | Mr. Shahid Abdullah    | 1     |                 |                             |
| 3.    | Mr. Shayan Abdullah    | 6     |                 | 1                           |
| 4.    | Mr. Amer Abdullah      | 5     | 4               |                             |
| 5.    | Mr. Yousuf Abdullah    | 5     |                 | 1                           |
| 6.    | Mr. Nabeel Abdullah    | 4     | 4               |                             |
| 7.    | Mr. Muhammad Yamin     | 5     |                 |                             |
| 8.    | Mr. Asif Elahi         | 5     | 4               | 1                           |
| 9.    | Mr. Abdul Sattar       | 2     |                 |                             |

## Directors' Report to the Shareholders

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

### Role of Chairman and Chief Executive:

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

### The Roles and Responsibilities of the Chairman include:

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

### The Roles and Responsibilities of the CEO include:

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

### Performance Evaluation of Directors on the Board

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

The working of the Board is based on best business practices and is in line with the Code as defined by Securities and Exchange Commission of Pakistan (SECP). The Board has adopted a highly structured process to evaluate its own performance wherein individual Board members rate overall Board performance

## Directors' Report to the Shareholders

by responding to a series of performance evaluation questions. The responses of the directors are then compiled for a detailed discussion among the members. During the discussion, Board also evaluates its performance in fulfilling its fiduciary responsibilities, providing its leadership role, giving strategic direction and providing guideline to the management in compliance of policies and standards.

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

### CEO Performance Evaluation

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

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

### Director's Training

The Directors of the Company are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Ordinance, 1984 and in the Regulations of PSX Rule book.

### Auditors:

The present auditors M/s. Deloitte Yousuf Adil, Chartered Accountants retire and being eligible have offered themselves for reappointment. The Audit Committee has recommended their reappointment. The external auditors have been given satisfactory rating under the quality control review of the Institute of Chartered Accountants of Pakistan.

### Acknowledgements:

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

For and on behalf of the Board

Lahore:  
September 28, 2017

(Shayan Abdullah)  
(Chief Executive)

## ڈائریکٹرز رپورٹ

### چیف ایگزیکٹو آفیسر کا کردار اور ذمہ داریاں:

- ﴿ کمپنی کے اعلیٰ ترین نمائندے کی حیثیت سے ذمہ داریاں نبھانا۔
- ﴿ کاروباری امور کی نگرانی کرنا اور بورڈ کی جانب سے سفارش کردہ اور منظور شدہ پالیسیوں اور حکمت عملیوں کے نفاذ کو ممکن بنانا۔
- ﴿ کمپنی کے کاروباری افعال اور مالیاتی نتائج کا معیق جائزہ لینا اور نتائج کا استقلال کے ساتھ کمپنی کے منصوبوں اور بجٹ سے موازنہ کرنا۔
- ﴿ اس بات کو یقینی بنانا کہ کمپنی میں رپورٹنگ کا ایسا موثر نظام موجود ہو کہ انتظامیہ کی ہر سطح پر اس بات کو ممکن بنایا جاسکے کہ ملازمین اپنی آراء کا اظہار کر سکیں۔
- ﴿ اس بات کو یقینی بنانا کہ کمپنی تمام متعلقہ قوانین اور کارپوریٹ گورننس کے ضوابط پر عمل پیرا ہے اور یہ کہ کمپنی کو لاحق خطرات کو کم از کم کرنے کی غرض سے بورڈ کی جانب سے ان ضوابط کی سفارش کی جاری اور انہیں اپنایا جا رہا ہے۔
- ﴿ اس انداز سے ضابطہ اخلاق مرتب کرنا کہ رہنمائی بھی اخلاقی اقدار پر مبنی ہو اور ماحول بھی انہی اخلاقی اقدار کا مظہر ہو۔

### بورڈ کے ڈائریکٹروں کی کارکردگی کی جانچ پڑتال:

آپ کی کمپنی کا بورڈ آف ڈائریکٹر اعلیٰ پیشہ وارانہ صلاحیتوں کے حامل افراد پر مبنی ایک تنظیمی ڈھانچہ ہے۔ بورڈ کے تمام ممبران اعلیٰ صلاحیتوں کے حامل ایسے افراد ہیں جن کے پاس مختلف شعبہ ہائے زندگی کا تجربہ ہے، یہ افراد گہری کاروباری سوجھ بوجھ اور دوراندیشی کے حامل ہیں۔ بورڈ کل آٹھ ممبران پر مشتمل ہے جن میں ایک آزاد ڈائریکٹر بھی شامل ہے جنہیں مختلف کاروباری جہتوں کا پیشہ وارانہ تجربہ حاصل ہے۔

بورڈ کی کاروائیاں بہترین کاروباری طریق پر مشتمل ہیں اور ان طریق ہائے کار میں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ضوابط کی مکمل پاسداری کی جاتی ہے، بورڈ کی جانب سے اپنی ہی کارکردگی کو موثر انداز سے جانچنے کے لیے ایک انتہائی مربوط ضابطہ کار موجود ہے جس کے تحت بورڈ کا ہر ممبر فرداً فرداً جانچنے سے متعلق چند سوالات کے جواب دے کر بورڈ کی مجموعی کارکردگی کا جائزہ لیتا ہے، اس کے بعد تسلسل کے ساتھ پوچھے گئے ان سوالات کو ایک ساتھ مرتب کیا جاتا ہے اور ممبران اجتماعی طور پر اسے زیر بحث لاتے ہیں۔ دورانِ مباحثہ بورڈ اس بات کا جائزہ لیتا ہے کہ اس کی جانب سے مالیاتی معاملات، کمپنی کو رہنمائی فراہم کرنے، حکمت عملی بنانے اور پالیسیوں اور ضوابط کی پاسداری کرتے ہوئے کمپنی کی انتظامیہ کو رہنمائی فراہم کرنے جیسے اہم امور میں اس کی کارکردگی کیسی رہی۔

کام کی شرائط کو مد نظر رکھتے ہوئے بورڈ نے مخصوص امور سے متعلق کمپنیوں کی تشکیل دینے میں ہمیشہ مستعدی اور پیشگی کا مظاہرہ کیا ہے۔ مجموعی سطح پر بورڈ کی کارکردگی انتہائی اطمینان بخش رہی اور بورڈ اس اہم نکتے سے پوری طرح آگاہ ہے کہ بورڈ کی کارکردگی میں تسلسل کے ساتھ اصلاح پر ہی دراصل کمپنی کی کامیابی کا دار مدار ہے۔

### چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ:

یہ بورڈ کا معمول رہا ہے کہ چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ مستقل بنیادوں پر لیا جاتا رہے اور اس ضمن میں چیئر مین کے روبرو سفارشات پیش کی جاتی رہیں۔ چیف ایگزیکٹو آفیسر کی کارکردگی کو جانچنے کے لیے معیاری اور مقدراری دونوں ہی قسم کے معیارات کو بروئے کار لایا جاتا ہے، جس میں کمپنی کی مجموعی مالیاتی کارکردگی، مقاصد کا تعین، رہنمائی کے اصولوں کی پاسداری اور موثر انتظامیہ جیسے امور شامل ہیں البتہ جانچ کے میکانزم انہی امور تک محدود نہیں ہیں۔ مالیاتی کارکردگی کو مضبوط سے مضبوط تر بنانے کی غرض سے مستقل بنیادوں پر کی جانے والی کوششیں، صارفین میں اضافہ، مضبوط انسانی وسائل اور سہلانی چین میں نئی حکمت عملیوں اور نئی جہتوں سے فوائد اٹھانے جیسے امور بھی چیف ایگزیکٹو آفیسر کی جانچ کے عمل میں انتہائی اہم کردار ادا کرتے ہیں۔

### ڈائریکٹروں کی تربیت:

تمام ڈائریکٹران اپنے فرائض کو احسن طریقے سے سرانجام دینے کے لیے نہ صرف تربیت یافتہ ہیں بلکہ نیٹ ورکس 1984 اور اشاک مارکیٹ رول بک کے تحت اپنے فرائض و ذمہ داریوں سے بخوبی آگاہ ہیں۔

### آڈیٹرز:

موجودہ آڈیٹرز میسرز ڈیلائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کے حامل ہونے کی وجہ سے انہوں نے اپنی خدمات دوبارہ پیش کی ہیں۔ آڈٹ کمیٹی نے ان کی دوبارہ تہنیتی کی سفارش کی ہے۔ بیرونی آڈیٹر کو انٹیٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس پاکستان نے کو الٹی کنٹرول جائزہ میں اطمینان بخش وجہ بندی دی ہے۔

### اعتراف:

انتظامیہ بورڈ آف ڈائریکٹرز کی معاونت، حصص داران، ریگولیٹری اتھارٹیز، مالیاتی اداروں، خریداروں، سپلائرز اور سٹاف اور ورکرز کی لگن اور سخت محنت کو سراہتی ہے۔

بورڈ کی جانب سے

(شایان عبداللہ)

(چیف ایگزیکٹو)

لاہور

28 ستمبر 2017



## ڈائریکٹرز رپورٹ

- 4- مالی دستاویزات کی تیاری کے سلسلے میں پاکستان میں مستعمل بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ کا بھی لحاظ رکھا گیا ہے اور کسی قسم کی روگردانی کی صورت میں اسکی مناسب وجوہات بیان کی جاتی ہیں۔
- 5- اندرونی کنٹرول کا نظام انتہائی جامع ہے اور اس نظام کو موثر اندازہ سے نافذ کیا جاتا ہے اس کی مکمل نگرانی بھی کی جاتی ہے۔
- 6- اس بات میں کوئی شک کی گنجائش نہیں ہے کہ کمپنی اپنی کاروباری سرگرمیوں کو ہمیشہ جاری رکھنا چاہتی ہے۔
- 7- کمپنی کی ایک آڈٹ کمیٹی ہے جس کے ممبران بورڈ آف ڈائریکٹرز سے تعلق رکھتے ہیں۔
- 8- لسٹنگ قواعد میں مقررہ کارپوریٹ گورننس کے ضوابط کی پاسداری سے ایسی کوئی روگردانی نہیں کی گئی جو قابل ذکر ہو۔
- 9- ہم اخلاقی ضوابط اور کاروباری حکمت عملی سے متعلق ایک دستاویز مرتب کرنے کے بعد ڈائریکٹروں اور ملازمین کے درمیان تقسیم کر چکے ہیں۔
- 10- مالی سال کے دوران، متعلقہ پارٹیز کے ساتھ کیے جانے والے لین دین کی آڈٹ کمیٹی نے توثیق کی ہے اور بورڈ نے منظور کیا ہے۔
- 11- زیر جائزہ سال کے دوران درج ذیل بورڈ میٹنگ ہوئی تھی۔

| سیریل نمبر | میٹنگ میں حاضری    | بورڈ | آڈٹ کمیٹی | ایچ آر اور معاوضہ کمیٹی |
|------------|--------------------|------|-----------|-------------------------|
| 1          | جناب محمد عبداللہ  | 3    |           |                         |
| 2          | جناب شاہد اللہ     | 1    |           |                         |
| 3          | جناب شایان عبداللہ | 6    |           | 1                       |
| 4          | جناب عامر عبداللہ  | 5    | 4         |                         |
| 5          | جناب یوسف عبداللہ  | 5    |           | 1                       |
| 6          | جناب نبیل عبداللہ  | 4    | 4         |                         |
| 7          | جناب محمد یامین    | 5    |           |                         |
| 8          | جناب آصف الہی      | 5    | 4         | 1                       |
| 9          | جناب عبدالستار     | 2    |           |                         |

- 12- ہماری بہترین معلومات کے مطابق، ڈائریکٹرز، چیف ایگزیکٹو، ایف او، اور کمپنی سیکرٹری، کمپنی کے آرڈینرز، اور ان کے رشتے داروں، اور چھوٹے بچوں نے کمپنی کے حصص کی کوئی تجارت نہیں کی ہے۔
- 13- ضابطہ کی ضرورت کے مطابق، ہم نے رپورٹ میں مندرجہ ذیل معلومات شامل کی ہیں۔
- (i) کورڈ آف کارپوریٹ گورننس کی پبلیکیشن اور پیر پورٹ آڈیٹرز کے جائزہ کے بعد درست پائی گئی ہے
- (ii) ترتیب حصص داری کا متن
- (iii) ان حصص سے متعلق متن جن کی ملکیت منسلک حلف ناموں کی بنیاد پر ہے اور جن کا تعلق متعلقہ افراد سے ہے
- (iv) گزشتہ چھ برسوں سے متعلق اہم ترین کاروباری اور مالیاتی امور کا شماریاتی جائزہ۔

چیئر مین اور چیف ایگزیکٹو آفیسر کا کردار:

اصولی طور پر بورڈ کا رہنما چیئر مین ہوتا ہے اور یہ اسکی ذمہ داری ہے کہ اس بات کو یقینی بنائے کہ بورڈ کا ہر فرد اپنی ذمہ داریاں باحسن و خوبی نبھاتا ہے جبکہ چیف ایگزیکٹو آفیسر ایک انتظامی ڈائریکٹر ہوتا ہے جسے کمپنی کے سربراہ کے طور پر اپنی ذمہ داریاں سرانجام دینا ہوتی ہے۔

چیئر مین کے کردار اور ذمہ داریوں میں درج ذیل امور شامل ہیں۔

- ✦ بورڈ کے فور کرنے کے لیے ایجنڈے تیار کرنا۔
- ✦ بورڈ کی رہنمائی کرنا اور انتظامی کمیٹی کی جانب پیش کی جانے والی تجاویز کو زیر غور لانا ہے۔
- ✦ ذیلی کمیٹیوں کے چیئر مینوں سے روبرو رکھنا اور انکے ساتھ مل کر کام کرنا۔
- ✦ بورڈ کے ممبران کے انتخاب کے سلسلے میں نشاندہی کرنا اور انتخاب کے امور میں شرکت کرنا، نیز بورڈ، چیف ایگزیکٹو آفیسرز، چیف فنانسل آفیسرز اور دیگر اہم انتظامی عہدوں پر تقرر کے لیے جانشینی کے منصوبوں کو باقاعدہ زیر غور لانا۔
- ✦ کمپنی کے مفادات کی حفاظت اور اجتماعت کے جذبے کو قائم رکھنے کے لیے تنازعات کا تصفیہ کروانا۔
- ✦ اس بات کو یقینی بنانا کہ کمپنی سے منسلک تمام اہم ترین افراد اور کمپنی کے مابین دیرینہ تعلقات قائم رہیں۔
- ✦ اس بات کو یقینی بنانا کہ کمپنی سے اپنے مفادات وابستہ رکھنے والے افراد کا یقین اور اعتماد کمپنی پر بحال رہیں۔



