Contents

Board of Directors

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

Audit Committee

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

Human Resource & Remuneration Committee

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

Chief Financial Officer
Mr. Jawwad Faisal

Company Secretary
Mr. Nauman Iqbal

Auditors
Deloitte Yousuf Adil,
Chartered Accountants

Tax Consultant
Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor
Hassan & Hassan, Advocates

Bankers of the Company
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
United Bank Limited

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

Geographical Presence:

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

Mills
Feroze Wattoan,
District, Sheikhupura, Punjab.

Company Website
www.sapphire.com.pk/rcsml

Vision

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

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

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

Mission

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

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

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

NOTICE IS HEREBY GIVEN THAT 31st Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at 312, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Thursday the 22nd day of October, 2020 at 03:00 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 chairman's, directors' and auditors.

3. To appoint auditors for the year ending 30th June 2021 and fix their remuneration. The board has recommended the name of M/s. EY Ford Rhodes Chartered Accountants, Lahore as statutory auditors of the company for the year ending June 30, 2021 in place of retiring Auditors, M/s Deloitte Yousuf Adil, Chartered Accountants.

SPECIAL BUSINESS

4. To approve by way of special resolution with or without modification the following resolutions in respect of related party transaction in terms of Section 208 of the Companies Act, 2017:

   "RESOLVED THAT the related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 36 of the unconsolidated financial statements for the year ended June 30, 2020 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed."

   "RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending June 30, 2021.

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

Any other Business

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

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

By Order of the Board

Karachi.
24th September, 2020

(NAUMAN IQBAL)
Secretary

NOTES

1. **Closure of share transfer books:**
   Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from16th October, 2019 to 22nd October, 2020 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 15th October, 2020 will be entitled to attend the meeting.
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. An instrument of proxy applicable for the Meeting is being provided with the notice sent to the members. Further copies of the instrument may be obtained from the registered office of the Company during normal

office hours. The proxy form can also be downloaded from the Company's website: www.sapphire.com.pk/rcsml

For attending the meeting through video link due to COVID 19 Pandemic:

In pursuance of SECP Circular Nos. 5 and 10 of 2020 dated 17 March 2020 and 01 April 2020 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID 19) for Corporate Sector, the entitled shareholders interested in attending the Annual General Meeting (AGM) through video link facility ("Zoom" which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary office at least two working days before the holding of the time of AGM at contact@sapphiretextiles.com.pk by providing the following details:-

Name of shareholder	CNIC no.	Folio no.	Cell no.	Email address

- Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses.
- On the AGM day, the shareholders will be able to login and participate in the AGM proceedings through their smart phone or computer devices from their any convenient location.
- The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification process and verification process.
- Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

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.

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 compliance with regulatory directives issued from time to time, members who have not yet submitted copy of their valid CNIC/NTN are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.

7. 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 7 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 7 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

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

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

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

All transactions with related parties to be ratified have been disclosed in the note 44 to the unconsolidated financial statements for the year ended June 30, 2020.

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

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

The nature of relationship with these related parties has also been indicated in the note 44 to the unconsolidated financial statements for the year ended June 30, 2020.

2. Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2021

The Company shall be conducting transactions with its related parties during the year ending June 30, 2021 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30, 2021 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

Review Report by the Chairman

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

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

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

Lahore:
Dated: September 24, 2020

Amer Abdullah
Chairman

چیئر مین کی طرف سے رپورٹ کا جائزہ

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

30 جون، 2020 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور اثرات کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار؛ اسٹریٹجک منصوبہ بندی میں مصروفیت؛ پالیسیوں کی تشکیل؛ تنظیم کی کاروباری سرگرمیوں کی نگرانی؛ مالی وسائل مینجمنٹ کی نگرانی؛ مؤثر مالی نگرانی؛ بورڈ کے کاروبار کو پورا کرنے کی صلاحیت اور تمام ملازمین سے منصفانہ سلوک سمیت لازمی اجزاء کی تشخیص پر مبنی ہے۔

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

عامر عبداللہ
چیئر مین

مورخہ: 24 ستمبر، 2020ء

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 2020.

Financial Highlights:

		2020 Rupees	2019 Rupees
Sales	:	5,986,720,080	5,379,009,395
Gross profit	:	927,897,857	816,922,187
Profit from operations	:	675,918,678	638,326,758
Finance cost	:	340,756,219	221,129,017
Profit before taxation	:	335,162,459	417,197,741
Profit after taxation	:	274,181,935	390,682,240

Earning Per Share

The earnings per share (EPS) of current year is Rs.26.64 as compared to Rs. 37.96 for the last year.

Review of Operations:

During the year under review, your Company achieved sales of Rs. 5,987 million compared to Rs. 5,379 million in the corresponding year; an increase of 11.3%. The gross profit as a percentage of sales improved from last year's 15.19% to 15.50% during the period. The Company earned profit after tax of Rs. 274 million during the year compared to Rs. 391 million posted in the corresponding year.

Dividend

The Board of Directors of the Company has not proposed dividend for the year ended June 30, 2020 (June 30, 2019: 80%) due to uncertain situation Post Covid and in accordance with condition of banks against deferment of principal loan payments as per State Bank of Pakistan Scheme.

Future Outlook:

The outbreak of COVID-19 pandemic in the last quarter of FY 2019-20 has had a huge impact on economies around the world. As a result of lockdowns locally and internationally, almost all business sectors including large scale manufacturing were brought to a standstill in the country as well. However, Pakistan did manage to contain the economic impact through its effective lockdown strategy and we are already witnessing signs of recovery as the global economic activity has gained some momentum after relaxation of lockdowns.

Despite these challenges times, your company has been able to sustain its track of profitable growth. However, profitability was partially offset by increase in financial costs compared to last year. As State Bank of Pakistan has already cut its policy rate by a cumulative 625 basis points since March 2020, management is of the view that the burden of financial costs on your company will get reduced in financial year 2020-21.

The management of your company remains focused on maximizing shareholder returns through continued investment in state-of-the-art manufacturing processes and technology.

Subsidiary Company

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

Related Parties:

All transactions with related parties were carried out on an arm's length basis which were in line with transfer pricing methods and the policy for related parties approved by the Board. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. The internal audit function ensures that all Related Party transactions are done on an arm's length basis. After review by the audit committee the transactions are placed before the Board for their consideration and approval. During the year, the company carried out transactions with its related parties. Details of these transactions are disclosed in note 45 to unconsolidated financial statements

Health, Safety and Environment (HSE)

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

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

Cash Flow Strategy

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

Corporate Social Responsibility

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

Company made generous donations for health, education and social welfare projects as reported in Note no. 28 to the financial statement.

Composition of the Board and their Meetings:

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

Total Number of Directors

(a)	Male	06
(b)	Female	01

Composition:

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

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

Name	Category	No of Meetings
Mr. Shayan Abdullah	Executive Director	4
Mr. Shahid Abdullah	Non- Executive Director	5
Mr. Amer Abdullah	Non- Executive Director	5
Mr. Yousuf Abdullah	Non- Executive Director	5
Mr. Nabeel Abdullah	Non- Executive Director	5
Mr. Asif Elahi	Independent Director	5
Mrs. Madiha Saeed Nagra	Independent Director	3
Mr. Abdul Sattar	Non- Executive Director	1

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

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

Name	Category	No of Meetings
Mr. Asif Elahi	Chariman (independent)	4
Mr. Shahid Abdullah	Member	4
Mr. Nabeel Abdullah	Member	4

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

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

Statement on Corporate and Financial Reporting Frame Work:

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

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

2. The company has maintained proper books of account;

3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure thereof has been adequately disclosed and explained;

5. System of internal control is sound in design, has been effectively implemented and being monitored continuously through internal audit function. On-going review will continue in future for further improvements in controls;

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

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

8. There has been no material departure from best practices of Corporate Governance;

9. The company has maintained Employees Provident Fund for staff, the members of Provident Fund are not eligible for gratuity fund. The value of investment of Provident Fund as on June 30, 2020 is Rs.18.838 million;

10. Code of conduct has been communicated and acknowledged by each Director and employee of the Company;

11. 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;

12. As required by the Code, we have included the following information in this Report;

    - Statement of Compliance with the Code of Corporate Governance and this report was found to be in order after review by the auditors;
    - Statement of pattern of shareholdings in accordance with section227(f) of the Companies Act, 2017;
    - Statement of shares held by associated undertakings and related parties;
    - Key operating and financial statistics for the last 6 years.

Remuneration of Directors:

The remuneration of Directors is determined by the Company in the Board of Directors' Meeting. The remuneration is determined on the basis of standards in the market and reflects demands to competencies and efforts in light of the scope of their work and increase in responsibilities of the directors. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. Remuneration package of Chief Executive and other executive directors is disclosed in Note No.34 to the financial statements.

Performance Evaluation of Directors on the Board

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

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

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

Auditors:

The present Auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants have completed the annual audit for the year ended June 30, 2020 and retired.

In order to follow the best corporate governance practice of rotation of external auditors, the audit committee and board of directors have recommended M/s EY Ford Rhodes, Chartered Accountants as external auditors for the year ending 30 June, 2021.

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	**Shayan Abdullah**	**Amer Abdullah**
September 24, 2020	Chief Executive	Director

محاسب کا تقرر

موجودہ محاسب میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، نے 30 جون 2020 کو ختم ہونے والے سال کے لئے سالانہ آڈٹ مکمل اور واضح آڈٹ رپورٹ جاری کر دی ہے۔ محاسب کمپنی کے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو گئے ہیں۔

بیرونی آڈیٹرز کی گردش کے کارپوریٹ گورنس کے بہترین طریقہ کار پر عمل پیرا ہوتے ہوئے، آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لئے کمپنی کے محاسب کی حیثیت سے میسرز EY Ford Rhodes چارٹرڈ اکاؤنٹنٹس کی تقرری کی تجویز دی ہے۔

اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

لاہور	**(شایان عبداللہ)**	**(عامر عبداللہ)**
تاریخ: 24 ستمبر 2020	چیف ایگزیکٹو	ڈائریکٹر

7۔ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

8۔ کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔

9۔ کمپنی نے عملہ کے لئے ایمپلائز پراویڈنٹ فنڈ قائم کیا ہے، پراویڈنٹ فنڈ کے ممبران گریجوئٹی فنڈ کے اہل نہیں ہیں۔ 30 جون 2020 کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 18.838 ملین روپے ہے۔

10۔ کوڈ آف کنڈکٹ کو بہتر بنایا اور کمپنی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطلع کیا گیا ہے۔

11۔ ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ان کے شریک حیات اور نابالغ بچوں کے ذریعے کمپنی کے حصص میں کوئی تجارت نہیں کی گئی ہے۔

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

- کوڈ آف کارپوریٹ گورننس کی تعمیل کا بیان اور آڈیٹرز کے جائزہ کے بعد یہ رپورٹ درست پائی گئی۔
- کمپنیز ایکٹ 2017 کی دفعہ (f)227 کے مطابق نمونہ حصص داری کا بیان
- شریک انڈر ٹیکنگز اور متعلقہ پارٹیوں کے ملکیتی حصص کا بیان
- گزشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد وشمار

ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز کے اجلاس میں کمپنی کی طرف سے ڈائریکٹرز کے معاوضے کا تعین کیا جاتا ہے۔ معاوضے کا تعین مارکیٹ میں معیارات کی بنیاد پر کیا جاتا ہے اور ان کے کام کے دائرہ کار اور ڈائریکٹرز کی ذمہ داریوں میں اضافے کی روشنی میں قابلیت اور کوششوں کے مطالبات کی عکاسی کرتا ہے۔ تاہم، کارپوریٹ گورننس کے کوڈ کے مطابق، یہ یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنی معاوضے کے فیصلے میں حصہ نہیں لے گا۔ چیف ایگزیکٹو اور دیگر ایگزیکٹو ڈائریکٹرز کے معاوضے کا پیکیج مالی حسابات کے نوٹ نمبر 34 میں منکشف ہے۔

بورڈ پر ڈائریکٹرز کی کارکردگی کی تشخیص

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

بورڈ کا کام بہترین کاروباری طریقوں پر مبنی اور سیکوٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے وضاحت کردہ کوڈ کے مطابق کیا جاتا ہے۔ بورڈ نے اپنی کارکردگی کی تشخیص کے لئے ایک انتہائی منظم طریقہ اپنایا ہے جس میں بورڈ کے انفرادی ارکان کارکردگی کی تشخیص کے سلسلے میں جواب دینے کے ذریعے بورڈ کی مجموعی کارکردگی کو بڑھاتے ہیں۔ ڈائریکٹرز کے ریسپانسز کے بعد ارکان کے درمیان ایک تفصیلی بحث کی جاتی ہے۔ بحث کے دوران، بورڈ اپنی ذمہ داریوں کو پورا کرنے، اپنی قیادت کردار ادا کرنے، اسٹریٹجک سمت دینے اور پالیسیوں اور معیارات کے مطابق عمل میں انتظامیہ کو رہنمائی فراہم کرنے میں اپنی کارکردگی کی بھی تشخیص کرتا ہے۔

ریفرنسز (TORs) کی شرائط کے تحت مخصوص کردار اور ذمہ داریاں کے ساتھ کمیٹیوں کے قیام میں بورڈ فعال رہا ہے۔ مجموعی بنیاد پر، کمپنی کے بورڈ کی کارکردگی انتہائی اطمینان بخش رہی ہے اور بورڈ اس حقیقت سے واقف ہے کہ اس کے کام میں مسلسل بہتری کمپنی کی کامیابی کی بنیاد ہے۔

آڈٹ کمیٹی

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

نام	کیٹگری	اجلاسوں کی تعداد
جناب آصف الٰہی	چیئرمین (آزاد)	4
جناب شاہد عبداللہ	رکن	4
جناب نبیل عبداللہ	رکن	4

ہیومن ریسورس اینڈ ریمنریشن کمیٹی

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

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

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

بورڈ آف ڈائریکٹرز باقاعدگی سے کمپنی کی اسٹریٹجک سمت کا جائزہ لیتا ہے۔ چیف ایگزیکٹو کی طرف سے کاروباری منصوبوں اور اہداف کو مقرر اور بورڈ کی طرف سے جائزہ لیا گیا ہے۔ بورڈ کارپوریٹ گورننس کے اعلی معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ بورڈ نے کارپوریٹ گورننس کوڈ کا جائزہ لیا ہے اور اس بات کی تصدیق کی ہے کہ:

1۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

2۔ کمپنی کے کھاتوں کا حساب کتاب مکمل طور پر برقرار رکھا گیا ہے۔

3۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

4۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے۔

5۔ داخلی کنٹرول کا اندرونی آڈٹ اور اس طرح کے دیگر طریقہ کار کے ذریعے مسلسل جائزہ لیا جا رہا ہے۔ جائزہ اور نگرانی کا عمل اس کو مزید بہتر بنانا جاری رکھے گا۔

6۔ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں تمام ادائیگیاں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کر دی جائیں گی یا جہاں قرض کے دعویٰ کا اعتراف نہیں گیا ان کا مالی حسابات میں انکشاف کیا گیا ہے۔

کمپنی نے صحت، تعلیم اور معاشرتی بہبود کے منصوبوں کے لئے فراخدلی سے عطیہ دیا، جس کی تفصیل مالی حسابات کے نوٹ نمبر 28 میں بیان کی گئی ہے۔

بورڈ کی تشکیل اور ان کے اجلاس

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

ڈائریکٹرز کی کل تعداد

(a) مرد 06

(b) خاتون 01

تشکیل:

(a) آزاد ڈائریکٹرز 02

(b) ایگزیکٹو ڈائریکٹرز 01

(c) نان ایگزیکٹو ڈائریکٹرز 04

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

نام	کیٹگری	اجلاسوں کی تعداد
جناب شایان عبداللہ	ایگزیکٹو ڈائریکٹر	4
جناب شاہد عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب نبیل عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب آصف الٰہی	آزاد ڈائریکٹر	5
محترمہ مدیحہ سعید ناگرہ	آزاد ڈائریکٹر	3
جناب عبدالستار	نان ایگزیکٹو ڈائریکٹر	1

بورڈ نے ذیلی کمیٹیاں بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں اہم شراکت کی ہے۔ یہ کمیٹیاں مشتمل ہیں:

کم ہوا۔ کیونکہ سٹیٹ بینک پاکستان نے پہلے ہی مارچ 2020 سے پالیسی شرح مجموعی طور پر 625 بیسز پوائنٹس تک کم کردی، انتظامیہ کا خیال ہے کہ مالی سال 21-2020 میں آپ کی کمپنی پر مالی اخراجات کا بوجھ کم ہو جائے گا۔

آپ کی کمپنی کی انتظامیہ نے جدید مینوفیکچرنگ عوامل اور ٹیکنالوجی میں مسلسل سرمایہ کاری کے ذریعے حصص داروں کے منافع کو زیادہ سے زیادہ کرنے پر توجہ مرکوز رکھی ہے۔

ذیلی کمپنی

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

متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹیوں کے لئے ٹرانسفر پرائسنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشن کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمیٹی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنکشن یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشنز قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمیٹی کے بغور جائزہ کے بعد، ان کے غور وخوض اور منظوری کے لئے ٹرانزیکشنز بورڈ کے روبرو پیش کی گئی ہیں۔ سال کے دوران، کمپنی نے اپنی متعلقہ پارٹیوں کے ساتھ ٹرانزیکشنز سرانجام دی ہیں۔ ان ٹرانزیکشنز کی تفصیلات غیر مجمد مالی حسابات کے نوٹ 45 میں منکشف ہیں۔

صحت، تحفظ اور ماحول (HSE)

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

آپ کی کمپنی نے OEKO-TEX سرٹیفکیٹ (ماحول۔ دوستانہ کپاس) رکھنے کے علاوہ BCI سرٹیفکیشن (Better Cotton Inittative) بھی حاصل کیا ہے۔

نقد فلو کی حکمت عملی

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

کارپوریٹ سماجی ذمہ داری

ملک کے ایک معروف گروپ کا ایک حصہ ہونے کی حیثیت سے ہم ملک کے انسانوں کی خدمت میں یقین رکھتے ہیں اور یقینی بناتے ہیں کہ ہماری CSR کی ہر ایک سرگرمی کو حقیقی معنوں میں عوام کے لئے فائدہ مند ہے، سال کے دوران کئی سرگرمیوں کا انعقاد کیا گیا ہے۔ ہم اپنے ملازمین کی ان سرگرمیوں میں اپنا وقت وقف کرنے اور فعال طور شرکت کرنے کا شکریہ ادا اور حوصلہ افزائی کرتے ہیں۔

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020ء کوختم ہونے والے سال کے لئے کمپنی کے نظرثانی شدہ مالیاتی گوشوارے معہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

2019 روپے	2020 روپے	تفصیل
5,379,009,395	59,86,720,080	فروخت
816,922,187	927,897,857	مجموعی منافع
638,326,758	675,918,678	آپریشنز سے منافع
221,129,017	340,756,219	مالی لاگت
417,197,741	335,162,459	ٹیکس سے پہلے منافع
390,682,240	274,181,935	ٹیکس کے بعد منافع

فی حصص آمدنی

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 26.64 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 37.96 روپے تھی۔

آپریشنز کا جائزہ

کمپنی نے گزشتہ سال کی اسی مدت میں 5,379 ملین روپے کے مقابلے زیر جائزہ سال کے دوران 5,987 ملین روپے کی فروخت حاصل کی جو 11.3 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 15.19 فیصد کے مقابلے 15.50 فیصد تک بہتر ہوا۔ کمپنی نے ٹیکس کے بعد منافع گزشتہ سال کے دوران 391 ملین روپے کے مقابلے موجودہ سال کے دوران 274 ملین روپے کمایا۔

منافع کا تصرف:

کمپنی کے بورڈ آف ڈائریکٹرز نے کوویڈ کے بعد کی غیر یقینی صورتحال کی وجہ سے اور سٹیٹ بینک آف پاکستان کے مطابق اصل قرضوں کی ادائیگی کی مؤخرگی کے مقابل بینکوں کی شرائط کے مطابق 30 جون 2020 کو ختم ہونے والے سال کے لئے کوئی منافع منقسمہ تجویز نہیں کیا ہے۔ جو کہ پچھلے سال 80 فیصد تھا۔

