



**Sapphire**

**Reliance Cotton Spinning  
Mills Limited**

ANNUAL REPORT  
2021



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**BOARD OF DIRECTORS**

Mr. Shahid Abdullah-Chairman  
 Mr. Shayan Abdullah-Chief Executive  
 Mr. Amer 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

**SHARE REGISTRAR**

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

**CHIEF FINANCIAL OFFICER**

Mr. Jawwad Faisal

**COMPANY SECRETARY**

Mr. Nauman Iqbal

**TAX CONSULTANTS**

Yousuf Adil, Chartered Accountants

**AUDITORS**

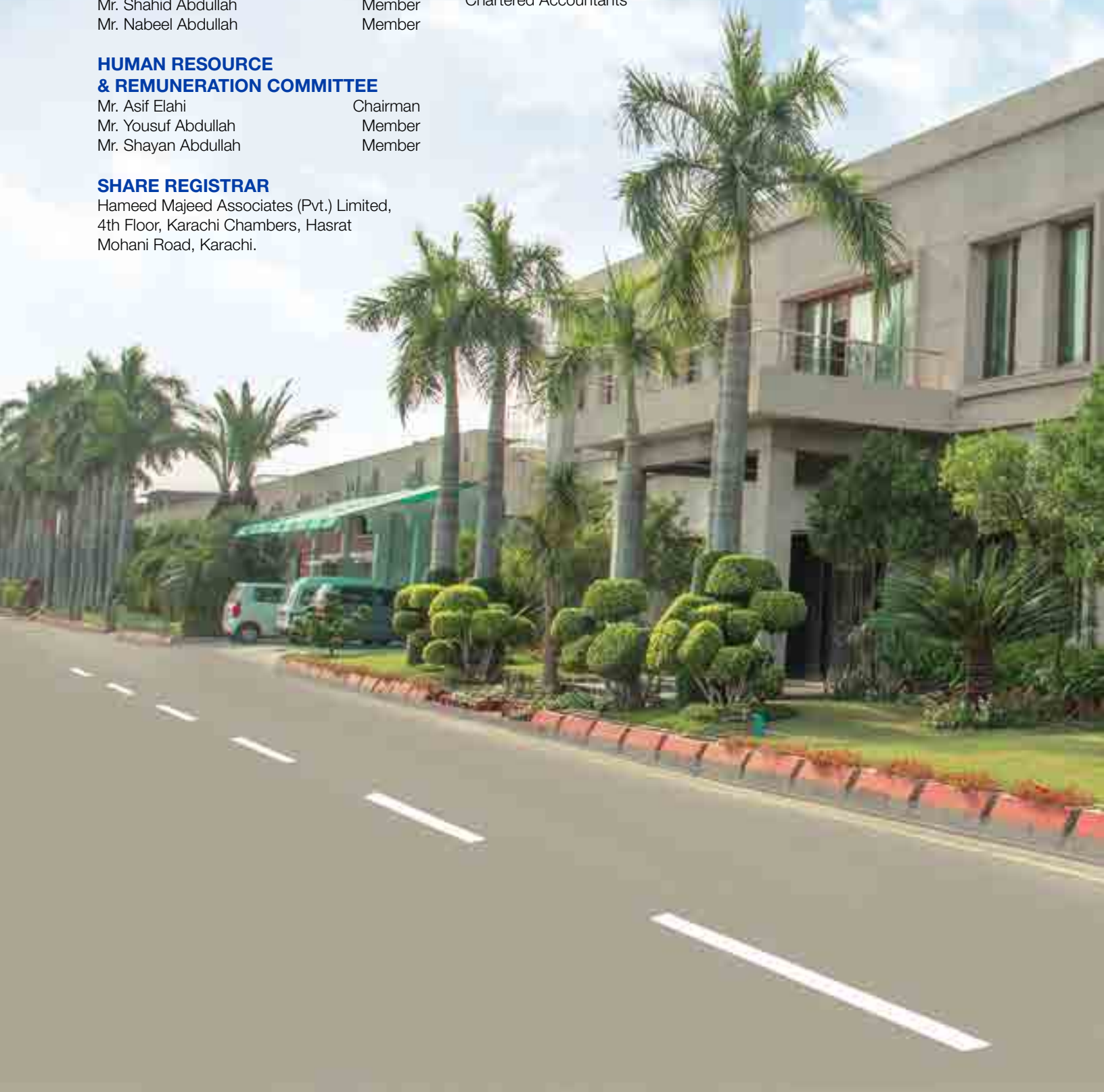
EY Ford Rhodes,  
 Chartered Accountants

**LEGAL ADVISOR**

Hassan & Hassan, Advocates

**BANKERS**

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



## COMPANY INFORMATION

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### **REGISTERED OFFICE:**

312, Cotton Exchange Building,  
I. I. Chundrigar Road, Karachi.  
Tel: +92 21 111 000 100  
Fax 922132416705

**Website:** [www.sapphire.com.pk/rcsm](http://www.sapphire.com.pk/rcsm)

### **MILLS:**

Feroze Wattoan,  
District, Sheikhpura, Punjab.

### **CORPORATE OFFICE:**

7 A-K Main Boulevard, Gulberg-2, Lahore.





A close-up photograph showing a hand placing a white puzzle piece into a red puzzle piece. The red piece is already in place, and the white piece is being aligned with it. The surrounding puzzle pieces are white. The text "BOARD OF DIRECTORS" is printed in white on the red piece.

**BOARD OF DIRECTORS**

**MR. SHAHID ABDULLAH**

Chairman

Mr. Shahid Abdullah has been associated with Sapphire Group since 1980. Being a director of various companies of Sapphire Group, he has to plan and forecast for both long and short-term positions. He introduced new lines in the textile business like knitting, cone dyeing, fabric dyeing and finishing. He has achieved considerable experience of spinning, weaving, knitting, dyeing, finishing and power generation. He has experience and is competent in business dealings, especially for procurement of plant and machinery, raw material and other assets. He is well-versed in sales promotion and has successfully created goodwill for Sapphire products in local as well as in export markets. He holds a bachelor's degree in commerce from University of Karachi. He is serving as Chief Executive Officer of Sapphire Fibres Limited and Sapphire Electric Company Limited.

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**MR. SHAYAN ABDULLAH**

Chief Executive

Mr. Shayan Abdullah has been the Chief Executive Officer of Reliance Cotton Spinning Mills Limited for the last 11 years. He has done Bachelor of Science in Business Management with concentration in Economics and Finance from USA. Additionally he has undertaken various professional courses from universities such as London School of Economics and Lahore University of Management Sciences. Before getting appointed as a director with Sapphire Fibres Limited, Mr. Shayan has worked at Executive levels with other Group Companies. He oversees raw material procurement, accounts and marketing for spinning divisions of Sapphire Fibres Limited and Amer Cotton Mills Limited.

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**MR. AMER ABDULLAH**

Director

Mr. Amer Abdullah has a Master in Business Administration degree from the U.S. He joined the group at a young age and was appointed as director in 1990 in various group companies. He has undertaken various textile expansion projects and has diversified the dairy business. He is experienced in business dealings especially for procurement of plant and machinery, raw material and other assets. He has rich experience of sales promotion and has successfully added goodwill for Sapphire products in domestic as well as in export markets. He is serving as Chief Executive Officer of Diamond Fabrics Limited and Sapphire Dairies (Private) Limited.

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**MR. YOUSUF ABDULLAH**

Director

Mr. Yousuf Abdullah has a Master in Business Administration degree from the UK. He is the Chief Executive Officer of Sapphire Finishing Mills Limited and is also on the board of other group business. He became Director in various companies of Sapphire Group in 1995. His vision was instrumental in introducing new lines in the textile businesses. Having considerable experience in sales promotion, he added remarkable goodwill of Sapphire products in local as well as international markets.

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**MR. NABEEL ABDULLAH**

Director

Mr. Nabeel Abdullah has done his Bachelor of Science in Economics from the London School of Economics. Additionally, he has taken numerous professional courses at the Lahore University of Management Sciences. Before joining the Sapphire Group, he also interned at Citi, in the Commercial Bank, in London for 3 months. Nabeel was trained for one year at Sapphire before being appointed Director. He is currently overseeing raw material procurement, sales, production, accounts and finance for Sapphire Textile Mills Ltd and specially in weaving.

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**MR. ASIF ELAHI**

Independent Director

Mr. Asif Elahi holds a B.A (Hons.) in Economics from University of Manchester. He has worked with Pearl Continental Hotels Limited, Norwich, UK in summer work placement with the responsibilities in sales and marketing policies, studying market trend and competitor hotels, Staff implementation. He has also worked in tax division with A. F. Fergusons (PricewaterhouseCoopers- Pakistan). He is presently working with EFU General Insurance as Senior Executive Vice President (Development) since last 10 years. He joined the Board as an Independent Director in 2014.

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### **MADIHA SAEED NAGRA**

#### *Independent Director*

Ms. Madiha Saeed Nagra is a professionally qualified Clinical Psychologist, Researcher and Academician. After completing her Intermediate from Kinnaird College for Women, Lahore in 2004, she graduated with top position in BS (Hons) in Clinical Psychology from University of the Punjab, Lahore in 2009. She has a rich experience in research work conducting outreach programs in planning, sampling and interpreting of results, psychological assessment and management of slow learners and behavioral problems. She carried out counselling and rehabilitation of Schizophrenics and Cancer patients.

In 2013, she moved to Muscat, Oman where she worked as Coordinator in American British Academy, responsible for coordination between faculty and Senior Management, preparation of quarterly KPI progress reports, monitoring, evaluation and correction for yearly curriculum objectives. Currently, she is associated with Beaconhouse School System where she teaches History, Geography, Social Studies and PSHE along with research and development of curriculum for students. Apart from her professional commitments, she actively seeks opportunities to contribute to the Society by providing her services.

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# OUR VISION

To be one of the premier textile company recognised 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.





# OUR MISSION

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

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

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



### NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 32nd Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held virtually on Wednesday the 27th day of October, 2021 at 02:30 p.m. through video conference (VC) to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of last Annual 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 2022 and fix their remuneration. The present Auditors M/s. EY Ford Rhodes Chartered Accountants retire and being eligible offer themselves for reappointment.
4. Declaration of a dividend.

### SPECIAL BUSINESS

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

(i) **"RESOLVED THAT** the related Parties transactions conducted during the year as disclosed in the note 38 of the unconsolidated financial statements for the year ended June 30, 2021 be and are hereby ratified, approved and confirmed."

(ii) **"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, 2022."

**"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

6. 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



**NAUMAN IQBAL**

Secretary

Karachi  
23 September 2021

### NOTES

- 1) Closure of share transfer books:  
Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 21st October 2021 to 27th October 2021 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 20th October 2021 will be entitled to attend and vote at the meeting.
- 2) 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, speak 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](http://www.sapphire.com.pk/rcsml)

### Reason for holding AGM virtually through video link:

In view of the prevailing pandemic COVID-19 situation and in line with the directions issued to listed companies by the Securities & Exchange Commission of Pakistan, vide its Circular No. 4 of 2021 dated February 15, 2021 and subsequent Circular No. 6 of 2021 dated March 03, 2021, the Company has

decided to hold Annual General Meeting (AGM) through electronic means.

**Special arrangement for attending the AGM through electronic means will be as under:**

- a. AGM will be held through Zoom application – a video link facility.
- b. Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by sending an e-mail with subject: "Registration for RCSML AGM" at the earliest but not later than 5:00 pm Tuesday, October 26, 2021 on E-mail: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk) along with a valid copy of both sides of CNIC.