## حصص داران کے لیے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹران انتہائی مسرت کے ساتھ آپ کی خدمت میں کمپنی کی کارکردگی کی سالانہ رپورٹ بعد آڈٹ شدہ مالیاتی دستاویزات برائے سال 30 جون 2017 پیش کر رہے ہیں۔  
مالیاتی جھلکیاں:

| 2016<br>روپے  | 2017<br>روپے  |                   |
|---------------|---------------|-------------------|
| 3,221,146,642 | 3,570,713,354 | فروخت             |
| 334,415,313   | 390,271,587   | خام منافع         |
| 213,000,974   | 266,720,740   | آپریشن سے منافع   |
| 110,637,339   | 71,742,623    | تموہلی لاگت       |
| 170,399,161   | 253,791,704   | قبل از ٹیکس منافع |
| 121,897,352   | 228,994,025   | بعد از ٹیکس منافع |
| 11.84         | 22.25         | آمدن فی حصص:      |

### منافع کا اختصار:

کمپنی کے بورڈ آف ڈائریکٹرز نے 15% نقد منافع تجویز کیا ہے (2016: 50%)

### آپریشنز کا جائزہ:

زیر جائزہ سال میں کمپنی نے 3,571 ملین روپے کی فروخت کی جو کہ گزشتہ مالی سال کے اسی عرصہ میں 3,221 ملین روپے تھی۔ جو پچھلے سال کی نسبت 10.85% اضافی ہے۔ خام منافع، فروخت کے فیصد کے طور پر دیکھا جائے تو 10.93% رہا اور گزشتہ مالی سال کے اسی عرصہ میں 10.38% تھا۔ جبکہ بعد از ٹیکس منافع پر دیکھا جائے تو 22.25% رہا اور گزشتہ سال کے اسی عرصہ میں 11.84% رہا تھا۔ اس طرح 87.85% کی متاثر کن بڑھوتری دکھائی دیتی ہے۔

### مستقبل کا نقطہ نظر:

پاکستان کی ٹیکسٹائل برآمدات مالی سال 2017 کے دوران پچھلے سالوں کی طرح جمود کا شکار رہی۔ ہمارے ملک کا عالمی ٹیکسٹائل کی برآمدات میں حصے کی کمی ٹیکسٹائل سیکٹر کے مستقبل کے لیے خطرناک علامت ہے۔ یہ صورت حال بغیر کسی مزیدیر کے برآمد کی ترقی کی قانونی روح کے مطابق عمل درآمد کا تقاضا کرتی ہے۔ مشکل کاروباری ماحول کے باوجود، ہماری کمپنی کی مالیاتی کارکردگی میں زیرہ جائزہ عرصہ میں قابل ذکر بہتری آئی ہے۔ آپ کی کمپنی کی انتظامیہ، پلانٹ اور مشینری کی مطلوبہ جدت اور تبدیلی اور بحالی کے ذریعے طریقہ کار میں بہتری اور لاگت میں کمی جیسے اقدامات سے حصص یافتگان کی قدر بڑھانے پر توجہ مرکوز کیے ہوئے ہے۔

### متعلقہ پارٹنرز:

متعلقہ پارٹنرز سے لین دین موازناتی نام نہاد قیوتوں کے طریقہ کے مطابق طے کی گئی ہیں۔ کمپنی نے سٹاک ایکسچینج کے پاکستان میں دیئے گئے قواعد و ضوابط متعلقہ قیوتوں کا تعین منتقلی کے بہترین طریقوں کی مکمل قیاس کی ہے۔

### صحت، تحفظ اور ماحول (ایچ ایس ای، HSE):

آپ کی کمپنی یہ یقینی بنانے کے لیے تمام ممکنہ اقدامات کرتی ہے کہ ہمارے تمام ملازمین ہمہ جہتی محفوظ رہیں ماحولیاتی تحفظ کمپنی کے HSE ایجنڈہ میں سرفہرست ہے۔ کمپنی یہ یقینی بناتی ہے کہ اس کا پیداواری عمل ماحول دوست اور موثر رہے۔ ہم پیداواری سہولیات اور اپنے دفاتر دونوں میں توانائی کی صلاحیتوں میں بہتری کی لگاتار کوشش کرتے رہتے ہیں۔

آپ کی کمپنی (Eco-Friendly Cotton) OEKO-TEX Certificate رکھنے کے لیے BCI Certification (Better Cotton Initiative) بھی حاصل کیا ہوا ہے۔

### کوڈ آف کارپوریٹ گورننس کی تعمیل:

آپ کی کمپنی کوڈ آف کارپوریٹ گورننس کے بہترین طریقوں کی ضروریات پر مکمل عملدرآمد کرتی ہے۔ حصص یافتگان کی طویل المدت قدر کو محفوظ رکھنے اور بڑھانے کی خاطر، بورڈ کمپنی کے تمام تر کارپوریٹ گورننس کی ذمہ دار ہے بشمول اہمیت کی حامل حکمت عملیوں اور فیصلوں کی منظوری دینا، کیپٹل اخراجات، تفر کرنا، ہٹانا اور جانشینی کی حکمت عملیاں بنانا۔ کوڈ آف کارپوریٹ گورننس پر عملدرآمد کرتے ہوئے کارپوریٹ رپورٹنگ فریم ورک کے لیے درج ذیل بیانات دیے گئے ہیں۔

1- کمپنی کی انتظامیہ کی جانب سے تیار کی گئی مالی دستاویزات میں اس بات کو یقینی بنایا جاتا ہے کہ کمپنی کے معاملات، کاروباری افعال کے نتائج، ترسیل، نقد رقم اور حصص میں رد و بدل جیسے معاملات کو ان

دستاویزات میں شفاف انداز سے پیش کیا جائے۔

2- کمپنی میں حساب کتاب سے متعلق باقاعدہ کھاتے مرتب کئے جاتے ہیں۔

3- مالی دستاویزات کی تیاری کے سلسلے میں اکاؤنٹنگ کی مناسب پالیسیوں کو مستحکم اپنایا جاتا ہے اور انجنگ کے تمام تر تخمینے معقولیت کی بنیاد پر لگائے جاتے ہیں۔

## Six Years' Key Operating and Financial Statistics

|                               |        | Rupees in million |           |           |           |           |           |
|-------------------------------|--------|-------------------|-----------|-----------|-----------|-----------|-----------|
|                               |        | 2017              | 2016      | 2015      | 2014      | 2013      | 2012      |
| Sales                         |        | 3,570.713         | 3,221.147 | 4,007.150 | 4,243.955 | 3,853.608 | 2,557.935 |
| Gross Profit                  |        | 390.272           | 334.415   | 423.488   | 417.286   | 637.167   | 367.916   |
| Profit Before Tax             |        | 253.792           | 170.399   | 182.379   | 143.610   | 350.982   | 104.472   |
| Profit After Tax              |        | 228.994           | 121.897   | 142.722   | 125.558   | 308.875   | 71.803    |
| Share Capital                 |        | 102.920           | 102.920   | 102.920   | 102.920   | 102.920   | 102.920   |
| Shareholder's Equity          |        | 2,155.252         | 1,963.242 | 1,917.077 | 1,806.886 | 1,629.332 | 1,298.985 |
| Fixed Assets                  |        | 1,410.954         | 1,465.532 | 1,483.822 | 1,436.170 | 1,201.244 | 966.777   |
| Total Assets                  |        | 3,683.876         | 3,546.416 | 3,730.857 | 4,203.199 | 3,281.305 | 2,601.956 |
| <b>DIVIDEND</b>               |        |                   |           |           |           |           |           |
| Cash                          | %      | 15.00             | 50.00     | 50.00     | 15.00     | 20.00     | 12.50     |
| <b>RATIOS:</b>                |        |                   |           |           |           |           |           |
| <b>Profitability</b>          |        | %                 |           |           |           |           |           |
| Gross Profit                  |        | 10.93             | 10.38     | 10.57     | 9.83      | 16.53     | 14.38     |
| Profit Before Tax             |        | 7.11              | 5.29      | 4.55      | 3.38      | 9.11      | 4.08      |
| Profit After Tax              |        | 6.41              | 3.78      | 3.56      | 2.96      | 8.02      | 2.81      |
| <b>Return To Shareholders</b> |        |                   |           |           |           |           |           |
| Return on Equity              |        | 10.62             | 6.21      | 7.44      | 6.95      | 18.96     | 5.53      |
| EPS                           | Rupees | 22.25             | 11.84     | 13.87     | 12.20     | 30.01     | 6.98      |
| <b>Activity</b>               |        | Times             |           |           |           |           |           |
| Sales To Total Assets         |        | 0.97              | 0.91      | 1.07      | 1.01      | 1.17      | 0.98      |
| Sales To Fixed Assets         |        | 2.53              | 2.20      | 2.70      | 2.96      | 3.21      | 2.65      |
| <b>Liquidity / Leverage</b>   |        |                   |           |           |           |           |           |
| Current Ratio                 |        | 1.17              | 1.01      | 0.94      | 0.96      | 1.08      | 1.04      |
| Debt Equity Ratio             |        | 3:97              | 3:97      | 2:98      | 4:96      | 6:94      | 0:100     |
| Total Liabilities To Equity   |        | 0.71              | 0.81      | 0.95      | 1.33      | 1.01      | 1.00      |
| Break up Value of Shares      | Rupees | 209.41            | 190.75    | 186.27    | 175.56    | 158.31    | 126.21    |

## Review Report to the Members

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Reliance Cotton Spinning Mills Limited ("the Company") for the year ended June 30, 2017 to comply with the requirements of the Code contained in the regulations of the Pakistan 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The 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 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 the approval of the 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 30, 2017.

Dated: September 28, 2017  
Lahore

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

## Statement of Compliance With the Code of Corporate Governance

Name of company: **Reliance Cotton Spinning Mills Limited** year ended June 30, 2017.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19.24 of listing regulations of Pakistan Stock Exchange Limited 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. Shahid Abdullah<br>Mr. Amer Abdullah<br>Mr. Yousuf Abdullah<br>Mr. Nabeel Abdullah<br>Mr. Abdul Sattar |

The independent director meets the criteria of independence under clause 5.19.1 (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 (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year election of Directors was held and Mr. Mohammad Abdullah retired and Mr. Abdul Sattar was elected as Director of the Company. A casual vacancy occurring on the board on 20-04-2017 was filled up by the directors on same day.
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 policies 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.
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, five 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. All the Directors are fully conversant with their duties and responsibilities, they were further apprised through orientation courses during the year.
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. Annual evaluation of the Board's own performance approved last year.
15. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-executive director.
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 and the members of internal audit function are considered suitably qualified and experienced for the purpose and 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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. 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, 2017

**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, 2017 and the related profit and loss account, statement of 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 misstatement. 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 the 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 part 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, 2017 and of the profit, its comprehensive income, 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.

Dated: September 28, 2017  
Lahore

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

# Balance Sheet as at June 30, 2017

|  | Note | 2017<br>Rupees       | 2016<br>Rupees |
|--|------|----------------------|----------------|
| <b>ASSETS</b>  |      |                      |                |
| <b>NON-CURRENT ASSETS</b>                                    |      |                      |                |
| Property, plant and equipment                                | 4    | 1,410,953,664        | 1,465,532,289  |
| Long term investments  | 5    | 734,778,699          | 665,842,536    |
| Long term deposits   |      | 8,987,690            | 8,987,690      |
|  |      | <b>2,154,720,053</b> | 2,140,362,515  |
| <b>CURRENT ASSETS</b>  |      |                      |                |
| Stores, spare parts and loose tools                          | 6    | 19,672,095           | 28,333,642     |
| Stock-in-trade   | 7    | 824,793,139          | 709,275,260    |
| Trade debts  | 8    | 304,660,386          | 351,018,083    |
| Loans and advances   | 9    | 48,868,890           | 57,701,434     |
| Short term deposits and prepayments                          | 10   | 1,936,407            | 1,189,466      |
| Other receivables  | 11   | 20,417,554           | 13,034,956     |
| Tax refunds due from the Government                          | 12   | 201,941,408          | 224,196,872    |
| Short term investments                                       | 13   | 84,154,658           | -              |
| Cash and bank balances                                       | 14   | 22,711,121           | 21,304,064     |
|  |      | <b>1,529,155,658</b> | 1,406,053,777  |
|  |      | <b>3,683,875,711</b> | 3,546,416,292  |
| <b>EQUITY AND LIABILITIES</b>                                |      |                      |                |
| <b>SHARE CAPITAL AND RESERVES</b>                            |      |                      |                |
| Authorized capital   |      |                      |                |
| 12,000,000 (2016: 12,000,000) ordinary shares of Rs. 10 each |      | 120,000,000          | 120,000,000    |
| Issued, subscribed and paid up capital                       | 15   | 102,920,000          | 102,920,000    |
| Reserves   | 16   | 2,052,331,899        | 1,860,322,219  |
|  |      | <b>2,155,251,899</b> | 1,963,242,219  |
| <b>NON-CURRENT LIABILITIES</b>                               |      |                      |                |
| Long term financing  | 17   | 74,900,000           | 58,550,000     |
| Deferred liabilities   | 18   | 145,250,447          | 130,688,287    |
|  |      | <b>220,150,447</b>   | 189,238,287    |
| <b>CURRENT LIABILITIES</b>                                   |      |                      |                |
| Trade and other payables                                     | 19   | 269,048,255          | 207,426,044    |
| Mark-up accrued  | 20   | 16,062,689           | 12,336,102     |
| Short term borrowings  | 21   | 1,004,827,710        | 1,140,246,733  |
| Provision for taxation                                       |      | 18,534,711           | 33,926,907     |
|  |      | <b>1,308,473,365</b> | 1,393,935,786  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                         |      |                      |                |
|  | 22   | <b>3,683,875,711</b> | 3,546,416,292  |

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

Lahore:  
Dated: September 28, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE

**SHAHID ABDULLAH**  
DIRECTOR



## Profit and Loss Account

### For the year ended June 30, 2017

|   | Note | 2017<br>Rupees       | 2016<br>Rupees       |
|---|------|----------------------|----------------------|
| Sales   | 23   | 3,570,713,354        | 3,221,146,642        |
| Cost of sales                                 | 24   | (3,180,441,767)      | (2,886,731,329)      |
| <b>Gross profit</b>                           |      | <b>390,271,587</b>   | <b>334,415,313</b>   |
| Distribution cost                             | 25   | (87,787,234)         | (72,569,164)         |
| Administrative expenses                       | 26   | (53,927,417)         | (44,235,800)         |
| Other operating expenses                      | 27   | (11,144,306)         | (9,005,514)          |
|   |      | <b>(152,858,957)</b> | <b>(125,810,478)</b> |
| Other income                                  | 28   | 29,308,110           | 4,396,139            |
| <b>Operating profit before finance cost</b>   |      | <b>266,720,740</b>   | <b>213,000,974</b>   |
| Finance cost                                  | 29   | (71,742,623)         | (110,637,339)        |
| Share of profit from associates               |      | 58,813,587           | 68,035,526           |
| <b>Profit before taxation</b>                 |      | <b>253,791,704</b>   | <b>170,399,161</b>   |
| Provision for taxation                        | 30   | (24,797,679)         | (48,501,809)         |
| <b>Profit for the year</b>                    |      | <b>228,994,025</b>   | <b>121,897,352</b>   |
| <b>Earnings per share - basic and diluted</b> | 31   | <b>22.25</b>         | <b>11.84</b>         |

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



# Statement of Comprehensive Income

## For the year ended June 30, 2017

|  | Note   | 2017<br>Rupees     | 2016<br>Rupees      |
|--|--------|--------------------|---------------------|
| <b>Profit for the year</b>   |        | <b>228,994,025</b> | <b>121,897,352</b>  |
| <b>Other comprehensive income:</b>   |        |                    |                     |
| <b>Items that may be reclassified subsequently to profit and loss</b>          |        |                    |                     |
| Share in associates' unrealized loss on available for sale investments - net   |        | 66,866,337         | (18,938,382)        |
| Share in associates' unrealized gain on hedging instruments                    |        | (111,262)          | 128,192             |
| Unrealized loss on remeasurment of short term investments                      |        | (8,919,200)        | -                   |
| Gain realized on sale of available for sale investments                        |        | (451,027)          | -                   |
|  |        | <b>57,384,848</b>  | <b>(18,810,190)</b> |
| <b>Items that will not be reclassified subsequently to profit and loss</b>     |        |                    |                     |
| Share in associates' remeasurement of post retirement benefits obligation loss |        | (237,792)          | (29,460)            |
| Remeasurement of post retirement benefits obligation                           | 18.1.6 | 661,669            | (2,812,106)         |
|  |        | <b>57,808,725</b>  | <b>(21,651,756)</b> |
| <b>Total comprehensive income for the year</b>                                 |        | <b>286,802,750</b> | <b>100,245,596</b>  |

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

# Cash Flow Statement

## For the year ended June 30, 2017

|   | Note   | 2017<br>Rupees       | 2016<br>Rupees       |
|---|--------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |        |                      |                      |
| Profit before taxation                                    |        | 253,791,704          | 170,399,161          |
| Adjustments for:  |        |                      |                      |
| Depreciation on property, plant and equipment             | 4.1    | 141,226,826          | 132,841,331          |
| Provision for employee benefits                           | 18.1.2 | 23,589,762           | 25,797,141           |
| Gain on disposal of property, plant and equipment         | 4.1    | (269,475)            | (1,899,108)          |
| Interest / mark up expense                                | 29     | 71,742,623           | 110,637,339          |
| Dividend income on short term investment                  |        | (161,500)            | -                    |
| Share of profit from associates                           |        | (58,813,587)         | (68,035,526)         |
|   |        | <b>431,106,353</b>   | <b>369,740,338</b>   |
| <b>Working capital changes</b>                            |        |                      |                      |
| decrease / (Increase) in current assets                   |        |                      |                      |
| Stores, spare parts and loose tools                       |        | 8,661,547            | 12,776,150           |
| Stock-in-trade  |        | (115,517,879)        | 143,849,102          |
| Trade debts   |        | 46,357,697           | 83,020,636           |
| Loans and advances  |        | 10,761,928           | (7,661,174)          |
| Deposit and short term prepayments                        |        | (746,941)            | 159,314              |
| Other receivables   |        | (7,382,598)          | 441,616              |
| Increase / (decrease) in current liabilities              |        |                      |                      |
| Trade and other payables                                  |        | 61,554,468           | (71,388,719)         |
|   |        | <b>3,688,222</b>     | <b>161,196,925</b>   |
| <b>Cash generated from operations</b>                     |        | <b>434,794,575</b>   | <b>530,937,263</b>   |
| Dividends paid  |        | (51,392,257)         | (51,378,751)         |
| Employee benefits paid                                    |        | (15,983,741)         | (17,475,444)         |
| Finance cost paid   |        | (68,016,037)         | (116,420,662)        |
| Sales tax refund / paid                                   |        | 30,196,571           | (6,297,819)          |
| Income taxes paid   |        | (42,442,558)         | (44,634,180)         |
|   |        | <b>(147,638,022)</b> | <b>(236,206,856)</b> |
| <b>Cash generated from operating activities</b>           |        | <b>287,156,553</b>   | <b>294,730,407</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |        |                      |                      |
| Purchase of property, plant and equipment                 |        | (105,586,717)        | (116,048,762)        |
| Proceeds from disposal of property, plant and equipment   |        | 19,207,991           | 3,396,000            |
| Long term deposits made                                   |        | -                    | 141,980              |
| Short term investments made                               |        | (93,524,885)         | -                    |
| Dividend received   |        | 13,223,138           | 8,136,050            |
| <b>Net cash used in investing activities</b>              |        | <b>(166,680,473)</b> | <b>(104,374,732)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |        |                      |                      |
| Long term loan obtained                                   |        | 16,350,000           | 58,550,000           |
| Long term finances repaid                                 |        | -                    | (33,333,333)         |
| Short term borrowings - net                               |        | (135,419,023)        | (201,947,552)        |
| <b>Net cash used in financing activities</b>              |        | <b>(119,069,023)</b> | <b>(176,730,885)</b> |
| <b>Net increase in cash and cash equivalents</b>          |        | <b>1,407,057</b>     | <b>13,624,790</b>    |
| <b>Cash and cash equivalents at beginning of the year</b> |        | <b>21,304,064</b>    | <b>7,679,274</b>     |
| <b>Cash and cash equivalents at the end of the year</b>   |        | <b>22,711,121</b>    | <b>21,304,064</b>    |

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

Lahore:  
Dated: September 28, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE

**SHAHID ABDULLAH**  
DIRECTOR

# Statement of Changes in Equity

## For the year ended June 30, 2017

|   | Share capital | Un-appropriated profit | Capital reserves   |  |   |  | Sub-total    | General reserve | Total         |
|---|---------------|------------------------|--|--|---|--|--------------|-----------------|---------------|
|   |               |                        | Share in associates' unrealized gain on available for sale investments - net | Share in associate's unrealized gain/(loss) on hedging instruments | Share in associate's remeasurement of post retirement benefits obligation | Share of items directly recognized in equity by associates |              |                 |               |
| <b>Balance as at July 01, 2015</b>                                | 102,920,000   | 1,540,143,805          | 89,757,071   | (13,711)   | (1,525,568)   | 55,795,261   | 144,013,053  | 130,000,000     | 1,917,076,858 |
| <b>Comprehensive income:</b>                                      |               |                        |  |  |   |  |              |                 |               |
| Profit for the year ended June 30, 2016                           | -             | 121,897,352            | -  | -  | -   | -  | -            | -               | 121,897,352   |
| Other comprehensive income  | -             | (2,812,106)            | (18,938,382)   | 128,192  | (29,460)  | -  | (18,839,650) | -               | (21,651,756)  |
| <b>Total comprehensive income</b>                                 | -             | 119,085,246            | (18,938,382)   | 128,192  | (29,460)  | -  | (18,839,650) | -               | 100,245,596   |
| Effects of items directly recognized in equity by associates      | -             | -                      | -  | -  | -   | (2,620,235)  | (2,620,235)  | -               | (2,620,235)   |
| <b>Transactions with owners:</b>                                  |               |                        |  |  |   |  |              |                 |               |
| Final dividend for the year ended June 30, 2015 @ Rs. 5 per share | -             | (51,460,000)           | -  | -  | -   | -  | -            | -               | (51,460,000)  |
| <b>Balance as at June 30, 2016</b>                                | 102,920,000   | 1,607,769,051          | 70,818,689   | 114,481  | (1,555,028)   | 53,175,026   | 122,553,168  | 130,000,000     | 1,963,242,219 |
| <b>Comprehensive income:</b>                                      |               |                        |  |  |   |  |              |                 |               |
| Profit for the year ended June 30, 2017                           | -             | 228,994,025            | -  | -  | -   | -  | -            | -               | 228,994,025   |
| Other comprehensive income  | -             | 661,669                | 57,496,110   | (111,262)  | (237,792)   | -  | 57,147,056   | -               | 57,808,725    |
| <b>Total comprehensive income</b>                                 | -             | 229,655,694            | 57,496,110   | (111,262)  | (237,792)   | -  | 57,147,056   | -               | 286,802,750   |
| Effects of items directly recognized in equity by associates      | -             | -                      | -  | -  | -   | (43,333,070)   | (43,333,070) | -               | (43,333,070)  |
| <b>Transactions with owners:</b>                                  |               |                        |  |  |   |  |              |                 |               |
| Final dividend for the year ended June 30, 2016 @ Rs. 5 per share | -             | (51,460,000)           | -  | -  | -   | -  | -            | -               | (51,460,000)  |
| <b>Balance as at June 30, 2017</b>                                | 102,920,000   | 1,785,964,745          | 128,314,799  | 3,219  | (1,792,820)   | 9,841,956  | 136,367,154  | 130,000,000     | 2,155,251,899 |

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

Lahore:

Dated: September 28, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE

**SHAHID ABDULLAH**  
DIRECTOR

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 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 Pakistan stock exchange limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi and mills are located at Warburton Road, Ferozewattoan, District Sheikhupura, 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.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the Companies Ordinance 1984.

#### 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, 2017.
- 2.2.1.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2017. 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

|  |   |
|--|---|
| Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception | Effective from accounting period beginning on or after January 01, 2016 |
|--|---|

|   |   |
|---|---|
| Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations | Effective from accounting period beginning on or after January 01, 2016 |
|---|---|

|  |   |
|--|---|
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative | Effective from accounting period beginning on or after January 01, 2016 |
|--|---|

|   |   |
|---|---|
| Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization | Effective from accounting period beginning on or after January 01, 2016 |
|---|---|

|   |  |
|---|--|
| Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants | 'Effective from accounting period beginning on or after January 01, 2016 |
|---|--|

Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements

# Notes to the Financial Statements

## For the year ended June 30, 2017

disclosures.

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

### **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 IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | Effective from accounting period beginning on or after January 01, 2018 |
|--|---|

|   |   |
|---|---|
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective date is deferred indefinitely. Earlier adoption is permitted. |
|---|---|

|   |   |
|---|---|
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | Effective from accounting period beginning on or after January 01, 2017 |
|---|---|

|  |   |
|--|---|
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | Effective from accounting period beginning on or after January 01, 2017 |
|--|---|

|   |  |
|---|--|
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | Effective from accounting period beginning on or after January 01, 2018. Early application is permitted. |
|---|--|

|  |  |
|--|--|
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | Effective from accounting period beginning on or after January 01, 2018. Early application is permitted. |
|--|--|

|  |   |
|--|---|
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | Effective from accounting period beginning on or after January 01, 2019 |
|--|---|

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

### **2.3 Significant Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the

# Notes to the Financial Statements

## For the year ended June 30, 2017

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 and capital work-in-progress are stated at cost less accumulated impairment loss, if any. Cost also includes borrowing cost; wherever applicable.

Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each 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.



## Notes to the Financial Statements

### For the year ended June 30, 2017

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 amount of the investment is increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the 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.

## Notes to the Financial Statements

### For the year ended June 30, 2017

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 Short term investments

##### Available for sale

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

##### De-recognition

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

#### 3.11 Trade and other payables

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



# Notes to the Financial Statements

## For the year ended June 30, 2017

### 3.12 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.

### 3.13 Impairment of Financial Assets

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

### 3.14 Employee benefits

#### Defined benefit plan

The 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, 2017.

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.

### 3.15 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.

### 3.16 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.

### 3.17 Borrowings

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

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 3.18 Revenue recognition

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

Revenue from local sales is recognized when goods are dispatched to customers, 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 investments is recognized when the Company's right to receive dividend is established.

### 3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time 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.

### 3.20 Taxation

#### Current

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

#### Deferred

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

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

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.