ر

مستقبل کا نقطہ نظر

مالی سال 2020-2019 کی آخری سہ ماہی میں کوویڈ 19 وبائی بیماری پھیلنے سے پوری دنیا کی معیشتیں بہت زیادہ اثر انداز ہوئی ہیں۔ مقامی اور بین الاقوامی سطح پر لاک ڈاؤن کے نتیجے میں، تقریباً تمام کاروباری شعبے جن میں بڑے پیمانے پر مینوفیکچرنگ شامل ہے، کو بھی ملک میں روک دیا گیا تھا۔ تاہم، پاکستان نے اپنی مؤثر لاک ڈاؤن حکمت عملی کے ذریعے معاشی اثرات پر قابو پالیا اور ہم پہلے ہی بحالی کے آثار دیکھ رہے ہیں کیونکہ لاک ڈاؤن میں نرمی کے بعد عالمی معاشی سرگرمی نے کچھ رفتار پکڑ لی ہے۔

ان مشکل اوقات کے باوجود، آپ کی کمپنی اپنی آمدنی اور منافع کو برقرار رکھنے میں کامیاب رہی ہے، تاہم، گزشتہ سال کے مقابلے مالی اخراجات زیادہ ہونے کی وجہ سے منافع جزوی طور پر

YEARS		2020	2019	2018	2017	2016	2015
Sales		5,987	5,379	4,398	3,571	3,221	4,007
Gross Profit		928	817	627	390	334	423
Profit Before Tax		335	417	344	208	110	128
Profit After Tax		274	391	316	191	76	91
Share Capital		102.92	102.92	102.92	102.92	102.92	102.92
Shareholder's Equity		2,360	2,169	1,872	1,574	1,386	1,379
Fixed Assets		2,051	1,988	1,461	1,411	1,466	1,484
Total Assets		6,414	5,350	3,951	3,038	2,970	3,192
DIVIDEND							
Cash	%	00.00	80.00	65.00	15.00	50.00	50.00
RATIOS:							
Profitability	%						
Gross Profit		15.50	15.19	14.26	10.93	10.38	10.57
Profit Before Tax		5.60	7.76	7.82	5.83	3.43	3.20
Profit After Tax		4.58	7.26	7.19	5.35	2.37	2.28
Return To Shareholders							
Return on equity		12.00	18.01	16.88	12.12	5.50	6.63
EPS	Rupees	26.64	37.96	30.71	18.54	7.41	8.89
Activity	Times						
Sales To Total Assets		0.93	1.01	1.11	1.18	1.08	1.26
Sales To Fixed Assets		2.92	2.71	3.01	2.53	2.20	2.70
Liquidity / Leverage							
Current Ratio		1.36	1.26	1.33	1.17	1.01	0.94
Debt Equity Ratio		0.36	0.25	0.10	0.05	0.04	-
Total Liabilities To Equity		1.72	1.47	1.11	0.93	1.14	1.32
Break up Value of Shares	Rupees	229.29	210.76	181.93	152.97	134.70	133.95

Independent Auditor's Review Report

To the Members of Reliance Cotton Spinning Mills
Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Reliance Cotton Spinning Mills Limited** for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Lahore:
Date: September 29, 2020

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

Name of Company: **RELIANCE COTTON SPINNING MILLS LIMITED** year ended June 30, 2020.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has complied with the requirements of the Regulations in the following manner:

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

   a. Male: 06
   b. Female: 01

2. The composition of the Board is as follows:

Category	Names
Independent Directors(*)	Mr. Asif Elahi Mrs. Madiha Saeed Nagra
Executive Directors	Mr. Shayan Abdullah
Non-Executive Directors	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah

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

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

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Majority of Directors of the Company have been either exempt or trained from the requirement of directors' training program under the criteria prescribed by the Code of Corporate Governance.

10. There were no new appointment of CFO/ Company Secretary and Head of Internal Audit during the year.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

- Mr. Asif Elahi (Chairman)
- Mr. Shahid Abdullah (Member)
- Mr. Nabeel Abdullah (Member)

b) HR and Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a) Audit Committee [Quarterly]
b) HR and Remuneration Committee [yearly}

15. The Board has set up an effective Internal Audit Function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and for compliance requirement of regulation 6, it may be noted that best practices of corporate governance entail having an optimal number and mix of board members with adequate skills and experience. The current Board of Directors adequately meets this requirement. Further, existing two independent directors play an effective part within the Board and make valuable contributions. Therefore, the fraction (2.33) has not been rounded up.

For and on behalf of the Board

Lahore
Dated: September 24, 2020

AMER ABDULLAH
CHAIRMAN

SHAYAN ABDULLAH
CHIEF EXECUTIVE

Independent auditor's report

To the members of Reliance Cotton Spinning Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Reliance Cotton Spinning Mills Limited (the Company) which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter(s):

Key audit matter(s)	How the matter was addressed in our audit
Revenue Recognition The Company generates revenue from export and local sale of yarn and waste. The Company has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods is recognized when the Company satisfies the performance obligation under the contract by transferring the promised goods to the customers. Revenue recognition criteria has been explained in note 6.16 to the financial statements. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on the satisfaction the performance obligation under the contract with the customer in line with the accounting policy adopted and may not have been recognized in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy; • assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • checked on a sample basis the recorded sales transactions with underlying supporting documents; and • Assessed the adequacy of related disclosures in the financial statements.

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

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

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

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

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

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

Lahore
Date:September 29, 2020

Deloitte Yousuf Adil,
Chartered Accountants

Statement of Financial Position
As at June 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	**2,051,140,337**	1,987,544,100
Long term investments	8	**89,069,645**	89,069,645
Long term deposits		**8,987,690**	8,987,690
		2,149,197,672	2,085,601,435
CURRENT ASSETS			
Stores and spare parts	9	**49,505,453**	45,112,549
Stock-in-trade	10	**2,699,519,145**	1,989,294,360
Trade debts	11	**986,719,303**	761,061,879
Loans and advances	12	**104,493,271**	79,264,473
Short term deposits and prepayments	13	**221,491**	1,593,406
Other receivables	14	**10,915,489**	37,055,995
Tax refunds due from the Government	15	**364,500,551**	294,448,602
Other financial assets	16	**42,187,437**	50,214,094
Cash and bank balances	17	**6,270,961**	6,403,280
		4,264,333,101	3,264,448,638
		6,413,530,773	5,350,050,073
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2019: 12,000,000) ordinary shares of Rs. 10 each		**120,000,000**	120,000,000
Issued, subscribed and paid up capital	18	**102,920,000**	102,920,000
Reserves		**2,256,963,266**	2,066,268,558
		2,359,883,266	2,169,188,558
NON-CURRENT LIABILITIES			
Long term financing	19	**853,696,129**	547,186,629
Employee retirement benefits	20	**62,585,160**	48,699,241
		916,281,289	595,885,870
CURRENT LIABILITIES			
Trade and other payables	21	**441,996,695**	530,383,893
Contract Liabilities		**8,170,916**	8,409,001
Unclaimed dividend		**613,360**	500,767
Markup accrued	22	**61,040,204**	47,104,270
Short term borrowings	23	**2,518,887,111**	1,960,037,935
Current portion of long term financing	19	**19,354,499**	12,192,623
Provision for taxation	32	**87,303,433**	26,347,156
		3,137,366,218	2,584,975,645
CONTINGENCIES AND COMMITMENTS	24		
		6,413,530,773	5,350,050,073

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore :	**Shayan Abdullah**	**Amer Abdullah**	**Jawwad Faisal**
Dated : September 24, 2020	Chief Executive	Director	Chief Financial Officer

Statement of Profit or Loss

For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	25	5,986,720,080	5,379,009,395
Cost of sales	26	(5,058,822,223)	(4,562,087,208)
Gross profit		927,897,857	816,922,187
Distribution cost	27	(127,925,618)	(108,443,764)
Administrative expenses	28	(85,359,878)	(67,696,076)
Other operating expenses	29	(63,438,044)	(20,562,233)
		(276,723,540)	(196,702,073)
Other income	30	24,744,361	18,106,644
Operating profit before finance cost		675,918,678	638,326,758
Finance cost	31	(340,756,219)	(221,129,017)
Profit before taxation		335,162,459	417,197,741
Provision for taxation	32	(60,980,524)	(26,515,321)
Profit for the year		274,181,935	390,682,420
Earnings per share - basic and diluted	33	26.64	37.96

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah	Amer Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

Statement of Comprehensive Income
For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
Profit for the year		**274,181,935**	390,682,420
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Fair value gain / (loss) on investments in debt instruments designated as FVTOCI		**1,029,950**	(1,029,950)
		1,029,950	(1,029,950)
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of post retirement benefits obligation	**21**	**(2,324,570)**	(116,423)
Fair value gain / (loss) on investments in equity instruments designated as FVTOCI		**143,393**	(17,142,795)
		(2,181,177)	(17,259,218)
		(1,151,227)	(18,289,168)
Total comprehensive income for the year		**273,030,708**	372,393,252

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah	**Amer Abdullah**	**Jawwad Faisal**
Chief Executive	Director	Chief Financial Officer

Statement of Cash Flows
For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**335,162,459**	417,197,741
Adjustments for:			
Depreciation on property, plant and equipment	7.1	**203,669,349**	162,383,352
Provision for employee benefits	20.2	**23,735,658**	21,936,393
Export rebate and duty draw back		**-**	(79,928)
(Gain) / Loss on sale of short term investment		**(8,630,952)**	-
Gain on disposal of property, plant and equipment	7.3	**(1,720,375)**	(2,915,413)
Finance cost	31	**340,756,219**	221,129,017
Dividend income on short and long term investment		**(7,692,392)**	(11,011,445)
		885,279,966	808,639,717
Working capital changes			
Decrease / (Increase) in current assets			
Stores and spare parts		**(4,392,904)**	4,354,185
Stock-in-trade		**(710,224,785)**	(746,467,493)
Trade debts		**(225,657,424)**	(104,190,754)
Loans and advances		**3,079,301**	(8,367,808)
Other financial asset		**-**	662,372
Short term deposits and prepayments		**1,371,915**	(6,727,546)
Other receivables		**2,532,574**	-
Increase / (decrease) in current liabilities			
Trade and other payables		**(88,625,283)**	224,168,156
		(1,021,916,606)	(636,568,888)
Cash (used in) / generated from operations		**(136,636,640)**	172,070,829
Dividend paid		**(82,223,406)**	(66,807,350)
Employee benefits paid		**(12,174,309)**	(66,285,918)
Finance cost paid		**(326,820,285)**	(196,496,181)
Sales tax (paid) / refunded		**6,229,800**	(37,557,657)
Income taxes paid		**(95,414,095)**	(67,105,996)
Export rebate and duty draw back received		**23,607,932**	17,881,426
		(486,794,363)	(416,371,676)
Net cash used in operating activities		**(623,431,003)**	(244,300,847)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		**(268,005,212)**	(694,574,578)
Proceeds from disposal of property, plant and equipment		**2,460,000**	8,327,600
Short term investments - net		**-**	(21,522,343)
Proceed from sale of investments		**8,630,952**	41,028,164
Dividend received		**7,692,392**	11,011,445
Net cash used in investing activities		**(249,221,868)**	(655,729,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		**319,374,500**	373,647,000
Short term borrowings - net		**558,849,176**	532,324,785
Repayment of long term loan		**(5,703,124)**	(7,318,748)
Net cash from financing activities		**872,520,552**	898,653,037
Net (decrease) / increase in cash and cash equivalents		**(132,319)**	(1,377,522)
Cash and cash equivalents at beginning of the year		**6,403,280**	7,780,802
Cash and cash equivalents at the end of the year		**6,270,961**	6,403,280

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore : Dated : September 24, 2020	**Shayan Abdullah** Chief Executive	**Amer Abdullah** Director	**Jawwad Faisal** Chief Financial Officer

Statement of Changes in Equity

For the year ended June 30, 2020

	Share capital	Revenue reserves		Gain / (Loss) on Remeasrement of Investment	Total reserves	Total
		Un-appropriated profit	General reserve			
	---------- Rupees ----------					
Balance as at July 01, 2018	102,920,000	1,641,939,171	130,000,000	(11,165,865)	1,760,773,306	1,863,693,306
Total comprehensive income:						
Profit for the year ended June 30, 2019	-	390,682,420	-	-	390,682,420	390,682,420
Other comprehensive income	-	(116,423)	-	(18,172,745)	(18,289,168)	(18,289,168)
Total comprehensive income	-	390,565,997	-	(18,172,745)	372,393,252	372,393,252
Reclassification of realized loss on sale of investment	-	-	-	-	-	-
at fair value through other comprehensive income	-	(11,646,327)	-	11,646,327	-	-
Transactions with owners:						
Final dividend for the year ended June 30, 2018 @ Rs. 6.5 per share	-	(66,898,000)	-	-	(66,898,000)	(66,898,000)
Balance as at June 30, 2019	102,920,000	1,953,960,841	130,000,000	(17,692,283)	2,066,268,558	2,169,188,558
Total comprehensive income:						
Profit for the year ended June 30, 2020	-	**274,181,935**	-	-	**274,181,935**	**274,181,935**
Other comprehensive income	-	**(2,324,570)**	-	**1,173,343**	**(1,151,227)**	**(1,151,227)**
Total comprehensive income	-	**271,857,365**	-	**1,173,343**	**273,030,708**	**273,030,708**
Transactions with owners:						
Final dividend for the year ended June 30, 2019 @ Rs. 8.0 per share	-	**(82,336,000)**	-	-	**(82,336,000)**	**(82,336,000)**
Balance as at June 30, 2020	**102,920,000**	**2,143,482,206**	**130,000,000**	**(16,518,940)**	**2,256,963,266**	**2,359,883,266**

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah	Amer Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

1 LEGAL STATUS AND OPERATIONS

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

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

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

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

2.2 Separate financial statements

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

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

2.3 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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.

	Effective from Accounting period beginning on or after:
IFRS 16 Leases, this standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts - IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, SECP has adopted from July 01, 2019.	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019

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'. — January 01, 2019

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

2.3.1 New accounting standards, amendments and IFRS interpretations that are not yet effective	Effective from Accounting period beginning on or after:
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘ Accounting Policies, Changes in Accounting Estimates and Errors’. Clarify the definition of ‘Material’ and align the definition used in the Conceptual Framework and the Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

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

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 17 – Insurance Contracts

Impact of initial application of IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases, the former lease accounting standard and became effective for periods beginning on or after January 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Company as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets; and lease liabilities representing its obligation to make lease payments.

The Company applied IFRS 16 using the modified retrospective approach, under which the Company has recognized lease liabilities at the date of initial recognition for leases previously classified as operating lease under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate and recognizing right of use assets at an amount equal to the lease liabilities, adjusted for the amounts of prepaid rent. Accordingly, the comparative figures presented for 2019 have not been restated.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention.

4 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest of Rs. / Rupees, unless otherwise stated.

5 Key judgments and estimates

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

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

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

5.1 Employee retirement benefits

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

5.2 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.

5.3 Taxation

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

6 Accounting convention

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

- financial instruments at fair value
- recognition of certain employee retirement benefits at present value
- investments in associates at cost

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS

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

6.1 Property, plant and equipment

Measurement

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 statement of financial position date.

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

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

Depreciation

Depreciation is charged to statement of profit or loss applying the reducing balance method over estimated useful life at the rates specified in note 7 to these financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the month of disposal respectively.

Disposal

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

Capital work-in-Progress

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

6.2 Investments in associates and subsidiaries

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

6.3 Stores, spare parts and loose tools

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

6.4 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	- Monthly weighted average cost.
Work-in-process	- Closing average manufacturing cost.
Finished goods	- Closing average manufacturing cost.
Waste	- Net realizable value

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

Waste stock are valued at net realizable value.

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

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

6.5 Financial instruments – initial recognition and subsequent measurement

6.5.1 Financial assets

Initial recognition and measurement Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables and other receivables, short term advances, long term loans and advances and Term Deposit Receipts (TDRs).

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted government and corporate bonds included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. "

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

` For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at amortised cost (other than trade receivables and contract assets) and fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. "

"The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments."

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss."

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. "

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. "

6.6 Inventories

Recognition and measurement

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Judgments and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines."

6.7 Impairment of non-financial assets

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are Companyed together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or Company's of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase."

6.8 Long term deposits

Long term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

6.9 Trade debts and other receivables

Trade debts and other receivables are carried at a value to be received less an estimate made for impairment allowance based on estimates of expected future value of cash flows under different economic and probabilistic scenarios, adjusted for factors that are specific to the industry.

6.10 Cash and cash equivalents

"Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term bank deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management. "

6.11 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.

6.12 Employee benefits - retirement benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of comprehensive income when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates a defined contribution plan in the form of recognized provident fund scheme for the permanent employees. Contributions to fund are made monthly by the Company and employee at the of 10% of the basic salary. The Company's contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset."

Defined benefit plan

Defined benefit plans provide an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plans.

The present values of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bond. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains / losses are recognized in other comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss. "

6.13 Provisions

Recognition and measurement

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Judgement and estimates

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

Provision for warranty obligations

The Company provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

6.14 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.

6.15 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.

6.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.
- Revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer;
- Export rebate income is recognized on accrual basis as and when the right to receive the income establishes;
- Dividend income is recognised in profit or loss as other income when:
- the Company's right to receive payment have been established;

- is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably. ; and
- Return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income establishes."

6.17 Borrowing costs

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

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

6.18 Inocme tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. "

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. "

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

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

6.19 Contract liabilities

Contract liability is measured at the fair value of the consideration received for goods that are not yet delivered to customers.