Shareholders are advised to mention their Name, Folio/CDC Account Number, CNIC Number, Valid email address and cell number.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone/computer devices. The login facility shall be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification/ verification process.

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. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. Hameed Majeed Associates (Private) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/ participant/ CDC account services. No further action is required if IBAN has already been incorporated/updated in the CDC account or physical folio of the shareholder.

6. Pursuant to Notification vide SRO. 787(1)/ 2014 of September 08, 2014, SECP has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.sapphire.com.pk/rcsml](http://www.sapphire.com.pk/rcsml). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address. The Financial Statements of the company for the year ended June 30, 2021 are also available on the company's website.
7. (i) The rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 shall be as follows:
  1. Persons appearing in Active Tax Payers List (ATL) 15%
  2. Persons not appearing in Active Tax Payers List (ATL) 30%

## NOTICE OF THE ANNUAL GENERAL MEETING

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to Hameed Majeed Associates (Private) Limited, by the first day of Book Closure.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/ Non-Filer' status of Principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding Proportions of Principal shareholders and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

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

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

- (iv) For any query/information, the investors may contact the Company Secretary at phone: (021) 111 000 100 & email address: [contact@sapphire textiles.com.pk](mailto:contact@sapphire textiles.com.pk) and/or Hameed Majeed Associates (Private) Limited at phone: (021) 32424826 / 32469573 & email address: [khi@hmaconsultants.com](mailto:khi@hmaconsultants.com)
  - (v) Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or Hameed Majeed Associates (Private) Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers. Without the NTN Company would not be in a position to check filer status on the ATL and hence higher tax of 30% may be applied in such cases.
8. Deposit of Physical Certificate in CDC Account: As per section 72 of Companies Act, 2017, every listed company shall be required to replace its physical certificates with book entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding four years from the commencement of this Act.

The shareholder having physical shares are encouraged to open the CDC sub- account with any of the brokers or Investor Account directly with CDC to place their physical certificates into scrip less form.

9. An updated year wise list for unclaimed dividend/ shares of the Company is available on the Company's website [www.sapphire.com.pk/rcsml](http://www.sapphire.com.pk/rcsml). These are unclaimed dividend/ shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable.

Claims can be lodged by shareholders on Claim Forms as are available on the Company's website. Claim Forms must be submitted to the Company's Shares Registrar for receipt of such dividend/shares.



## NOTICE OF THE ANNUAL GENERAL MEETING

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10. 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.
11. Members can exercise their right to demand a poll subject to meeting requirements of section 143- 145 of the Companies Act 2017 and applicable clause of the Companies (Post Ballot) Regulations, 2018.

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

1. Item Number 5(i) 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 38 to the unconsolidated financial statements for the year ended June 30, 2021.

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 38 to the unconsolidated financial statements for the year ended June 30, 2021.

2. Item Number 5(ii) of the notice Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2022

The Company shall be conducting transactions with its related parties during the year ending June 30, 2022 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, 2022 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.

Despite of Unprecedented Challenges in the Form of COVID-19, the Board's overall performance and effectiveness has been assessed as Satisfactory for the financial year ended June 30, 2021. That performance 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. I would also like to extend my acknowledgement and gratefulness towards the board for their positive contribution and continuous commitment.

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

Lahore  
23 September 2021



Shahid Abdullah  
Chairman





## چیرمین کی طرف سے رپورٹ کا جائزہ

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

COVID-19 کی شکل میں رکاوٹوں کے باوجود، 30 جون 2021 کو ختم ہونے والے مالی سال کے لیے بورڈ کی مجموعی کارکردگی اور صلاحیت کو تسلی بخش قرار دیا گیا ہے۔ یہ کارکردگی بورڈ کے کاروبار کو انجام دینے میں صلاحیت اور تمام ملازمین کے وژن، مشن اور اقدار، اسٹریٹجک منصوبہ بندی میں شمولیت، پالیسیوں کی تشکیل، تنظیم کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل کے انتظامات کی نگرانی، مؤثر مالی نگرانی، مساوی سلوک سمیت لازمی عناصر کی تشخیص پر مبنی ہے۔ میں بورڈ کی جانب سے ان کی مثبت شراکت اور مسلسل وابستگی کو سراہتا اور شکریہ ادا کرتا ہوں۔

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۔



شاہد عبداللہ  
چیرمین

لاہور

تاریخ:

23 ستمبر، 2021ء

# Directors' Report To The Shareholders





The Directors of your Company are pleased to submit their report along with the audited financial statements of the Company for the year ended 30 June 2021.

### FINANCIAL HIGHLIGHTS

The salient features of the operational results are as under:

	June 30, 2021	June 30, 2020
	Rupees in Thousand	
Sales	7,681,902	5,986,720
Profit from operations	1,475,154	675,918
Finance Cost	(194,979)	(340,756)
Taxation	(80,662)	(60,980)
Profit after taxation	1,199,514	274,182
Other Comprehensive gain / (loss)	(2,010)	(2,324)
Add: Un-appropriated profit brought forward	2,143,482	1,953,960
	(51,460)	(82,336)
	3,289,526	2,143,482

### SUBSEQUENT EFFECTS

### EARNING PER SHARE

The earnings per share (EPS) of current year is Rs.116.55 as compared to Rs. 26.64 for the last year.

### FINANCIAL PERFORMANCE:

During the year under review, your Company recorded sales of Rs. 7.68 billion as compared to Rs. 5.99 billion during last year; showing a considerable increase of 28.3%. The gross profit as a percentage of sales increased from last year's 15.5% to 22.9% during the year. Whereas, profit after tax increased from last year's 4.6% to 15.6% of sales during the financial year.

The Company earned profit after tax of Rs. 1.2 billion during the year compared to Rs. 0.27 billion posted in the corresponding year; an increase of 337.5%.

### DIVIDEND:

The Board of Directors of the company is pleased to recommend a final cash dividend @ 50% for the year ended June 30, 2021 (2020: Nil).

## **FUTURE OUTLOOK:**

The successful response of the Government to control the COVID-19 pandemic together with multiple measures taken by the Central Bank have greatly helped in reducing negative impact of the pandemic on the economic activity, particularly on textile sector during the year.

Despite the unprecedented situation caused by the pandemic, your company has been able to achieve considerable growth in terms of sales and profitability compared to previous years. However, future dynamics of textile sector are quite challenging due to continuous drop in local cotton crop coupled with sharp increase in cotton prices in domestic and international markets.

## **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 38 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 eco friendly and efficient. We constantly try and improve energy efficiencies both at production facilities and in our offices.

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

## **CASH FLOW STRATEGY**

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

**CORPORATE SOCIAL RESPONSIBILITY**

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

Company made generous donations for health, education and social welfare projects as reported in Note no. 31 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 (including 01 Female Director)
- (b) Executive Director 01
- (c) Non-Executive Directors 04

During the year four 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	4
Mr. Amer Abdullah	Non- Executive Director	4
Mr. Yousuf Abdullah	Non- Executive Director	4
Mr. Nabeel Abdullah	Non- Executive Director	4
Mr. Asif Elahi	Independent Director	4
Mrs. Madiha Saeed Nagra	Independent Director	4

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:

- 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;
- The company has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- 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;
- 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;
- 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;
- 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, 2021 is Rs.24.558 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 section 227(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. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. The company does not pay remuneration to non- executive directors and independent directors, however they are paid a fee to attend meetings. Remuneration package of Chief Executive and other executive directors is disclosed in Note No.41 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 compiled for a detailed discussion among the members. During the discussion, Board also evaluates its performance in fulfilling its fiduciary responsibilities, providing its leadership role, giving strategic direction and providing guideline to the management in compliance of policies and standards.

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

### AUDITORS:

The present Auditors M/s EY Ford Rhodes, Chartered Accountants retire and being eligible, offer themselves for re-appointment. Audit Committee and Board of Directors have also recommended their appointment as auditors for the year ending 30 June 2022.

### 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

FOR AND ON BEHALF OF THE BOARD



**Shayan Abdullah**  
Chief Executive Officer



**Shahid Abdullah**  
Director

Lahore

Dated: September 23, 2021







## بورڈ پراڈیکٹرز کی کارکردگی کی تشخیص:

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

بورڈ کا کام بہترین کاروباری طریقوں پر مبنی اور سیکولٹیز 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۔

## محاسب کا تقرر:

موجودہ محاسب میسرز ای وائی فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی کی تجویز کے مطابق، بورڈ نے 30 جون 2022 کو ختم ہونے والے سال کے لئے کمپنی کے محاسب کی حیثیت سے ان کی تقرری کی منظوری دے دی ہے۔

## اظہار تشکر:

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

منجانب بورڈ آف ڈائریکٹرز



شاداب عبد اللہ  
ڈائریکٹر



شایان عبد اللہ  
چیف ایگزیکٹو

لاہور

تاریخ: 23 ستمبر 2021ء

## ڈائریکٹرز جائزہ رپورٹ

بورڈ کی تشکیل اور ان کے اجلاس:

بورڈ کی تشکیل مندرجہ ادا روں پر قابل اطلاق کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019 کی ضروریات کی تعمیل کے مطابق ہے اور

ڈائریکٹرز کی کل تعداد:

06	(a) مرد
01	(b) خاتون

تشکیل:

02	(a) آزاد ڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر)
01	(b) ایگزیکٹو ڈائریکٹرز
04	(c) نان ایگزیکٹو ڈائریکٹرز

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

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

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

آڈٹ کمیٹی:

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

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

ہیومن ریسورس اینڈ ریمینٹیشن کمیٹی:

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

نام	کیٹگری
جناب آصف الہی	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 اعلیٰ 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 ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
  - 2- کمپنی کے کھاتوں کا حساب کتاب مکمل طور پر برقرار رکھا گیا ہے۔
  - 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
  - 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے۔
  - 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، ڈیویڈنڈ، 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 کیا ان مالی حسابات میں انکشاف کیا گیا ہے۔
  - 7- کمپنی کے دواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات 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 گریجویٹ فنڈ کے اہل نہیں ہیں۔ 30 جون 2021 کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 24.558 ملین روپے ہے۔
  - 10- کوڈ آف کنڈکٹ کو 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 227(f) کے مطابق نمونہ حصص داری کا بیان
  - شریک انڈر ٹیکنگ اور متعلقہ پارٹیوں کے ملکیتی حصص کا بیان
  - گزشتہ 6 سالوں کے کلیدی آپریشننگ اور مالیاتی اعداد و شمار

## 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 39 میں منکشف ہے۔



## مستقبل کا نقطہ نظر:

رواں سال کے دوران کووڈ-19 وبائی بیماری پر قابو پانے کے لیے حکومت کے کامیاب رد عمل کے ساتھ ساتھ مرکزی بینک کے متعدد اقدامات نے معاشی سرگرمیوں خصوصاً ٹیکسٹائل کی برآمدات پر وبائی بیماری کے منفی اثرات کو کم کرنے میں بہت مدد کی ہے۔ وبائی بیماری کی وجہ سے خراب صورتحال کے باوجود، آپ کی کمپنی گزشتہ سالوں کے مقابلے میں فروخت اور منافع کے لحاظ سے قابل ذکر نمو حاصل کرنے میں کامیاب رہی ہے۔ تاہم، مقامی کپاس کی فصل میں مسلسل کمی اور مقامی اور بین الاقوامی منڈیوں میں کپاس کی قیمتوں میں تیزی سے اضافے کی وجہ سے ٹیکسٹائل سیکٹر کی مستقبل کی محرکات کافی مشکل ہیں۔