### 3.21 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.

### 3.22 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.

### 3.23 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, 2017

### 4 PROPERTY, PLANT AND EQUIPMENT

#### 4.1 At June 30, 2017

| Particulars                     | COST                   |                    |                      | DEPRECIATION      |                      |                      |                        | Book value<br>As at June 30,<br>2017 | Annual<br>depreciation<br>rate % |
|---------------------------------|------------------------|--------------------|----------------------|-------------------|----------------------|----------------------|------------------------|--------------------------------------|----------------------------------|
|                                 | As at July 01,<br>2016 | Additions          | Transfers            | Disposals         | As at June 30, 2017  | As at July 01, 2016  | Charge for the<br>year | Disposals                            | As at June 30,<br>2017           |
| Rupees                          |                        |                    |                      |                   |                      |                      |                        |                                      |                                  |
| <b>Operating fixed assets</b>   |                        |                    |                      |                   |                      |                      |                        |                                      |                                  |
| Freehold land                   | 42,216,754             | 20,525,000         | -                    | -                 | 62,741,754           | -                    | -                      | -                                    | 62,741,754                       |
| Buildings on freehold land:     |                        |                    |                      |                   |                      |                      |                        |                                      |                                  |
| Residential                     | 121,379,248            | -                  | -                    | -                 | 121,379,248          | 41,582,266           | 3,989,849              | -                                    | 45,572,115                       |
| Factory                         | 737,923,721            | -                  | 36,610,879           | -                 | 774,534,600          | 268,314,959          | 50,027,090             | -                                    | 75,807,133                       |
| Plant and machinery             | 1,437,459,505          | 50,043,444         | 75,589,922           | 61,364,477        | 1,501,728,394        | 800,507,858          | 71,168,994             | 43,702,979                           | 456,192,551                      |
| Furniture and fittings          | 3,024,347              | -                  | -                    | -                 | 3,024,347            | 1,078,192            | 194,616                | -                                    | 673,754,521                      |
| Vehicles                        | 35,236,256             | 23,319,263         | 1,700,095            | 6,470,972         | 53,784,642           | 17,652,703           | 6,160,702              | 5,193,954                            | 1,751,539                        |
| Office equipment                | 4,227,057              | 360,000            | 65,077,007           | -                 | 4,227,057            | 1,009,830            | 321,723                | -                                    | 18,619,451                       |
| Electric installation           | 72,308,379             | -                  | -                    | -                 | 137,745,386          | 34,320,125           | 9,121,090              | -                                    | 1,331,553                        |
| Electric equipment              | 195,500                | -                  | -                    | -                 | 195,500              | 179,345              | 1,616                  | -                                    | 2,895,504                        |
| Computers                       | 3,245,952              | 78,000             | -                    | -                 | 3,323,952            | 2,507,132            | 241,146                | -                                    | 94,304,171                       |
|                                 |                        |                    |                      |                   |                      |                      |                        |                                      | 14,539                           |
|                                 |                        |                    |                      |                   |                      |                      |                        |                                      | 575,674                          |
|                                 |                        |                    |                      |                   |                      |                      |                        |                                      | 30                               |
| <b>Capital work-in-progress</b> |                        |                    |                      |                   |                      |                      |                        |                                      |                                  |
| Building - civil work           | 36,192,908             | 2,387,433          | (36,610,879)         | -                 | 1,969,462            | -                    | -                      | -                                    | 1,259,482,303                    |
| Plant and machinery             | 73,698,065             | 2,178,576          | (75,589,922)         | -                 | 286,719              | -                    | -                      | -                                    | 48,896,933                       |
| Electric installation           | 65,077,007             | -                  | (65,077,007)         | -                 | -                    | -                    | -                      | -                                    | 1,403,202,577                    |
| Vehicles                        | 500,000                | 6,695,001          | (1,700,095)          | -                 | 5,494,906            | -                    | -                      | -                                    | 1,969,462                        |
|                                 |                        |                    |                      |                   |                      |                      |                        |                                      | 286,719                          |
|                                 |                        |                    |                      |                   |                      |                      |                        |                                      | -                                |
|                                 |                        |                    |                      |                   |                      |                      |                        |                                      | 5,494,906                        |
| <b>Total</b>                    | <b>175,467,980</b>     | <b>11,261,010</b>  | <b>(178,977,903)</b> | <b>-</b>          | <b>7,751,087</b>     | <b>1,167,152,410</b> | <b>141,226,826</b>     | <b>48,896,933</b>                    | <b>7,751,087</b>                 |
|                                 | <b>2,632,684,699</b>   | <b>105,586,717</b> | <b>-</b>             | <b>67,835,449</b> | <b>2,670,435,967</b> | <b>1,167,152,410</b> | <b>141,226,826</b>     | <b>48,896,933</b>                    | <b>1,410,953,664</b>             |

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                | Rupees     |                          |            |                |             |                  |   |
|----------------------------|------------|--------------------------|------------|----------------|-------------|------------------|---|
|                            | Cost       | Accumulated depreciation | Book value | Sales proceeds | Gain        | Mode of disposal | Particulars of buyer                        |
| Plant and machinery        |            |                          |            |                |             |                  |   |
| Auto coners                | 19,986,091 | 18,280,919               | 1,705,172  | 2,250,000      | 544,828     | Negotiations     | Sadiq Textile Mills Pvt.Ltd.                |
| Drawing set                | 710,550    | 652,783                  | 57,767     | 75,630         | 17,863      | Negotiations     | Mukhtar Ali S/O Muhammad Hussain Buksh      |
| Carding machines           | 9,104,827  | 6,419,920                | 2,684,907  | 2,689,076      | 4,169       | Negotiations     | Multi Star Textile Company                  |
| Carding machines           | 1,312,500  | 850,339                  | 462,161    | 113,445        | (348,716)   | Negotiations     | Syed Hafiz Haider Shah (33100-1220912-5)    |
| Draw frames                | 2,594,587  | 2,375,969                | 218,618    | 282,052        | 63,434      | Negotiations     | Malik Muhammad Arshad                       |
| Murata vortex spinner      | 8,933,401  | 7,041,059                | 1,892,342  | 1,894,017      | 1,675       | Negotiations     | Malik Muhammad Arshad                       |
| Carding machines           | 18,722,521 | 8,081,991                | 10,640,530 | 9,273,505      | (1,367,025) | Negotiations     | International Textile Machinery Enterprises |
| Vehicle                    |            |                          |            |                |             |                  |   |
| Suzuki Cultus, LED-09-9198 | 802,563    | 632,383                  | 170,180    | 170,180        | -           | Negotiation      | Muhammad Alam                               |
| Toyota XLI, LEC-10-4542    | 1,319,180  | 1,001,798                | 317,382    | 400,000        | 82,618      | Negotiation      | Naveed Ahmed                                |
| Forklift Truck Tom         | 1,452,873  | 1,300,777                | 152,096    | 210,086        | 57,990      | Negotiation      | Muhammad Akram                              |
| Suzuki Cultus, LED-09-9069 | 807,563    | 645,497                  | 162,066    | 350,000        | 187,934     | Negotiation      | Muhammad Amir Javed                         |
| Suzuki Cultus, LEJ-07-4806 | 709,533    | 618,401                  | 91,132     | 300,000        | 208,868     | Negotiation      | Kashif Hussain                              |
| Honda City, LEC-11-4492    | 1,379,260  | 995,097                  | 384,163    | 1,200,000      | 815,837     | Insurance claim  | Adamjee Insurance Company Limited           |
| 2017                       | 67,835,449 | 48,896,933               | 18,938,516 | 19,207,991     | 269,475     |                  |   |
| 2016                       | 7,642,948  | 6,146,056                | 1,492,892  | 3,396,000      | 1,899,108   |                  |   |

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 4.2 At June 30, 2016

| Particulars                     | COST                   |             |              | DEPRECIATION |                     |                     |                        | Book value<br>As at June 30,<br>2016 | Annual<br>depreciation<br>rate % |
|---------------------------------|------------------------|-------------|--------------|--------------|---------------------|---------------------|------------------------|--------------------------------------|----------------------------------|
|                                 | As at July 01,<br>2015 | Additions   | Transfers    | Disposals    | As at June 30, 2016 | As at July 01, 2015 | Charge for the<br>year | Disposals                            | As at June 30,<br>2016           |
| Rupees                          |                        |             |              |              |                     |                     |                        |                                      |                                  |
| <b>Operating fixed assets</b>   |                        |             |              |              |                     |                     |                        |                                      |                                  |
| Freehold land                   | 37,394,424             | 4,822,330   | -            | -            | 42,216,754          | -                   | -                      | -                                    | 42,216,754                       |
| Buildings on freehold land:     |                        |             |              |              |                     |                     |                        |                                      |                                  |
| Residential                     | 121,379,248            | -           | -            | -            | 121,379,248         | 37,382,425          | 4,199,841              | -                                    | 79,796,982                       |
| Factory                         | 683,681,688            | 5,732,600   | 48,509,433   | -            | 737,923,721         | 218,067,568         | 50,247,391             | -                                    | 469,608,762                      |
| Plant and machinery             | 1,412,418,658          | 29,012,923  | -            | 3,972,076    | 1,437,459,505       | 734,228,316         | 69,685,249             | 3,415,707                            | 636,951,647                      |
| Furniture and fittings          | 1,345,627              | 1,678,720   | -            | -            | 3,024,347           | 1,005,115           | 73,077                 | -                                    | 1,946,155                        |
| Vehicles                        | 32,688,728             | 3,652,190   | 2,566,210    | 3,670,872    | 35,236,256          | 16,530,322          | 3,852,731              | 2,730,350                            | 17,583,553                       |
| Office equipment                | 1,597,499              | 104,001     | 2,525,557    | -            | 4,227,057           | 733,108             | 276,722                | -                                    | 3,217,227                        |
| Electric installation           | 72,308,379             | -           | -            | -            | 72,308,379          | 30,099,208          | 4,220,917              | -                                    | 37,988,254                       |
| Electric equipment              | 195,500                | -           | -            | -            | 195,500             | 177,550             | 1,795                  | -                                    | 16,155                           |
| Computers                       | 3,107,398              | 138,554     | -            | -            | 3,245,952           | 2,233,524           | 273,608                | -                                    | 738,820                          |
|                                 | 2,366,117,149          | 45,141,318  | 53,601,200   | 7,642,948    | 2,457,216,719       | 1,040,457,136       | 132,841,331            | 6,146,057                            | 1,167,152,410                    |
| <b>Capital work-in-progress</b> |                        |             |              |              |                     |                     |                        |                                      |                                  |
| Building - civil work           | 63,006,368             | 6,874,669   | (51,034,990) | -            | 18,846,047          | -                   | -                      | -                                    | 18,846,047                       |
| Plant and machinery             | 14,131,500             | 59,566,565  | -            | -            | 73,698,065          | -                   | -                      | -                                    | 73,698,065                       |
| Electric installation           | 80,523,868             | 1,900,000   | -            | -            | 82,423,868          | -                   | -                      | -                                    | 82,423,868                       |
| Vehicles                        | 500,000                | 2,566,210   | (2,566,210)  | -            | 500,000             | -                   | -                      | -                                    | 500,000                          |
|                                 | 158,161,736            | 70,907,444  | (53,601,200) | -            | 175,467,980         | -                   | -                      | -                                    | 175,467,980                      |
| <b>Total</b>                    | 2,524,278,885          | 116,048,762 | -            | 7,642,948    | 2,632,884,699       | 1,040,457,136       | 132,841,331            | 6,146,057                            | 1,167,152,410                    |
|                                 |                        |             |              |              |                     |                     |                        |                                      | 1,465,532,289                    |

# Notes to the Financial Statements

## For the year ended June 30, 2017

| 5   | LONG TERM INVESTMENTS  | Note | 2017               | 2016               |
|-----|--|------|--------------------|--------------------|
|     |  |      | Rupees             | Rupees             |
|     | <b>Investments in associates - at equity method:</b>   |      |                    |                    |
|     | <b>Quoted:</b>   |      |                    |                    |
|     | Sapphire Fibres Limited  | 5.2  | 421,873,451        | 373,268,465        |
|     | Sapphire Textile Mills Limited   | 5.3  | 91,363,134         | 78,296,246         |
|     | SFL Limited  | 5.4  | 58,583,020         | 59,312,429         |
|     | <b>Un quoted:</b>  |      |                    |                    |
|     | Sapphire Finishing Mills Limited   | 5.5  | 72,953,670         | 67,792,023         |
|     | Sapphire Holding Limited   | 5.6  | 33,445,413         | 31,235,792         |
|     | Sapphire Power Generation Limited  | 5.7  | 56,560,011         | 55,937,581         |
|     |  |      | <b>734,778,699</b> | <b>665,842,536</b> |
| 5.1 | The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated   |      |                    |                    |
| 5.2 | <b>Investment in Sapphire Fibres Limited</b>   |      |                    |                    |
|     | 393,697 (2016: 393,697) ordinary shares of Rs. 10 each - cost  |      | 41,956,482         | 41,956,482         |
|     | Share of post acquisition profit directly recognized in equity   |      | 387,397,212        | 335,248,953        |
|     | Dividend received  |      | (7,480,243)        | (3,936,970)        |
|     |  |      | <b>421,873,451</b> | <b>373,268,465</b> |
|     | 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, 2017 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Fibres Limited is set out below:                      |      |                    |                    |
|     | Total assets   |      | 48,909,011,735     | 43,099,769,028     |
|     | Total liabilities  |      | 24,605,311,675     | 21,580,999,210     |
|     | Net assets   |      | 24,303,700,060     | 21,518,769,818     |
|     | Sales  |      | 28,341,763,329     | 25,220,358,298     |
|     | Profit for the year  |      | 2,643,225,187      | 2,765,234,653      |
|     | Market value per share   |      | 1200               | 560                |
|     | Percentage of ownership  |      | 1.9997%            | 1.9997%            |
|     | <b>Reconciliation to carrying amount</b>   |      |                    |                    |
|     | Net assets   |      | 24,303,700,060     | 21,518,769,818     |
|     | Non-controlling interest   |      | (3,207,187,832)    | (2,852,834,072)    |
|     |  |      | 21,096,512,228     | 18,665,935,746     |
|     | Percentage of ownership  |      | 1.9997%            | 1.9997%            |
|     | Carrying value   |      | 421,873,451        | 373,268,465        |
| 5.3 | <b>Investment in Sapphire Textile Mills Limited</b>  |      |                    |                    |
|     | 100,223 (2016: 100,223) ordinary shares of Rs. 10 each - cost  |      | 8,114,578          | 8,114,578          |
|     | Share of post acquisition profit directly recognized in equity   |      | 86,054,800         | 71,183,898         |
|     | Dividend received  |      | (2,806,244)        | (1,002,230)        |
|     |  |      | <b>91,363,134</b>  | <b>78,296,246</b>  |
|     | 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, 2017 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below: |      |                    |                    |
|     | Total assets   |      | 59,554,955,835     | 44,813,397,489     |
|     | Total liabilities  |      | 36,353,809,249     | 27,980,882,159     |
|     | Net assets   |      | 23,201,146,586     | 16,832,515,330     |
|     | Sales  |      | 30,240,880,104     | 26,048,565,222     |
|     | Profit for the year  |      | 3,419,860,277      | 2,191,112,659      |
|     | Market value per share   |      | 1990               | 680                |
|     | Percentage of ownership  |      | 0.4990%            | 0.4990%            |

# Notes to the Financial Statements

## For the year ended June 30, 2017

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
|  | Rupees                | Rupees                |
| <b>Reconciliation to carrying amount</b> |                       |                       |
| Net assets                               | 23,201,146,586        | 16,832,515,330        |
| Non-controlling interest                 | (4,893,365,292)       | (1,143,157,875)       |
|  | <b>18,307,781,294</b> | <b>15,689,357,455</b> |
| Percentage of ownership                  | 0.4990%               | 0.4990%               |
| Carrying value                           | <b>91,363,134</b>     | <b>78,296,246</b>     |

### 5.4 Investment in SFL Limited

|   |                   |                   |
|---|-------------------|-------------------|
| 401,570 (2016: 401,570) ordinary shares of Rs. 10 each - cost | 2,439,475         | 2,439,475         |
| Share of post acquisition profit                              | 56,545,115        | 57,876,880        |
| Dividend received   | (401,570)         | (1,003,926)       |
|   | <b>58,583,020</b> | <b>59,312,429</b> |