6.20 Foreign currency transactions and translations

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

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

6.21 Dividend distribution

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

6.22 Related party transactions

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

7 PROPERTY, PLANT AND EQUIPMENT

7.1 At June 30, 2020

Particulars	COST					DEPRECIATION				Book value	Annual depreciation rate %
	As at July 01, 2019	Additions	Transfers	Disposals	As at June 30, 2020	As at July 01, 2019	Charge for the year	Disposals	As at June 30, 2020	As at June 30, 2020	
	.... Rupees										
Operating fixed assets											
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:									-		
Residential	132,914,353	-	-	-	132,914,353	53,585,726	3,966,431	-	57,552,157	75,362,196	5
Factory	801,760,880	-	50,681,476	-	852,442,356	408,047,998	40,215,979	-	448,263,977	404,178,379	10
Plant and machinery	2,186,890,081	-	283,870,709	6,356,986	2,464,403,804	983,147,883	137,386,618	6,011,746	1,114,522,755	1,349,881,049	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,605,602	141,875	-	1,747,477	1,276,870	10
Vehicles	85,461,908	-	1,410,000	2,623,030	84,248,878	24,103,363	12,497,659	2,228,645	34,372,377	49,876,501	20
Office equipment	4,227,057	-	1,256,948	-	5,484,005	1,881,698	360,231	-	2,241,929	3,242,076	10
Electric installation	138,894,811	-	28,209,684	-	167,104,495	61,560,156	8,920,084	-	70,480,240	96,624,255	10
Electric equipment	408,950	-	-	-	408,950	206,670	20,228	-	226,898	182,052	10
Computers	3,554,953	126,000	-	-	3,680,953	3,031,306	160,244	-	3,191,550	489,403	30
	3,422,247,094	126,000	365,428,817	8,980,016	3,778,821,895	1,537,170,402	203,669,349	8,240,391	1,732,599,360	2,046,222,535	
Capital work-in-progress											
	4,224,007,974										
Building - civil work	-	50,681,476	(50,681,476)	-	-	-	-	-	-	-	
Plant and machinery	100,995,727	187,869,540	(283,870,709)	(76,756)	4,917,802	-	-	-	-	4,917,802	
Vehicles	1,471,680	-	(1,410,000)	(61,680)	-	-	-	-	-	-	
Office equipment	-	1,256,948	(1,256,948)	-	-	-	-	-	-	-	
Electric installation	-	28,209,684	(28,209,684)	-	-	-	-	-	-	-	
	102,467,407	268,017,648	(365,428,817)	(138,436)	4,917,802	-	-	-	-	4,917,802	
Total	3,524,714,501	268,143,648	-	8,841,580	3,783,739,697	1,537,170,402	203,669,349	8,240,391	1,732,599,360	2,051,140,337	

7.2 At June 30, 2019

Particulars	COST					DEPRECIATION				Book value	Annual depreciation rate %
	As at July 01, 2018	Additions	Transfers	Disposals	As at June 30, 2019	As at July 01, 2018	Charge for the year	Disposals	As at June 30, 2019	As at June 30, 2019	
	.... Rupees										
Operating fixed assets											
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:		-	-	-							
Residential	132,914,353	-	-	-	132,914,353	49,410,535	4,175,191	-	53,585,726	79,328,627	5
Factory	800,300,516	-	1,460,364	-	801,760,880	364,396,775	43,651,223	-	408,047,998	393,712,882	10
Plant and machinery	1,646,959,453	-	554,636,018	14,705,390	2,186,890,081	899,187,716	97,443,406	13,483,239	983,147,883	1,203,742,198	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,447,962	157,639		1,605,601	1,418,746	10
Vehicles	60,874,636	-	36,245,950	11,658,678	85,461,908	23,684,968	7,887,037	7,468,642	24,103,363	61,358,545	20
Office equipment	4,227,057	-	-	-	4,227,057	1,621,103	260,595		1,881,698	2,345,359	10
Electric installation	138,894,811	-	-	-	138,894,811	52,967,417	8,592,739		61,560,156	77,334,655	10
Electric equipment	408,950	-	-	-	408,950	184,194	22,476		206,670	202,280	10
Computers	3,271,953	283,000	-	-	3,554,953	2,838,260	193,046		3,031,306	523,647	30
	2,855,985,830	283,000	592,342,332	26,364,068	3,422,247,094	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,885,076,693	
Capital work-in-progress			55,463,601.80								
Building - civil work	-	1,460,364	(1,460,364)	-	-	-	-	-	-	-	
Plant and machinery	60,874,636	655,113,584	(554,636,018)	-	161,352,202	-	-	-	-	161,352,202	
Vehicles	-	37,717,630	(36,245,950)	-	1,471,680	-	-	-	-	1,471,680	
	60,874,636	694,291,578	(592,342,332)	-	162,823,882	-	-	-	-	162,823,882	
Total	2,916,860,466	694,574,578	-	26,364,068	3,585,070,976	1,395,738,930	162,383,352	20,951,881	1,537,170,401	2,047,900,575	

7.3 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value	2020 Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
	Rupees							
Vehicle								
Coure LEB-12-2913	874,470	703,154	171,316	180,000	8,684	Negotiation	Sheraz Ahmed	Employee
Suzuki Cultus LED-10-3850	825,050	732,001	93,049	365,000	271,951	Negotiation	Imtiaz Ahmed	Third Party
Suzuki Cultus LEA-11-8187	923,510	793,490	130,020	715,000	584,980	Negotiation	Imran Ali	Third Party
Plant & machinery								
2+2 Sets Auto coners 7-II + Yarn Cleaner	6,356,986	6,011,746	345,240	1,200,000	854,760	Negotiation	Waqas Rafique International	Third Party
	8,980,016	8,240,391	739,625	2,460,000	1,720,375			

7.4 Depreciation charge for the year has been allocated as follows:	Note	2020 Rupees	2019 Rupees
Cost of sales	26	**197,416,948**	156,647,052
Administrative expenses	28	**6,252,401**	5,736,300
		203,669,349	162,383,352

7.5 LOCATION AND AREA OF LAND

Description	Location	2020 (Area in Kanals)	2019 (Area in Kanals)
Plant site	Ferozewattoan, District Sheikhupura, Pakistan	**300.5**	300.5

8 LONG TERM INVESTMENTS

	Note	2020 Rupees	2019 Rupees
Investments in subsidiary - at cost:	8.1	**100,000**	100,000
Investments in associates - at cost:	8.2	**88,969,645**	88,969,645
		89,069,645	89,069,645

8.1 Investments in subsidiary - unquoted at cost:

	2020	2019
RCSM Company (Private) Limited 10,000 (2019:10,000) ordinary share of Rs. 10 each-cost	**100,000**	100,000

		Note	2020 Rupees	2019 Rupees
8.2	**Investments in associates - at cost:**			
	Quoted:			
	Sapphire Fibres Limited			
	393,697 (2019: 393,697) ordinary shares of Rs. 10 each - cost		**41,956,482**	41,956,482
	Sapphire Textile Mills Limited			
	100,223 (2019: 100,223) ordinary shares of Rs. 10 each - cost		**8,114,578**	8,114,578
	SFL Limited			
	401,570 (2019: 401,570) ordinary shares of Rs. 10 each - cost		**2,439,475**	2,439,475
	Un quoted:			
	Sapphire Finishing Mills Limited			
	1,556,000 (2019: 1,556,000) ordinary shares of Rs. 10 each - cost		**16,509,160**	16,509,160
	Sapphire Holding Limited			
	100,223 (2019: 100,223) ordinary shares of Rs. 10 each - cost		**524,950**	524,950
	Sapphire Power Generation Limited			
	555,000 (2019: 555,000) ordinary shares of Rs. 10 each - cost		**19,425,000**	19,425,000
			89,069,645	**89,069,645**
9	**STORES AND SPARE PARTS**			
	Stores		**9,378,198**	11,738,388
	Spare parts	**9.1**	**40,127,255**	33,374,161
			49,505,453	45,112,549

9.1 These include spare parts in transit amounting to Rs. 15.047 million (2019: Rs. 8.019 million).

		Note	2020 Rupees	2019 Rupees
10	**STOCK-IN-TRADE**			
	Raw material	**10.1**	**2,062,436,015**	1,450,853,276
	Work-in-process		**204,534,246**	246,276,183
	Finished goods		**426,561,708**	285,311,047
	Waste		**5,987,176**	6,853,854
			2,699,519,145	1,989,294,360

10.1 Raw material includes stock in transit amounting to Rs. 108.380 million (2019: Rs. 160.531 million).

		Note	2020 Rupees	2019 Rupees
11	**TRADE DEBTS**			
	Considered good:			
	Foreign			
	Secured		**195,205,631**	219,048,975
	Unsecured		**27,903,962**	58,661,339
			223,109,593	277,710,314
	Local			
	Secured		**15,732,092**	34,590,853
	Unsecured from related parties	11.1	**84,351,358**	81,131,630
	Unsecured	11.3	**705,096,024**	382,052,671
		11.4	**805,179,474**	497,775,154
			1,028,289,067	775,485,468
	Less: Impairment allowance		**(41,569,764)**	(14,423,589)
			986,719,303	761,061,879

11.1 These includes amount due from following related parties:

	2020				2019
	Up to 1 month	1 to 6 months	Over 6 months	Total	
	……Rupees……				
Sapphire Textile Mills Limited (STML)	**2,568,506**	**49,232,942**	**2,606**	**51,804,054**	1,732,224
Sapphire Power Generation Limited (SPGL)	**10,951**	**-**	**6,344**	**17,295**	158,603
Sapphire Fibres Limited (SFL)	**23,431,948**	**45,715**	**-**	**23,477,663**	51,775,838
Sapphire Finishing Mills Limited (SFML)	**-**	**29,250**	**-**	**29,250**	-
Diamond Fabrics Limited (DFL)	**-**	**9,012,166**	**-**	**9,012,166**	27,455,323
Amer Cotton Mills (Pvt) Limited	**-**	**-**	**10,930**	**10,930**	9,642
	26,011,405	**58,320,073**	**19,880**	**84,351,358**	81,131,630

11.2 The maximum aggregate amount due from the ACML, STML, SPGL, SFL, DFL and SFML is Rs. 0.14 million, Rs. 75.06 million, Rs. 0.02 million, Rs. 325.786 million, Rs. 51.003 million and Rs. 0.029 respectively at any time during the year.

11.3 As at 30 June 2020, trade debts of Rs. 589.821 million (2019: Rs. 521.845 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these past due trade debts is a follows:

	2020 Rupees	2019 Rupees
Upto 1 month	**329,054,871**	94,345,241
1 to 6 months	**247,486,625**	416,991,307
More than 6 months	**13,279,475**	10,509,092
	589,820,971	521,845,640

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

Balance at July 01, 2019	**14,423,590**	8,679,252
Charge for the period	**27,146,175**	5,744,337
Bad debts written off	**-**	-
Balance at June 30, 2020	**41,569,764**	14,423,590

11.4 Local trade debts includes Rs. 581.799 million (2019: Rs. 351.749 million) receivable against indirect export sales.

		Note	2020 Rupees	2019 Rupees
12	**LOANS AND ADVANCES**			
	Advances to suppliers - considered good		**9,079,176**	12,158,477
	Advance income tax		**95,414,095**	67,105,996
			104,493,271	79,264,473
13	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Bank guarantee margin		**133,984**	1,102,088
	Prepayments		**87,507**	491,318
			221,491	1,593,406
14	**OTHER RECEIVABLES**			
	Export rebate		**3,922,187**	4,678,106
	Duty drawback		**-**	22,852,013
	Others		**6,993,302**	9,525,876
			10,915,489	37,055,995
15	**TAX REFUNDS DUE FROM THE GOVERNMENT**			
	Sales tax refundable		**106,391,190**	103,420,990
	Income tax refundable		**258,109,361**	191,027,612
			364,500,551	294,448,602
16	**Other Financial Assets**			
	At Fair Value through OCI			
	Equity :			
	Investments in quoted companies	**16.1**	**58,706,377**	58,706,377
	Unrealized loss on remeasurement of investments		**(16,518,940)**	(16,662,333)
			42,187,437	42,044,044
	Debt :			
	Refund bond		**-**	9,200,000
	Unrealized loss on remeasurement of investments		**-**	(1,029,950)
			-	8,170,050
			42,187,437	50,214,094

16.1 Investments in quoted securities

Name of Companies	No of Shares 2020	No of Shares 2019	2020 Cost (Rupees)	2020 Fair Value (Rupees)	2019 Fair value (Rupees)
Attock Cement Pakistan Limited	14,000	14,000	1,870,481	1,744,820	999,740
D. G. Khan Cement Company Limited	14,200	14,200	1,659,557	1,211,686	802,868
Engro Corporation Limited	25,740	25,740	7,296,579	7,539,761	6,836,544
Engro Fertilizers Limited	55,000	55,000	3,317,315	3,315,400	3,518,350
Engro Polymer & Chemicals Limited	156,683	156,683	4,881,318	3,913,941	4,224,174
The Hub Power Company Limited	19,000	19,000	2,428,134	1,377,500	1,496,250
ICI Pakistan Limited	5,900	5,900	6,980,061	4,098,789	3,141,573
K-Electric Limited	290,000	290,000	1,879,537	872,900	1,273,100
Lucky Cement Limited	3,350	3,350	2,167,609	1,546,293	1,274,575
Mari Petroleum Company Limited	847	770	1,054,594	1,047,443	777,184
Meezan Bank Limited	28,600	28,600	2,431,357	1,969,110	2,492,776
Oil & Gas Development Company Limited	30,000	30,000	4,574,621	3,270,000	3,944,700
Packages Limited	2,400	2,400	2,037,824	833,304	721,344
Pakistan Petroleum Limited	15,264	12,720	1,530,272	1,324,610	1,837,150
Pakistan State Oil Company Limited	17,744	14,787	3,969,942	2,806,391	2,508,319
Sui Northern Gas Pipeline Limited	66,000	66,000	8,184,950	3,603,600	4,586,340
Sui Southern Gas Company Limited	52,000	52,000	1,931,748	693,680	1,075,360
Systems Limited	5,500	5,500	492,468	1,010,240	527,835
The Searle Company Limited	40	40	18,010	7,969	5,862
	802,268	**796,690**	**58,706,377**	**42,187,437**	**42,044,044**

17 CASH AND BANK BALANCES

	2020 Rupees	2019 Rupees
With banks on :		
Cash at banks in current accounts	**4,910,961**	5,968,280
Cash in hand	**1,360,000**	435,000
	6,270,961	6,403,280

18 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2020	2019
10,292,000 (2019: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash	**102,920,000**	102,920,000

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

	2020	2019
	…………..Number of shares…………..	
Amer Cotton Mills (Private) Limited	**18,100**	18,100
Amer Tex (Pvt.) Limited	**5,167**	5,167
Crystal Enterprises (Pvt) Limited	**27,696**	27,696
Galaxy Agencies (Private) Limited	**108,217**	108,217
Neelum Textile Mills (Private) Limited	**1,365,515**	1,365,515
Nadeem Enterprises (Private) Limited	**87,104**	87,104
Reliance Textiles (Pvt.) Limited	**1,098,118**	1,098,118
Salman Ismail (SMC-Private) Limited	**1,500**	1,500
Sapphire Textile Mills Limited	**313,295**	315,985
Sapphire Fibres Limited	**138,900**	154,004
Sapphire Holding Limited	**636,156**	636,156
SFL Limited	**557,621**	557,621
Sapphire Agencies (Pvt.) Limited	**2,318,899**	2,318,899
Sapphire Power Generation Limited	**20,539**	20,539
Yousuf Agencies (Private) Limited	**3,223**	3,223
Four Strength (Private) Limited	**9,920**	9,920
	6,709,970	6,727,764

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

19 LONG TERM FINANCING

	Note	2020 Rupees	2019 Rupees
From banking company - secured			
At beginning of the year		**559,379,252**	193,051,000
Obtained during the year	**19.1**	**319,374,500**	373,647,000
		878,753,752	566,698,000
Paid during the period		**(5,703,124)**	(7,318,748)
		873,050,628	559,379,252
Less: Current portion		**(19,354,499)**	(12,192,623)
		853,696,129	547,186,629

19.1 These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 950 million (2019 : Rs: 750 million). During the year, the Company further obtained Rs.107.039 million (2019: Rs. 373.647 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 1,000 million (2019 Rs: 1000 million) and carry an interest rate from 2.5% to 8.84% (2019: 2.5%) over all present and future plant and machinery of the Company. These loans are repayable in equal semi-annual installments.

These loans are obtained from Habib Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 250 million (2019 : Nil). These loans are secured against specific charge of Rs.334 million includes 25% Margin (2019 Nil) and carry an interest rate from 2.85% (2019: Nil) over all present and future plant and machinery of the Company. These loans are repayable in equal quarterly installments.

These loans are obtained from Faysal Bank Limited under Diminishing Musaharaka (ILTFF) of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 200 million (2019 : Nil). This loan carry an interest rate from 8.33% (for DM own source, Kibor + 2%), (2019: Nil). These loans are secured against hypothecation charge over current assets of Rs. 460 million (2019: Nil). These loans are repayable in equal quarterly installments.

Particulars of financing

Serial No.	Particulars	Installment Amount (Rupees)	First installment date	Date of final payment
1	MCB-LTFF-I	2,685,687	9-Dec-18	9-Jun-27
2	MCB-LTFF-II	322,812	13-Dec-18	13-Jun-27
3	MCB-LTFF-III	650,875	15-Dec-18	15-Jun-27
4	MCB-LTFF-IV	316,688	16-Sep-19	16-Mar-28
5	MCB-LTFF-V	705,187	13-Oct-19	13-Apr-28
6	MCB-LTFF-VI	2,830,125	12-Jun-20	12-Dec-28
7	MCB-LTFF-VII	4,554,312	3-Jul-20	3-Jan-29
8	MCB-LTFF-VIII	1,490,000	14-Mar-21	14-Sep-29
9	MCB-LTFF-IX	1,893,000	4-Apr-21	4-Oct-28
10	MCB-LTFF-X	1,533,000	4-Apr-21	4-Oct-28
11	MCB-LTFF-XI	3,286,000	19-Apr-21	19-Oct-28
12	MCB-LTFF-XII	5,655,000	7-Nov-21	7-Nov-28
13	MCB-LTFF-XIII	498,000	17-Jun-21	17-Dec-28
14	MCB-LTFF-XIV	588,000	7-Aug-21	7-Feb-29
15	MCB-LTFF-XV	3,400,000	26-Sep-21	26-Mar-29
16	MCB-LTFF-XVI	5,000,000	27-Sep-21	27-Mar-29
17	MCB-LTFF-XVII	4,000,000	21-Oct-22	21-Apr-30
18	MCB-LTFF-XVIII	2,100,000	2-Oct-22	2-Apr-30
19	MCB-LTFF-XIX	522,000	9-Dec-22	9-Jun-30

Serial No.	Particulars	Installment Amount	First installment date	Date of final payment
20	HBL-LTFF-I	208,000	17-May-22	17-Feb-30
21	HBL-LTFF-II	1,643,000	17-May-22	17-Feb-30
22	HBL-LTFF-III	1,750,000	17-May-22	17-Feb-30
23	HBL-LTFF-IV	1,007,000	17-May-22	17-Feb-30
24	HBL-LTFF-V	1,215,000	20-May-22	20-Feb-30
25	HBL-LTFF-VI	498,000	20-May-22	20-Feb-30
26	FBL-LTFF-I	310,000	19-Sep-22	19-Jun-30

20 EMPLOYEE RETIREMENT BENEFITS

	Note	2020 Rupees	2019 Rupees
Gratuity - unfunded	20.1	**62,585,160**	48,699,241

20.1 The amount recognized in the statement of financial position

		2020 Rupees	2019 Rupees
Present value of defined benefit obligations		**62,585,160**	48,699,241

20.2 Movement in net liability recognized in the Statement of financial position

	Note	2020 Rupees	2019 Rupees
At beginning of the year		**48,699,241**	92,932,343
Expense recognized in statement of profit or loss	20.4	**23,735,658**	21,936,393
Remeasurement loss charged in other comprehensive income		**2,324,570**	116,423
Benefits paid during the year		**(12,174,309)**	(66,285,918)
At end of the year		**62,585,160**	48,699,241

20.3 Movement in the present value of defined benefit obligation

	2020 Rupees	2019 Rupees
Present value of obligation at beginning of the year	**48,699,241**	92,932,343
Current service cost	**17,983,026**	17,302,716
Interest cost	**5,752,632**	4,633,677
Benefits paid during the year	**(12,174,309)**	(66,285,918)
Actuarial losses / (gains) on remeasurement of defined benefit obligation due to experience adjustment	**2,324,570**	116,423
Present value of obligation at end of the year	**62,585,160**	48,699,241

20.4 Expense recognized in statement of profit or loss

	2020 Rupees	2019 Rupees
Current service cost	**17,983,026**	17,302,716
Interest cost	**5,752,632**	4,633,677
	23,735,658	21,936,393

20.5 Charge for the year has been recognized in cost of sales.

20.6 Total remeasurements chargeable to statement of comprehensive income

	2020 Rupees	2019 Rupees
Actuarial losses / (gains) due to experience adjustment	**2,324,570**	116,423

20.7	**Principal actuarial assumptions:**	**2020**	2019
	Principal actuarial assumptions used are as follows: -		
	Discount rate - per annum	**8.50%**	13.50%
	Expected rate of growth per annum in future salaries	**7.50%**	12.50%
	Average expected remaining working life time of employees	**11 years**	10 years

The estimated expense to be charged in statement of profit or loss for the year ending June 30, 2021 will be Rs. 21.895 million.

20.8 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:

		Increase in assumption	Decrease in assumption
		---------------- Rupees ----------------	
Discount rate	**1%**	**7,251,685**	**8,901,882**
Salary growth rate	**1%**	**8,901,882**	**7,374,525**

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

21	**TRADE AND OTHER PAYABLES**	**Note**	**2020 Rupees**	2019 Rupees
	Creditors	**21.1**	**84,126,008**	189,865,097
	Accrued liabilities	**21.2**	**250,030,544**	242,896,765
	Infrastructure fee	**21.3**	**79,056,195**	62,706,478
	Workers' profit participation fund	**21.4**	**14,430,628**	20,562,233
	Electricity duty		**14,353,320**	14,353,320
			441,996,695	530,383,893

21.1 Creditors include Rs. 1.644 million (2019: Rs.6.801 million) due to associated companies namely, Sapphire Electric Company Limited , SFL, ACML and STM . Creditors also include Rs. 13.445 million (2019: Rs. 141.355 million) as against foreign currency bills payable.