## ذیلی کمپنی:

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

## متعلقہ پارٹیوں سے لین دین:

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹیوں کے لئے ٹرانسفر پرائسنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشن کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمیٹی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنکشن یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشن قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمیٹی کے بغور جائزہ کے بعد، ان کے غور و خوض اور منظوری کے لئے ٹرانزیکشن بورڈ کے روبرو پیش کی گئی ہیں۔ سال کے دوران، کمپنی نے اپنی متعلقہ پارٹیوں کے ساتھ ٹرانزیکشن سرانجام دی ہیں۔ ان ٹرانزیکشن کی تفصیلات غیر منجمد مالی حسابات کے نوٹ 38 میں منکشف ہیں۔

## صحت، تحفظ اور ماحول (HSE):

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

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

## نقد فلو کی حکمت عملی:

آپ کی کمپنی نے ایک مؤثر نقد فلو کی حکمت عملی اپنائی ہے۔ اس جامع حکمت عملی نے ہمیشہ آپ کی کمپنی کو اپنے مالی معاہدوں کو مناسب طریقہ سے حل کرنے 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 مد نظر رکھتی اور اقتصادی صلاحیتوں کو بڑھانے کے لئے مؤثر مالی انتظامات کرتی ہے۔

## کارپوریٹ سماجی ذمہ داری:

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

کمپنی نے صحت، تعلیم اور معاشرتی بہبود کے منصوبوں کے لئے فراخدلی سے عطیہ دیا، جس کی تفصیل مالی حسابات کے نوٹ نمبر 31 میں بیان کی گئی ہے۔

## ڈائریکٹرز کی حصص داران کو رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2021ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشوارے معاہدہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### مالیاتی جھلکیاں

تفصیل	2021 روپے	2020 روپے
	روپے ہزاروں "000" میں	
فروخت	7,681,902	5,986,720
مجموعی منافع		
آپریشنز سے منافع	1,475,154	675,918
مالی لاگت	(194,979)	(340,756)
ٹیکسیشن	(80,662)	(60,980)
ٹیکس کے بعد منافع	1,199,514	274,182
دیگر مجموعی نفع/(نقصان)	(2,010)	(2,324)
اضافہ: غیر تصرفاتی منافع جو آگے گیا	2,143,482	1,953,960
بعد کے واقعات		
سال کے لئے حتمی نقد منافع منقسمہ	(51,460)	(82,336)
	3,289,526	2,143,482

### فی حصص آمدنی:

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 116.55 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 26.64 روپے تھی۔

### مالی کرکردگی:

کمپنی نے گزشتہ سال کی اسی مدت میں 5.99 بلین روپے کے مقابلے میں گزشتہ سال کے دوران 7.68 بلین روپے کی فروخت حاصل کی جو 28.3 فیصد کا قابل ذکر اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے 15.5 فیصد سے بڑھ کر رواں سال کے دوران 22.9 فیصد ہوا۔ جبکہ ٹیکس کے بعد منافع گزشتہ سال کے 4.6 فیصد سے بڑھ کر رواں سال کے دوران 15.6 فیصد ہوا۔

کمپنی نے ٹیکس کے بعد منافع گزشتہ سال کے دوران 0.27 بلین روپے کے مقابلے میں موجودہ سال کے دوران 1.2 بلین روپے کمایا، جو کہ 337.5 فیصد کا اضافہ ہے۔

### منافع منقسمہ:

کمپنی کی مجلس نظام 30 جون 2021ء کو ختم ہونے والے سال کے لئے حتمی نقد منافع منقسمہ بشرح 50 فیصد (Nil: 2020) سفارش کرتے ہوئے خوشی محسوس کرتی ہے۔

**To the members of Reliance Cotton Spinning Mills Limited**

**Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

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 (the Company) for the year ended 30 June, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June, 2021



EY Ford Rhodes  
Chartered Accountants  
Audit Engagement Partner: Farooq Hameed

Lahore  
Date: 23 September 2021

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

Name of Company RELIANCE COTTON SPINNING MILLS LIMITED year ended June 30, 2021.

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 Director	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.



## STATEMENT OF COMPLIANCE

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8. The board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of total seven (7) Directors of the Company, six (6) Directors meet the requirements. Three (3) Directors have already attained certification under directors training program and three (3) Directors meet the requirements of the exemption under regulation.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There was new appointment of Head of Internal Audit during the year approved by the Board.
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer 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 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



SHAHID ABDULLAH  
CHAIRMAN



SHAYAN ABDULLAH  
CHIEF EXECUTIVE

Lahore

Dated: September 23, 2021

The background is a deep blue with abstract, geometric shapes and light rays emanating from the bottom left, creating a sense of depth and movement.

# SIX YEARS GROWTH AT A GLANCE & **FINANCIAL ANALYSIS**

## SIX YEARS AT A GLANCE

Particulars	UOM	2021	2020	2019	2018	2017	2016
Sales	Rs. (000)	7,681,902	5,986,720	5,379,009	4,398,017	3,570,713	3,221,147
Gross profit	Rs. (000)	1,758,725	927,898	816,922	633,457	390,272	334,415
Net profit before taxation	Rs. (000)	1,280,176	335,162	417,198	343,867	208,000	110,000
Net profit after taxation	Rs. (000)	1,199,514	274,182	390,682	316,081	191,000	76,000
Share capital	Rs. (000)	102,920	102,920	102,920	102,920	102,920	102,920
Shareholders' equity	Rs. (000)	3,570,669	2,359,883	2,169,189	1,872,373	1,509,379	1,386,242
Fixed assets - net	Rs. (000)	2,161,161	2,051,140	1,987,544	1,460,765	1,410,954	1,465,532
Total assets	Rs. (000)	6,718,829	6,413,531	5,350,050	3,951,353	3,038,003	2,970,001
Cash dividend	%	50.00	-	80.00	65.00	15.00	50.00
RATIOS:							
Profitability Ratios							
Gross profit	%	22.89	15.50	15.19	14.40	10.93	10.38
Profit before tax	%	16.66	5.60	7.76	7.82	5.83	3.43
Profit after tax	%	15.61	4.58	7.26	7.19	5.35	2.37
Return to Shareholders							
Return on equity before tax	%	35.85	14.20	19.23	18.37	13.21	7.94
Return on equity after tax	%	33.59	11.62	18.01	16.88	12.12	5.50
Basic earning per share after tax	Rs.	116.55	26.24	37.96	30.71	18.54	7.41
Activity							
Sale to fixed assets	Times	3.55	2.92	2.71	3.01	2.53	2.20
Sale to total assets	Times	1.14	0.93	1.01	1.11	1.18	1.08
Liquidity Ratios							
Current ratio		2.15 : 1	1.36 : 1	1.26 : 1	1.33 : 1	1.17 : 1	1.01 : 1
Debt to equity ratio	Times	0.30	0.36	0.25	0.10	0.05	0.04
Total liability to equity ratio	Times	0.88	1.72	1.47	1.11	0.93	1.14
Breakup value per share	Rs. Per share	346.94	229.29	210.76	181.93	152.97	134.70



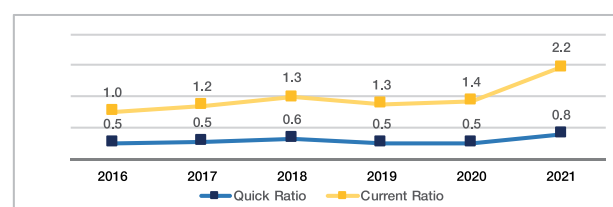
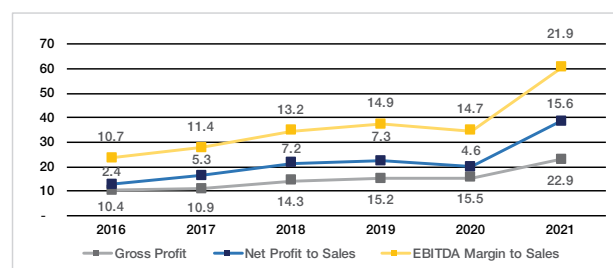
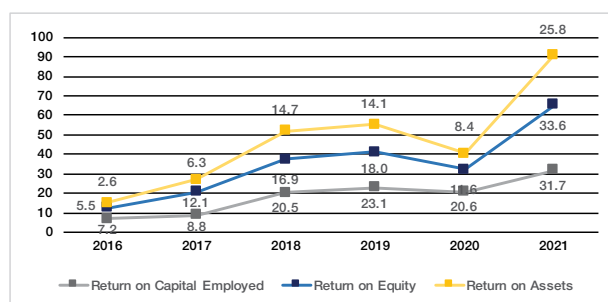
# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Profitability Ratios

Profitability ratios are financial metrics which help to assess the Company's ability in terms of its earnings. This includes Gross Profit Ratio, Net Profit to Sales Ratio, EBITDA Margin to Sales, Return on Assets, Return on Equity and Return on Capital Employed.

## Liquidity Ratios

Liquidity ratios are financial metrics used to determine Company's ability to meet its short term debt and other short term liabilities when they fall due. This include Current Ratio and Quick Ratio.

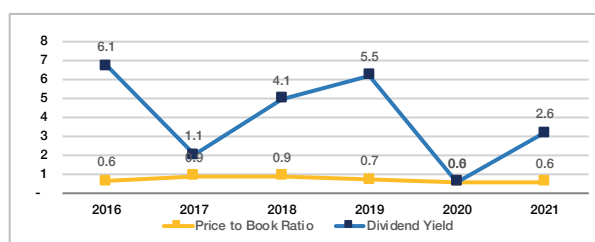
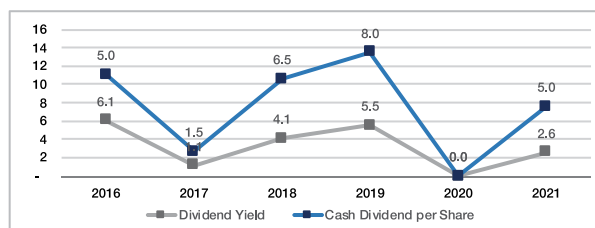
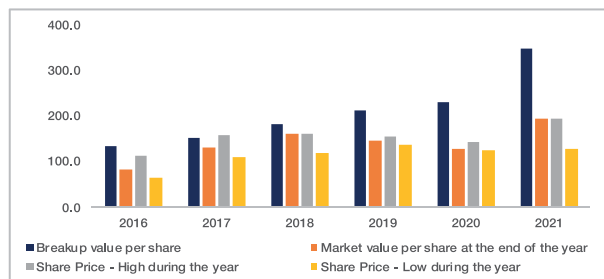


		UOM	2016	2017	2018	2019	2020	2021
<b>Capital Structure Ratios</b>								
Gross Profit	Percentage		10.4	10.9	14.3	15.2	15.5	22.9
Net Profit to Sales	Percentage		2.4	5.3	7.2	7.3	4.6	15.6
EBITDA Margin to Sales	Percentage		10.7	11.4	13.2	14.9	14.7	21.9
Return on Capital Employed	Percentage		7.2	8.8	20.5	23.1	20.6	31.7
Return on Equity	Percentage		5.5	12.1	16.9	18.0	11.6	33.6
Return on Assets	Percentage		2.6	6.3	14.7	14.1	8.4	25.8
<b>Liquidity Ratios</b>								
Current Ratio	Times		1.0	1.2	1.3	1.3	1.4	2.2
Quick Ratio	Times		0.5	0.5	0.6	0.5	0.5	0.8

# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Share Price Sensitivity Analysis

Share price in the stock market moves due to various factors such as company performance, general market sentiment, economic events and interest rates, etc. Being a responsible and law-compliant Company, RCSML circulates price sensitive information to stock exchanges in accordance with the requirements of listing regulations in a timely manner. During the year 2021, RCSML's share price touched the peak of Rupees 194.5 while the lowest recorded price as Rupees 126.5 with a closing price of Rupees 193.7 at the end of the year.