The financial year of SFL Limited ends on June 30. The latest unaudited consolidated financial results of SFL Limited as of June 30, 2017 have been used for the purpose of application of equity method. Summarized consolidated financial information of SFL Limited is set out below:

|  | Note | 2017                 | 2016                 |
|--|------|----------------------|----------------------|
|  |      | Rupees               | Rupees               |
| Total assets                             |      | 2,941,998,996        | 2,978,403,376        |
| Total liabilities                        |      | 10,958,798           | 10,869,173           |
| Net assets                               |      | <b>2,931,040,198</b> | <b>2,967,534,203</b> |
| Revenue                                  |      | (4,363,651)          | 2,235,176            |
| Profit for the year                      |      | <b>22,218,191</b>    | <b>101,243,703</b>   |
| Market value per share                   |      | 147                  | 100                  |
| Percentage of ownership                  |      | 1.9987%              | 1.9987%              |
| <b>Reconciliation to carrying amount</b> |      |                      |                      |
| Net assets                               |      | 2,931,040,198        | 2,967,534,203        |
| Non-controlling interest                 |      | -                    | -                    |
|  |      | <b>2,931,040,198</b> | <b>2,967,534,203</b> |
| Percentage of ownership                  |      | 1.9987%              | 1.9987%              |
| Carrying value                           |      | <b>58,583,020</b>    | <b>59,312,429</b>    |

### 5.5 Investment in Sapphire Finishing Mills Limited

|   |                   |                   |
|---|-------------------|-------------------|
| 1,556,000 (2016: 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    | 58,467,310        | 53,150,063        |
| Dividend received   | (2,022,800)       | (1,867,200)       |
|   | <b>72,953,670</b> | <b>67,792,023</b> |

The financial year of Sapphire Finishing Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Finishing Mills Limited as of June 30, 2017 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Finishing Mills Limited is set out below:

# Notes to the Financial Statements

## For the year ended June 30, 2017

|  | 2017<br>Rupees | 2016<br>Rupees |
|--|----------------|----------------|
| Total assets                             | 13,062,276,508 | 10,567,287,685 |
| Total liabilities                        | 8,748,820,553  | 6,566,766,357  |
| Net assets                               | 4,313,455,955  | 4,000,521,328  |
| Sales                                    | 14,823,569,969 | 14,048,335,404 |
| Profit for the year                      | 249,604,599    | 601,789,943    |
| Breakup value per share                  | 46.89          | 43.48          |
| Percentage of ownership                  | 1.6913%        | 1.6913%        |
| <b>Reconciliation to carrying amount</b> |                |                |
| Net assets                               | 4,313,455,955  | 4,000,521,328  |
| Non-controlling interest                 | -              | -              |
|  | 4,313,455,955  | 4,000,521,328  |
| Percentage of ownership                  | 1.6913%        | 1.6913%        |
| Carrying value                           | 72,953,670     | 67,792,023     |

### 5.6 Investment in Sapphire Holding Limited

|   |            |            |
|---|------------|------------|
| 100,223 (2016: 100,223) ordinary shares of Rs. 10 each - cost | 524,950    | 524,950    |
| Share of post acquisition profit                              | 33,271,244 | 31,036,566 |
| Dividend received   | (350,781)  | (325,724)  |
|   | 33,445,413 | 31,235,792 |

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, 2017 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                             | 7,200,318,080 | 6,695,132,301 |
| Total liabilities                        | 495,037,112   | 432,442,398   |
| Net assets                               | 6,705,280,968 | 6,262,689,903 |
| Income                                   | 20,629,075    | 8,694,117     |
| Profit for the year                      | 313,921,954   | 274,071,911   |
| Breakup value per share                  | 333.71        | 311.68        |
| Percentage of ownership                  | 0.4986%       | 0.4986%       |
| <b>Reconciliation to carrying amount</b> |               |               |
| Net assets                               | 6,705,280,968 | 6,262,689,903 |
| Non-controlling interest                 | -             | -             |
|  | 6,705,280,968 | 6,262,689,903 |
| Percentage of ownership                  | 0.4986%       | 0.4986%       |
| Carrying value                           | 33,445,413    | 31,235,792    |



# Notes to the Financial Statements

## For the year ended June 30, 2017

|   | 2017<br>Rupees    | 2016<br>Rupees |
|---|-------------------|----------------|
| <b>5.7 Investment in Sapphire Power Generation Limited</b>    |                   |                |
| 555,000 (2016: 555,000) ordinary shares of Rs. 10 each - cost | <b>19,425,000</b> | 19,425,000     |
| Share of post acquisition profit                              | <b>37,135,011</b> | 36,512,581     |
|   | <b>56,560,011</b> | 55,937,581     |

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, 2017 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Power Generation Limited is set out below:

|                         |                      |               |
|-------------------------|----------------------|---------------|
| Total assets            | <b>1,802,498,404</b> | 1,807,693,170 |
| Total liabilities       | <b>169,468,356</b>   | 192,635,092   |
| Net assets              | <b>1,633,030,048</b> | 1,615,058,078 |
| Sales                   | <b>867,853,465</b>   | 1,594,592,483 |
| Profit for the year     | <b>(24,257,767)</b>  | 97,924,874    |
| Breakup value per share | <b>101.91</b>        | 100.79        |
| Percentage of ownership | <b>3.4635%</b>       | 3.4635%       |

### Reconciliation to carrying amount

|                          |                      |               |
|--------------------------|----------------------|---------------|
| Net assets               | <b>1,633,030,048</b> | 1,615,058,078 |
| Non-controlling interest | -                    | -             |
|                          | <b>1,633,030,048</b> | 1,615,058,078 |
| Percentage of ownership  | <b>3.4635%</b>       | 3.4635%       |
| Carrying value           | <b>56,560,011</b>    | 55,937,581    |

|  |             | 2017<br>Rupees    | 2016<br>Rupees |
|--|-------------|-------------------|----------------|
| <b>6 STORES, SPARE PARTS AND LOOSE TOOLS</b> | <b>Note</b> |                   |                |
| Stores                                       |             | <b>8,072,815</b>  | 10,890,863     |
| Spare parts                                  | 6.1         | <b>11,599,280</b> | 17,417,974     |
| Loose tools                                  |             | -                 | 24,805         |
|  |             | <b>19,672,095</b> | 28,333,642     |

**6.1** These include spare parts in transit amounting to Rs. 7.435 million (2016: Rs. 1.5 million).

|                         |     |                    |             |
|-------------------------|-----|--------------------|-------------|
| <b>7 STOCK-IN-TRADE</b> |     |                    |             |
| Raw material            | 7.1 | <b>598,736,983</b> | 485,878,017 |
| Work-in-process         |     | <b>143,725,269</b> | 128,561,008 |
| Finished goods          |     | <b>80,383,670</b>  | 86,488,401  |
| Waste                   |     | <b>1,947,217</b>   | 8,347,834   |
|                         |     | <b>824,793,139</b> | 709,275,260 |

Raw material includes stock in transit of Rs. 104.307 million (2016: Rs. 101.96 million).



# Notes to the Financial Statements

## For the year ended June 30, 2017

|     | Note  | 2017<br>Rupees   | 2016<br>Rupees |               |            |            |
|-----|---|------------------|----------------|---------------|------------|------------|
| 8   | TRADE DEBTS   |                  |                |               |            |            |
|     | Considered good:  |                  |                |               |            |            |
|     | Foreign   |                  |                |               |            |            |
|     | Secured   | 8.1              | 14,537,825     | 16,544,826    |            |            |
|     | Unsecured   |                  | 27,508,456     | 47,867,397    |            |            |
|     |   |                  | 42,046,281     | 64,412,223    |            |            |
|     | Local   |                  |                |               |            |            |
|     | Secured   | 8.1              | 1,547,896      | 2,630,637     |            |            |
|     | Related parties   | 8.2              | 56,056,420     | 24,548,979    |            |            |
|     | Unsecured - considered good   | 8.3              | 205,009,789    | 259,426,244   |            |            |
|     |   | 8.4              | 262,614,105    | 286,605,860   |            |            |
|     |   |                  | 304,660,386    | 351,018,083   |            |            |
| 8.1 | These are secured against letters of credit.  |                  |                |               |            |            |
| 8.2 | 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  | -                | -              | -             | -          | 2,653,057  |
|     | Sapphire Fibres Limited   | 22,265,162       | 23,378,435     | -             | 45,643,597 | 15,222,600 |
|     | Diamond Fabrics Limited   | 10,412,824       | -              | -             | 10,412,824 | 6,691,317  |
|     |   | 32,677,986       | 23,378,435     | -             | 56,056,421 | 24,566,974 |
| 8.3 | As at 30 June 2017, trade debts, other then associated companies, of Rs. 42.042 million (2016: Rs. 65.322 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these trade debts is a follows: |                  |                |               |            |            |
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|     |   |                  |                |               |            |            |
|     |   |                  |                |               |            |            |

# Notes to the Financial Statements

## For the year ended June 30, 2017

|  | Note                                       | 2017<br>Rupees     | 2016<br>Rupees     |
|--|--|--------------------|--------------------|
| <b>10</b>  | <b>SHORT TERM DEPOSITS AND PREPAYMENTS</b> |                    |                    |
| Bank guarantee margin  |  | 1,151,230          | 839,466            |
| Prepayments  |  | 785,177            | 350,000            |
|  |  | <b>1,936,407</b>   | <b>1,189,466</b>   |
| <b>11</b>  | <b>OTHER RECEIVABLES</b>                   |                    |                    |
| Export rebate receivable   |  | 9,414,795          | 12,513,462         |
| Duty drawback receivable   |  | 9,741,360          | -                  |
| Others   |  | 1,261,399          | 521,494            |
|  |  | <b>20,417,554</b>  | <b>13,034,956</b>  |
| <b>12</b>  | <b>TAX REFUNDS DUE FROM THE GOVERNMENT</b> |                    |                    |
| Sales tax refundable   |  | 71,517,959         | 101,714,530        |
| Income tax refundable  |  | 130,423,449        | 122,482,342        |
|  |  | <b>201,941,408</b> | <b>224,196,872</b> |
| <b>13</b>  | <b>SHORT TERM INVESTMENTS</b>              |                    |                    |
| <b>Available for sale investments</b>                                |  |                    |                    |
| Investments in quoted companies                                      | 13.1                                       | 93,524,885         | -                  |
| Unrealized loss on remeasurement of investments                      |  | (9,370,227)        | -                  |
|  |  | <b>84,154,658</b>  | <b>-</b>           |
| <b>13.1</b>  | <b>Investments in quoted securities</b>    |                    |                    |
| Pak Electron Limited   |  |                    |                    |
| 17,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost  |  | 1,985,057          | -                  |
| Market value Rs.1,875,440/- (2016: nil)                              |  |                    |                    |
| D. G. Khan Cement Company Limited                                    |  |                    |                    |
| 17,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost  |  | 4,084,785          | -                  |
| Market value Rs.3,623,720/- (2016: nil)                              |  |                    |                    |
| Lucky Cement Limited   |  |                    |                    |
| 8,550 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost   |  | 7,758,033          | -                  |
| Market value Rs.7,150,023/- (2016: nil)                              |  |                    |                    |
| Pioneer Cement Limited   |  |                    |                    |
| 7,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost   |  | 1,030,847          | -                  |
| Market value Rs.910,000/- (2016: nil)                                |  |                    |                    |
| Fauji Cement Company Limited   |  |                    |                    |
| 22,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost  |  | 997,638            | -                  |
| Market value Rs. 902,660/- (2016: nil)                               |  |                    |                    |
| Engro Polymer & Chemical Limited                                     |  |                    |                    |
| 183,500 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost |  | 6,271,137          | -                  |
| Market value Rs. 6,697,750/- (2016: nil)                             |  |                    |                    |
| ICI Pakistan Limited   |  |                    |                    |
| 5,900 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost   |  | 6,980,061          | -                  |
| Market value Rs. 6,457,845/- (2016: nil)                             |  |                    |                    |

## Notes to the Financial Statements

### For the year ended June 30, 2017

|   | 2017<br>Rupees    | 2016<br>Rupees |
|---|-------------------|----------------|
| Crescent Steel & Allied Products Limited<br>11,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 2,624,270/- (2016: nil) | 2,953,903         | -              |
| Engro Corporation Limited<br>43,900 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs.14,307,449/- (2016: nil)                | 16,398,019        | -              |
| Engro Fertilizer Limited<br>30,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs.1,657,200/- (2016: nil)                  | 1,778,065         | -              |
| Oil & Gas Exploration Company Limited<br>60,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs.8,441,400/- (2016: nil)     | 10,610,104        | -              |
| Pakistan Petroleum Limited<br>16,800 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 2,488,752/- (2016: nil)               | 2,927,234         | -              |
| Sui Northern Gas Pipeline Limited<br>42,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 6,254,640/- (2016: nil)        | 6,522,343         | -              |
| Hascol Petroleum Limited<br>11,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 3,752,100/- (2016: nil)                 | 3,993,973         | -              |
| Packages Limited<br>2,400 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs.1,669,392/- (2016: nil)                           | 2,037,824         | -              |
| The Searle Company Limited<br>6,500 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 3,327,870/- (2016: nil)                | 3,980,224         | -              |
| K-Electric Limited<br>250,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 1,725,000/- (2016: nil)                      | 1,970,541         | -              |
| HUB Power Company Limited<br>39,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 4,579,770/- (2016: nil)                | 4,984,065         | -              |
| National Refinery Limited<br>2,400 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 1,742,376/- (2016: nil)                 | 1,966,223         | -              |
| Nishal Mills Limited<br>25,000 (2016: Nil) fully paid ordinary share of Rs.10/- each - cost<br>Market value Rs. 3,967,000 (2016: nil)                       | 4,294,809         | -              |
|   | <b>93,524,885</b> | <b>-</b>       |