21.2 Provision for Gas Infrastructure Development Cess (GIDC)

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

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

On September 14, 2020, Supreme Court of Pakistan has passed a Judgement on pending case on GIDC to recover outstanding amount in twenty-four equal installments. The Company is planning to file review petition against the decision of Supreme Court of Pakistan based on the legal advice of the legal Council of the Company.

However, based on prudence, the Company has recognized a provision of Rs. 68.527 million (2019 Rs: 57.558) million pertaining to the liability on account of GIDC. Subsequent to year , the Company has received a bill of Rs. 4.085 million (first installment of the 24 installments as per Order of Supreme Court of Pakistan) which the Company has not paid.

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

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

			2020	2019
21.4	**Workers' profit participation fund**	**Note**	**Rupees**	Rupees
	At the beginning of the year		**20,562,233**	18,098,276
	Interest on funds utilized in the Company's business	**21.5**	**1,571,390**	596,871
	Provision for the year		**14,430,628**	20,562,233
			36,564,251	39,257,380
	Payments made during the year		**(22,133,623)**	(18,695,147)
	At the end of the year		**14,430,628**	20,562,233

21.5 Interest on workers' profit participation fund has been provided at 48.75% (2019: 11.50%) per annum.

			2020	2019
22	**Markup accrued on borrowings**	**Note**	**Rupees**	Rupees
	Markup accrued on:			
	Long term financing		**4,447,797**	2,757,636
	Short term borrowings		**56,592,407**	44,346,634
			61,040,204	47,104,270

23	**SHORT TERM BORROWINGS**			
	From banking companies-secured			
	Running finance	**23.1**	**2,292,027,993**	986,845,935
	Other short term finance	**23.1**	**189,734,118**	930,000,000
			2,481,762,111	1,916,845,935
	From related parties			
	Loan from directors	**23.2**	**15,705,000**	15,705,000
	Loan from associated companies	**23.3**	**21,420,000**	27,487,000
			37,125,000	43,192,000
			2,518,887,111	**1,960,037,935**

23.1 The short term borrowing facilities amounting to Rs. 3,852 million (2019: Rs. 2,703 million) remained unutilized at the year end.

These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned funded limit of Rs. 6,320 million (2019: Rs. 4,620 million). These facilities carry mark-up at the rates ranging from 2.35% to 15.10% (2019: 6.33% to 13.59%%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.Facilities available for opening letters of credit and guarantees aggregate to Rs. 3,400 million (2019: Rs. 2,350 million) of which facilities amounting to Rs.2,981 million (2019: Rs. 2,350 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.

23.2 Loan from Directors are interest free and are repayable on demand.

23.3 Loan from associated undertakings are interest free and are repayable on demand.

Name of Associated Companies	**2020** **Rupees**	2019 Rupees
Reliance Textiles (Private) Limited	**-**	6,067,000
Sapphire Agencies (Private) Limited	**12,810,000**	12,810,000
Neelum Textile Mills (Private)	**7,540,000**	7,540,000
Galaxy Agencies (Private) Limited	**590,000**	590,000
Nadeem Enterprises (Private)	**480,000**	480,000
	21,420,000	27,487,000

24 CONTINGENCIES AND COMMITMENTS

24.1 CONTINGENCIES

Guarantees have been issued by banks on behalf of the Company in the normal course of business	**203,990,298**	183,990,298
Post dated cheques in favor of Commissioner Inland Revenue and Collector of	**410,487,535**	181,395,394
	614,477,833	365,385,692

24.2 Claim of Input Sales Tax

The Company has claimed an input tax of Rs. 24.557 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 in Lahore High Court dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax. The management is expecting the case to be in favor of the Company.

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

24.4 COMMITMENTS

	2020 **Rupees**	2019 Rupees
Letters of credit for import of:		
- plant and machinery	**13,485,600**	40,466,400
- stores and spare parts	**10,703,385**	8,781,833
- raw material	**99,763,435**	73,259,746
- cotton	**110,074,895**	
	234,027,315	122,507,979

25 SALES - NET

	Note	2020 Rupees	2019 Rupees
Exports			
Yarn			
- Direct	25.1	1,370,230,993	1,022,167,672
- Indirect	25.2	3,295,477,279	3,310,249,450
		4,665,708,272	4,332,417,122
Waste			
- Direct		134,686,558	110,835,239
		4,800,394,830	4,443,252,361
Local			
- Yarn		1,128,675,295	875,240,633
- Waste		57,649,955	58,685,461
	25.2	1,186,325,250	933,926,094
Processing income		-	1,751,012
Export rebate		-	79,928
		5,986,720,080	5,379,009,395

25.1 Export sales include foreign currency exchange loss-net aggregating to Rs.1.665 million (2019: Gain Rs.63.873 million).

25.2 Sales tax on local and indirect exports is Rs. 632.159 million (2019: Rs. 0.08).

26 COST OF SALES

	Note	2020 Rupees	2019 Rupees
Raw material consumed	26.1	3,764,545,453	3,440,633,333
Packing material consumed		82,300,504	70,360,727
Store and spare parts consumed		104,119,890	93,870,216
Salaries, wages and other benefits	26.2	424,716,701	376,678,546
Fuel and power		358,022,591	409,287,900
Insurance		8,446,683	5,756,405
Repair and maintenance		9,619,292	9,464,868
Travelling and conveyance		6,759,626	5,495,446
Other manufacturing overheads		5,201,744	4,789,611
Processing Charges		192,640,808	230,445,151
Depreciation	7.4	197,416,948	156,647,052
		5,153,790,240	4,803,429,255
Work-in-process			
At beginning of the year		246,276,183	140,912,165
At end of the year		(204,534,246)	(246,276,183)
		41,741,937	(105,364,018)
Cost of goods manufactured		5,195,532,177	4,698,065,237
Finished goods			
At beginning of year		292,164,901	148,317,698
Yarn / fabric purchased during the year		3,674,029	7,869,174
At end of the year	10	(432,548,884)	(292,164,901)
		(136,709,954)	(135,978,029)
Cost of goods sold		5,058,822,223	4,562,087,208

26.1 Raw material consumed

	Note	2020 Rupees	2019 Rupees
At beginning of the year		**1,290,321,972**	887,684,490
Purchased during the year		**4,428,284,286**	3,843,270,815
		5,718,606,258	4,730,955,305
At end of the year		**(1,954,060,805)**	(1,290,321,972)
		3,764,545,453	3,440,633,333

26.2 Salaries and other benefits include Rs. 23.735 million (2019: Rs. 21.936 million) and Rs. 3.065 million (2019 Rs. 2.786) in respect of employee benefits - gratuity and provident fund respectively.

27 DISTRIBUTION COST

	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	**27.1**	**13,786,495**	19,232,073
Postage and telephone		**922,590**	533,036
Traveling, conveyance and entertainment		**10,013,349**	15,918,419
Printing, stationery and others		**506,010**	363,139
Commission			
- Local		**3,784,635**	3,535,738
- Export		**18,006,443**	15,574,802
Freight and forwarding			
- Local		**9,712,341**	9,850,775
- Export		**40,020,468**	34,958,734
Impairment of trade receivable		**27,146,175**	5,744,337
Export development surcharge		**3,798,215**	2,505,660
Insurance charges - export		**228,897**	227,051
		127,925,618	108,443,764

27.1 Salaries and other benefits include Rs. 0.685 million (2019: Rs. 0.725) in respect of employee benefits - Provident Fund.

28 ADMINISTRATIVE EXPENSES

	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	**28.1**	**56,617,345**	44,816,269
Postage and telephone		**622,541**	2,057,405
Fees and subscription		**1,799,399**	1,976,539
Depreciation	**7.4**	**6,252,401**	5,736,300
Printing and stationery		**510,692**	581,854
Traveling and conveyance		**4,165,765**	2,586,545
Repair and maintenance		**7,301,973**	2,238,532
Legal and professional charges		**2,592,005**	2,388,365
Advertisement		**109,014**	98,763
Entertainment	`	**898,494**	1,112,474
Donation		**1,050,000**	150,000
Auditors' remuneration	**28.2**	**927,000**	927,500
Utility charges		**2,313,807**	2,739,596
Others		**199,442**	285,934
		85,359,878	67,696,076

28.1 Salaries and other benefits include Rs. 1.215 million (2019: Rs. 0.956) in respect of employee benefits - Provident Fund.

28.2 Auditors' remuneration

	Note	2020 Rupees	2019 Rupees
Annual audit		**625,000**	625,000
Half-yearly review		**132,000**	132,000
Compliance report on Code of Corporate Governance		**55,000**	55,000
Other certification		**50,000**	50,000
Out-of-pocket expenses		**65,000**	65,500
		927,000	927,500

29 OTHER OPERATING EXPENSES

	Note	2020 Rupees	2019 Rupees
Workers' profit participation fund		**14,430,628**	20,562,233
Exchange loss on Foreign Currency Loan		**49,007,416**	-
		63,438,044	20,562,233

30 OTHER INCOME

	Note	2020 Rupees	2019 Rupees
			-
Gain on disposal of property, plant and equipment		**1,720,375**	2,915,413
Scrap sales	**30.1**	**6,700,642**	4,179,786
Gain on disposal of investment		**8,630,952**	-
Dividend income		**7,692,392**	11,011,445
		24,744,361	18,106,644

30.1 Scrap sales inclusive of sales tax amounts to Rs. 8.040 million (2019: Rs. 4.992 million).

31 FINANCE COST

	Note	2020 Rupees	2019 Rupees
Markup on:			
Long term financing		**17,802,043**	14,420,985
Short term borrowings		**311,779,426**	198,412,837
Interest on workers' profit participation fund		**1,571,390**	596,871
Bank charges and commission		**9,603,360**	7,698,324
		340,756,219	221,129,017

32 PROVISION FOR TAXATION

	Note	2020 Rupees	2019 Rupees
Current			
-for the year	**32.1**	**60,276,805**	26,347,156
-for prior year		**703,719**	168,165
		60,980,524	26,515,321

32.1 The Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, therefore provision for income tax is made accordingly. Assessment for the tax year 2019 is deemed to have been finalized under section 122 of the Income Tax Ordinance, 2001.

32.2 There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.

32.3 There is a dispute between the Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. The Sindh High Court has decided the case in favor of the Company on the appeals filed by Commissioner Inland Revenue and appeal effect is pending.

32.4 The Finance Act, 2018 and 2017 have amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% (2017: 7.5%) of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% (2017: 40%) of the accounting profit through cash dividend within six months of the end of the said year.

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

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

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

	2020	2019
33 EARNINGS PER SHARE - BASIC AND DILUTED	**Rupees**	Rupees
There is no dilutive effect on the basic earning per share which is based on:		
Profit attributable to ordinary shareholders **(Rupees)**	**274,181,935**	390,682,420
Weighted average number of ordinary shares outstanding during the year (**Numbers of shares)**	**10,292,000**	10,292,000
Earnings per share - Rupees	**26.64**	37.96

34 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	Chief Executive Officer		Executives	
	2020	2019	**2020**	2019
	Rupees		Rupees	
Managerial remuneration	**9,648,000**	8,442,000	**29,607,862**	18,187,880
House rent	**4,341,600**	3,798,900	**13,323,539**	8,184,546
Utilities	**410,400**	359,100	**1,259,381**	1,064,143
Conveyance and allowances	**-**	-	**-**	28,540,164
Medical expenses	**-**	-	**592,157**	326,684
Bonus/Leave encashment	**-**	-	**5,919,330**	4,814,217
	14,400,000	12,600,000	**50,702,269**	61,117,634
Number of persons	**1**	1	**12**	14

34.1 The Company has paid Nil (2019 : Nill) as meeting fee to an independent director.

34.2 No remuneration is paid to the directors of the Company.

35 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and 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.

36 Credit risk and concentration of credit risk

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

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

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

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

Trade debts

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

Bank

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

36.1 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:

	2020 Rupees	2019 Rupees
Long term deposits	**8,987,690**	8,987,690
Trade debts	**986,719,303**	761,061,879
Loans and advances	**9,079,176**	-
Short term deposits and prepayments	**221,491**	1,593,406
Other receivables	**6,993,302**	9,525,876
Bank balances	**4,910,961**	5,968,280
	1,016,911,923	787,137,131

Geographically there is no concentration of credit risk.
The aging of past due trade receivables at the reporting date is:

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
	------- Rupees -------			
Past due				
Upto 1 month	**771,815,294**	**22,218,868**	507,123,659	6,309,978
1 month to 6 months	**194,763,718**	**13,825,263**	252,744,838	7,031,563
Over 6 months	**56,457,422**	**5,525,633**	14,009,000	1,082,048
Over 6 months - impaired	**5,525,633**	**-**	1,607,971	-
	1,028,562,067	**41,569,764**	775,485,468	14,423,589

37 Credit quality of investments and bank balances

The credit quality of major financial asset that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Name of bank	Rating	Short term	Long term
Askari Bank Limited	PACRA	A-1+	AA+
BankIslami Pakistan Limited	PACRA	A-1	A+
Dubai Islamic Bank	VIS	A-1+	AA
Faysal Bank Limited	PACRA	A-1+	AA
Habib Bank Limited	VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
National Bank of Pakistan	PACRA	A-1+	AAA
Standard Chartered Bank	PACRA	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA

38 Liquidity risk management

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

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

Liquidity risk table

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

	2020					
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above
	.... Rupees					
Non-derivative Financial						
Long term financing	**873,050,628**	**989,849,022**	**20,985,801**	**20,985,801**	**238,334,211**	**709,543,210**
Trade and other payable	**334,156,552**	**349,431,112**	**349,431,112**	-	-	-
Mark up accrued	**61,040,204**	**61,040,204**	**61,040,204**	-	-	-
Short term borrowings	**2,518,887,111**	**2,518,887,111**	**2,518,887,111**	-	-	-
Unclaimed Dividend	**613,360**	**613,360**	**613,360**	-	-	-
	3,787,747,855	**3,919,820,809**	**2,950,957,588**	**20,985,801**	**238,334,211**	**709,543,210**

	2019					
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above
	.... Rupees					
Non-derivative Financial						
Long term financing	559,379,252	373,647,000	3,659,374	7,511,374	15,022,748	347,453,504
Trade and other payable	453,824,862	453,824,862	453,824,862	-	-	-
Mark up accrued	47,104,270	47,104,270	47,104,270	-	-	-
Short term borrowings	1,960,037,935	1,916,845,936	1,916,845,936	-	-	-
Unclaimed Dividend	500,767	500,767	500,767	-	-	-
	3,020,847,086	2,791,922,835	2,421,935,209	7,511,374	15,022,748	347,453,504

39 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.

39.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

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

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2020			2019	
	USD	**EURO**	**JPY**	USD	EURO
Trade debts	**1,245,927**	**71,294**	**-**	1,478,597	188,981
Trade creditors	**(1,325,085)**	**(65,250)**	**(7,513,054)**	(453,190)	(240,000)
Short term Foreign Currency	**(6,601,171)**	**-**	**-**	-	-
	(6,680,329)	**6,044**	**(7,513,054)**	1,025,407	(51,019)

Commitments outstanding at year end amounted to Rs. 234.072 million (2019: Rs. 122.507 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**	
	2020	2019	**2020**	2019
	Rupees	Rupees	**Rupees**	Rupees
USD 1	**164.95**	142.70	**167.24**	164.00
EURO 1	**186.50**	163.85	**188.10**	186.37
JPY 1	**1.56**	-	**1.53**	-

Sensitivity analysis

A 5 percent strengthening of the Pakistani Rupee against the USD & EURO at June 30, 2020 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for June 30, 2019.

	2020 Rupees	2019 Rupees
Increase / (decrease) in profit or loss account (USD)	**(1,173,107,190)**	(8,408,337)
Increase / (decrease) in profit or loss account (EURO)	**1,193,739**	475,421
Increase / (decrease) in profit or loss account (JPY)	**(12,082,343)**	-

A 5 percent weakening of the Pakistani Rupee against the USD & EURO at June 30, 2020 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

40 Interest rate risk

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

Profile

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

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

	2020	2019	2020 Rupees	2019 Rupees
	……………….. %	………………..		
Financial liabilities				
Long term financing	**2.50**	2.50 to 6.8	**853,696,129**	559,379,252
Short term borrowings	**2.30 to 15.10**	1.15 to 7.75	**2,518,887,111**	1,916,845,935
			3,372,583,240	2,476,225,187

Cash flow sensitivity analysis for floating rate instruments

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

	Increase / (Decrease) in %	Effect on profit before tax Rupees
2020		
Long term financing	**1.00%**	**8,536,961**
Short term borrowings		**25,188,871**
		33,725,832
2019		
Long term financing	1.00%	5,593,793
Short term borrowings		19,168,459
		24,762,252

41 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.

At the statement of financial position date, the exposure to listed equity securities at fair value was Rs. 42,187,437 (2019 : 42,044,044). An increase of 25% on the KSE market index would have an impact of approximately Rs. 10,546,859 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.

42 FINANCIAL INSTRUMENTS BY CATEGORY

	2020	2019
Financial Assets	**Rupees**	Rupees
Loans and receivables at amortized cost		
Long term investments	**89,069,645**	89,069,645
Long term deposits	**8,987,690**	761,061,879
Trade debts	**986,719,303**	-
Loans and advances	**9,079,176**	-
Deposits and prepayments	**221,491**	6,403,280
Cash and bank balances	**6,270,961**	1,102,088
	1,100,348,266	857,636,892
Financial Assets - At fair value		
Other financial Assets	**42,187,437**	50,214,094
Financial Liabilities - At amortized cost		
Long term financing	**853,696,129**	559,379,252
Trade and other payable	**334,156,552**	462,233,863
Mark up accrued	**61,040,204**	47,104,270
Short term borrowings	**2,518,887,111**	1,960,037,935
Unclaimed dividend	**613,360**	500,767
	3,768,393,356	3,029,256,087

43 CAPITAL DISCLOSURE

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

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

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

	2020	2019
	Rupees	Rupees
Total borrowings including mark-up accrued	**3,452,977,943**	2,566,521,457
Total equity	**2,359,883,266**	2,169,188,558
Total capital employed	**5,812,861,209**	4,735,710,015
Gearing ratio	**59.40%**	54.20%

44 TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2020	2019
			Rupees	Rupees
Amer Cotton Mills (Pvt) Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn / raw material	**110,100**	117,892
		Purchase:		
		Yarn /raw material	**1,112,768**	2,388,960
		Shared expenses - net	**1,623,885**	1,364,614
		Services		
		Rendered	**-**	412,500
		Obtained	**260,000**	594,779
		Dividend:		
		Paid	**144,800**	117,650
Diamond Fabrics Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn / raw material	**81,811,345**	218,254,472
Sapphire Power Generation Limited	Associated Company by virtue of common directorship	**Sales:**		
		waste	**9,360**	135,558
		Purchase:		
		Electricity	**-**	27,706,713
		Store	**-**	360,062
		Dividend:		
		Paid	**164,312**	133,504
Sapphire Textile Mills Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn	**75,932,232**	73,060,103
		Purchase:		
		Raw material	**-**	8,784,390
		Services:		
		Obtained	**2,331,016**	-
		Shared expenses - net	**5,654,644**	5,481,610
		Dividend:		
		received	**2,605,798**	1,603,568
		Paid	**2,527,880**	2,055,391
Sapphire Fibres Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn / raw material / scrap	**450,955,657**	504,824,277
		Purchase:		
		Yarn / raw material / scrap	**22,090,477**	42,708,632
		Property plant and equipment	**125,000**	20,380,000
		Services:		
		Rendered		96,145
		Shared expenses - net	**13,090,925**	3,604,721
		Dividend:		
		received	**3,149,576**	4,724,364
		Paid	**1,231,648**	1,001,026
Sapphire Electric Co. Limited	Associated Company by virtue of common directorship	Shared expenses - net	**-**	161,422

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2020 Rupees	2019 Rupees
Neelum Textile Mills Limited	Associated Company by virtue of common directorship	Dividend paid	**10,924,120**	8,875,848
		Loan	-	7,540,000
Galaxy Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**865,736**	703,411
		Loan	-	590,000
Sapphire Holding Limited	Associated Company by virtue of common directorship	Dividend paid	**5,089,248**	4,135,014
		Dividend received	-	175,390
Crystal Enterprises (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**221,568**	180,024
Salman Ismail (SMC) (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**12,000**	9,750
Yousuf Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**25,784**	20,950
Nadeem Enterprises (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**696,832**	566,176
		Loan	-	480,000
Reliance Textile (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**8,784,944**	7,137,767
		Loan Received	-	6,067,000
		Loan Re-Paid	**6,067,000**	
Amer Tex (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**41,336**	98,066
Sapphire Agencies (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**18,551,192**	15,072,844
		Loan Received		12,810,000
SFL Limited	Associated Company by virtue of common directorship	Dividend paid	**4,460,968**	3,624,537
		Dividend received	-	1,505,888
Four Strength (Pvt) limited	Associated Company by virtue of common directorship	Dividend paid	**79,360**	-

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

45 NUMBER OF EMPLOYEES

	At year end		Average	
	2020	2019	**2020**	2019
Employees	**1128**	1085	**1115**	1071

46 PLANT CAPACITY AND ACTUAL PRODUCTION

	2020	2019
Total number of spindles installed	**45,984**	45,984
Installed capacity after conversion into 20's count (Lbs.)	**30,392,820**	30,392,820
Actual production		
Number of spindles	**42,595**	37,008
Number of shifts per day	**3**	3
Total days worked	**359**	365
Actual production of yarn after conversion into 20's count (Lbs.)	**25,551,056**	24,431,250

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.