		UOM	2016	2017	2018	2019	2020	2021
<b>Investor Ratios</b>								
Earning per Share	Rs. Per share		7.4	18.6	30.7	38.0	26.6	116.5
Price Earning Ratio	Times		11.1	7.1	5.2	3.8	4.8	1.7
Price to Book Ratio	Times		0.6	0.9	0.9	0.7	0.6	0.6
Dividend Yield	Percentage		6.1	1.1	4.1	5.5	0.0	2.6
Cash Dividend per Share	Rs. Per share		5.0	1.5	6.5	8.0	0.0	5.0
Dividend Payout Ratio	Percentage		67.7	8.1	21.2	21.1	0.0	4.3
Dividend Cover Ratio	Times		1.5	12.4	4.7	4.7	0.0	23.3
Breakup Value per Share	Rs. Per share		134.7	153.0	181.9	210.8	229.3	347.0
Market Value per Share at the End of the Year	Rs. Per share		82.2	131.9	159.6	146.0	128.0	193.7
Share Price - High During the Year	Rs. Per share		111.4	157.4	159.6	154.9	142.0	194.5
Share Price - Low During the Year	Rs. Per share		66.0	109.0	119.0	135.5	125.0	126.5

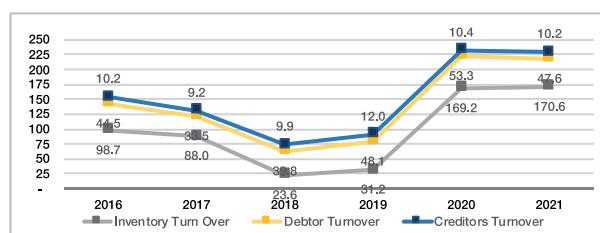
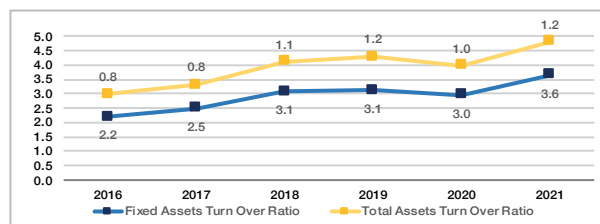
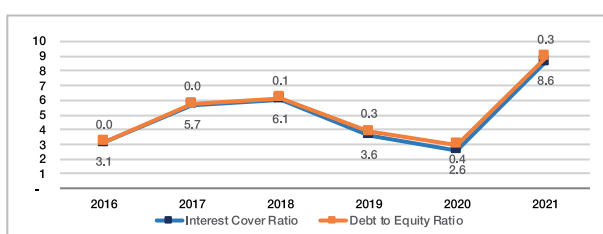
# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Capital Structure

Capital structure describes the mix of a Company's long-term capital, which consists of a combination of debt and equity. Capital structure is a permanent type of funding that supports a company's growth and related assets. Capital structure includes Financial Leverage ratios, Interest Cover ratio and Debt to Equity ratio.

## Cash Operating Cycle / Activity

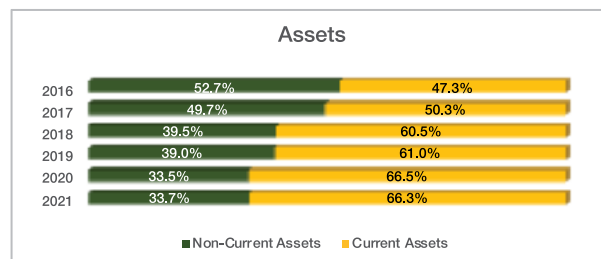
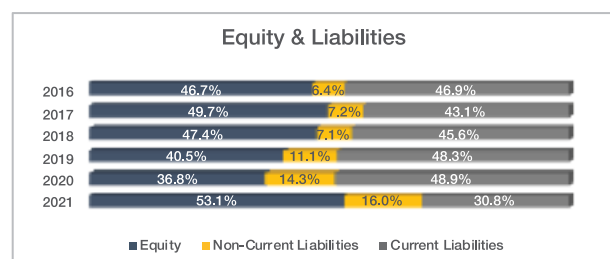
The cash operating cycle (also known as the working capital cycle or the cash conversion cycle) is the number of days between paying suppliers and receiving cash from sales. Cash operating cycle includes Inventory Days, Receivables Days and Payables Days.



		UOM	2016	2017	2018	2019	2020	2021
<b>Capital Structure Ratios</b>								
Financial Leverage Ratio	Times		0.9	0.7	0.9	1.2	1.4	0.6
Weighted Average Cost of Capital	Percentage		7.8	5.9	5.6	10.0	12.0	7.7
Debt to Equity Ratio	Times		0.0	0.0	0.1	0.3	0.4	0.3
Interest Cover Ratio	Times		3.1	5.7	6.1	3.6	2.6	8.6
<b>Activity / Turnover Ratio</b>								
Inventory Turn Over	Days		98.7	88.0	100.1	129.3	169.2	170.6
Inventory Turn Over Ratio	Times		3.7	4.1	3.7	2.8	2.2	2.1
Debtor Turnover	Days		44.5	33.5	39.8	48.1	53.3	47.6
Debtors Turn Over Ratio	Times		8.2	10.9	9.2	7.6	6.9	7.7
Creditors Turnover	Days		10.2	9.2	9.9	12.0	10.4	10.2
Creditors Turnover Ratio	Times		35.7	39.5	36.8	30.5	34.9	35.9
Fixed Assets Turn Over Ratio	Times		2.2	2.5	3.1	3.1	3.0	3.6
Total Assets Turn Over Ratio	Times		0.8	0.8	1.1	1.2	1.0	1.2
Operating Cycle	Days		133.0	112.3	130.0	165.4	212.0	208.0

# SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Financial Position



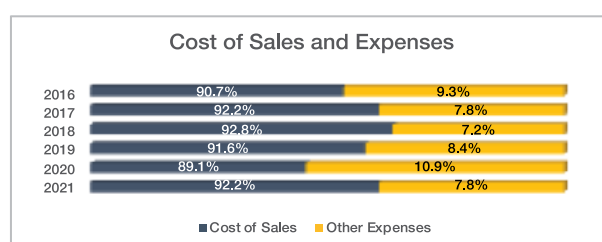
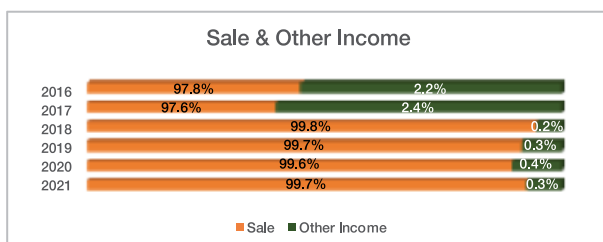
	2021	2020	2019	2018	2017	2016
Rupees in '000'						
Total Equity	3,570,669	2,359,883	2,169,188	1,872,373	1,509,379	1,386,827
Total non-current liabilities	1,076,888	916,281	595,886	278,665	220,150	189,238
Total current liabilities	2,071,273	3,137,366	2,584,976	1,800,315	1,308,473	1,393,936
<b>Total equity &amp; liabilities</b>	<b>6,718,829</b>	<b>6,413,531</b>	<b>5,350,050</b>	<b>3,951,353</b>	<b>3,038,003</b>	<b>2,970,001</b>
Total non-current assets	2,263,919	2,149,198	2,085,601	1,558,822	1,508,847	1,563,947
Total current assets	4,454,910	4,264,333	3,264,449	2,392,530	1,529,156	1,406,054
<b>Total assets</b>	<b>6,718,829</b>	<b>6,413,531</b>	<b>5,350,050</b>	<b>3,951,353</b>	<b>3,038,003</b>	<b>2,970,001</b>

	Variance in %					
Total Equity	51.31	8.79	15.85	24.05	8.84	(27.66)
Total non-current liabilities	17.53	53.77	113.84	26.58	16.34	79.73
Total current liabilities	(33.98)	21.37	43.58	37.59	(6.13)	(18.41)
<b>Total equity &amp; liabilities</b>	<b>4.76</b>	<b>19.88</b>	<b>35.40</b>	<b>30.06</b>	<b>2.29</b>	<b>(20.39)</b>
Total non-current assets	5.34	3.05	33.79	3.31	(3.52)	(26.24)
Total current assets	4.47	30.63	36.44	56.46	8.76	(12.69)
<b>Total assets</b>	<b>4.76</b>	<b>19.88</b>	<b>35.40</b>	<b>30.06</b>	<b>2.29</b>	<b>(20.39)</b>



# SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Statement of Profit or Loss

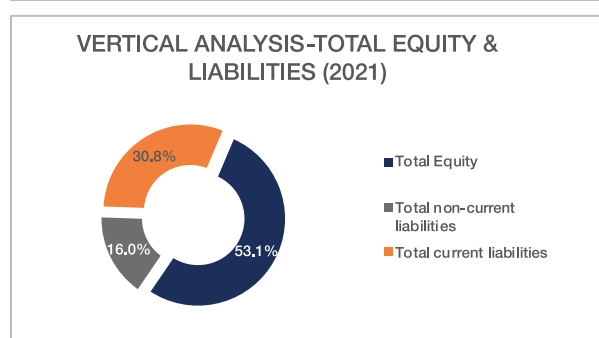
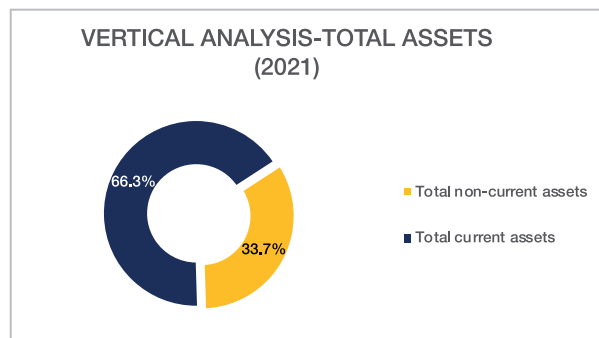
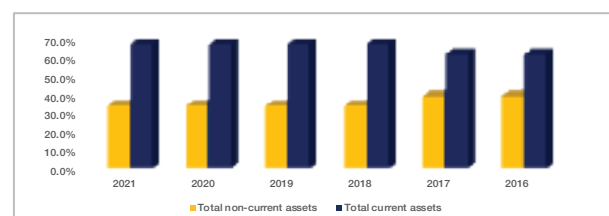
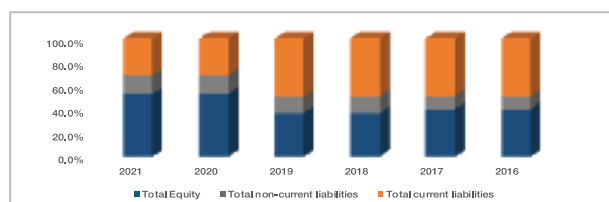