# Notes to the Financial Statements

## For the year ended June 30, 2017

|             |  | 2017<br>Rupees                     | 2016<br>Rupees       |
|-------------|--|------------------------------------|----------------------|
| <b>14</b>   | <b>CASH AND BANK BALANCES</b>  |                                    |                      |
|             | Cash-in-hand   | 67,393                             | 67,758               |
|             | Cash at banks in current accounts  | 22,643,728                         | 21,236,306           |
|             |  | <b>22,711,121</b>                  | <b>21,304,064</b>    |
| <b>15</b>   | <b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>  |                                    |                      |
|             | 10,292,000 (2016: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash.   | <b>102,920,000</b>                 | <b>102,920,000</b>   |
| <b>15.1</b> | Ordinary shares of the Company held by associated companies as at the balance sheet date:  |                                    |                      |
|             |  | 2017<br>.....Number of shares..... | 2016                 |
|             | Amer Cotton Mills (Private) Limited  | 18,100                             | 18,100               |
|             | Amer Tex (Pvt.) Limited  | 15,087                             | 15,087               |
|             | Crystal Enterprises (Private) Limited  | 27,696                             | 27,696               |
|             | Galaxy Agencies (Private) Limited  | 108,217                            | 108,217              |
|             | Neelum Textile Mills (Private) Limited   | 1,365,515                          | 1,365,515            |
|             | Nadeem Enterprises (Private) Limited   | 87,104                             | 87,104               |
|             | Reliance Textiles Limited  | 1,098,118                          | 1,098,118            |
|             | Salman Ismail (SMC Private) Limited  | 1,500                              | 1,500                |
|             | Sapphire Textile Mills Limited   | 316,214                            | 316,619              |
|             | Sapphire Fibres Limited  | 154,367                            | 155,151              |
|             | Sapphire Holding Limited   | 636,156                            | 636,156              |
|             | SFL Limited  | -                                  | 557,621              |
|             | Sapphire Agencies (Private) Limited  | 2,318,899                          | 2,318,899            |
|             | Sapphire Power Generation Limited  | 20,539                             | 20,539               |
|             | Yousuf Agencies (Private) Limited  | 3,223                              | 3,223                |
|             |  | <b>6,170,735</b>                   | <b>6,729,545</b>     |
| <b>15.2</b> | 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.  |                                    |                      |
| <b>16</b>   | <b>RESERVES</b>  | <b>Note</b>                        |                      |
|             | General reserve  |                                    |                      |
|             | Capital reserve  |                                    |                      |
|             | Un-appropriated profit   |                                    |                      |
|             |  | 2017<br>Rupees                     | 2016<br>Rupees       |
|             |  | 130,000,000                        | 130,000,000          |
|             |  | 136,367,154                        | 122,553,168          |
|             |  | 1,785,964,745                      | 1,607,769,051        |
|             |  | <b>2,052,331,899</b>               | <b>1,860,322,219</b> |
| <b>17</b>   | <b>LONG TERM FINANCING</b>   |                                    |                      |
|             | <b>From banking companies - secured</b>  |                                    |                      |
|             | At beginning of the year   | 17.1                               |                      |
|             | Obtained during the year   | 17.1                               |                      |
|             |  | 58,550,000                         | -                    |
|             |  | 16,350,000                         | 58,550,000           |
|             |  | <b>74,900,000</b>                  | <b>58,550,000</b>    |
|             |  | <b>74,900,000</b>                  | <b>58,550,000</b>    |
| <b>17.1</b> | These loans were obtained from MCB Bank under LTFF scheme of State Bank of Pakistan. The purpose of these loans was to finance/retire the Letter of credit of textile machinery along with accessories out of total sanctioned limit of Rs. 150 million. During the year, Company further obtained Rs.16.350 million against the purchase of imported plant and machinery. These loans are secured against Pari Passu charge of Rs. 200 million over all present and future plant and machinery of the Company. It is repayable in 16 equal semi-annual installments over 10 years including 2 years grace period. The loan carries mark up at the (SBP rate) + 0.5%. Installment under these arrangements are detailed below along with last date of respective payments: |                                    |                      |

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 17.2 Particulars of financing

| Serial No. | Particulars  | Installment Amount | First installment date | Date of final payment |
|------------|--------------|--------------------|------------------------|-----------------------|
| 1          | MCB-LTFF-I   | 2,685,687          | 9-Dec-18               | 9-Jun-26              |
| 2          | MCB-LTFF-II  | 322,812            | 13-Dec-18              | 13-Jun-26             |
| 3          | MCB-LTFF-III | 650,875            | 15-Dec-18              | 15-Jun-26             |
| 4          | MCB-LTFF-IV  | 316,688            | 16-Sep-19              | 16-Mar-26             |
| 5          | MCB-LTFF-V   | 705,187            | 13-Oct-19              | 13-Apr-26             |

| 18     | DEFERRED LIABILITIES  | Note   | 2017               | 2016               |
|--------|---|--------|--------------------|--------------------|
|        |   |        | Rupees             | Rupees             |
|        | Employee benefits - unfunded  | 18.1   | 80,336,813         | 73,392,461         |
|        | Deferred tax liability  | 18.2   | 64,913,634         | 57,295,826         |
|        |   |        | <b>145,250,447</b> | <b>130,688,287</b> |
| 18.1   | The amount recognised in the balance sheet                                      |        |                    |                    |
|        | Present value of defined benefit obligations                                    |        | 80,336,813         | 73,392,461         |
| 18.1.2 | Movement in net liability recognized in the balance sheet                       |        |                    |                    |
|        | At beginning of the year  |        | 73,392,461         | 62,258,658         |
|        | Expense recognised in profit and loss account                                   | 18.1.4 | 23,589,762         | 25,797,141         |
|        | Remeasurement component charged in other comprehensive income                   |        | (661,669)          | 2,812,106          |
|        | Benefits paid during the year   |        | (15,983,741)       | (17,475,444)       |
|        | At end of the year  |        | <b>80,336,813</b>  | <b>73,392,461</b>  |
| 18.1.3 | Movement in the present value of defined benefit obligation                     |        |                    |                    |
|        | Present value of obligation at beginning of the year                            |        | 73,392,461         | 61,392,853         |
|        | Current service cost  |        | 18,848,219         | 20,621,058         |
|        | Interest cost   |        | 4,741,543          | 5,176,083          |
|        | Benefits paid during the year   |        | (15,983,741)       | (16,609,639)       |
|        | Actuarial (gains)/losses on remeasurement of defined benefit obligation due to: |        |                    |                    |
|        | Changes in financial assumptions  |        | -                  | (670,178)          |
|        | Experience adjustment   |        | (661,669)          | 3,482,284          |
|        | Present value of obligation at end of the year                                  |        | <b>80,336,813</b>  | <b>73,392,461</b>  |
| 18.1.4 | Expense recognised in profit and loss account                                   |        |                    |                    |
|        | Current service cost  |        | 18,848,219         | 20,621,058         |
|        | Interest cost   |        | 4,741,543          | 5,176,083          |
|        |   |        | <b>23,589,762</b>  | <b>25,797,141</b>  |
| 18.1.5 | Charge for the year has been allocated as follows                               |        |                    |                    |
|        | Cost of sales   |        | 17,676,648         | 19,782,275         |
|        | Distribution cost   |        | 2,347,691          | 3,656,087          |
|        | Administrative expenses   |        | 3,565,423          | 2,358,779          |
|        |   |        | <b>23,589,762</b>  | <b>25,797,141</b>  |
| 18.1.6 | Total Remeasurement chargeable to other comprehensive income                    |        |                    |                    |
|        | Actuarial (gains)/losses on remeasurement of defined benefit obligation due to: |        |                    |                    |
|        | Actuarial (gains)/losses from changes in financial assumptions                  |        | -                  | (670,178)          |
|        | Experience adjustment   |        | (661,669)          | 3,482,284          |
|        |   |        | <b>(661,669)</b>   | <b>2,812,106</b>   |

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 18.1.7 Principal actuarial assumptions:

Principal actuarial assumptions used are as follows: -

|   |         |         |
|---|---------|---------|
| Discount rate - per annum                                 | 7.25%   | 7.25%   |
| Expected rate of growth per annum in future salaries      | 6.25%   | 6.25%   |
| Average expected remaining working life time of employees | 8 years | 7 years |

Estimated contribution for the year ending June 30, 2018 is Rs. 25.423 million.

### 18.1.8 Risk associated with defined benefit plans

#### Longevity risks

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

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

|                    | Changes in assumptions | Impact on defined benefit obligation |                        |
|--------------------|------------------------|--------------------------------------|------------------------|
|                    |                        | Increase in assumption               | Decrease in assumption |
|                    |                        | ----- Rupees -----                   |                        |
| Discount rate      | 1%                     | 73,150,301                           | 89,309,240             |
| Salary growth rate | 1%                     | 89,309,240                           | 73,027,805             |

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 on when calculating the gratuity liability recognised within the balance sheet.

18.1.9 The weighted average contribution of the defined obligation plan is 7 years

### 18.2 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.

| 19 | TRADE AND OTHER PAYABLES           | Note | 2017               | 2016               |
|----|------------------------------------|------|--------------------|--------------------|
|    |                                    |      | Rupees             | Rupees             |
|    | Creditors                          | 19.1 | 95,870,481         | 26,774,474         |
|    | Accrued liabilities                | 19.2 | 103,474,479        | 98,744,613         |
|    | Workers' welfare fund              | 19.3 | -                  | 25,780,077         |
|    | Infrastructure fee                 | 19.4 | 42,517,848         | 37,727,561         |
|    | Advances from customers            |      | 4,628,671          | 3,647,368          |
|    | Workers' profit participation fund | 19.5 | 10,262,006         | 5,525,170          |
|    | Electricity duty                   |      | 11,886,293         | 8,886,047          |
|    | Unclaimed dividend                 |      | 408,477            | 340,734            |
|    |                                    |      | <u>269,048,255</u> | <u>207,426,044</u> |

19.1 Creditors include Rs. 2.656 million (2016: Rs. 2.138 million) due to associated companies. Creditors also include Rs. 61.763 million (2016: Rs. 6.564 million) as against foreign currency bills payable.

19.2 Accrued liabilities includes Rs. 1.771 million (2016: Rs. 9.860 million) due to associated company and provision in respect of Gas Infrastructure Development Cess (GIDC) amounting Rs.52.269 million (2016: Rs. 33.812)

19.3 Through Finance Act, 2008 an amendment was made in section 4(5) of the Workers' Welfare Fund Ordinance 1971 (WWF Ordinance) whereby WWF liability was made applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return. In the year 2011, the Lahore High Court struck down the aforementioned amendments to the WWF Ordinance. The Supreme Court has declared the changes made in WWF Ordinance through Finance Act 2008 as ultra vires and void abinitio. The amount includes reversal of excess provisioning made on the basis of accounting profit from year 2011 till 2016.

## Notes to the Financial Statements

### For the year ended June 30, 2017

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

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

|  |      | 2017        | 2016        |
|--|------|-------------|-------------|
|  | Note | Rupees      | Rupees      |
| <b>19.5 Workers' profit participation fund</b>       |      |             |             |
| At the beginning of the year                         |      | 5,525,170   | 6,475,698   |
| Interest on funds utilized in the Company's business | 19.6 | 121,137     | 227,004     |
| Provision for the year                               |      | 10,262,006  | 5,525,170   |
|  |      | 15,908,313  | 12,227,872  |
| Payments made during the year                        |      | (5,646,307) | (6,702,702) |
| At the end of the year                               |      | 10,262,006  | 5,525,170   |

- 19.6** Interest on workers' profit participation fund has been provided at 8.25% (2016: 9% to to 9.5% ) per annum.

#### 20 MARK-UP ACCRUED

Mark-up accrued on:

Long term financing

Short term borrowings

|  |            |            |
|--|------------|------------|
|  | 442,127    | 222,250    |
|  | 15,620,562 | 12,113,852 |
|  | 16,062,689 | 12,336,102 |

#### 21 SHORT TERM BORROWINGS

From banking companies-secured

Running finance

Foreign currency import finance

Other short term finance

|  |               |               |
|--|---------------|---------------|
|  | 411,083,543   | 606,244,552   |
|  | 248,744,167   | 239,002,181   |
|  | 345,000,000   | 295,000,000   |
|  | 1,004,827,710 | 1,140,246,733 |

- 21.1** The short term borrowing facilities amounting to Rs. 5,256 million (2016: Rs. 5,433 million) remained unutilized at the year end.

- 21.2** These facilities have been obtained from various banks under mark-up arrangements against aggregate sanctioned limit of Rs. 6,261 million (2016: Rs. 6,625 million). These facilities carry mark-up at the rates ranging from 1.15% to 7.37% (2016: 1.25% to 8.224%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.

- 21.3** Facilities available for opening letters of credit and guarantees aggregate to Rs. 1,451 million (2016: Rs. 1,325 million) of which facilities amounting to Rs. 1,202 million (2016: Rs. 1,282 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.

#### 22 CONTINGENCIES AND COMMITMENTS

##### 22.1 CONTINGENCIES

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

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

|  | 2017        | 2016        |
|--|-------------|-------------|
|  | Rupees      | Rupees      |
|  | 99,990,298  | 69,337,654  |
|  | 75,596,056  | 88,366,245  |
|  | 175,586,354 | 157,703,899 |



# Notes to the Financial Statements

## For the year ended June 30, 2017

### 22.2 Claim of Input Sales Tax

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

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

### 22.4 COMMITMENTS

| Note                              | 2017<br>Rupees     | 2016<br>Rupees    |
|-----------------------------------|--------------------|-------------------|
| Letters of credit for import of:  |                    |                   |
| - plant and machinery             | 196,791,240        | -                 |
| - stores and spare parts          | 1,394,375          | -                 |
| - raw material                    | 35,340,890         | 36,156,829        |
| Contracts for capital expenditure | 131,522            | 13,828,796        |
|                                   | <b>233,658,027</b> | <b>49,985,625</b> |

### 23 SALES

#### Exports

##### Yarn

|            |      |                      |                      |
|------------|------|----------------------|----------------------|
| - Direct   | 23.1 | 852,442,858          | 615,714,031          |
| - Indirect | 23.2 | 1,938,499,639        | 1,955,000,287        |
|            |      | <b>2,790,942,497</b> | <b>2,570,714,318</b> |

##### Waste

|            |  |                   |                   |
|------------|--|-------------------|-------------------|
| - Direct   |  | 64,317,654        | 46,723,426        |
| - Indirect |  | -                 | 1,313,673         |
|            |  | <b>64,317,654</b> | <b>48,037,099</b> |

##### Local

|         |      |                    |                    |
|---------|------|--------------------|--------------------|
| - Yarn  |      | 651,820,226        | 529,117,923        |
| - Waste |      | 48,603,271         | 68,847,853         |
|         | 23.2 | <b>700,423,497</b> | <b>597,965,776</b> |

|                   |  |                      |                      |
|-------------------|--|----------------------|----------------------|
| Processing income |  | 2,693,520            | 2,147,621            |
| Export rebate     |  | 12,336,186           | 2,281,828            |
|                   |  | <b>3,570,713,354</b> | <b>3,221,146,642</b> |

23.1 Export sales include foreign currency exchange gain-net amounting to Rs. 5.506 million (2016: Rs.2.287 million) realized on export proceeds.