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

The Company only have short term investments at fair value through other comprehensive income of Rs.50.19 million that are classified at level 1.

48 PROVIDENT FUND RELATED

48.1 The following information is based on un-audited financial statements of the Fund for the year ended:

Size of the Fund - Total Assets	**18,838,113**	8,690,180
Cost of investments made	**13,577,100**	7,748,971
Percentage of investments made	**77%**	100%
Fair value of investments made	**14,667,885**	7,896,890

48.2 The break-up of fair value of investments is as follow:

	2020		2019	
	Percentage %	**Rupees**	Percentage %	Rupees
Scheduled bank	**16%**	**2,836,192**	4%	320,388
Listed securities	**84%**	**14,667,885**	96%	7,896,890
	100%	**17,504,077**	100%	8,217,278

49 OPERATING SEGEMENTS

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

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

80.18 (2019: 82.57%) sales of the Company relates to export customers.

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

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs.1,666 million (2019 : Rs. 1,486 million).

50 IMAPCT OF COVID-19 ON FINANCIAL STATEMENT

"The outbreak of Novel Coronavirus continues and the situation keeps evolving every day. Enactment of necessary precautionary measures during March,2020 including but not limited to Lockdowns by Government of Punjab, severely impacted the economic activity and the consumer demand which had a ripple effect on the economy. The operations of the company were erupted and were resumed after the management adopted all necessary precautionary measures and ensured the implementation of all necessary SOPs.

After the Lockdown restrictions were eased out in June, 2020 local customer demand elevated back to normal and accordingly the Company's operations. The international market has also started resuming business and an increase in the number of orders has been observed. As the extant and duration of the impact of COVID-19 can not be predicted at this time, a reliable estimate of the impact of the developments on the financial statements of the Company can not be made with reasonable certainty.

The management has assessed the accounting implications of these developments on these financial statements. including but not limited to the following areas:- recognition of expected credit losses under IFRS 9, 'Financial Instruments';-recognition of provisions and contingent liabilities under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'."

51 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on September 24, 2020 by the Board of Directors of the Company.

52 GENERAL

Figures have been rounded off to the nearest Rupee.

Lahore :	**Shayan Abdullah**	**Amer Abdullah**	**Jawwad Faisal**
Dated : September 24, 2020	Chief Executive	Director	Chief Financial Officer

Pattern of Shareholding

As At June 30, 2020

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
336	1	100	6,782
67	101	500	24,990
24	501	1000	20,769
22	1001	5000	62,631
8	5001	10000	55,361
3	10001	15000	34,397
3	15001	20000	51,440
2	20001	25000	45,539
2	25001	30000	55,709
4	35001	40000	153,085
2	40001	45000	87,064
1	65001	70000	69,160
1	75001	80000	79,027
1	80001	85000	82,106
2	85001	90000	176,154
1	105001	110000	108,217
1	120001	125000	123,902
1	145001	150000	149,194
1	150001	155000	153,956
2	220001	225000	440,762
1	230001	235000	232,838
1	315001	320000	315,985
1	340001	345000	340,826
1	365001	370000	365,515
1	435001	440000	435,645
1	465001	470000	465,638
1	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
497		**Total**	**10,292,000**

Categories of Shareholders

As At June 30, 2020

Particulars	No. of Shares Held	Percentage %
Directors, CEO, spouses and Minor Children	1,675,318	16.2779
Associated Companies, undertakings, related parties	6,727,716	65.3684
NIT & ICP	465,638	4.5243
Banks, DFI & NBFI	325	0.0032
Insurance Companies	16,940	0.1646
Modaraba Companies and Mutual Funds	500	0.0049
Individuals Local	1,332,824	12.9501
Joint Stock Companies	8,343	0.0811
Other Companies	64,396	0.6257
	10,292,000	**100.0000**

Pattern of Shareholding
As At June 30, 2020

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Reliance Textiles (Private) Limited	1,098,118
Neelum Textile Mills (Private) Limited.	1,365,515
Sapphire Textile Mills Limited.	315,985
Sapphire Fibres Limited	153,956
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	5,167
SFL Limited	557,621
Sapphire Holding Limtied	636,156
Four Strength (Pvt) Ltd.	9,920

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. Amer Abdullah.	379,576
Mrs. Ambareen Amer	240,838
Mrs. Shireen Shahid	98,506
Mrs. Usma Yousuf	28,013
Mr. Nabeel Abdullah	570
Mr. Asif Elahi	500
Ms. Madiha Saeed Nagra	100

Pattern of Shareholding

As At June 30, 2020

	CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
	Mr. Shayan Abdullah	220,728
D)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**	
	BANKS	
	National Bank of Pakistan	225
	Development Financial Institutions	
	National Development Finance Corporation	100
	INSURANCE COMPANIES	
	State Life Insurance Company of Pakistan	16,940
	MODARABA COMPANIES	
	First Punjab Modaraba	500
E)	**SHAREHOLDERS HOLDING 5% OR MORE**	
	Neelum Textile Mills (Private) Limited	1,365,515
	Reliance Textiles (Private) Limited	1,098,118
	Sapphire Agencies (Private) Limited	2,318,899
	SFL Limited	557,621
	Sapphire Holding Limited	636,156
	Mr. Yousuf Abdullah	588,710
F)	**TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.**	Nil

Contents

The directors are pleased to present their report together with consolidated financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (Pvt.) Limited for the year ended 30 June, 2020. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

RCSM Company (Pvt.) Limited

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

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

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

For and on behalf of the Board

Lahore	**Amer Abdullah**	**Shayan Abdullah**
September 24, 2020	Director	Chief Executive

ڈائریکٹرز 30 جون 2020ء کو ختم ہونے والے سال کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ کے اشتمال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ:

RCSM کمپنی (پرائیویٹ) لمیٹڈ (ہولڈنگ کمپنی) اور اس کی مکمل ملکیتی ذیلی کمپنی RCSM (پرائیویٹ) لمیٹڈ جو مجموعی طور ایک "گروپ" کہلاتا ہے کمپنیز آرڈیننس، 1984 کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کمپنی پاکستان اسٹاک ایکسچینج لمیٹڈ (سابقہ کراچی اسٹاک ایکسچینج لمیٹڈ اور لاہور اسٹاک ایکسچینج لمیٹڈ) میں اندراج شدہ ہے۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 184 کے تحت 08 نومبر 2017 کو ریلائنس کاٹن سپننگ ملز لمیٹڈ کی مکمل ملکیتی شیئرز کے ذریعے ایک پبلک لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔

ذیلی کمپنی کا بنیادی کاروبار کسی دیگر کمپنی کے حصص لینا یا دوسری صورت میں خریدنا اور ہولڈ کرنا، لیکن سرمایہ کاری کمپنی کے طور کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

لاہور تاریخ: 24 ستمبر 2020	(شایان عبداللہ) چیف ایگزیکٹو	(عامر عبداللہ) ڈائریکٹر

Independent Auditor's Report

To the members of Reliance Cotton Spinning Mills Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Reliance Cotton Spinning Mills Limited (the Company) and its subsidiary (the Group) which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
Revenue Recognition The Group generates revenue from export and local sale of yarn and waste. The Group has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods against local sale and indirect exports is recognized on dispatch of goods as risk and rewards are transferred on dispatch whereas export sales are recognized on the shipment of goods. Revenue recognition criteria has been explained in note 4.15 to the consolidated financial statements. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy; • assessing the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • checked on a sample basis the recorded sales transactions with underlying supporting documents; and • assessed the adequacy of related disclosures in the consolidated financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

•Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

Lahore
Date: September 29, 2020

Deloitte Yousuf Adil,
Chartered Accountants

Consolidated Statement of Financial Position
as at June 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,051,140,337	1,987,544,100
Long term investments	6	886,248,151	801,555,693
Long term deposits		8,987,690	8,987,690
		2,946,376,178	2,798,087,483
CURRENT ASSETS			
Stores and spare parts	7	49,505,453	45,112,549
Stock-in-trade	8	2,699,519,145	1,989,294,360
Trade debts	9	986,719,303	761,061,879
Loans and advances	10	104,493,271	79,264,473
Short term deposits and prepayments	11	221,491	1,593,406
Other receivables	12	10,915,489	37,055,995
Tax refunds due from the Government	13	364,500,551	294,448,602
Other financial assets	14	42,187,437	50,214,094
Cash and bank balances	15	6,325,506	6,477,850
		4,264,387,646	3,264,523,208
		7,210,763,824	6,062,610,691
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2019: 12,000,000) ordinary shares of Rs. 10 each		120,000,000	120,000,000
Issued, subscribed and paid up capital	16	102,920,000	102,920,000
Reserves		2,963,497,171	2,695,615,314
		3,066,417,171	2,798,535,314
NON-CURRENT LIABILITIES			
Long term financing	17	853,696,129	547,186,629
Defferred Liabilities	18	153,139,706	131,799,618
		1,006,835,835	678,986,247
CURRENT LIABILITIES			
Trade and other payables	19	442,141,295	530,497,378
Contract liabilities		8,170,916	8,409,001
Unclaimed dividend		613,360	500,767
Markup accrued	20	61,040,204	47,104,270
Short term borrowings	21	2,518,887,111	1,960,037,935
Current portion of long term financing	17	19,354,499	12,192,623
Provision for taxation	30	87,303,433	24,347,156
		3,137,510,818	2,585,089,130
CONTINGENCIES AND COMMITMENTS	22		
		7,210,763,824	6,062,610,691

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Lahore :	**Shayan Abdullah**	**Amer Abdullah**	**Jawwad Faisal**
Dated : September 24, 2020	Chief Executive	Director	Chief Financial Officer

	Note	2020 Rupees	2019 Rupees
Sales from contracts	23	**5,986,720,080**	5,379,009,395
Cost of sales	24	**(5,058,822,223)**	(4,562,087,208)
Gross profit		**927,897,857**	816,922,187
Distribution cost	25	**(127,925,618)**	(108,443,764)
Administrative expenses	24	**(85,359,878)**	(67,748,431)
Other operating expenses	27	**(63,489,184)**	(20,562,233)
		(276,774,680)	(196,754,428)
Other income	28	**18,988,987**	10,097,434
Operating profit before finance cost		**670,112,164**	630,265,193
Finance cost	29	**(340,756,219)**	(221,129,017)
Share of profit from associates		**131,909,872**	141,753,084
Profit before taxation		**461,265,817**	550,889,260
Provision for taxation	30	**(68,434,693)**	(33,564,948)
Profit for the year		**392,831,124**	517,324,312
Earnings per share - basic and diluted	31	**38.17**	50.26

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah	Amer Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

	Note	2020 Rupees	2019 Rupees
Profit for the year		**392,831,124**	517,324,312
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share in associate's unrealized gain on hedgin intruments		**(180,721)**	269,706
Fair value gain on investments in debt instruments designated as FVTOCI		**1,173,343**	(1,029,950)
Loss in deemed disposal		**(24,603,198)**	-
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of post retirement benefits obligation		**(2,324,570)**	(116,423)
Share in associates' remeasurement of post retirement benefits obligation loss		**(75,811)**	684,699
Fair value loss on investments in equity instruments designated as FVTOCI		**(21,566,535)**	(17,142,795)
Share of other comprehensive income of associates		**-**	(52,559,028)
		(23,966,916)	(69,133,547)
		(47,577,492)	(69,893,791)
Total comprehensive income for the year		**345,253,632**	447,430,521

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah	Amer Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**461,265,817**	550,889,260
Adjustments for:			
Depreciation on property, plant and equipment	**5.1**	**203,669,349**	162,383,352
Provision for employee benefits	**18.4**	**23,735,658**	21,936,393
Export rebate and duty draw back		**-**	(79,928)
(Gain) / Loss on sale of short term investment	**28**	**(8,630,952)**	-
Gain on disposal of property, plant and equipment	**28**	**(1,720,375)**	(2,915,413)
Finance cost	**29**	**340,756,219**	221,129,017
Dividend income on short and long term investment		**(1,937,018)**	(3,002,235)
Share of profit from associates		**(131,909,872)**	(141,753,084)
		885,228,826	808,587,362
Working capital changes			
Decrease / (Increase) in current assets			
Stores and spare parts		**(4,392,904)**	4,354,185
Stock-in-trade		**(710,224,785)**	(746,467,493)
Trade debts		**(225,657,423)**	(104,190,754)
Loans and advances		**3,079,301**	(8,367,808)
Short term deposits and prepayments		**1,371,915**	662,372
Other receivables		**2,532,574**	(6,727,546)
Increase / (decrease) in current liabilities			
Trade and other payables		**(88,594,168)**	224,195,081
		(1,021,885,490)	(636,541,963)
Cash (used in) / generated from operations		**(136,656,664)**	172,045,399
Dividend paid		**(82,223,407)**	(66,807,350)
Employee benefits paid		**(12,174,309)**	(66,285,918)
Finance cost paid		**(326,820,285)**	(196,496,181)
Sales tax (paid) / refunded		**6,229,800**	(37,557,657)
Income taxes paid		**(95,414,095)**	(67,105,996)
Rebate income received		**23,607,932**	17,881,426
		(486,794,364)	(416,371,676)
Net cash used in operating activities		**(623,451,028)**	(244,326,277)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		**(268,005,212)**	(694,574,578)
Proceeds from disposal of property, plant and equipment		**2,460,000**	8,327,600
Short term investments - net		**-**	(21,522,343)
Proceeds from sale of investments		**8,630,952**	41,028,164
Dividend received		**7,692,392**	11,011,445
Net cash used in investing activities		**(249,221,868)**	(655,729,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained		**319,374,500**	373,647,000
Short term borrowings - net		**558,849,176**	532,324,785
Repayment of long term loan		**(5,703,124)**	(7,318,748)
Net cash from financing activities		**872,520,552**	898,653,037
Net (decrease) / increase in cash and cash equivalents		**(152,344)**	(1,402,952)
Cash and cash equivalents at beginning of the year		**6,477,850**	7,880,802
Cash and cash equivalents at the end of the year		**6,325,506**	6,477,850

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah	Amer Abdullah	Jawwad Faisal
Chief Executive	Director	Chief Financial Officer

	Share capital	Un-appropriated profit	Revenue reserves		Capital reserve				Sub-total	Total
			General reserve	Unrealised loss on remeasurement of investments classified as available for sale - net	Share of other comprehensive income of associates	Share in associate's unrealized gain / (loss) on hedging instruments	Share in associate's remeasurement of post retirement benefits obligation	Share of items directly recognized in equity by associates		
					.... Rupees					
Balance as at July 01, 2018	102,920,000	2,119,023,066	130,000,000	(11,165,865)	69,636,211	281,977	(2,029,417)	8,247,781	2,313,993,753	2,416,913,753
Comprehensive income:										
Profit for the year ended ended June 30, 2019	-	517,324,312	-		-	-	-	-	517,324,312	517,324,312
Other comprehensive income	-	(116,423)	-	(18,172,745)	(52,559,028)	269,706	684,699		(69,893,791)	(69,893,791)
Total comprehensive income	-	517,207,889	-	(18,172,745)	(52,559,028)	269,706	684,699	-	447,430,521	447,430,521
Reclassification of realized loss on sale of investment at fair value through other comprehensive income		-	(11,646,327)	-	11,646,327					
Transactions with owners :										
Final dividend for the year ended June 30, 2018	-	-					-	1,089,040	1,089,040	1,089,040
@ Rs.6.5 per share		(66,898,000)							(66,898,000)	(66,898,000)
Balance as at June 30, 2019	**102,920,000**	**2,569,332,955**	**118,353,673**	**(29,338,610)**	**28,723,510**	**551,683**	**(1,344,718)**	**9,336,821**	**2,695,615,314**	**2,798,535,314**
Profit for the year ended June 30, 2020	-	**392,831,124**	-		-	-	-	-	**392,831,124**	**392,831,124**
Other comprehensive income	-	-	-	**(23,610,576)**	**(21,566,535)**	**(2,324,570)**	**(75,811)**	-	**(47,577,492)**	**(47,577,492)**
Total comprehensive income	-	**392,831,124**	-	**(23,610,576)**	**(21,566,535)**	**(2,324,570)**	**(75,811)**	-	**345,253,632**	**345,253,632**
Effects of items directly recognized in equity by associates	-	-	-	-	-	-		**4,964,225**	**4,964,225**	**4,964,225**
Transactions with owners:										
Final dividend for the year ended June 30, 2019 @ Rs. 8.00 per share	-	**(82,336,000)**							**(82,336,000)**	**(82,336,000)**
Balance as at June 30, 2020	**102,920,000**	**2,879,828,079**	**118,353,673**	**(52,949,186)**	**7,156,975**	**(1,772,887)**	**(1,420,529)**	**14,301,046**	**2,963,497,171**	**3,066,417,171**

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Lahore :
Dated : September 24, 2020

Shayan Abdullah
Chief Executive

Amer Abdullah
Director

Jawwad Faisal
Chief Financial Officer

1 LEGAL STATUS AND OPERATIONS

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

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

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

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

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

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

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

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

2.2 Separate consolidated financial statements

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

2.2.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The results of the Holding Company, based on investments in associate accounted for under the equity method, are reflected in the consolidated financial statements of the Holding Company.
2.2New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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.

	Effective from annual period beginning on or after
IFRS 16 Leases, this standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts - IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, SECP has adopted from July 01, 2019.	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019

	Effective from accounting period beginning on or after
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'.	January 01, 2019

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

2.2.2 New accounting standards, amendments and IFRS 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.

	Effective from annual period beginning on or after
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Clarify the definition of ‘Material’ and align the definition used in the Conceptual Framework and the Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

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

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 17 – Insurance Contracts

Impact of initial application of IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases, the former lease accounting standard and became effective for periods beginning on or after January 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Company as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets; and lease liabilities representing its obligation to make lease payments.

The Company applied IFRS 16 using the modified retrospective approach, under which the Company has recognised lease liabilities at the date of initial recognition for leases previously classified as operating lease under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate and recognising right of use assets at an amount equal to the lease liabilities, adjusted for the amounts of prepaid rent. Accordingly, the comparative figures presented for 2019 have not been restated.

3 Significant estimates

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

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

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

Employee retirement benefits

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4 Accounting convention

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

- financial instruments at fair value
- recognition of certain employee retirement benefits at present value
- investments in associates at cost

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS

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

4.1 Property, plant and equipment

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

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

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

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

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

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

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

4.2 Investments in associates

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

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

4.3 Basis of consolidation

These consolidated financial statements include the financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (private) Limited.