	2021	2020	2019	2018	2017	2016
Rupees in '000'						
<b>Statement of Profit or Loss</b>						
Net Sales	7,681,902	5,986,720	5,379,009	4,398,017	3,570,713	3,221,147
Cost of sales	5,923,177	5,058,822	4,562,087	3,764,560	3,180,442	2,886,731
Gross profit	1,758,725	927,898	816,922	633,457	390,272	334,415
Distribution cost	150,287	127,926	108,444	94,854	87,787	72,569
Administrative expenses	92,406	84,433	67,696	55,231	53,927	44,236
Other operating expenses	64,106	64,365	20,562	46,576	56,936	69,405
Other operating income	23,229	24,744	18,107	9,681	88,122	72,432
Profit from operations	1,475,154	675,919	638,327	446,477	279,742	220,638
Finance cost	194,979	340,756	221,129	96,152	71,743	110,637
Profit before taxation	1,280,176	335,162	417,198	350,324	208,000	110,000
Provision for taxation	80,662	60,981	26,515	27,787	17,000	19,000
Profit after taxation	1,199,514	274,182	390,682	322,538	191,000	91,000
<b>Variance in %</b>						
Net Sales	28.32	11.30	22.31	23.17	10.85	(19.62)
Cost of sales	17.09	10.89	21.19	18.37	10.17	(19.45)
Gross profit	89.54	13.58	28.96	62.31	16.70	(21.03)
Distribution cost	17.48	17.96	14.33	8.05	20.97	(26.21)
Administrative expenses	9.44	24.72	22.57	2.42	21.91	3.44
Other operating expenses	(0.40)	213.03	(55.85)	(18.20)	(17.96)	556.33
Other operating income	(6.12)	36.66	87.03	(89.01)	21.66	8.66
Profit from operations	118.24	5.89	42.97	59.60	26.79	(34.81)
Finance cost	(42.78)	54.10	129.98	34.02	(35.16)	(29.11)
Profit before taxation	281.96	(19.66)	19.09	68.43	89.09	(39.69)
Provision for taxation	32.28	129.98	(4.58)	63.45	(10.53)	(52.09)
Profit after taxation	337.49	(29.82)	21.13	68.87	109.89	(36.24)

# SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Financial Position

Total assets comprise of current and non-current assets. At 30 June 2021, non-current assets are 33.7% of total assets while current assets are 66.3%. On the other side, share capital and reserves are 53.1% of the total equity and liabilities while non-current liabilities and current liabilities are 16.0% and 30.9% respectively. Share capital and reserves mainly constitute issued subscribed and paid up share capital, share premium, general reserves and unappropriated profit. Non-current liabilities mainly constitute deferred liabilities and long term financing. Current liabilities mainly constitute short term financing and trade and other payables.

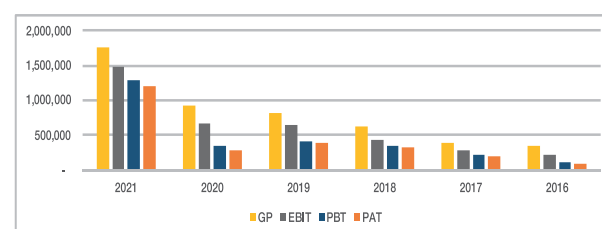
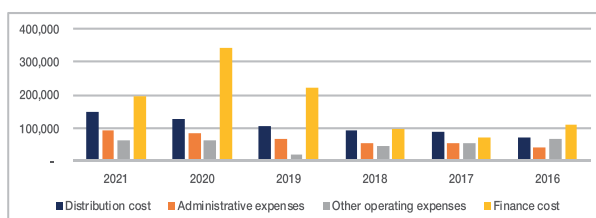
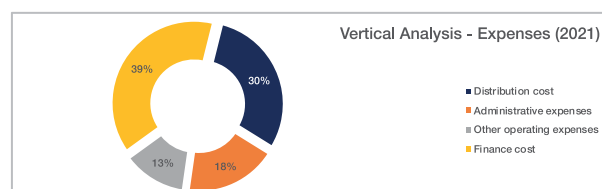


	2021		2020		2019		2018		2017		2016	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Total Equity	3,570,669	53.14	2,359,883	36.80	2,169,188	40.55	1,872,373	47.39	1,509,379	49.68	1,386,827	46.69
Total Non-Current Liabilities	1,076,888	16.03	916,281	14.29	595,886	11.14	278,665	7.05	220,150	7.25	189,238	6.37
Total Current Liabilities	2,071,273	30.83	3,137,366	48.92	2,584,976	48.32	1,800,315	45.56	1,308,473	43.07	1,393,936	46.93
<b>Total equity and liabilities</b>	<b>6,718,829</b>	<b>100.00</b>	<b>6,413,531</b>	<b>100.00</b>	<b>5,350,050</b>	<b>100.00</b>	<b>3,951,353</b>	<b>100.00</b>	<b>3,038,003</b>	<b>100.00</b>	<b>2,970,001</b>	<b>100.00</b>
Total Non-Current Assets	2,263,919	33.70	2,149,198	33.51	2,085,601	38.98	1,558,822	39.45	1,508,847	49.67	1,563,947	52.66
Total Current Assets	4,454,910	66.30	4,264,333	66.49	3,264,449	61.02	2,392,530	60.55	1,529,156	50.33	1,406,054	47.34
<b>Total assets</b>	<b>6,718,829</b>	<b>100.00</b>	<b>6,413,531</b>	<b>100.00</b>	<b>5,350,050</b>	<b>100.00</b>	<b>3,951,353</b>	<b>100.00</b>	<b>3,038,003</b>	<b>100.00</b>	<b>2,970,001</b>	<b>100.00</b>

# SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

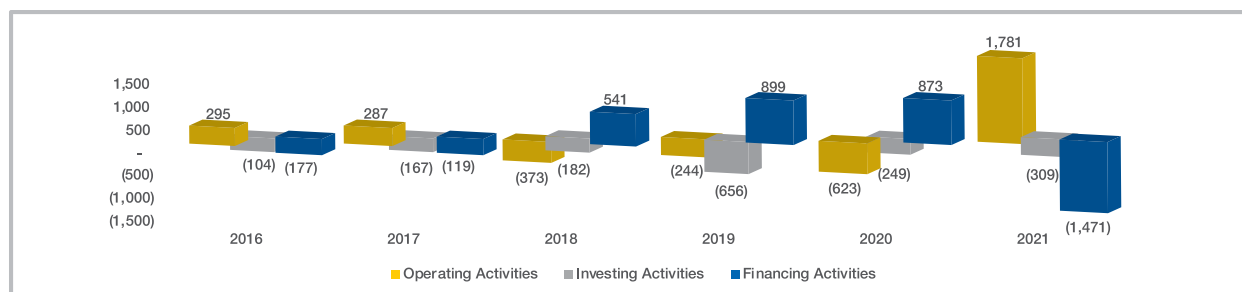
## Statement of Profit or Loss

During the year, Company has recorded sales amounting to Rs. 7.7 billion as compared to Rs. 5.9 from last year showing an escalation of 28.3%. Gross profit has reached to 22.9% as compared to 15.5% from last year whereas, profit after tax increased to 15.6% from 4.6%.

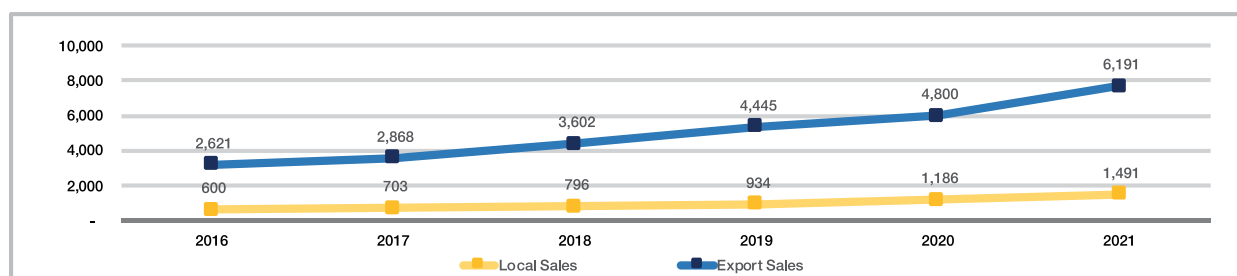


	2021		2020		2019		2018		2017		2016	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>Statement of profit or loss</b>												
Net Turnover	7,681,902	100.00	5,986,720	100.00	5,379,009	100.00	4,398,017	100.00	3,570,713	100.00	3,221,147	100.00
Cost of sales	5,923,177	77.11	5,058,822	84.50	4,562,087	84.81	3,764,560	85.60	3,180,442	89.07	2,886,731	89.62
Gross profit	1,758,725	22.89	927,898	15.50	816,922	15.19	633,457	14.40	390,272	10.93	334,415	10.38
Distribution cost	150,287	1.96	127,926	2.14	108,444	2.02	94,854	2.16	87,787	2.46	72,569	2.25
Administrative expenses	92,406	1.20	84,433	1.41	67,696	1.26	55,231	1.26	53,927	1.51	44,236	1.37
Other operating expenses	64,106	0.83	64,365	1.08	20,562	0.38	46,576	1.06	56,936	1.59	69,405	2.15
Other income	23,229	0.30	24,744	0.41	18,107	0.34	9,681	0.22	88,122	2.47	72,432	2.25
Earnings before interest & tax	1,475,154	19.20	675,919	11.29	638,327	11.87	446,477	10.15	279,742	7.83	220,638	6.85
Finance cost	194,979	2.54	340,756	5.69	221,129	4.11	96,152	2.19	71,743	2.01	110,637	3.43
Profit before taxation	1,280,176	16.66	335,162	5.60	417,198	7.76	350,324	7.97	208,000	5.83	110,000	3.41
Provision for taxation	80,662	1.05	60,981	1.02	26,515	0.49	27,787	0.63	17,000	0.48	19,000	0.59
Profit after taxation	1,199,514	15.61	274,182	4.58	390,682	7.26	322,538	7.33	191,000	5.35	91,000	2.83

## SIX YEARS ANALYSIS OF CASH FLOWS WITH GRAPHICAL PRESENTATION



		UOM	2016	2017	2018	2019	2020	2021
<b>Cash Flow</b>								
Operating Activities	Rs. In Million		295	287	(373)	(244)	(623)	1,781
Investing Activities	Rs. In Million		(104)	(167)	(182)	(656)	(249)	(309)
Financing Activities	Rs. In Million		(177)	(119)	541	899	873	(1,471)



		UOM	2016	2017	2018	2019	2020	2021
<b>Local and export sales</b>								
Local Sales	Rs. In Million		600	703	796	934	1,186	1,491
Export Sales	Rs. In Million		2,621	2,868	3,602	4,445	4,800	6,191
Total Sales	Rs. In Million		3,221	3,571	4,398	5,379	5,987	7,682





# UNCONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

# INDEPENDENT AUDITOR'S REPORT

## To the members of Reliance Cotton Spinning Mills Limited

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the annexed unconsolidated financial statements of **Reliance Cotton Spinning Mills Limited** (the Company), which comprise the statement of financial position as at 30 June 2021, 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 (hereinafter referred to as the 'separate financial statements') 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, statement of profit or loss, 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 30 June 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows 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 Auditors' 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 matters:

Sr. No.	Key audit matters	How our audit addressed the key audit matter
1.	<p><b>Revenue recognition</b></p> <p>As described in note 5.13 and note 28, the Company generates revenue from local and export sales. During the year ended 30 June 2021, the Company generated net revenue of Rs. 7.68 billion as compared to Rs. 5.99 billion during the previous year, which represents an increase of approximately 28% as compared to last year.</p> <p>Considering the significance of amounts involved and that the revenue is a key indicator of performance of the Company and its management, we have considered revenue recognition as a Key Audit Matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>We obtained an understanding of the Company's processes and related internal controls for revenue recognition and on a sample basis, tested the effectiveness of those controls, specifically in relation to recognition of revenue and timing thereof.</li> <li>We evaluated the appropriateness of the Company's revenue recognition policies, in accordance with IFRS 15.</li> <li>We, on a sample basis, reviewed sales transactions near the reporting date to assess whether transactions are recorded in relevant accounting period.</li> </ul>

Sr. No.	Key audit matters	How our audit addressed the key audit matter
		<ul style="list-style-type: none"> <li>• We performed substantive analytical procedures including developing an expectation of the current year revenue based on trend analysis information taking into account historical sales and market patterns.</li> <li>• We correlated the revenue transactions with movement in receivables and cash balances and compared with the results from our balance confirmation procedures.</li> <li>• We reconciled revenue recorded in the books of account on a sample basis with underlying accounting records including dispatch and delivery documents.</li> <li>• We reviewed and assessed the adequacy of related disclosures made in the financial statements in accordance with the applicable financial reporting standards and the Companies Act, 2017.</li> </ul>
Sr. No.	Key audit matters	How the matter was addressed in our audit
2.	<p><b>Initial audit</b></p> <p>This is our first year of audit of the Company. Initial audit engagements involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include:</p> <ul style="list-style-type: none"> <li>• Gaining an initial understanding of the Company and its business including its control environment and information systems, sufficient to make audit risk assessments and develop the audit strategy and plan;</li> <li>• Obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles; and</li> <li>• Communicating with the previous auditors.</li> </ul> <p>Due to the additional considerations involved with initial audits, significant audit attention was required and hence, considered a Key Audit Matter.</p>	<p>Following additional audit procedures were applicable being the auditors of the Company for the first year:</p> <ul style="list-style-type: none"> <li>• We conducted meeting with the previous auditors and gained an understanding of the key audit risks and areas of focus identified by them;</li> <li>• We performed review of the working papers of predecessor auditors in order to gain reliance on opening balances</li> <li>• We obtained an understanding of the business and financial statements' risks relevant to our audit</li> <li>• We evaluated the client's internal control environment including entity level controls in order to establish our audit strategy</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### To the members of Reliance Cotton Spinning Mills Limited Report on the Audit of the Separate Financial Statements

#### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Board of Directors for the Financial Statements

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

In preparing the separate 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.

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

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate 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 the 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 auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 separate financial statements, including the disclosures, and whether the separate 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 the 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

## Other matter

The financial statements of Reliance Cotton Spinning Mills Limited For the year ended 30 June 2020, were audited by another firm of chartered accountants who expressed an unmodified opinion on those statements on 29 September 2020.

The engagement partner on the audit resulting in this independent auditors' report is Farooq Hameed.



EY Ford Rhodes  
Chartered Accountants

Lahore  
Date: 23 September 2021



# Unconsolidated Statement of Financial Position

As at June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,161,161,215	2,051,140,337
Long term investments	7	91,569,645	89,069,645
Long term advances and deposits	8	11,187,690	8,987,690
		2,263,918,550	2,149,197,672
<b>Current assets</b>			
Stores, spares and loose tools	9	88,495,394	49,505,453
Stock in trade	10	2,837,241,214	2,699,519,145
Trade debts	11	1,014,788,632	986,719,303
Loan and advances	12	133,857,807	104,493,271
Short term deposits and prepayments	13	3,390,846	221,491
Other receivables	14	20,778,303	10,915,489
Other financial assets	15	55,470,065	42,187,437
Tax refunds due from the Government	16	292,131,521	364,500,551
Cash and bank balances	17	8,756,563	6,270,961
		4,454,910,345	4,264,333,101
		6,718,828,895	6,413,530,773
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
12,000,000 (2020: 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	19	3,467,748,592	2,256,963,266
		3,570,668,592	2,359,883,266
<b>Non-current liabilities</b>			
Long term liabilities	20	1,004,448,376	853,696,129
Deferred liabilities	21	72,439,239	62,585,160
		1,076,887,615	916,281,289
<b>Current liabilities</b>			
Trade and other payables	22	914,894,090	441,996,695
Contract liabilities	23	21,175,650	8,170,916
Unclaimed dividend		617,737	613,360
Accrued markup/interest	24	29,571,786	61,040,204
Short term borrowings	25	814,941,320	2,518,887,111
Current portion of long term liabilities	26	183,656,275	19,354,499
Provision for taxation		106,415,830	87,303,433
		2,071,272,688	3,137,366,218
		6,718,828,895	6,413,530,773
<b>Contingencies and commitments</b>			
	27		

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

## Unconsolidated Statement of Profit or Loss

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
Net turnover	28	7,681,902,021	5,986,720,080
Cost of sales	29	(5,923,177,432)	(5,058,822,223)
<b>Gross profit</b>		<b>1,758,724,589</b>	<b>927,897,857</b>
Distribution cost	30	(150,287,415)	(127,925,618)
Administrative expenses	31	(92,406,353)	(84,432,878)
Other operating expenses	32	(64,105,641)	(64,365,044)
		(306,799,409)	(276,723,540)
Other income	33	23,229,193	24,744,361
<b>Operating profit before finance cost</b>		<b>1,475,154,373</b>	<b>675,918,678</b>
Finance cost	34	(194,978,709)	(340,756,219)
<b>Profit before taxation</b>		<b>1,280,175,664</b>	<b>335,162,459</b>
Provision for taxation	35	(80,662,126)	(60,980,524)
<b>Profit for the year</b>		<b>1,199,513,538</b>	<b>274,181,935</b>
<b>Earnings per share - basic and diluted</b>	36	<b>116.55</b>	<b>26.64</b>

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Unconsolidated Statement of Comprehensive Income

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>Profit for the year</b>		1,199,513,538	274,181,935
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Fair value gain on investments in debt instruments designated as FVTOCI		–	1,029,950
		–	1,029,950
<b>Items that will not be reclassified subsequently to profit and loss</b>			
Remeasurement of post retirement benefits obligation	21	(2,009,990)	(2,324,570)
Fair value gain on investments in equity instruments designated as FVTOCI		13,281,778	143,393
		11,271,788	(2,181,177)
		11,271,788	(1,151,227)
<b>Total comprehensive income for the year</b>		1,210,785,326	273,030,708

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Unconsolidated Statement of Changes in Equity

For the Year Ended June 30, 2021

	Share capital	Capital reserve Unrealized gain / (loss) on investments at fair value through OCI	Revenue reserve General reserve	Un-appropriated profit	Total reserves	Total
	Rupees					
<b>Balance as at 01 July 2019</b>	102,920,000	(17,692,283)	130,000,000	1,953,960,841	2,066,268,558	2,169,188,558
<b>Total comprehensive income:</b>						
Profit For the year ended 30 June 2020	-	-	-	274,181,935	274,181,935	274,181,935
Other comprehensive income	-	1,173,343	-	(2,324,570)	(1,151,227)	(1,151,227)
<b>Total comprehensive income</b>	-	1,173,343	-	271,857,365	273,030,708	273,030,708
<b>Transactions with owners:</b>						
Final dividend for the year ended 30 June 2019 @ Rs. 8.0 per share	-	-	-	(82,336,000)	(82,336,000)	(82,336,000)
<b>Balance as at 30 June 2020</b>	102,920,000	(16,518,940)	130,000,000	2,143,482,206	2,256,963,266	2,359,883,266
<b>Total comprehensive income:</b>						
Profit for the year ended 30 June 2021	-	-	-	1,199,513,538	1,199,513,538	1,199,513,538
Other comprehensive income	-	13,281,778	-	(2,009,990)	11,271,788	11,271,788
<b>Total comprehensive income</b>	-	13,281,778	-	1,197,503,548	1,210,785,326	1,210,785,326
<b>Balance as at 30 June 2021</b>	102,920,000	(3,237,162)	130,000,000	3,340,985,754	3,467,748,592	3,570,668,592

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Unconsolidated Cash Flow Statement

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,280,175,664	335,162,459
Adjustments for:			
Depreciation on property, plant and equipment	6	205,683,853	203,669,349
Provision for employee benefits	21	26,125,152	23,735,658
Provision for GIDC		31,137,629	-
Provision for expected credit loss in trade debts		16,654,563	27,146,175
Gain / (Loss) on sale of short term investment		-	(8,630,952)
Gain on disposal of property, plant and equipment	6	(391,000)	(1,720,375)
Amortization of grant		(4,416,938)	-
Finance cost	34	176,992,844	340,756,219
Impact of discounting and unwinding of interest on GIDC		(8,740,371)	-
Dividend income on investments		(8,601,708)	(7,692,392)
		434,444,024	577,263,682
		1,714,619,688	912,426,141
<b>Working capital changes</b>			
<b>Decrease / (Increase) in current assets</b>			
Stores and spare parts		(38,989,941)	(4,392,904)
Stock in trade		(137,722,069)	(710,224,785)
Trade debts		(44,723,892)	(252,803,599)
Loan and advances		(29,364,536)	3,079,301
Short term deposits and prepayments		(3,169,355)	1,371,915
Other receivables		(9,970,853)	2,532,574
		(263,940,646)	(960,437,498)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		535,886,493	(88,863,368)
Contract liabilities		13,004,734	238,085
<b>Cash generated from / (used in) operations</b>		1,999,570,269	(136,636,640)
Dividend paid		4,378	(82,223,406)
Employee benefits paid		(18,709,574)	(12,174,309)
Finance cost paid		(208,461,262)	(326,820,285)
Sales tax refunded		3,969,741	6,229,800
Income taxes refunded / (paid)		6,849,559	(95,414,095)
Long term advances and deposits - net		(2,200,000)	-
Export rebate and duty draw back received		108,039	23,607,932
		(218,439,119)	(486,794,363)
<b>Net cash generated from / (used in) operating activities</b>		1,781,131,150	(623,431,003)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(316,738,731)	(268,005,212)
Proceeds from disposal of property, plant and equipment		1,425,000	2,460,000
Long term investment		(2,500,000)	-
Other financial assets		(850)	-
Proceed from sale of investments		-	8,630,952
Dividend received		8,601,708	7,692,392
<b>Net cash used in investing activities</b>		(309,212,873)	(249,221,868)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing obtained		286,109,905	319,374,500
Short term borrowings - net		(1,705,717,905)	558,849,176
Repayment of long term loan		(51,596,789)	(5,703,124)
<b>Net cash (used in) / generated from financing activities</b>		(1,471,204,789)	872,520,552
<b>Net increase / (decrease) in cash and cash equivalents</b>		713,488	(132,319)
<b>Cash and cash equivalents at beginning of the year</b>		6,270,961	6,403,280
<b>Cash and cash equivalents at the end of the year</b>	37	6,984,449	6,270,961

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 1. LEGAL STATUS AND OPERATIONS

- 1.1** Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on 13 June 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on 16 June 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 mill is located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.

## 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

### 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 associates 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.