23.2 Sales tax on local and indirect exports is Rs. 0.347 million (2016: Rs. 60.443 million)

### 24 COST OF SALES

| Note                                  | 2017<br>Rupees       | 2016<br>Rupees       |
|---------------------------------------|----------------------|----------------------|
| Raw material consumed                 | 2,237,471,265        | 2,030,042,681        |
| Packing material consumed             | 53,555,764           | 57,258,410           |
| Store and spare parts consumed        | 81,432,289           | 68,121,457           |
| Salaries, wages and other benefits    | 318,411,682          | 331,737,619          |
| Fuel and power                        | 316,900,655          | 279,817,192          |
| Insurance                             | 9,644,458            | 13,052,358           |
| Repair and maintenance                | 8,130,969            | 5,518,773            |
| Travelling and conveyance             | 3,925,511            | 5,007,063            |
| Other manufacturing overheads         | 2,983,166            | 4,150,805            |
| Depreciation                          | 141,226,826          | 132,841,331          |
|                                       | <b>3,173,682,585</b> | <b>2,927,547,689</b> |
| Work-in-process                       |                      |                      |
| At beginning of the year              | 128,561,008          | 120,307,562          |
| At end of the year                    | (143,725,269)        | (128,561,008)        |
|                                       | <b>(15,164,261)</b>  | <b>(8,253,446)</b>   |
| Cost of goods manufactured            | <b>3,158,518,324</b> | <b>2,919,294,243</b> |
| Finished goods                        |                      |                      |
| At beginning of year                  | 94,836,235           | 61,104,299           |
| Yarn/fabric purchased during the year | 9,418,095            | 1,169,022            |
| At end of the year                    | (82,330,887)         | (94,836,235)         |
|                                       | <b>21,923,443</b>    | <b>(32,562,914)</b>  |
| Cost of goods sold                    | <b>3,180,441,767</b> | <b>2,886,731,329</b> |

# Notes to the Financial Statements

## For the year ended June 30, 2017

|             |  |             | 2017                 | 2016                 |
|-------------|--|-------------|----------------------|----------------------|
|             |  |             | Rupees               | Rupees               |
| <b>24.1</b> | <b>Raw material consumed</b>   | <b>Note</b> |                      |                      |
|             | At beginning of the year   |             | 383,920,696          | 559,661,497          |
|             | Purchased during the year  |             | 2,347,980,809        | 1,854,301,880        |
|             |  |             | <u>2,731,901,505</u> | <u>2,413,963,377</u> |
|             | At end of the year   |             | (494,430,240)        | (383,920,696)        |
|             |  |             | <u>2,237,471,265</u> | <u>2,030,042,681</u> |
| <b>24.2</b> | Salaries, wages and other benefits include Rs.17.677 million (2016: Rs.19.782 million) in respect of employee benefits - gratuity. |             |                      |                      |
| <b>25</b>   | <b>DISTRIBUTION COST</b>   |             |                      |                      |
|             | Salaries and other benefits  | 25.1        | 19,285,209           | 16,581,992           |
|             | Postage and telephone  |             | 534,074              | 365,484              |
|             | Traveling, conveyance and entertainment  |             | 13,093,700           | 9,038,665            |
|             | Printing, stationery and others  |             | 258,830              | 453,250              |
|             | Commission   |             |                      |                      |
|             | - Local  |             | 2,857,118            | 3,572,446            |
|             | - Export   |             | 14,912,581           | 14,160,467           |
|             | Freight and forwarding   |             |                      |                      |
|             | - Local  |             | 5,644,940            | 5,653,742            |
|             | - Export   |             | 28,676,691           | 20,725,356           |
|             | Export development surcharge   |             | 2,326,383            | 1,723,619            |
|             | Insurance charges - export   |             | 197,708              | 294,143              |
|             |  |             | <u>87,787,234</u>    | <u>72,569,164</u>    |
| <b>25.1</b> | Salaries and other benefits include Rs. 2.348 million (2016: Rs. 3.656 million) in respect of employee benefits - gratuity.        |             |                      |                      |
| <b>26</b>   | <b>ADMINISTRATIVE EXPENSES</b>   | <b>Note</b> | <b>2017</b>          | <b>2016</b>          |
|             |  |             | Rupees               | Rupees               |
|             | Salaries and other benefits  | 26.1        | 35,591,262           | 30,940,052           |
|             | Postage and telephone  |             | 1,726,500            | 2,631,157            |
|             | Fees and subscription  |             | 1,068,495            | 1,366,597            |
|             | Printing and stationery  |             | 543,320              | 473,166              |
|             | Traveling and conveyance   |             | 2,090,712            | 1,231,996            |
|             | Repair and maintenance   |             | 3,234,517            | 2,703,562            |
|             | Legal and professional charges   |             | 3,317,405            | 2,552,967            |
|             | Advertisement  |             | 82,095               | 73,400               |
|             | Entertainment  |             | 4,238,233            | 752,657              |
|             | Donation   |             | 415,000              | 140,000              |
|             | Utility charges  |             | 1,527,400            | 1,352,715            |
|             | Others   |             | 92,478               | 17,531               |
|             |  |             | <u>53,927,417</u>    | <u>44,235,800</u>    |
| <b>26.1</b> | Salaries and other benefits include Rs. 3.565 million (2016: Rs. 2.359 million) in respect of employee benefits - gratuity.        |             |                      |                      |
| <b>27</b>   | <b>OTHER OPERATING EXPENSES</b>  | <b>Note</b> | <b>2017</b>          | <b>2016</b>          |
|             |  |             | Rupees               | Rupees               |
|             | Auditors' remuneration   | 27.1        | 882,300              | 865,750              |
|             | Workers' profit participation fund   |             | 10,262,006           | 5,525,170            |
|             | Workers' welfare fund  |             | -                    | 2,614,594            |
|             |  |             | <u>11,144,306</u>    | <u>9,005,514</u>     |
| <b>27.1</b> | <b>Auditors' remuneration</b>  |             |                      |                      |
|             | Annual audit   |             | 592,500              | 577,500              |
|             | Half-yearly review   |             | 132,000              | 137,813              |
|             | Compliance report on Code of Corporate Governance  |             | 52,500               | 52,500               |
|             | Other certification  |             | 25,000               | 25,000               |
|             | Out-of-pocket expenses   |             | 73,700               | 72,937               |
|             |  |             | <u>875,700</u>       | <u>865,750</u>       |

# Notes to the Financial Statements

## For the year ended June 30, 2017

|             |  |             | 2017<br>Rupees    | 2016<br>Rupees     |
|-------------|--|-------------|-------------------|--------------------|
| <b>28</b>   | <b>OTHER INCOME</b>  | <b>Note</b> |                   |                    |
|             | <b>Income from assets other than financial assets</b>  |             |                   |                    |
|             | Gain on disposal of property, plant and equipment  |             | 269,475           | 1,899,108          |
|             | Provision for WWF no more required - written back  |             | 25,780,077        | -                  |
|             | Scrap sales  | 28.1        | 2,646,031         | 2,497,031          |
|             | <b>Income from financial assets</b>  |             |                   |                    |
|             | Gain on disposal of Investment   |             | 451,027           | -                  |
|             | Dividend income  |             | 161,500           | -                  |
|             |  |             | <b>29,308,110</b> | <b>4,396,139</b>   |
| <b>28.1</b> | Scrap sales inclusive of sales tax amounts to Rs. 3.108 million (2016: Rs. 2.960 million).   |             |                   |                    |
| <b>29</b>   | <b>FINANCE COST</b>  |             |                   |                    |
|             | Mark-up on:  |             |                   |                    |
|             | Long term financing  |             | 1,736,134         | 1,723,204          |
|             | Short term borrowings  |             | 63,591,313        | 98,663,943         |
|             | Interest on workers' profit participation fund   |             | 121,137           | 227,004            |
|             | Bank charges and commission  |             | 5,611,374         | 6,058,693          |
|             | Exchange loss on foreign currency loans  |             | 682,665           | 3,964,495          |
|             |  |             | <b>71,742,623</b> | <b>110,637,339</b> |
| <b>30</b>   | <b>PROVISION FOR TAXATION</b>  |             |                   |                    |
|             | Current  |             |                   |                    |
|             | -for the year  | 30.1        | 18,534,711        | 33,926,907         |
|             | -for prior year  |             | (1,354,840)       | 313,490            |
|             |  |             | <b>17,179,871</b> | <b>34,240,397</b>  |
|             | Deferred   |             |                   |                    |
|             | - for the year   |             | 7,617,808         | 14,261,412         |
|             |  |             | <b>24,797,679</b> | <b>48,501,809</b>  |
| <b>30.1</b> | The Company falls under the ambit of final tax regime of the Income Tax Ordinance, 2001, provision for income tax is made accordingly. Assessments for the tax year 2016 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001.   |             |                   |                    |
| <b>30.2</b> | There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.   |             |                   |                    |
| <b>30.3</b> | 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%. |             |                   |                    |
|             | Hon'able Sindh High Court has decided the case in favour of the Company on the appeals filed by Commissioner Inland Revenue.   |             |                   |                    |
| <b>31</b>   | <b>EARNINGS PER SHARE - BASIC AND DILUTED</b>  |             |                   |                    |
|             | There is no dilutive effect on the basic earning per share which is based on:  |             |                   |                    |
|             | Profit attributable to ordinary shareholders   |             | 228,994,025       | 121,897,352        |
|             | Weighted average number of ordinary shares outstanding during the year (Numbers)   |             | 10,292,000        | 10,292,000         |
|             | Earnings per share -   |             | 22.25             | 11.84              |

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 32 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

|                          | Chief Executive Officer |                  | Executives         |                   |
|--------------------------|-------------------------|------------------|--------------------|-------------------|
|                          | 2017                    | 2016             | 2017               | 2016              |
|                          | ----- Rupees -----      |                  | ----- Rupees ----- |                   |
| Managerial remuneration  | 4,824,000               | 4,422,000        | 25,497,560         | 22,550,933        |
| House rent               | 2,170,800               | 1,989,900        | 8,346,802          | 9,628,981         |
| Utilities                | 205,200                 | 188,100          | 1,502,130          | 885,004           |
| Conveyance               | -                       | -                | 30,000             | 25,200            |
| Medical expenses         | -                       | -                | 1,454,474          | 580,058           |
| Bonus/Leave encashment   | -                       | -                | 5,845,474          | 5,063,342         |
|                          | <b>7,200,000</b>        | <b>6,600,000</b> | <b>42,676,440</b>  | <b>38,733,518</b> |
| <b>Number of persons</b> | <b>1</b>                | <b>1</b>         | <b>16</b>          | <b>16</b>         |

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

32.2 The Company has paid Rs.50,000 (2016: Rs.50,000) as meeting fee to an independent director.

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

### 33 FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

#### 33.1 Credit risk and concentration of credit risk

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

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

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 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.

#### 33.1.1 Exposure to credit risk

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

|                                     | 2017               | 2016               |
|-------------------------------------|--------------------|--------------------|
|                                     | Rupees             | Rupees             |
| Long term deposits                  | 8,987,690          | 8,987,690          |
| Trade debts                         | 304,660,386        | 351,018,083        |
| Loans and advances                  | 1,200,000          | 408,000            |
| Short term deposits and prepayments | 1,151,230          | 839,466            |
| Other receivables                   | 1,261,399          | 521,494            |
| Bank balances                       | 22,643,728         | 21,236,306         |
|                                     | <b>339,904,433</b> | <b>383,011,039</b> |

Geographically there is no concentration of credit risk.

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

|                          | Gross<br>2017     | Impairment<br>2017 | Gross<br>2016      | Impairment<br>2016 |
|--------------------------|-------------------|--------------------|--------------------|--------------------|
|                          | Rupees            |                    |                    |                    |
| Past due                 |                   |                    |                    |                    |
| Upto 1 month             | 63,112,052        | -                  | 82,610,776         | -                  |
| 1 month to 6 months      | 35,577,147        | -                  | 22,293,529         | -                  |
| Over 6 months            | 203,146           | -                  | 5,225,772          | -                  |
| Over 6 months - impaired | -                 | -                  | -                  | -                  |
|                          | <b>98,892,345</b> | <b>-</b>           | <b>110,130,077</b> | <b>-</b>           |

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

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

#### 33.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 21.3 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

#### 33.2.1 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.

# Notes to the Financial Statements

## For the year ended June 30, 2017

| 2017               |                        |                    |                      |                  |                    |
|--------------------|------------------------|--------------------|----------------------|------------------|--------------------|
| Carrying Amount    | Contractual Cash Flows | Six months or less | Six to twelve months | One to two years | Two years or above |
| ..... Rupees ..... |                        |                    |                      |                  |                    |
| 74,900,000         | 84,153,984             | 933,685            | 938,815              | 8,545,624        | 73,735,860         |
| 211,639,730        | 211,639,730            | 211,639,730        | -                    | -                | -                  |
| 16,062,689         | 16,062,689             | 16,062,689         | -                    | -                | -                  |
| 1,004,827,710      | 25,409,216,466         | 24,894,606,515     | 514,609,951          | -                | -                  |
| 1,307,430,129      | 25,721,072,869         | 25,123,242,619     | 515,548,766          | 8,545,624        | 73,735,860         |

### Non-derivative Financial liabilities

Long term financing  
Trade and other payable  
Mark up accrued  
Short term borrowings

| 2016               |                        |                    |                      |                  |                    |
|--------------------|------------------------|--------------------|----------------------|------------------|--------------------|
| Carrying Amount    | Contractual Cash Flows | Six months or less | Six to twelve months | One to two years | Two years or above |
| ..... Rupees ..... |                        |                    |                      |                  |                    |
| 58,550,000         | 67,700,953             | 730,583            | 733,167              | 1,463,750        | 64,773,453         |
| 134,745,868        | 134,745,868            | 134,745,868        | -                    | -                | -                  |
| 12,336,102         | 12,336,102             | 12,336,102         | -                    | -                | -                  |
| 1,140,246,733      | 1,257,150,530          | 648,059,231        | 609,091,299          | -                | -                  |
| 1,345,878,703      | 1,471,933,453          | 795,871,784        | 609,824,466          | 1,463,750        | 64,773,453         |

### Non-derivative Financial liabilities

Long term financing  
Trade and other payable  
Mark up accrued  
Short term borrowings

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 33.3 Market risk

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

#### 33.3.1 Foreign currency risk management

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:

|                       | 2017               |               | 2016               |                |
|-----------------------|--------------------|---------------|--------------------|----------------|
|                       | USD                | EURO          | USD                | EURO           |
| Trade debts           | 289,179            | 97,241        | 346,869            | 242,544        |
| Trade creditors       | (562,800)          | (22,214)      | (62,694)           | -              |
| Short term borrowings | (2,368,992)        | -             | (2,282,733)        | -              |
|                       | <b>(2,642,613)</b> | <b>75,027</b> | <b>(1,998,558)</b> | <b>242,544</b> |

Commitments outstanding at year end amounted to Rs. 233.527 million (2016: Rs. 36.157 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied during the year:

|        | Average rate  |        | Reporting date rate |        |
|--------|---------------|--------|---------------------|--------|
|        | 2017          | 2016   | 2017                | 2016   |
|        | Rupees        | Rupees | Rupees              | Rupees |
| USD 1  | <b>103.73</b> | 103.93 | <b>105.00</b>       | 104.50 |
| EURO 1 | <b>112.99</b> | 115.37 | <b>120.14</b>       | 116.08 |

#### Sensitivity analysis

A 5 percent strengthening of the Pak Rupee against the USD & EURO at June 30, 2017 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, 2017.

|                                     | 2017              | 2016      |
|-------------------------------------|-------------------|-----------|
|                                     | Rupees            | Rupees    |
| Increase in profit and loss account | <b>13,423,031</b> | 9,034,740 |

A 5 percent weakening of the Pak Rupee against the USD & EURO at June 30, 2017 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.