4.3.1 Subsidiary

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These consolidated financial statements include Reliance and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

4.3.2 Business Combination

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

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

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

Acquisition related cost are expensed as incurred.

4.4 Stores, spare parts and loose tools

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

4.5 Stock-in-trade

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

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

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

Waste stock are valued at net realizable value.

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

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

4.6 Financial instruments

4.6.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Holding Company carries cash and cash equivalents, trade debts, due from related parties and employees' advances at amortized cost.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI):

Debt instruments that meet specified conditions and are measured subsequently at fair value through other comprehensive income (FVTOCI).As at reporting date, the Holding Company does not hold any debt instrument classified as at FVTOCI.

c) Equity instruments designated as at FVTOCI

On initial recognition, the Holding Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.As at reporting date, the Holding Company carries short term investments at FVTOCI.

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).
As at reporting date, the Holding Company does not possess any financial assets classified as at FVTPL.

Impairment of financial assets

The Holding Company recognizes a loss allowance for expected credit losses on trade debts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Holding Company recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The Holding Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Holding Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

Derecognition of financial assets

The Holding Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Holding Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Holding Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Holding Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Holding Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

4.6.2 Financial liabilities

Subsequent measurement of financial liabilities

· contingent consideration of an acquirer in a business combination,
· held-for-trading, or
· designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Holding Company derecognizes financial liabilities when, and only when, the Holding Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.7 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated statement of financial position, if the Holding 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.

4.8 Long term deposits

Long term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

4.9 Trade debts and other receivables

Trade debts and other receivables are carried at a value to be received less an estimate made for impairment allowance based on estimates of expected future value of cash flows under different economic and probabilistic scenarios, adjusted for factors that are specific to the industry.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.11 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.

4.12 Employee benefits

Defined benefit plan

The Holding 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 consolidated statement of profit or loss for the year. The assumptions are determined by independent actuary.

The amount recognized in the consolidated statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried on June 30, 2019.

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

4.13 Provisions

Provisions are recognized in the consolidated statement of financial position when the Holding 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 consolidated statement of financial position date and adjusted to reflect the current best estimate.

4.14 Earnings per share

The Holding 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 Holding 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.

4.15 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.

4.16 Revenue recognition

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

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

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

4.17 Borrowing costs

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

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

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

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

4.19 Contract liabilities

Contract liability is measured at the fair value of the consideration received for goods that are not yet delivered to customers.

4.20 Foreign currencies

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

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

4.21 Dividend distribution

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

4.22 Segment Reporting

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

4.23 Related party transactions

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

5 PROPERTY, PLANT AND EQUIPMENT

5.1 At June 30, 2020

Particulars	COST					DEPRECIATION				Book value	Annual depreciation rate %
	As at July 01, 2019	Additions	Transfers	Disposals	As at June 30, 2020	As at July 01, 2019	Charge for the year	Disposals	As at June 30, 2020	As at June 30, 2020	
	....					Rupees			....		
Operating fixed assets											
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:									-		
Residential	132,914,353	-	-	-	132,914,353	53,585,726	3,966,431	-	57,552,157	75,362,196	5
Factory	801,760,880	-	50,681,476	-	852,442,356	408,047,998	40,215,979	-	448,263,977	404,178,379	10
Plant and machinery	2,186,890,081	-	283,870,709	6,356,986	2,464,403,804	983,147,883	137,386,618	6,011,746	1,114,522,755	1,349,881,049	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,605,602	141,875	-	1,747,477	1,276,870	10
Vehicles	85,461,908	-	1,410,000	2,623,030	84,248,878	24,103,363	12,497,659	2,228,645	34,372,377	49,876,501	20
Office equipment	4,227,057	-	1,256,948	-	5,484,005	1,881,698	360,231	-	2,241,929	3,242,076	10
Electric installation	138,894,811	-	28,209,684	-	167,104,495	61,560,156	8,920,084	-	70,480,240	96,624,255	10
Electric equipment	408,950	-	-	-	408,950	206,670	20,228	-	226,898	182,052	10
Computers	3,554,953	126,000	-	-	3,680,953	3,031,306	160,244	-	3,191,550	489,403	30
	3,422,247,094	126,000	365,428,817	8,980,016	3,778,821,895	1,537,170,402	203,669,349	8,240,391	1,732,599,360	2,046,222,535	
Capital work-in-progress											
Building - civil work	-	50,681,476	(50,681,476)	-	-	-	-	-	-	-	
Plant and machinery	100,995,727	187,869,540	(283,870,709)	(76,756)	4,917,802	-	-	-	-	4,917,802	
Vehicles	1,471,680	-	(1,410,000)	(61,680)	-	-	-	-	-	-	
Office equipment	-	1,256,948	(1,256,948)	-	-	-	-	-	-	-	
Electric installation	-	28,209,684	(28,209,684)	-	-	-	-	-	-	-	
	102,467,407	268,017,648	(365,428,817)	(138,436)	4,917,802	-	-	-	-	4,917,802	
Total	3,524,714,501	268,143,648	-	8,841,580	3,783,739,697	1,537,170,402	203,669,349	8,240,391	1,732,599,360	2,051,140,337	

5.2 At June 30, 2019

Particulars	COST					DEPRECIATION				Book value	Annual
	As at July 01, 2018	Additions	Transfers	Disposals	As at June 30, 2019	As at July 01, 2018	Charge for the year	Disposals	As at June 30, 2019	As at June 30, 2019	depreciation rate %
	...... Rupees										
Operating fixed assets											
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	-	65,109,754	-
Buildings on freehold land:		-	-	-							
Residential	132,914,353	-	-	-	132,914,353	49,410,535	4,175,191	-	53,585,726	79,328,627	5
Factory	800,300,516	-	1,460,364	-	801,760,880	364,396,775	43,651,223	-	408,047,998	393,712,882	10
Plant and machinery	1,646,959,453	-	554,636,018	14,705,390	2,186,890,081	899,187,716	97,443,406	13,483,239	983,147,883	1,203,742,198	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,447,962	157,639		1,605,601	1,418,746	10
Vehicles	60,874,636	-	36,245,950	11,658,678	85,461,908	23,684,968	7,887,037	7,468,642	24,103,363	61,358,545	20
Office equipment	4,227,057	-	-	-	4,227,057	1,621,103	260,595		1,881,698	2,345,359	10
Electric installation	138,894,811	-	-	-	138,894,811	52,967,417	8,592,739		61,560,156	77,334,655	10
Electric equipment	408,950	-	-	-	408,950	184,194	22,476		206,670	202,280	10
Computers	3,271,953	283,000	-	-	3,554,953	2,838,260	193,046		3,031,306	523,647	30
	2,855,985,830	283,000	592,342,332	26,364,068	3,422,247,094	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,885,076,693	
Capital work-in-progress											
Building - civil work	-	1,460,364	(1,460,364)	-	-	-	-	-	-	-	
Plant and machinery	518,161	655,113,584	(554,636,018)	-	100,995,727	-	-	-	-	100,995,727	
Vehicles	-	37,717,630	(36,245,950)	-	1,471,680	-	-	-	-	1,471,680	
	518,161	694,291,578	(592,342,332)	-	102,467,407	-	-	-	-	102,467,407	
Total	2,856,503,991	694,574,578	-	26,364,068	3,524,714,501	1,395,738,930	162,383,352	20,951,881	1,537,170,401	1,987,544,100	

5.3 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer	Relationship
	2020							
	.... Rupees							
Vehicle								
Coure LEB-12-2913	874,470	703,154	171,316	180,000	8,684	Negotiation	Sheraz Ahmed	Employee
Suzuki Cultus LED-10-3850	825,050	732,001	93,049	365,000	271,951	Negotiation	Imtiaz Ahmed	Third Party
Suzuki Cultus LEA-11-8187	923,510	793,490	130,020	715,000	584,980	Negotiation	Imran Ali	Third Party
Plant & machinery								
2+2 Sets Auto coners 7-II + Yarn Cleaner	6,356,986	6,011,746	345,240	1,200,000	854,760	Negotiation	Waqas Rafique International	Third Party
	8,980,016	8,240,391	739,625	2,460,000	1,720,375			

5.4 Depreciation charge for the year has been allocated as follows:		2020 Rupees	2019 Rupees
Cost of sales	24	7,251,685	8,901,882
Administrative expenses	26	1,571,390	596,871
		8,823,075	9,498,753

5.5 LOCATION AND AREA OF LAND

Description	Location	2020 (Area in Kanals)	2019 (Area in Kanals)
Plant site	Ferozewattoan, District Sheikhupura, Pakistan	300.5	300.5

6 LONG TERM INVESTMENT

	Note	2020 Rupees	2019 Rupees
Investments in associates - at equity method:			
Quoted:			
Sapphire Fibres Limited	6.2	470,616,318	444,145,365
Sapphire Textile Mills Limited	6.3	103,574,611	90,520,155
Un quoted:			
SFL Limited	6.4	82,016,549	71,847,492
Sapphire Finishing Mills Limited	6.5	138,345,341	108,886,110
Sapphire Holding Limited	6.6	43,317,654	38,113,462
Sapphire Power Generation Limited	6.7	48,377,678	48,043,109
		886,248,151	801,555,693

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

		2020 Rupees	2019 Rupees
6.2	**Investment in Sapphire Fibres Limited**		
	393,697 (June 30, 2019: 393,697) ordinary shares of Rs. 10 each - cost	**41,956,482**	41,956,482
	Share of post acquisition profit items directly recognized in equity	**431,809,412**	406,913,247
	Dividend received	**(3,149,576)**	(4,724,364)
		470,616,318	444,145,365

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, 2020 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Fibres Limited is set out below:

	2020 Rupees	2019 Rupees
Total non current assets	**29,680,779,028**	28,939,671,359
Total current assets	**26,500,258,928**	28,082,244,411
Total non current liabilities	**4,969,641,343**	4,522,073,584
Total current liabilities	**21,226,129,777**	25,759,602,496
Net assets	**29,985,266,836**	26,740,239,690
Sales	**32,717,006,346**	36,623,134,108
Profit for the year	**4,180,114,163**	4,067,400,880
Other comprehensive (loss) for the year	**(628,482,778)**	(1,531,042,971)
Market value per share	**801**	821
Percentage of ownership	**1.9045%**	1.9997%
Reconciliation to carrying amount		
Net assets	**29,985,266,836**	26,740,239,690
Non-controlling interest	**(5,273,421,703)**	(4,529,981,873)
Other comprehensive (loss) for the year	**24,711,845,133**	22,210,257,817
Percentage of ownership	**1.9045%**	1.9997%
Carrying value	**470,616,318**	444,145,365

		2020 Rupees	2019 Rupees
6.3	**Investment in Sapphire Textile Mills Limited**		
	100,223 (June 30, 2019: 100,223) ordinary shares of Rs. 10 each - cost	**8,114,578**	8,114,578
	Share of post acquisition profit and items directly recognized in equity	**98,065,831**	84,009,145
	Dividend received	**(2,605,798)**	(1,603,568)
		103,574,611	90,520,155

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, 2020 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below:

	2020 Rupees	2019 Rupees
Total non current assets	**74,049,097,346**	74,041,858,736
Total current assets	**35,738,238,258**	29,314,389,249
Total non current liabilities	**56,333,797,843**	56,218,753,692
Total current liabilities	**22,269,158,568**	22,793,854,762
Net assets	**31,184,379,193**	24,343,639,531
Sales	**52,967,395,731**	49,961,617,038
Profit for the year	**7,864,279,180**	5,039,308,691
Other comprehensive (loss) for the year	**(1,102,899,749)**	(1,831,555,206)
Market value per share	**816**	1,410
Percentage of ownership	**0.4621%**	0.4990%

Reconciliation to carrying amount	2020 Rupees	2019 Rupees
Net assets	**31,184,379,193**	24,343,639,531
Non-controlling interest	**(8,769,248,341)**	(6,204,799,790)
	22,415,130,852	18,138,839,741
Percentage of ownership	**0.4621%**	0.4990%
Carrying value	**103,574,611**	90,520,155

6.4 Investment in SFL Limited

401,570 (June 30, 2019: 401,570) ordinary shares of Rs. 10 each - cost	**2,439,475**	2,439,475
Share of post acquisition profit	**79,577,074**	70,913,905
Dividend received	**-**	(1,505,888)
	82,016,549	71,847,492

The financial year of SFL Limited ends on June 30. The latest unaudited consolidated financial results of SFL Limited as of June 30, 2020 have been used for the purpose of application of equity method. Summarized consolidated financial information of SFL Limited is set out below:

	2020 Rupees	2019 Rupees
Total Non Current assets	**4,085,827,723**	3,577,561,001
Total Current assets	**38,602,458**	36,184,617
Total Non Current liabilities	**19,287,005**	17,109,512
Total Current liabilities	**1,670,812**	1,944,518
Net assets	**4,103,472,364**	3,594,691,588
Sales	**3,032,538**	6,693,037
Profit for the year	**575,825,756**	(3,055,336)
Other comprehensive (loss) for the year	**(68,911,008)**	(3,055,336)
Breakup value per share	**204**	160
Percentage of ownership	**1.9045%**	1.9987%

Reconciliation to carrying amount

Net assets	**4,103,472,364**	3,594,691,588
Non-controlling interest	**-**	-
	4,103,472,364	3,594,691,588
Percentage of ownership	**1.9045%**	1.9987%
Carrying value	**82,016,549**	71,847,492

6.5 Investment in Sapphire Finishing Mills Limited

1,556,000 (June 30, 2019: 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	**121,836,181**	92,376,950
Dividend received	**-**	-
	138,345,341	108,886,110

The financial year of Sapphire Finishing Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Finishing Finishing Mills Limited as of June 30, 2020 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Finishing Mills Limited is set out below:

	2020 Rupees	2019 Rupees
Total non current assets	**9,754,501,418**	8,876,391,543
Total current assets	**12,099,139,001**	9,973,310,966
Total non current liabilities	**3,893,492,816**	3,651,403,959
Total current liabilities	**9,780,345,943**	8,760,302,349
Net assets	**8,179,801,660**	6,437,996,201
Sales	**20,284,035,371**	21,101,804,161
Profit for the year	**1,821,786,587**	2,186,465,967
Other comprehensive (loss) for the year	**(79,917,710)**	(279,125,903)
Breakup value per share	**88.91**	69.98
Percentage of ownership	**1.6913%**	1.6913%
Reconciliation to carrying amount		
Net assets	**8,179,801,660**	6,437,996,201
Non-controlling interest	**-**	-
	8,179,801,660	6,437,996,201
Percentage of ownership	**1.6913%**	1.6913%
Carrying value	**138,345,341**	108,886,110

6.6 Investment in Sapphire Holding Limited

	2020 Rupees	2019 Rupees
100,223 (June 30, 2019: 100,223) ordinary shares of Rs. 10 each - cost	**524,950**	524,950
Share of post acquisition profit	**42,792,704**	37,763,902
Dividend received	**-**	(175,390)
	43,317,654	38,113,462

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, 2020 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Holding Limited is set out below:

	2020 Rupees	2019 Rupees
Total non current assets	**9,284,764,318**	8,156,112,550
Total current assets	**101,927,336**	108,714,997
Total non current liabilities	**700,330,242**	621,941,880
Total current liabilities	**1,851,000**	1,762,669
Net assets	**8,684,510,412**	7,641,122,998
Revenue	**12,247,245**	(18,061,525)
Profit for the year	**1,235,854,678**	1,501,088,462
Other comprehensive (loss) for the year	**(198,231,223)**	(434,342,869)
Breakup value per share	**432.21**	380.28
Percentage of ownership	**0.4988%**	0.4988%
Reconciliation to carrying amount		
Net assets	**8,684,510,412**	7,641,122,998
Non-controlling interest	**-**	-
Other comprehensive (loss) for the year	**8,684,510,412**	7,641,122,998
Percentage of ownership	**0.499%**	0.499%
Carrying value	**43,317,654**	38,113,462

		Note	2020 Rupees	2019 Rupees
6.7	**Investment in Sapphire Power Generation**			
	555,000 (June 30, 2019: 555,000) ordinary shares of Rs. 10 each - cost		**19,425,000**	19,425,000
	Share of post acquisition profit		**28,952,678**	28,618,109
			48,377,678	48,043,109

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, 2020 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Power Generation Limited is set out below:

	2020	2019
Total Non Current assets	**1,268,186,963**	1,208,437,851
Total Current assets	**351,903,858**	310,117,593
Total Non Current liabilities	**129,880,780**	112,705,002
Total Current liabilities	**93,425,403**	18,725,648
Net assets	**1,396,784,638**	1,387,124,794
Sales	**540,000**	93,065,004
Profit for the year	**39,693,688**	25,539,768
Other comprehensive (loss) for the year	**(30,016,282)**	(60,365,252)
Breakup value per share	**87.17**	86.56
Percentage of ownership	**3.4635%**	3.4635%

Reconciliation to carrying amount

	2020	2019
	1,396,784,638	1,387,124,794
Net assets	**-**	-
Non-controlling interest	**1,396,784,638**	1,387,124,794
Percentage of ownership	**3.4635%**	3.4635%
Carrying value	**48,377,678**	48,043,109

		Note	2020 Rupees	2019 Rupees
7	**STORES AND SPARE PARTS**			
	Stores		**9,378,198**	11,738,388
	Spare parts	**7.1**	**40,127,255**	33,374,161
			49,505,453	45,112,549

7.1 These include spare parts in transit amounting to Rs. 15.047 million (2019: Rs. 8.019 million).

		Note	2020 Rupees	2019 Rupees
8	**STOCK-IN-TRADE**			
	Raw material	**8.1**	**2,062,436,015**	1,450,853,276
	Work-in-process		**204,534,246**	246,276,183
	Finished goods		**426,561,708**	285,311,047
	Waste		**5,987,176**	6,853,854
			2,699,519,145	1,989,294,360

8.1 Raw material includes stock in transit amounting to Rs. 108.380 million (2019: Rs. 160.531 million).

9 TRADE DEBTS

	Note	2020 Rupees	2019 Rupees
Foreign			
Secured		**195,205,631**	219,048,975
Unsecured		**27,903,962**	58,661,339
		223,109,593	277,710,314
Local			
Secured		**15,732,092**	34,590,853
Unsecured from related parties	9.1	**84,351,358**	81,131,630
Unsecured	9.3	**705,096,024**	382,052,671
	9.4	**805,179,474**	497,775,154
		1,028,289,067	775,485,468
Less: Impairment allowance		**(41,569,764)**	(14,423,589)
		986,719,303	761,061,879

9.1 These includes amount due from following related parties:

	2020				2019
	Up to 1 month	1 to 6 months	Over 6 months	Total	
	....Rupees....				
Sapphire Textile Mills Limited (STML)	**2,568,506**	**49,232,942**	**2,606**	**51,804,054**	1,732,224
Sapphire Power Generation Limited (SPGL)	**10,951**	**-**	**6,344**	**17,295**	158,603
Sapphire Fibers Limited (SFL)	**23,431,948**	**45,715**	**-**	**23,477,663**	51,775,838
Sapphire Finishing Mills Limited (SFML)	**-**	**29,250**	**-**	**29,250**	-
Diamond Fabrics Limited (DFL)	**-**	**9,012,166**	**-**	**9,012,166**	27,455,323
Amer Cotton Mills (Private) Limited (ACML)	**-**	**-**	**10,930**	**10,930**	9,642
	26,011,405	**58,320,073**	**19,880**	**84,351,358**	81,131,630

9.2 The maximum aggregate amount due from the ACML, STML, SPGL, SFL, DFL and SFML is Rs. 0.14 million, Rs. 75.06 million, Rs. 0.02 million, Rs. 325.786 million, Rs. 51.003 million and Rs. 0.029 respectively at any time during the year.