### 2.3 Basis of measurement

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

### 2.4 Functional and presentation currency

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

## 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 New / Revised Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for new standards, interpretation and amendments to following amendments as described below:

IFRS 3	–	Business Combinations - Definition of a Business (amendments)
IFRS 7 & IFRS 9	–	Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)
IAS 1 & IAS 8	–	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)
IFRS 16	–	Covid-19-Related Rent Concessions (Amendment to IFRS 16)
IFRS 16	–	Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

The adoption of the above, amendments and improvements to accounting standards did not have any material effect on the financial statement.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 3.2 Standards, Interpretations and amendments to approved accounting standards that are not yet effective:

The following amendments to the approved accounting and reporting standards, applicable in Pakistan, would be effective from the dates mentioned below against the respective standards and interpretation have not been adopted early by the Company:

Standard or Interpretation	Effective-date (annual periods beginning on or after)
IAS 7 & IAS 9 Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021
IFRS 3 Business Combinations - The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IFRS 16 Property, plant and equipment - Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2023
IAS 1 Presentation of Financial Statements to require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy	01 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments) - Definition of Accounting Estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”	01 January 2023
IFRS 10 & IAS 28 Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The above new amendments to standards are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above amendments to standards, the IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 July 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

In addition to the above amendments to standards, improvements to various accounting standards have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

after 01 January 2022. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 - First time adoption of International Financial Reporting Standards	01 July 2009
IFRS 17 - Insurance Contracts	01 January 2023

The Company expects that the adoption of the above standards will not affect the Company's financial statements in the period of initial application.

## 4. 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.

### 4.1 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.

### 4.2 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.

### 4.3 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.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Property, plant and equipment

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 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 6 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 operating fixed assets as and when these assets are available for use.

### 5.2 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.

### 5.3 Stores, spare parts and loose tools

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

### 5.4 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 reporting date.

Waste stock is 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.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 5.5 Financial instruments – initial recognition and subsequent measurement

### 5.5.1 Financial assets

#### a) 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.

#### b) 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:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) 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 debts, deposits and other receivables, short term advances, long term loans and advances and bank balances.

#### 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:

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



# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

- (ii) 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 has no financial assets under this category at the reporting date.

## 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.

Based on its business model, 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.

The Company has no financial assets under this category at the reporting date.

## c) 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:

- (i) The rights to receive cash flows from the asset have expired, or
- (ii) 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

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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.

## d) 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, 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 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.

The Company considers a financial asset 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.

## 5.5.2 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, unclaimed dividend and loans and borrowings including bank overdrafts.

Subsequent measurement

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

### a) 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

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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.

## b) Financial liabilities at amortised cost

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.

## c) 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.

## d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

## 5.6 Impairment of 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.

For impairment testing, assets are grouped together into the smallest group 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).

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.

## 5.7 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in 5.5.1(d).

## 5.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term highly liquid deposits 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 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.

## 5.9 Trade and other payables

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

## 5.10 Employee benefits - retirement benefits

### Defined contribution plan

## Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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 8.33% 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.

## 5.11 Provisions

### Recognition and measurement

Provisions 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.

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.

## 5.12 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.

## 5.13 Revenue recognition

Revenue is recognized when performance obligation is satisfied. Revenue is measured at the fair value of

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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;
- 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.

## 5.14 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.

## 5.15 Income 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 balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial statements. It is determined using tax rates (and laws) that have been enacted or substantively 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.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax is calculated at the rates that are expected to apply for the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

The Company assesses at each reporting date whether its income is subject to tax under the Final Tax Regime or normal provision of the Income Tax Ordinance, 2001. It considers turnover trend of last three years as well as expected pattern of taxation of future years in order to recognize deferred tax.

## 5.16 Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and all



## Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

### 5.17 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.

### 5.18 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.

### 5.19 Related party transactions

All transactions with related parties are carried out by the Company at arms' length. Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the financial statements.

## 6 PROPERTY, PLANT AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	6.1	2,105,320,345	2,046,222,535
Capital work-in-progress	6.5	55,840,870	4,917,802
		2,161,161,215	2,051,140,337

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

At 30 June 2021

Particulars	COST				DEPRECIATION				Book value As at 30 June 2021	Annual depreciation rate %
	As at 01 July 2020	Additions	Transfers	Disposals	As at 30 June 2021	Charge for the year	Disposals	As at 30 June 2021		
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	57,552,157	3,768,110	-	61,320,267	71,594,086
Factory	852,442,356	-	5,518,253	-	857,960,609	448,263,977	40,723,543	-	488,987,520	368,973,089
Plant and machinery	2,464,403,804	-	255,847,377	-	2,720,251,181	1,114,522,755	140,654,654	-	1,255,177,409	1,465,073,772
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,747,477	127,685	-	1,875,162	1,149,185
Vehicles	84,248,878	4,127,000	-	-	86,965,878	34,372,377	10,187,615	376,000	44,183,992	42,781,886
Office equipment	5,484,005	104,274	-	-	5,588,279	2,241,929	334,635	-	2,576,564	3,011,715
Electric installation	167,104,495	-	-	-	167,104,495	70,480,240	9,662,426	-	80,142,666	86,961,829
Electric equipment	408,950	-	-	-	408,950	226,898	18,205	-	245,103	163,847
Computers	3,680,953	218,759	-	-	3,899,712	3,191,550	206,980	-	3,398,530	501,182
	3,778,821,895	4,450,033	261,365,630	1,410,000	4,043,227,558	1,732,599,360	205,683,853	376,000	1,937,907,213	2,105,320,345

At 30 June 2020

Particulars	COST				DEPRECIATION				Book value As at 30 June 2020	Annual depreciation rate %	
	As at 01 July 2019	Additions	Transfers	Disposals	As at 30 June 2020	As at 01 July 2019	Charge for the year	Disposals			As at 30 June 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	

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

**6.2** Freehold lands of the Company are located at Ferozwatoan, District Sheikhpura, Pakistan with an area of 181,802 (2020: 181,802) square yards.

**6.3** The depreciation charge for the year has been allocated as follows:

	Note	2021 Rupees	2020 Rupees
Cost of sales	29	200,651,679	197,416,948
Administrative expenses	31	5,032,174	6,252,401
<b>Total</b>		<b>205,683,853</b>	<b>203,669,349</b>

**6.4** Particulars of disposed operating fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain	Mode of disposal	Particulars of Buyers / Relationship (if any)
	Rupees						
Suzuki	1,410,000	376,000	1,034,000	1,425,000	391,000	As per Com- pany Policy	Mr. Muhammad Dawood (Employee)
Cultus							

**6.5** Capital work-in-progress

Civil works	28,271,871	-
Plant and machinery	27,568,999	4,917,802
	<b>55,840,870</b>	<b>4,917,802</b>

6.6	Movement of capital work-in-progress during the year is as follows:	1 July 2020	Additions during the year	Transferred to operating fixed assets	30 June 2021
	Particulars			Rupees	
	Civil works and buildings	-	33,790,124	(5,518,253)	28,271,871
	Plant and machinery	4,917,802	278,498,574	(255,847,377)	27,568,999
		<b>4,917,802</b>	<b>312,288,698</b>	<b>(261,365,630)</b>	<b>55,840,870</b>

7	LONG TERM INVESTMENTS	Note	2021 Rupees	2020 Rupees
	<b>Related parties - at cost:</b>			
	Subsidiary - unlisted	7.1	2,600,000	100,000
	Associates - listed	7.2	52,510,535	52,510,535
	- unlisted	7.3	36,459,110	36,459,110
			<b>88,969,645</b>	<b>88,969,645</b>
			<b>91,569,645</b>	<b>89,069,645</b>

**7.1** Investments in subsidiary company - unlisted

No. of Shares	Name of Company		
2021	2020		
260,000	10,000	RCSM Company (Private) Limited	2,600,000
		Equity Interest Held 100% (2020: 100%)	100,000

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

		Note	2021 Rupees	2020 Rupees
<b>7.2</b>	<b>Investments in associates - listed</b>			
No. of Shares		Name of Company		
2021	2020			
393,697	393,697	<b>Sapphire Fibres Limited</b>	41,956,482	41,956,482
		Equity Interest Held 1.905% (2020: 1.905%)		
100,223	100,223	<b>Sapphire Textile Mills Limited</b>	8,114,578	8,114,578
		Equity Interest Held 0.462% (2020: 0.462%)		
401,570	401,570	<b>SFL Limited</b>	2,439,475	2,439,475
		Equity Interest Held 2.00% (2020: 2.00%)		
			<b>52,510,535</b>	<b>52,510,535</b>

## 7.3 Investments in associates - unlisted

No. of Shares		Name of Company		
2021	2020			
1,556,000	1,556,000	<b>Sapphire Finishing Mills Limited</b>	16,509,160	16,509,160
		Equity Interest Held 1.69% (2020: 1.69%)		
100,223	100,223	<b>Sapphire Holding Limited</b>	524,950	524,950
		Equity Interest Held 0.5% (2020: 0.5%)		
555,000	555,000	<b>Sapphire Power Generation Limited</b>	19,425,000	19,425,000
		Equity Interest Held 3.46% (2020: 3.46%)		
			<b>36,459,110</b>	<b>36,459,110</b>

## 8 LONG TERM ADVANCES AND DEPOSITS

<b>Advance for vehicle</b>	2,200,000	-
<b>Deposits:</b>		
Water and Power Development Authority	5,554,420	5,554,420
Central Depository Company of Pakistan	25,000	25,000
Others	3,408,270	3,408,270
	<b>11,187,690</b>	<b>8,987,690</b>

## 9 STORES, SPARES AND LOOSE TOOLS

<b>In hand:</b>		
Stores	7,845,702	5,329,896
Spares	34,300,140	16,553,050
Loose tools	24,000	-
<b>In transit:</b>		
Stores and spares	46,325,552	27,622,507
	<b>88,495,394</b>	<b>49,505,453</b>

## for the year ended June 30, 2021

## 11 TRADE DEBTS

Considered good:			
Foreign debts		98,968,852	223,109,593
Considered good:			
Local debts		963,115,276	795,227,560
Waste		5,006,755	4,673,712
Others		5,922,077	5,278,203
		974,044,108	805,179,475
Less: Provision for expected credit loss	11.3	(58,224,328)	(41,569,765)
		915,819,780	763,609,710
		1,014,788,632	986,719,303

### 11.2 Due from related parties- Domestic debts

**11.2.1** The aging of trade debts receivable from related parties as at reporting date is as follows:

**11.2.2** Maximum amount due from related parties during the year, calculated by reference to month-end balances, was Rs. 58,235,406 (2020: Rs. 84,340,428).