# Notes to the Financial Statements

## For the year ended June 30, 2017

### 33.4 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:

|                              | 2017<br>..... % ..... | 2016          | 2017<br>Rupees       | 2016<br>Rupees       |
|------------------------------|-----------------------|---------------|----------------------|----------------------|
| <b>Financial liabilities</b> |                       |               |                      |                      |
| Long term financing          | 2.50 to 6.76          | 6.71 to 7.48  | 74,900,000           | 58,550,000           |
| Short term borrowings        | 1.15 to 7.37          | 1.25 to 8.224 | 1,004,827,710        | 1,140,246,733        |
|                              |                       |               | <b>1,079,727,710</b> | <b>1,198,796,733</b> |

#### 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.

|                       | Increase / (Decrease)<br>in basis points<br>% | Effect on profit<br>before tax<br>Rupees |
|-----------------------|---|--|
| <b>2017</b>           |   |  |
| Long term financing   | 1.00%   | 749,000                                  |
| Short term borrowings |   | 10,048,277                               |
|                       |   | <b>10,797,277</b>                        |
| <b>2016</b>           |   |  |
| Long term financing   | 1.00%   | 585,500                                  |
| Short term borrowings |   | 11,402,467                               |
|                       |   | <b>11,987,967</b>                        |

### 33.5 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.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs.84,154,658 (2016: Nil). An increase of 25% on the KSE market index would have an impact of approximately Rs. 21,038,665 on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. An decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

# Notes to the Financial Statements

## For the year ended June 30, 2017

### 34 FINANCIAL INSTRUMENTS BY CATEGORY

|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
|  | Rupees               | Rupees               |
| <b>Financial Assets</b>                          |                      |                      |
| <b>Loans and receivables at amortised cost</b>   |                      |                      |
| Long term deposits                               | 8,987,690            | 8,987,690            |
| Trade debts                                      | 304,660,386          | 351,018,083          |
| Loans and advances                               | 1,200,000            | 408,000              |
| Other receivables                                | 20,417,554           | 13,034,956           |
|  | <b>335,265,630</b>   | <b>373,448,729</b>   |
| <b>Financial Assets - At fair value</b>          |                      |                      |
| Short term investments                           | 84,154,658           | -                    |
| Cash and bank balances                           | 22,711,121           | 21,304,064           |
|  | <b>442,131,409</b>   | <b>394,752,793</b>   |
| <b>Financial Liabilities - At amortised cost</b> |                      |                      |
| Long term financing                              | 74,900,000           | 58,550,000           |
| Trade and other payable                          | 216,268,401          | 138,393,236          |
| Mark up accrued                                  | 16,062,689           | 12,336,102           |
| Short term borrowings                            | 1,004,827,710        | 1,140,246,733        |
|  | <b>1,312,058,800</b> | <b>1,349,526,071</b> |

### 35 CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other 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:

|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
|  | Rupees               | Rupees               |
| Total borrowings including mark-up accrued | 1,095,790,399        | 1,211,132,835        |
| Total equity                               | 2,155,251,899        | 1,963,242,219        |
| Total capital employed                     | <b>3,251,042,298</b> | <b>3,174,375,054</b> |
| Gearing ratio                              | <b>33.71%</b>        | <b>38.15%</b>        |

### 36 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                     | 2017        | 2016        |
|----------------------|---|-------------|-------------|
|                      |   | Rupees      | Rupees      |
| Associated companies | <b>Sales:</b>                             |             |             |
|                      | Yarn / raw material / stores, spare parts | 562,970,452 | 308,610,476 |
|                      | <b>Purchase:</b>                          |             |             |
|                      | Yarn /raw material /stores, spare parts   | 35,513,181  | 11,918,317  |
|                      | Property plant and equipment              | 15,750,000  | 10,200,000  |
|                      | Electricity                               | 91,814,429  | 169,505,779 |
|                      | <b>Services:</b>                          |             |             |
|                      | Rendered                                  | 1,952,640   | 50,152      |
|                      | Obtained                                  | 5,891,995   | 8,404,345   |
|                      | <b>Dividend:</b>                          |             |             |
|                      | Paid                                      | 30,853,675  | 33,642,165  |
|                      | Received                                  | 13,061,638  | 8,136,055   |
|                      | Shared expenses - net                     | 5,214,258   | 6,384,660   |

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

# Notes to the Financial Statements

## For the year ended June 30, 2017

|           |   |             |             |
|-----------|---|-------------|-------------|
| <b>37</b> | <b>NUMBER OF EMPLOYEES</b>                  | <b>2017</b> | <b>2016</b> |
|           | Average number of employees during the year | <b>999</b>  | 1,028       |
|           | Number of employees as at June 30           | <b>983</b>  | 1,113       |

### **38 PLANT CAPACITY AND ACTUAL PRODUCTION**

#### **Production capacity**

|  |                   |            |
|--|-------------------|------------|
| Total number of spindles installed                               | <b>34,848</b>     | 34,848     |
| Number of MVS units installed (in equivalent number of spindles) | -                 | 920        |
| Installed capacity after conversion into 20's count (Lbs.)       | <b>25,149,564</b> | 25,149,564 |

#### **Actual production**

|   |                   |            |
|---|-------------------|------------|
| Number of spindles / MVS worked                                   | <b>32,665</b>     | 32,793     |
| Number of shifts per day  | <b>3</b>          | 3          |
| Total days worked   | <b>365</b>        | 365        |
| Actual production of yarn after conversion into 20's count (Lbs.) | <b>22,241,943</b> | 21,269,295 |

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

### **39 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of fixed term loans, long term advances, stores spares and loose tools, stock in trade, trade debts, advances long term financing and trade payables cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently reprised.

Fair value hierarchy

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

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

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

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

The Company only have short term investments at fair value through profit or loss of Rs. 84,154,658 that are classified at level 1.

### **40 OPERATING SEGEMENTS**

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

The information with respect to operating segment is stated below:

80.24% (2016: 81.37%) sales of the Company relates to export customers.

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

Sales of two customers of the Company is more than 10% which constitutes total amount of Rs. 1.07 billion (2016 Rs. 1.2 billion).

### **41 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and restated for better presentation wherever necessary. Significant reclassification made are as follows:

| <b>From</b>                | <b>To</b>                  | <b>Reason</b>           | <b>Amount<br/>(Rupees)</b> |
|----------------------------|----------------------------|-------------------------|----------------------------|
| CWIP Electric installation | CWIP Building - civil work | For better presentation | <b>17,346,861</b>          |

## Notes to the Financial Statements

### For the year ended June 30, 2017

**42 EVENT AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on September 28, 2017 has proposed to pay cash dividend for the year ended June 30, 2017 of Rs. 15.438 million @ Rs. 1.50 per ordinary share of Rs. 10 each (2016: Rs. 51.460 million @ Rs. 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.

**43 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 28, 2017 by the Board of Directors of the Company.

**44 GENERAL**

Figures have been rounded off to the nearest Rupee.

Lahore:  
Dated: September 28, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE

**SHAHID ABDULLAH**  
DIRECTOR

## Pattern of Shareholding

As At June 30, 2017

| Number of Shareholders | Shareholding From | To      | Total Shares Held |
|------------------------|-------------------|---------|-------------------|
| 363                    | 1                 | 100     | 7,289             |
| 73                     | 101               | 500     | 26,807            |
| 28                     | 501               | 1000    | 25,422            |
| 22                     | 1001              | 5000    | 56,021            |
| 8                      | 5001              | 10000   | 56,228            |
| 3                      | 10001             | 15000   | 33,649            |
| 3                      | 15001             | 20000   | 51,440            |
| 1                      | 20001             | 25000   | 20,539            |
| 3                      | 25001             | 30000   | 81,909            |
| 4                      | 35001             | 40000   | 153,085           |
| 2                      | 40001             | 45000   | 85,164            |
| 1                      | 65001             | 70000   | 69,160            |
| 1                      | 75001             | 80000   | 79,027            |
| 2                      | 85001             | 90000   | 176,154           |
| 1                      | 105001            | 110000  | 108,217           |
| 1                      | 120001            | 125000  | 123,902           |
| 1                      | 145001            | 150000  | 149,194           |
| 1                      | 150001            | 155000  | 154,239           |
| 1                      | 230001            | 235000  | 232,838           |
| 1                      | 315001            | 320000  | 316,214           |
| 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         |
| <b>532</b>             | <b>Total</b>      |         | <b>10,292,000</b> |

## Category of Shareholders

As At June 30, 2017

|   | Shares Held | Percentage |
|---|-------------|------------|
| Directors, CEO, spouses and Minor Children          | 1,895,782   | 18.4200    |
| Associated Companies, undertakings, related parties | 6,728,228   | 65.3734    |
| NIT & ICP   | 465,638     | 4.5243     |
| Banks, DFI & NBF                                    | 325         | 0.0032     |
| Insurance Companies                                 | 16,940      | 0.1646     |
| Modaraba Companies and Mutual Funds                 | 500         | 0.0049     |
| Individuals Local                                   | 1,144,148   | 11.1169    |
| Joint Stock Companies                               | 1,043       | 0.0101     |
| Other Companies                                     | 39,396      | 0.3828     |
|   | 10,292,000  | 100.0000   |

# Pattern of Shareholding

As At June 30, 2017

## A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

|   |           |
|---|-----------|
| Reliance Textiles (Private) Limited     | 1,098,118 |
| Neelum Textile Mills (Private) Limited. | 1,365,515 |
| Sapphire Textile Mills Limited.         | 316,214   |
| Sapphire Fibres Limited                 | 154,239   |
| Sapphire Agencies (Pvt) Ltd.            | 2,318,899 |
| Amer Cotton Mills (Private) Limited     | 18,100    |
| Galaxy Agencies (Private) Limited       | 108,217   |
| Sapphire Power Generation Limited       | 20,539    |
| Nadeem Enterprises (Private) Limited    | 87,104    |
| Crystal Enterprises (Private) Limited   | 27,696    |
| Salman Ismail (SMC-Private) Limited     | 1,500     |
| Yousuf Agencies (Private) Limited       | 3,223     |
| Amer Tex (Pvt.) Limited                 | 15,087    |
| SFL Limited                             | 557,621   |
| Sapphire Holding Limited                | 636,156   |

## B) NIT & ICP

|  |         |
|--|---------|
| National Bank of Pakistan Trustee Department | 465,638 |
|--|---------|

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

### DIRECTORS & THEIR SPOUSES

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

### CHIEF EXECUTIVE OFFICER & HIS SPOUSE

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



## Pattern of Shareholding

As At June 30, 2017

|    |   |           |
|----|---|-----------|
| D) | <b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS &amp; MUTUAL FUNDS</b>   |           |
|    | <b>BANKS</b>  |           |
|    | National Bank of Pakistan   | 225       |
|    | <b>Development Financial Institutions</b>   |           |
|    | National Development Finance Corporation  | 100       |
|    | <b>INSURANCE COMPANIES</b>  |           |
|    | State Life Insurance Company of Pakistan  | 16,940    |
|    | <b>MODARABA COMPANIES</b>   |           |
|    | First Punjab Modaraba   | 500       |
|    |   |           |
| E) | <b>SHAREHOLDERS HOLDING 5% OR MORE</b>  |           |
|    | 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) | <b>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.</b> |           |
|    |   | Nil       |

# Form of Proxy

## Reliance Cotton Spinning Mills Limited

I / we \_\_\_\_\_

Folio No. \_\_\_\_\_ of \_\_\_\_\_

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

do hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

a member of **Reliance Cotton Spinning Mills Limited**, vide Registered Folio No. \_\_\_\_\_ as my/our Proxy to act on my/our behalf at 28th Annual General Meeting of the Company to be held on Tuesday the 24th October, 2017 at 04:00 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature \_\_\_\_\_

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

REVENUE  
STAMP OF  
RS.5/-

### NOTICE

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

Name

Address

NIC No.

Name

Address

NIC No.

## فارم برائے قائم مقام / متبادل

# ریڈیائیٹس کاٹن اسپینگ ملز لمیٹڈ

میں/ ہم

---

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

نام (جناب/محترمہ) \_\_\_\_\_

---

اور اُن کی غیر موجودگی میں جناب/محترمہ

---

میری/ ہماری غیر موجودگی میں قائم مقام/ متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز منگل 24 اکتوبر 2017ء کو بوقت 04:00 بجے شام، ٹریڈنگ ہال، کاٹن اسپینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہوگی۔

[illegible]

## گواہان:

(1) دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

---

CNIC یا اسپورٹ نمبر

شیر ہولڈر کے دستخط

شیر ہولڈر کا فولیو نمبر: \_\_\_\_\_

اور/یا CDC-----

شریک ہونے والے کا ID نمبر-----

اور سب اکاؤنٹ نمبر

(1) دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

---

CNIC یا پاسپورٹ نمبر

**نوٹ:** یہ قائم مقام/متبادل فارم مکمل کر کے میٹنگ کی تاریخ سے 48 گھنٹے پہلے تک کمپنی دفتر بمقام کاٹن ایکسچینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی جمع کروائیں۔

C D C شیئر ہولڈر اور اُن کے قائم مقام/ متبادل ہر ایک سے گزارش ہے کہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ کی فوٹو کاپی اس فارم کے ساتھ کمپنی میں جمع کروائیں۔

C D C شیئر ہولڈر یا اُن کے قائم مقام / متبادل سے گزارش ہے کہ اپنے اصلی کمپیوٹر انڈسٹری کارد یا پاسپورٹ ہمراہ شرکت کا I.D. نمبر اور اپنا کاؤنٹ نمبر سالانہ جنرل میٹنگ میں شرکت کے لیے آتے ہوئے ساتھ لائیں تاکہ اُن کی شناخت میں آسانی ہو۔