9.3 As at 30 June 2020, trade debts of Rs. 589.821 million (2019: Rs. 521.845 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these past due trade debts is a follows:

	2020 Rupees	2019 Rupees
Upto 1 month	**329,054,871**	94,345,241
1 to 6 months	**247,486,625**	416,991,307
More than 6 months	**13,279,475**	10,509,092
	589,820,971	521,845,640

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

	2020	2019
Balance at July 01, 2019	**14,423,590**	8,679,252
Charge for the period	**27,146,175**	5,744,337
Bad debts written off	**-**	-
Balance at June 30, 2020	**41,569,765**	14,423,589

9.4 Local trade debts includes Rs. 581.799 million (2019: Rs. 351.749 million) receivable against indirect export sales.

		Note	2020 Rupees	2019 Rupees
10	**LOANS AND ADVANCES**			
	Advances to suppliers - considered good		**9,079,176**	12,158,477
	Advance income tax		**95,414,095**	67,105,996
			104,493,271	79,264,473
11	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Bank guarantee margin		**133,984**	1,102,088
	Prepayments		**87,507**	491,318
			221,491	1,593,406
12	**OTHER RECEIVABLES**			
	Export rebate receivable		**3,922,187**	4,678,106
	Duty drawback receivable		**-**	22,852,013
	Others		**6,993,302**	9,525,876
			10,915,489	37,055,995
13	**TAX REFUNDS DUE FROM THE GOVERNMENT**			
	Sales tax refundable		**106,391,190**	103,420,990
	Income tax refundable		**258,109,361**	191,027,612
			364,500,551	294,448,602
14	**OTHER FINANCIAL ASSETS**			
	Fair value through OCI			
	Investments in quoted companies	14.1	**58,706,377**	58,706,377
	Unrealized loss on remeasurement of investments		**(16,518,940)**	(16,662,333)
			42,187,437	42,044,044
	Refund bonds	14.2	**-**	9,200,000
	Unrealised loss on remearsurement of investment		**-**	(1,029,950)
			-	8,170,050
			42,187,437	50,214,094

14.1 **Investments in quoted securities**

Name of Companies	No of Shares 2020	No of Shares 2019	2020 Cost (Rupees)	2020 Fair Value (Rupees)	2019 Fair value (Rupees)
Attock Cement Pakistan Limited	14,000	14,000	1,870,481	1,744,820	999,740
D. G. Khan Cement Company Limited	14,200	14,200	1,659,557	1,211,686	802,868
Engro Corporation Limited	25,740	25,740	7,296,579	7,539,761	6,836,544
Engro Fertilizers Limited	55,000	55,000	3,317,315	3,315,400	3,518,350
Engro Polymer & Chemicals Limited	156,683	156,683	4,881,318	3,913,941	4,224,174
The Hub Power Company Limited	19,000	19,000	2,428,134	1,377,500	1,496,250
ICI Pakistan Limited	5,900	5,900	6,980,061	4,098,789	3,141,573
K-Electric Limited	290,000	290,000	1,879,537	872,900	1,273,100
Ghandhara Nissan Limited	3,350	3,350	2,167,609	1,546,293	1,274,575
Mari Petroleum Company Limited	847	770	1,054,594	1,047,443	777,184
Meezan Bank Limited	28,600	28,600	2,431,357	1,969,110	2,492,776
Oil & Gas Development Company Limited	30,000	30,000	4,574,621	3,270,000	3,944,700
Packages Limited	2,400	2,400	2,037,824	833,304	721,344
Pakistan Petroleum Limited	15,264	12,720	1,530,272	1,324,610	1,837,150
Pakistan State Oil Company Limited	17,744	14,787	3,969,942	2,806,391	2,508,319
Sui Northern Gas Pipeline Limited	66,000	66,000	8,184,950	3,603,600	4,586,340
Sui Southern Gas Company Limited	52,000	52,000	1,931,748	693,680	1,075,360
Systems Limited	5,500	5,500	492,468	1,010,240	527,835
Nishat Mills Limited	40	40	18,010	7,969	5,862
	802,268	**796,690**	**58,706,377**	**42,187,437**	42,044,044

	2020 Rupees	2019 Rupees
15 CASH AND BANK BALANCES		
Cash at banks in current accounts	**4,965,506**	435,000
Cash in hand	**1,360,000**	6,042,850
	6,325,506	6,477,850

16 **ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

10,292,000 (2019: 10,292,000) ordinary shares of Rs. 10 each fully paid in cash.	**102,920,000**	102,920,000

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

	2020	2019
	…………... Number of shares………..	
Amer Cotton Mills (Private) Limited	**18,100**	18,100
Amer Tex (Pvt.) Limited	**5,167**	5,167
Crystal Enterprises (Pvt) Limited	**27,696**	27,696
Galaxy Agencies (Private) Limited	**108,217**	108,217
Neelum Textile Mills (Private) Limited	**1,365,515**	1,365,515
Nadeem Enterprises (Private) Limited	**87,104**	87,104
Reliance Textiles (Pvt.) Limited	**1,098,118**	1,098,118
Salman Ismail (SMC-Private) Limited	**1,500**	1,500
Sapphire Textile Mills Limited	**313,295**	315,985
Sapphire Fibres Limited	**138,900**	154,004
Sapphire Holding Limited	**636,156**	636,156
SFL Limited	**557,621**	557,621
Sapphire Agencies (Pvt.) Limited	**2,318,899**	2,318,899
Sapphire Power Generation Limited	**20,539**	20,539
Yousuf Agencies (Private) Limited	**3,223**	3,223
Four Strength (Private) Limited	**9,920**	9,920
	6,709,970	6,727,764

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

17 LONG TERM FINANCING

	Note	2020 Rupees	2019 Rupees
From banking company - secured			
At beginning of the year		**559,379,252**	193,051,000
Obtained during the year	**17.1**	**319,374,500**	373,647,000
		878,753,752	566,698,000
Paid during the period		**(5,703,124)**	(7,318,748)
		873,050,628	559,379,252
Current portion		**(19,354,499)**	(12,192,623)
		853,696,129	547,186,629

17.1 These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 950 million (2019 : Rs: 750 million). During the year, the Company further obtained Rs.107.039 million (2019: Rs. 373.647 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 1,000 million (2019 Rs: 1000 million) and carry an interest rate from 2.5% to 8.84% (2019: 2.5%) over all present and future plant and machinery of the Company. These loans are repayable in equal semi-annual installments.

These loans are obtained from Habib Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 250 million (2019 : Nil). These loans are secured against specific charge of Rs.334 million includes 25% Margin (2019 Nil) and carry an interest rate from 2.85% (2019: Nil) over all present and future plant and machinery of the Company. These loans are repayable in equal quarterly installments.

These loans are obtained from Faysal Bank Limited under Diminishing Musaharaka (ILTFF) of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 200 million (2019 : Nil). This loan carry an interest rate from 8.33% (for DM own source, Kibor + 2%), (2019: Nil). These loans are secured against hypothecation charge over current assets of Rs. 460 million (2019: Nil). These loans are repayable in equal quarterly installments.

Particulars of financing

Serial No.	Particulars	Installment Amount (Rupees)	First installment date	Date of final payment
1	MCB-LTFF-I	2,685,687	9-Dec-18	9-Jun-27
2	MCB-LTFF-II	322,812	13-Dec-18	13-Jun-27
3	MCB-LTFF-III	650,875	15-Dec-18	15-Jun-27
4	MCB-LTFF-IV	316,688	16-Sep-19	16-Mar-28
5	MCB-LTFF-V	705,187	13-Oct-19	13-Apr-28
6	MCB-LTFF-VI	2,830,125	12-Jun-20	12-Dec-28
7	MCB-LTFF-VII	4,554,312	3-Jul-20	3-Jan-29
8	MCB-LTFF-VIII	1,490,000	14-Mar-21	14-Sep-29
9	MCB-LTFF-IX	1,893,000	4-Apr-21	4-Oct-28
10	MCB-LTFF-X	1,533,000	4-Apr-21	4-Oct-28
11	MCB-LTFF-XI	3,286,000	19-Apr-21	19-Oct-28
12	MCB-LTFF-XII	5,655,000	7-Nov-21	7-Nov-28
13	MCB-LTFF-XIII	498,000	17-Jun-21	17-Dec-28
14	MCB-LTFF-XIV	588,000	7-Aug-21	7-Feb-29
15	MCB-LTFF-XV	3,400,000	26-Sep-21	26-Mar-29
16	MCB-LTFF-XVI	5,000,000	27-Sep-21	27-Mar-29
17	MCB-LTFF-XVII	4,000,000	21-Oct-22	21-Apr-30
18	MCB-LTFF-XVIII	2,100,000	2-Oct-22	2-Apr-30
19	MCB-LTFF-XIX	522,000	9-Dec-22	9-Jun-30
20	HBL-LTFF-I	208,000	17-May-22	17-Feb-30
21	HBL-LTFF-II	1,643,000	17-May-22	17-Feb-30
22	HBL-LTFF-III	1,750,000	17-May-22	17-Feb-30
23	HBL-LTFF-IV	1,007,000	17-May-22	17-Feb-30
24	HBL-LTFF-V	1,215,000	20-May-22	20-Feb-30
25	HBL-LTFF-VI	498,000	20-May-22	20-Feb-30
26	FBL-LTFF-I	310,000	19-Sep-22	19-Jun-30

		Note	2020 Rupees	2019 Rupees
18	**DEFFERRED LIABILITIES**			
	Gratuity - unfunded	**18.1**	**62,585,160**	48,699,241
	Defferred tax liability		**90,554,546**	83,100,377
			153,139,706	131,799,618
18.1	**The amount recognized in the statement of financial position**			
	Present value of defined benefit obligations		**62,585,160**	48,699,241
18.2	**Movement in net liability recognized in the Statement of financial position**			
	At beginning of the year		**48,699,241**	92,932,343
	Expense recognized in statement of profit or loss	**18.4**	**23,735,658**	21,936,393
	Remeasurement loss charged in other comprehensive income		**2,324,570**	116,423
	Benefits paid during the year		**(12,174,309)**	(66,285,918)
	At end of the year		**62,585,160**	48,699,241

		2020 Rupees	2019 Rupees
18.3	**Movement in the present value of defined benefit obligation**		
	Present value of obligation at beginning of the year	**48,699,241**	92,932,343
	Current service cost	**17,983,026**	17,302,716
	Interest cost	**5,752,632**	4,633,677
	Benefits paid during the year	**(12,174,309)**	(66,285,918)
	Actuarial losses / (gains) on remeasurement of defined benefit obligation due to experience adjustment	**2,324,570**	116,423
	Present value of obligation at end of the year	**62,585,160**	48,699,241
18.4	**Expense recognized in statement of profit or loss**		
	Current service cost	**17,983,026**	17,302,716
	Interest cost	**5,752,632**	4,633,677
		23,735,658	21,936,393

18.5 Charge for the year has been recognized in cost of sales.

		2020	2019
18.6	**Total remeasurements chargeable to statement of comprehensive income**		
	Actuarial losses / (gains) due to experience adjustment	**2,324,570**	116,423
18.7	**Principal actuarial assumptions:**		
	Principal actuarial assumptions used are as follows: -		
	Discount rate - per annum	**8.50%**	13.50%
	Expected rate of growth per annum in future salaries	**7.50%**	12.50%
	Average expected remaining working life time of employees	**11 years**	10 Years

The estimated expense to be charged in statement of profit or loss for the year ending June 30, 2021 will be Rs. 21.895 million.

18.8 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:

		Increase in assumption	Decrease in assumption
		---------------- Rupees	----------------
Discount rate	**1%**	**7,251,685**	**8,901,882**
Salary growth rate	**1%**	**8,901,882**	**7,374,525**

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

19 TRADE AND OTHER PAYABLES

	Note	2020 Rupees	2019 Rupees
Creditors	**19.1**	**84,270,608**	189,865,097
Accrued liabilities	**20.2**	**250,030,544**	243,010,250
Infrastructure fee	**20.3**	**79,056,195**	62,706,478
Workers' profit participation fund	**20.4**	**14,430,628**	20,562,233
Electricity duty		**14,353,320**	14,353,320
		442,141,295	530,497,378

19.1 Creditors include Rs. 1.644 million (2019: Rs.6.810 million) due to associated companies namely, Sapphire Electric Company Limited , SFL, ACML and STM . Creditors also include Rs. 13.445 million (2019: Rs. 141.355 million) as against foreign currency bills payable.

19.2 Provision for Gas Infrastructure Development Cess (GIDC)

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

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

On september 14, 2020, Supreme Court of Pakistan has passed a Judgement on pending case on GIDC to recover outstanding amount in twenty-four equal installments. The Company is planning to file review petition against the decision of Supreme Court of Pakistan based on the legal advice of the legal Council of the Company.

However, based on prudence, the Company has recognized a provision of Rs. 68.527 million (2019 Rs: 57.558) million pertaining to the liability on account of GIDC. Subsequent to year , the Company has received a bill of Rs. 4.085 million (first installment of the 24 installments as per Order of Supreme Court of Pakistan) which the Company has not paid.

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

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

19.4 Workers' profit participation fund	Note	2020 Rupees	2019 Rupees
At the beginning of the year		**20,562,233**	18,098,276
Interest on funds utilized in the Holding Company's business	**19.4.1**	**1,571,390**	596,871
Provision for the year		**14,430,628**	20,562,233
		36,564,251	39,257,380
Payments made during the year		**(22,133,623)**	(18,695,147)
At the end of the year		**14,430,628**	20,562,233

19.4.1 Interest on workers' profit participation fund has been provided at 48% (2019: 11.50%) per annum.

20 MARKUP ACCRUED

	Note	2020 Rupees	2019 Rupees
Markup accrued on:			
Long term financing		**4,447,797**	2,757,636
Short term borrowings		**56,592,407**	44,346,634
		61,040,204	47,104,270

21 SHORT TERM BORROWINGS

	Note	2020 Rupees	2019 Rupees
From banking companies-secured			
Running finance	21.1	**2,292,027,993**	986,845,935
Other short term finance		**189,734,118**	930,000,000
		2,481,762,111	1,916,845,935
From related parties			
Loan from directors	21.2	**15,705,000**	15,705,000
Loan from associated companies	21.3	**21,420,000**	27,487,000
		37,125,000	43,192,000
		2,518,887,111	1,960,037,935

21.1 The short term borrowing facilities amounting to Rs. 3,852 million (2019: Rs. 2,703 million) remained unutilized at the year end.

These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned funded limit of Rs. 6,320 million (2019: Rs. 4,620 million). These facilities carry mark-up at the rates ranging from 2.35% to 15.10% (2019: 6.33% to 13.59%%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.

Facilities available for opening letters of credit and guarantees aggregate to Rs. 3,400 million (2019: Rs. 2,350 million) of which facilities amounting to Rs.2,981 million (2019: Rs. 2,350 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.

21.2 Loan from Directors are interest free and are repayable on demand.

21.3 Loan from associated undertakings are interest free and are repayable on demand.

Name of Associated Companies	2020 Rupees	2019 Rupees
Reliance Textiles (Private) Limited	**-**	6,067,000
Sapphire Agencies (Private) Limited	**12,810,000**	12,810,000
Neelum Textile Mills (Private) Limited	**7,540,000**	7,540,000
Galaxy Agencies (Private) Limited	**590,000**	590,000
Nadeem Enterprises (Private) Limited	**480,000**	480,000
	21,420,000	27,487,000

22 CONTINGENCIES AND COMMITMENTS

22.1 CONTINGENCIES

	2020	2019
Guarantees have been issued by banks on behalf of the Holding Company in the normal course of business	**203,990,298**	183,990,298
Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs.	**410,487,535**	181,395,394
	614,477,833	365,385,692

22.2 Claim of Input Sales Tax

The Company has claimed an input tax of Rs. 24.557 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 in Lahore High Court dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax. The management is expecting the case to be in favor of the Company.

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

22.4	COMMITMENTS	2020 Rupees	2019 Rupees
	Letters of credit for import of:		
	- plant and machinery	**13,485,600**	40,466,400
	- stores and spare parts	**10,703,385**	8,781,833
	- raw material	**99,763,435**	73,259,746
	- cotton	**110,074,895**	
		234,027,315	122,507,979

23	SALES FROM CONTRACTS	Note	2020 Rupees	2019 Rupees
	Exports			
	Yarn			
	- Direct	**23.1**	**1,370,230,993**	1,022,167,672
	- Indirect	**23.2**	**3,295,477,279**	3,310,249,450
			4,665,708,272	4,332,417,122
	Waste			
	- Direct		**134,686,558**	110,835,239
			4,800,394,830	4,443,252,361
	Local			
	- Yarn		**1,128,675,295**	875,240,633
	- Waste		**57,649,955**	58,685,461
		23.2	**1,186,325,250**	933,926,094
	Processing income		**-**	1,751,012
	Export rebate		**-**	79,928
			5,986,720,080	5,379,009,395

23.1 Export sales include foreign currency exchange loss-net aggregating to Rs.1.665 million (2019: Gain Rs.63.873 million).

23.2 Sales tax on local and indirect exports is Rs. 632.159 million (2019: Rs. 0.08 million).

24 COST OF SALES

	Note	2020 Rupees	2019 Rupees
Raw material consumed	24.1	**3,764,545,453**	3,440,633,333
Packing material consumed		**82,300,504**	70,360,727
Store and spare parts consumed		**104,119,890**	93,870,216
Salaries, wages and other benefits	24.2	**424,716,701**	376,678,546
Fuel and power		**358,022,591**	409,287,900
Insurance		**8,446,683**	5,756,405
Repair and maintenance		**9,619,292**	9,464,868
Travelling and conveyance		**6,759,626**	5,495,446
Other manufacturing overheads		**5,201,744**	4,789,611
Processing Charges		**192,640,808**	230,445,151
Depreciation	5.1.1	**197,416,948**	156,647,052
		5,153,790,240	4,803,429,255
Work-in-process			
At beginning of the year		**246,276,183**	140,912,165
At end of the year		**(204,534,246)**	(246,276,183)
		41,741,937	(105,364,018)
Cost of goods manufactured		**5,195,532,177**	4,698,065,237
Finished goods			
At beginning of year		**292,164,901**	148,317,698
Yarn purchased during the year		**3,674,029**	7,869,174
At end of the year	8	**(432,548,884)**	(292,164,901)
		(136,709,954)	(135,978,029)
Cost of goods sold		**5,058,822,223**	4,562,087,208

24.1 Raw material consumed

	2020	2019
At beginning of the year	**1,290,321,972**	887,684,490
Purchased during the year	**4,428,284,286**	3,843,270,815
	5,718,606,258	4,730,955,305
At end of the year	**(1,954,060,805)**	(1,290,321,972)
	3,764,545,453	3,440,633,333

24.2 Salaries and other benefits include Rs. 23.735 million (2019: Rs. 21.936 million) and Rs. 3.065 million (2019 Rs. 2.786) in respect of employee benefits - gratuity and provident fund respectively.

25 DISTRIBUTION COST

	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	25.1	**13,786,495**	19,232,073
Postage and telephone		**922,590**	533,036
Traveling, conveyance and entertainment		**10,013,349**	15,918,419
Printing, stationery and others		**506,010**	363,139
Commission			
- Local		**3,784,635**	5,744,337
- Export		**18,006,443**	3,535,738
Freight and forwarding			
- Local		**9,712,341**	15,574,802
- Export		**40,020,468**	9,850,775
Impairment of trade receivable		**27,146,175**	34,958,734
Export development surcharge		**3,798,215**	2,505,660
Insurance charges - export		**228,897**	227,051
		127,925,618	108,443,764

25.1 Salaries and other benefits include Rs. 0.685 million (2019: Rs. 0.725) in respect of employee benefits - Provident Fund.

26 ADMINISTRATIVE EXPENSES

	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	26.1	**56,617,345**	44,816,269
Postage and telephone		**622,541**	2,057,405
Fees and subscription		**1,799,399**	1,976,539
Depreciation		**6,252,401**	5,736,300
Printing and stationery		**510,692**	581,854
Traveling and conveyance		**4,165,765**	2,586,545
Repair and maintenance		**7,301,973**	2,238,532
Legal and professional charges		**2,592,005**	2,388,365
Advertisement		**109,014**	98,763
Entertainment		**898,494**	1,112,474
Donation		**1,050,000**	150,000
Auditors' remuneration	26.2	**927,000**	927,500
Utility charges		**2,313,807**	2,739,596
Others		**199,442**	338,289
		85,359,878	67,748,431

26.1 Salaries and other benefits include Rs. 1.215 million (2019: Rs. 0.956) in respect of employee benefits - Provident Fund.

26.2 Auditors' remuneration

	2020 Rupees	2019 Rupees
Annual audit	**625,000**	625,000
Half-yearly review	**132,000**	132,000
Compliance report on Code of Corporate Governance	**55,000**	55,000
Other certification	**50,000**	50,000
Out-of-pocket expenses	**65,000**	65,500
	927,000	927,500

27 OTHER OPERATING EXPENSES

	2020 Rupees	2019 Rupees
Workers' profit participation fund	**14,430,628**	20,562,233
Exchange loss on Foreign Currency Loan	**49,007,416**	-
Other Expense	**51,140**	-
	63,489,184	20,562,233

28 OTHER INCOME

	Note	2020 Rupees	2019 Rupees
Gain on disposal of property, plant and equipment		**1,720,375**	2,915,413
Scrap sales	28.1	**6,700,642**	4,179,786
Gain on disposal of investment		**8,630,952**	-
Dividend income		**7,692,392**	3,002,235
		24,744,361	10,097,434

28.1 Scrap sales inclusive of sales tax amounts to Rs. 8.040 million (2019: Rs. 4.992 million).

		Note	2020 Rupees	2019 Rupees
29	**FINANCE COST**			
	Markup on:			
	Long term financing		**17,802,043**	14,420,985
	Short term borrowings		**311,779,426**	198,412,837
	Interest on workers' profit participation fund		**1,571,390**	596,871
	Bank charges and commission		**9,603,360**	7,698,324
			340,756,219	221,129,017
30	**PROVISION FOR TAXATION**			
	-for the year	**30.1**	**60,276,805**	26,347,156
	-for prior year		**703,719**	168,165
			60,980,524	26,515,321
	Deferred			
	-for the year		**7,454,169**	7,049,627
			68,434,693	33,564,948

30.1 The Holding Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, therefore provision for income tax is made accordingly. Assessment for the tax year 2018 is deemed to have been finalized under section 122 of the Income Tax Ordinance, 2001.

30.2 There is no relationship between tax expense and accounting profit since the Holding Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.

30.3 There is a dispute between the Holding Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Holding Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%.The Sindh High Court has decided the case in favour of the Holding Company on the appeals filed by Commissioner Inland Revenue and appeal effect is pending.

30.4 The Finance Act, 2018 and 2017 have amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% (2017: 7.5%) of its accounting profit before tax for the year. However, this tax shall not apply in case the Holding Company distribute 20% (2017: 40%) of the accounting profit through cash dividend within six months of the end of the said year.

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

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

31 EARNINGS PER SHARE - BASIC AND DILUTED

		2020	2019
There is no dilutive effect on the basic earning per share which is based on:			
Profit attributable to ordinary shareholders	**(Rupees)**	**392,831,124**	517,324,312
Weighted average number of ordinary shares outstanding during the year (**Numbers of shares)**		**10,292,000**	10,292,000
Earnings per share	**(Rupees)**	**38.17**	50.26

32 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	Chief Executive Officer		Executives	
	2020	2019	**2020**	2019
	---------------- **Rupees** ----------------		---------------- **Rupees** ----------------	
Managerial remuneration	**9,648,000**	8,442,000	**29,607,862**	18,187,880
House rent	**4,341,600**	3,798,900	**13,323,539**	8,184,546
Utilities	**410,400**	359,100	**1,259,381**	1,064,143
Conveyance and allowances	**-**	-	**-**	28,540,164
Medical expenses	**-**	-	**592,157**	326,684
Bonus/Leave encashment	**-**	-	**5,919,330**	4,814,217
	14,400,000	12,600,000	**50,702,269**	61,117,634
Number of persons	**1**	1	**12**	14

32.1 The Company has paid Nil (2019 : Nill) as meeting fee to an independent director.

32.2 No remuneration is paid to the directors of the Company.

33 FINANCIAL RISK MANAGEMENT

The Holding 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 Holding Company's exposure to each of the above risks, the Holding Company's objectives, policies and processes for measuring and managing risk, and the Holding Company's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

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

The Holding Company's risk management policies are established to identify and analyze the risks faced by the Holding 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 Holding Company's activities. The Holding 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 Holding 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 Holding Company's Audit Committee oversees how management monitors compliance with the Holding Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Holding 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 Holding Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Holding 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 Holding Company is exposed to credit risk from its operating activities primarily for local trade debts, bank balance, sundry receivables and other financial assets.

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

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

Trade debts

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

Bank

The Holding 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

	2020	2019
	Rupees	Rupees
Long term deposits	**8,987,690**	8,987,690
Trade debts	**986,719,303**	761,061,879
Loans and advances	**9,079,176**	-
Short term deposits and prepayments	**221,491**	1,593,406
Other receivables	**6,993,302**	9,525,876
Bank balances	**4,910,961**	5,968,280
	1,016,911,923	787,137,131

Geographically there is no concentration of credit risk.

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

	Gross 2020	**Impairment 2020**	Gross 2019	Impairment 2019
	Rupees			
Past due				
Upto 1 month	**771,815,294**	**22,218,868**	507,123,659	6,309,978
1 month to 6 months	**194,763,718**	**13,825,263**	252,744,838	7,031,563
Over 6 months	**56,457,422**	**5,525,633**	14,009,000	1,082,048
Over 6 months - impaired	**5,525,633**	**-**	1,607,971	-
	1,028,562,067	**41,569,764**	775,485,468	14,423,589

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.

34 Liquidity risk management

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

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

Liquidity risk table

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

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

	2020					
	Carrying Amount	**Contractual Cash Flows**	**Six months or less**	**Six to twelve months**	**One to two years**	**Two years or above**
			Rupees			
Non-derivative Financial liabilities						
Long term financing	**873,050,628**	**989,849,022**	**20,985,801**	**20,985,801**	**238,334,211**	**709,543,210**
Trade and other payable	**334,156,552**	**349,431,112**	**349,431,112**	**-**	**-**	**-**
Mark up accrued	**61,040,204**	**61,040,204**	**61,040,204**	**-**	**-**	**-**
Short term borrowings	**2,518,887,111**	**2,518,887,111**	**2,518,887,111**	**-**	**-**	**-**
Unclaimed Dividend	**613,360**	**613,360**	**613,360**	**-**	**-**	**-**
	3,787,747,855	**3,919,820,809**	**2,950,957,588**	**20,985,801**	**238,334,211**	**709,543,210**

	2019					
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two years or above
			Rupees			
Non-derivative Financial liabilities						
Long term financing	559,379,252	373,647,000	3,659,374	7,511,374	15,022,748	347,453,504
Trade and other payable	453,824,862	453,824,862	453,824,862	-	-	-
Mark up accrued	47,104,270	47,104,270	47,104,270	-	-	-
Short term borrowings	1,960,037,935	1,916,845,936	1,916,845,936	-	-	-
Unclaimed Dividend	500,767	500,767	500,767	-	-	-
	3,020,847,086	2,791,922,835	2,421,935,209	7,511,374	15,022,748	347,453,504

35 Market risk

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

35.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

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

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2020			2019	
	USD	**EURO**	**JPY**	USD	EURO
Trade	**1,245,927**	**71,294**	**-**	1,478,597	188,981
Trade	**(1,325,085)**	**(65,250)**	**(7,513,054)**	(453,190)	(240,000)
Short	**(6,601,171)**	**-**	**-**	-	-
	(6,680,329)	**6,044**	**(7,513,054)**	1,025,407	(51,019)

Commitments outstanding at year end amounted to Rs. 234.072 million (2019: Rs. 122.507 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied

	Average rate		**Reporting date rate**	
	2020	2019	**2020**	2019
	Rupees	Rupees	**Rupees**	Rupees
USD 1	**164.95**	142.70	**167.24**	164.00
EURO 1	**186.50**	163.85	**188.10**	186.37
JPY 1	**1.56**	-	**1.53**	-

Sensitivity analysis

A 5 percent strengthening of the Pakistani Rupee against the USD & EURO at June 30, 2020 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for June 30, 2019.

	2020	2019
	Rupees	Rupees
Increase / (decrease) in profit or loss account (USD)	**(1,173,107,190)**	(8,408,337)
Increase / (decrease) in profit or loss account (EURO)	**1,193,739**	475,421
Increase / (decrease) in profit or loss account (JPY)	**(12,082,343)**	-

A 5 percent weakening of the Pakistani Rupee against the USD & EURO at June 30, 2020 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

36 Interest rate risk

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

Profile

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

	2020	2019	**2020**	2019
	………………. % ………………..		**Rupees**	Rupees
Financial liabilities				
Long term financing	**2.50**	2.50 to 6.8	**853,696,129**	559,379,252
Short term borrowings	**2.30 to 15.10**	1.15 to 7.75	**2,518,887,111**	1,916,845,935
			3,372,583,240	2,476,225,187

Cash flow sensitivity analysis for floating rate instruments

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

	Increase / (Decrease) in %	**Effect on profit before tax Rupees**
2020		
Long term financing	**1.00%**	**8,536,961**
Short term borrowings		**25,188,871**
		33,725,832
2019		
Long term financing	1.00%	5,593,793
Short term borrowings		19,168,459
		24,762,252

37 Equity Price Risk Management

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

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

At the consolidated statement of financial position date, the exposure to listed equity securities at fair value was Rs. 42,187,437 (2019 : 42,044,044). An increase of 25% on the KSE market index would have an impact of approximately Rs. 10,546,859 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.

38 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 Rupees	2019 Rupees
Financial Assets		
Loans and receivables at amortized cost		
Long term investments	**89,069,645**	89,069,645
Long term deposits	**8,987,690**	761,061,879
Trade debts	**986,719,303**	-
Loans and advances	**9,079,176**	-
Deposits and prepayments	**221,491**	6,403,280
Cash and bank balances	**6,270,961**	1,102,088
	1,100,348,266	857,636,892
Financial Assets - At fair value		
Other financial Assets	**42,187,437**	50,214,094
Financial Liabilities - At amortized cost		
Long term financing	**853,696,129**	559,379,252
Trade and other payable	**334,156,552**	462,233,863
Mark up accrued	**61,040,204**	47,104,270
Short term borrowings	**2,518,887,111**	1,960,037,935
Unclaimed dividend	**613,360**	500,767
	3,768,393,356	3,029,256,087

39 CAPITAL DISCLOSURE

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

In order to maintain or adjust the capital structure, the Holding 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 Holding 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 Holding Company. Total capital employed includes share capital and reserves (total equity) plus borrowings:

	2020 Rupees	2019 Rupees
Total borrowings including mark-up accrued	**3,452,977,943**	2,566,521,457
Total equity	**2,359,883,266**	2,169,188,558
Total capital employed	**5,812,861,209**	4,735,710,015
Gearing ratio	**59.40%**	54.20%

40 TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2020	2019
			Rupees	Rupees
Amer Cotton Mills (Pvt) Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn / raw material	**110,100**	117,892
		Purchase:		
		Yarn /raw material	**1,112,768**	2,388,960
		Shared expenses - net	**1,623,885**	1,364,614
		Services		
		Rendered	**-**	412,500
		Obtained	**260,000**	594,779
		Dividend:		
		Paid	**144,800**	117,650
Diamond Fabrics Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn / raw material	**81,811,345**	218,254,472
Sapphire Power Generation Limited	Associated Company by virtue of common directorship	**Sales:**		
		waste	**9,360**	135,558
		Purchase:		
		Electricity	**-**	27,706,713
		Store	**-**	360,062
		Dividend:		
		Paid	**164,312**	133,504
Sapphire Textile Mills Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn	**75,932,232**	73,060,103
		Purchase:		
		Raw material	**-**	8,784,390
		Services:		
		Obtained	**2,331,016**	-
		Shared expenses - net	**5,654,644**	5,481,610
		Dividend:		
		received	**2,605,798**	1,603,568
		Paid	**2,527,880**	2,055,391
Sapphire Fibres Limited	Associated Company by virtue of common directorship	**Sales:**		
		Yarn / raw material / scrap	**450,955,657**	504,824,277
		Purchase:		
		Yarn / raw material / scrap	**22,090,477**	42,708,632
		Property plant and equipment	**125,000**	20,380,000
		Services:		
		Rendered		96,145
		Shared expenses - net	**13,090,925**	3,604,721
		Dividend:		
		received	**3,149,576**	4,724,364
		Paid	**1,231,648**	1,001,026

Name of related party	Relationship and percentage shareholding	Nature of transaction(s)	2020	2019
Sapphire Electric Co. Limited	Associated Company by virtue of common directorship	Shared expenses - net	**-**	161,422
Neelum Textile Mills Limited	Associated Company by virtue of common directorship	Dividend paid	**10,924,120**	8,875,848
		Loan	**-**	7,540,000
Galaxy Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**865,736**	703,411
		Loan	**-**	590,000
Sapphire Holding Limited	Associated Company by virtue of common directorship	Dividend paid	**5,089,248**	4,135,014
		Dividend received	**-**	175,390
Crystal Enterprises (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**221,568**	180,024
Salman Ismail (SMC) (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**12,000**	9,750
Yousuf Agencies (Pvt) Ltd	Associated Company by virtue of common directorship	Dividend paid	**25,784**	20,950
Nadeem Enterprises (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**696,832**	566,176
		Loan	**-**	480,000
Reliance Textile (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**8,784,944**	7,137,767
		Loan Received	**-**	6,067,000
		Loan Re-Paid	**6,067,000**	
Amer Tex (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**41,336**	98,066
Sapphire Agencies (Pvt) Limited	Associated Company by virtue of common directorship	Dividend paid	**18,551,192**	15,072,844
		Loan Received		12,810,000
SFL Limited	Associated Company by virtue of common directorship	Dividend paid	**4,460,968**	3,624,537
		Dividend received	**-**	1,505,888
Four Strength (Pvt) limited	Associated Company by virtue of common directorship	Dividend paid	**79,360**	-

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

41 NUMBER OF EMPLOYEES

	At year end		Average	
	2020	2019	**2020**	2019
Employees	**1128**	1085	**1115**	1071

	2020	2019
42 PLANT CAPACITY AND ACTUAL PRODUCTION		
Total number of spindles installed	**45,984**	45,984
Installed capacity after conversion into 20's count (Lbs.)	**30,392,820**	30,392,820
Actual production		
Number of spindles	**42,595**	37,008
Number of shifts per day	**3**	3
Total days worked	**359**	365
Actual production of yarn after conversion into 20's count (Lbs.)	**25,551,056**	24,431,250

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.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

The Holding Company only have short term investments at fair value through other comprehensive income of Rs.42.187 million that are classified at level 1.

44 PROVIDENT FUND RELATED DISCLOSURE

44.1 The following information is based on un-audited consolidated financial statements of the Fund for the year ended:

	2020	2019
	Rupees	Rupees
Size of the Fund - Total Assets	**18,838,113**	8,690,180
Cost of investments made	**13,577,100**	7,748,971
Percentage of investments made	**77%**	100%
Fair value of investments made	**14,667,885**	7,896,890

44.2 The break-up of fair value of investments is as follow:

	2020		2019	
	Percentage %	**Rupees**	Percentage %	Rupees
Special account in a scheduled bank	**16%**	**2,836,192**	**4%**	320,388
Listed securities	**84%**	**14,667,885**	**96%**	7,896,890
	100%	**17,504,077**	100%	8,217,278

45 OPERATING SEGEMENTS

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

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

80.18 (2019: 82.57%) sales of the Company relates to export customers.

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

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs.1,666 million (2019 : Rs. 1,486 million).

46 IMAPCT OF COVID-19 ON FINANCIAL STATEMENT

"The outbreak of Novel Coronavirus continues and the situation keeps evolving every day. Enactment of necessary precautionary measures during March,2020 including but not limited to Lockdowns by Government of Punjab, severely impacted the economic activity and the consumer demand which had a ripple effect on the economy. The operations of the company were erupted and were resumed after the management adopted all necessary precautionary measures and ensured the implementation of all necessary SOPs.After the Lockdown restrictions were eased out in June, 2020 local customer demand elevated back to normal and accordingly the Company's operations. The international market has also started resuming business and an increase in the number of orders has been observed. As the extant and duration of the impact of COVID-19 can not be predicted at this time, a reliable estimate of the impact of the developments on the financial statements of the Company can not be made with reasonable certainty.The management has assessed the accounting implications of these developments on these financial statements. including but not limited to the following areas:- recognition of expected credit losses under IFRS 9, 'Financial Instruments';-recognition of provisions and contingent liabilities under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'."

47 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issue on September 24, 2020 by the Board of Directors of the Holding Company.

48 GENERAL

Figures have been rounded off to the nearest Rupee.

Lahore :	**Shayan Abdullah**	**Shahid Abdullah**	**Jawwad Faisal**
Dated : September 24, 2020	Chief Executive	Director	Chief Financial Officer

Form of Proxy

Reliance Cotton Spinning Mills Limited

I / we ____

Folio No. ______________________ of ______________________

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

do hereby appoint ____

of ____

or failing him/her ____

of ____

a member of **Reliance Cotton Spinning Mills Limited**, vide Registered Folio No. ______________ as my/our Proxy to act on my/our behalf at 31st Annual General Meeting of the Company to be held on Thursday the 22nd October, 2020 at 03:00 p.m. at 312, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this________ day of ________________ 2020

REVENUE STAMP OF RS.5/-

Signature ______________________________

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

NOTICE

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

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

3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.

4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.

5. In case of CDC account holder :

- **i)** The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- **ii)** Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- **iii)** The proxy shall produce his original CNIC or original passport at the time of meeting.
- **iv)** In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Witness :

Name	Name
Address	Address
NIC No.	NIC No.

فارم برائے قائم مقام/متبادل

ریلائینس کاٹن اسپننگ ملز لمیٹڈ

میں/ہم ______________________________

پتہ: ______________________________

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

نام (جناب/محترمہ ______________________________

پتہ: ______________________________

اور اُن کی غیر موجودگی میں جناب/محترمہ ______________________________

پتہ: ______________________________

میری/ہماری غیر موجودگی میں قائم مقام/متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز جمعرات 22 اکتوبر 2020ء کو بوقت 03:00 بجے شام، 312، کاٹن ایکسچینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہوگی۔

ریونیو ٹکٹ
پانچ روپے

اس دستاویز پر مورخہ __________ 2020 کو دستخط ہوئے۔

شیئر ہولڈر کے دستخط ______________________________

شیئر ہولڈر کا فولیو نمبر: ______________________________

شریک ہونے والے کا ID نمبر ______________________________

اور/یا CDC ______________________________

اور سب اکاؤنٹ نمبر ______________________________

نوٹس :

ا۔ کوئی بھی پراکسی اس وقت تک درست نہیں سمجھی جائے گی جب تک اس پر پانچ (05) روپے کا محصول ٹکٹ نہ لگایا جائے۔

۲۔ بینک یا کمپنی کی صورت میں پراکسی فارم پر authorized person کے دستخط کے ساتھ کمپنی کی مشترکہ مہر لازم ہوگی۔

۳۔ پاور آف اٹرنی یا دیگر authority کی صورت میں پراکسی فارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔

۴۔ دستخط شدہ پراکسی فارم کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔

سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں

(i) پراکسی فارم پر دو افراد تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر فارم پر موجود ہونا چاہیے۔

(ii) Beneficial owners کی CNIC یا پاسپورٹ کی تصدیق شدہ کاپی اور پراکسی پیش کیا جائے فارم کے ساتھ۔

(iii) پراکسی میٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔

(iv) کارپوریٹ اینٹیٹی کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution/ power of attorny بمعہ پراکسی ہولڈر کے دستخط بھی جمع کروائے جائیں گے (جب تک یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1) دستخط: ______________________________

نام: ______________________________

پتہ: ______________________________

CNIC یا پاسپورٹ نمبر ______________________________

(2) دستخط:

نام:

پتہ:

CNIC یا پاسپورٹ نمبر