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>11.3 Provision for expected credit loss</b>			
Balance at the beginning of the year		41,569,765	14,423,590
Charged during the year	30	16,654,563	27,146,175
Balance at the end of the year		58,224,328	41,569,765
<b>12. LOANS AND ADVANCES</b>			
Advances to suppliers - considered good		32,729,124	9,079,176
Advance income tax		101,128,683	95,414,095
		133,857,807	104,493,271
<b>13. SHORT TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits		3,120,505	-
Bank guarantee margin		241,172	133,984
Prepayments		29,169	87,507
		3,390,846	221,491
<b>14. SHORT TERM INVESTMENTS</b>			
Claims receivable		9,970,853	-
Export rebate receivable		3,814,148	3,922,187
Deposits with High Court		6,993,302	6,993,302
		20,778,303	10,915,489
<b>15. OTHER FINANCIAL ASSETS</b>			
Equity instruments at fair value through other comprehensive income (FVOCI)	15.1	58,707,227	58,706,377
Unrealized loss on remeasurement of investment		(3,237,162)	(16,518,940)
		55,470,065	42,187,437



# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 15.1 Equity instruments at fair value through other comprehensive income (FVOCI)

(Investment in quoted securities)

Number of Shares		Name of Company	2021	2020	2021	2020
2021	2020		Cost		Fair value	
Rupees						
14,000	14,000	Attock Cement Pakistan Limited	1,870,481	1,870,481	2,517,480	1,744,820
14,200	14,200	D. G. Khan Cement Company Limited	1,659,557	1,659,557	1,674,464	1,211,686
25,740	25,740	Engro Corporation Limited	7,296,579	7,296,579	7,583,261	7,539,761
55,000	55,000	Engro Fertilizers Limited	3,317,315	3,317,315	3,864,850	3,315,400
156,683	156,683	Engro Polymer & Chemicals Limited	4,881,318	4,881,318	7,401,705	3,913,941
19,000	19,000	The Hub Power Company Limited	2,428,134	2,428,134	1,513,730	1,377,500
5,900	5,900	ICI Pakistan Limited	6,980,061	6,980,061	5,125,920	4,098,789
290,000	290,000	K-Electric Limited	1,879,537	1,879,537	1,212,200	872,900
3,350	3,350	Lucky Cement Limited	2,167,609	2,167,609	2,892,524	1,546,293
847	847	Mari Petroleum Company Limited	1,054,594	1,054,594	1,291,158	1,047,443
31,460	28,600	Meezan Bank Limited	2,431,357	2,431,357	3,630,799	1,969,110
30,000	30,000	Oil & Gas Development Company Limited	4,574,621	4,574,621	2,850,900	3,270,000
2,400	2,400	Packages Limited	2,037,824	2,037,824	1,308,480	833,304
15,264	15,264	Pakistan Petroleum Limited	1,530,272	1,530,272	1,325,373	1,324,610
17,744	17,744	Pakistan State Oil Company Limited	3,969,942	3,969,942	3,979,092	2,806,391
66,000	66,000	Sui Northern Gas Pipeline Limited	8,184,950	8,184,950	3,206,280	3,603,600
52,000	52,000	Sui Southern Gas Company Limited	1,931,748	1,931,748	691,600	693,680
6,050	5,500	Systems Limited	492,468	492,468	3,389,331	1,010,240
45	40	The Searle Company Limited	18,860	18,010	10,918	7,969
			58,707,227	58,706,377	55,470,065	42,187,437

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>16 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax refundable		189,710,072	258,109,361
Sales tax receivable		102,421,449	106,391,190
		292,131,521	364,500,551

## 17. CASH AND BANK BALANCES

Cash in hand	708,500	1,360,000
Cash at bank in current accounts	8,048,063	4,910,961
	8,756,563	6,270,961

## 18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021 Number	2020 Number		2021 Rupees	2020 Rupees
10,292,000	10,292,000	Ordinary shares of Rs.10 each		
		allotted for consideration paid in cash	102,920,000	102,920,000

**18.1** The Company has only one class of shares which carry no right to fixed income.

**18.2** 6,709,970 (2020: 6,709,970) shares of the Company are held by associated companies as at the reporting date. The breakup is as under:

	2021	2020
	Number of shares	
Amer Cotton Mills (Private) Limited	18,100	18,100
Amer Tex (Private) Limited	5,167	5,167
Crystal Enterprises (Private) Limited	27,696	27,696
Galaxy Agencies (Private) Limited	108,217	108,217
Neelum Textile Mills (Private) Limited	1,365,515	1,365,515
Nadeem Enterprises (Private) Limited	87,104	87,104
Reliance Textiles (Private) Limited	1,098,118	1,098,118
Salman Ismail (SMC-Private) Limited	1,500	1,500
Sapphire Textile Mills Limited	313,295	313,295
Sapphire Fibres Limited	138,900	138,900
Sapphire Holding Limited	636,156	636,156
SFL Limited	557,621	557,621
Sapphire Agencies (Private) Limited	2,318,899	2,318,899
Sapphire Power Generation Limited	20,539	20,539
Yousuf Agencies (Private) Limited	3,223	3,223
Four Strength (Private) Limited	9,920	9,920
	6,709,970	6,709,970

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>19. RESERVES</b>			
Capital reserves	19.1	(3,237,162)	(16,518,940)
Revenue reserves	19.2	3,470,985,754	2,273,482,206
		<b>3,467,748,592</b>	<b>2,256,963,266</b>

**19.1** This represents the unrealized loss on re-measurement of investments at fair value through OCI.

**19.2** Composition of revenue reserves is as follows:

General reserves	19.2.1	130,000,000	130,000,000
Unappropriated profit	19.2.2	3,340,985,754	2,143,482,206
		<b>3,470,985,754</b>	<b>2,273,482,206</b>

**19.2.1** This represents appropriation of profit in past years to meet future contingencies.

**19.2.2** This represents the level of unrestricted funds available for general use and distribution among the shareholders.

## 20 LONG TERM LIABILITIES

Long term financing	20.1	962,203,437	853,696,129
Gas Infrastructure Development Cess payable	20.2	42,244,939	-
		<b>1,004,448,376</b>	<b>853,696,129</b>

### 20.1 Long term financing

#### Loans from banking companies - secured

Faysal Bank Limited	20.1.1	154,503,000	9,937,500
Habib Bank Limited	20.1.2	295,240,666	202,398,000
MCB Bank Limited	20.1.3	652,974,629	660,715,128
		<b>1,102,718,295</b>	<b>873,050,628</b>
Less: Current portion shown under current liabilities		(140,514,858)	(19,354,499)
		<b>962,203,437</b>	<b>853,696,129</b>

**20.1.1** These loans carry mark-up ranging from 3.00% to 8.33% per annum (2020: 8.33% per annum) obtained in different tranches and are repayable in 32 quarterly instalments. These are secured against exclusive hypothecation charge of Rs. 500 million (2020: Rs.460 million) over specific plant and machinery.

**20.1.2** These loans carry mark-up ranging from 1% to 11.84% per annum (2020: 2.85% per annum) obtained in different tranches and are repayable in quarterly instalments ranging from 4 to 32. These are secured against exclusive hypothecation charge of Rs.488 million (2020: Rs.334 million) over specific plant and machinery.

**20.1.3** These loans carry mark-up at the rate of 2.5% to 11.84% per annum (2020: 2.50% to 8.84% per annum) obtained in different tranches and are repayable in 16 half yearly instalments. These are secured against exclusive hypothecation charge of Rs.1,000 million (2020: 1,000 million) over specific plant and machinery.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	2021 Rupees	2020 Rupees
<b>20.2 Gas Infrastructure Development Cess payable</b>		
Gas Infrastructure Development Cess payable	85,386,356	-
Less: current portion shown under current liabilities	(43,141,417)	-
	42,244,939	-
<b>20.2 Gas Infrastructure Development Cess payable</b>		
Balance as at 01 July 2020	62,989,099	-
Effect of discounting	(13,921,859)	-
Provision during the year	31,137,629	-
Unwinding of interest	5,181,487	-
	85,386,356	-

**20.2.2** The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated 13 August 2020 decided the appeal against the Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company has not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Company.

The Company has already recorded a provision for GIDC (included in trade and other payables in the preceding year). The amount has now been classified as long term liabilities at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs. 13,921,859 which has been netted off against cost of sales.

	Note	2021 Rupees	2020 Rupees
<b>21 DEFERRED LIABILITIES</b>			
Government grant	21.1	428,511	-
Staff retirement benefits - gratuity	21.2	72,010,728	62,585,160
		72,439,239	62,585,160
<b>21.1 Government grant</b>			
Government grant		3,814,496	-
Less: current portion shown under trade and other payables		(3,385,985)	-
		428,511	-

Government grant has been recognized against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

for the year ended June 30, 2021

## 21.2 Staff retirement benefits

Opening net liability		62,585,160	48,699,241
Expense for the year in profit and loss	21.2.1	26,125,152	23,735,658
Remeasurement loss recognized in other comprehensive income		2,009,990	2,324,570
		90,720,302	74,759,469
Benefits paid during the year		(18,709,574)	(12,174,309)
Closing net liability		72,010,728	62,585,160

Current service cost	21,600,570	17,983,026
Interest cost	4,524,582	5,752,632
	26,125,152	23,735,658

Present value of defined benefit obligation	62,585,160	48,699,241
Current service cost	21,600,570	17,983,026
Interest cost	4,524,582	5,752,632
Actuarial loss	2,009,990	2,324,570
Benefits paid	(18,709,574)	(12,174,309)
	72,010,728	62,585,160

- Expected gratuity expense charged to profit and loss for the year ending 30 June 2022 works out to Rs. 33,219,972.
- The weighted average duration of defined benefit obligation is 13 years.

The scheme provides for terminal benefits for all of its workers at mill who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method. Latest actuarial valuation was carried out on 30 June 2021.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	2021 %	2020 %
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## Principal actuarial assumptions

Following are a few important actuarial assumption used in the valuation:

Discount rate	10.25	8.50
Expected rate of increase in salary	9.25	7.50
Average age of employees	13 years	11 years
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

## Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes the amount of defined benefit obligation at the end of the reporting period if there is a change in respective assumptions by 100 basis point.

		Increase in assumptions Rupees	Decrease in assumptions Rupees
Discount rate	1%	63,273,911	81,955,731
Salary growth rate	1%	81,953,919	63,273,133

	Note	2021 Rupees	2020 Rupees
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## 22 TRADE AND OTHER PAYABLES

Creditors	22.1	161,837,363	70,854,183
Accrued liabilities		267,776,107	264,210,745
Workers' profit participation fund	22.2	63,132,291	14,430,628
Infrastructure fee		96,098,284	79,056,195
Current portion of deferred government grant		3,385,985	-
Foreign Bills Payable against LC		322,664,060	13,444,944
		914,894,090	441,996,695

### 22.1 These balances include the following amounts due to related parties:

Amer Cotton Mills (Private) Limited	133,360	304,200
Sapphire Fibres Limited	5,774,827	803,113
Sapphire Textile Mills Limited	122,029	-
Sapphire Power Generation Limited	252,720	252,720
	6,282,936	1,360,033



# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>22.2 Workers' profit participation fund</b>			
Balance at the beginning of the year		14,430,628	20,562,233
Allocation for the year		63,132,291	14,430,628
Interest on funds utilized in the Company's business	34	214,012	1,571,390
		63,346,303	16,002,018
		77,776,931	36,564,251
Less: Payments during the year		(14,644,640)	(22,133,623)
Balance at the end the year		63,132,291	14,430,628

## 23 CONTRACT LIABILITIES

The contract liabilities outstanding at 30 June 2020 have been recognized as revenue during the year.

## 24 ACCRUED INTEREST / MARK-UP

Accrued interest / mark-up on secured:			
- long term financing		7,489,406	4,447,797
- short term borrowings		22,082,380	56,592,407
		29,571,786	61,040,204

## 25 SHORT TERM BORROWINGS

<b>From banking companies:</b>			
Short term loans		360,000,000	189,734,118
Running finance under mark-up arrangements		453,169,206	2,292,027,993
	25.1	813,169,206	2,481,762,111
Bank overdrafts	25.2	1,772,114	-
<b>From related parties:</b>			
Loan from Directors		-	15,705,000
Loan from associated companies		-	21,420,000
		-	37,125,000
		814,941,320	2,518,887,111

**25.1** Aggregate facilities amounting to Rs.7,318 million (2020: Rs.6,320 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts, export bills under collection and pledge of shares. These carry mark up ranging from 2.5% to 9.33% (2020: 2.35% to 15.10%) per annum on local and foreign currency loans payable monthly / quarterly. These facilities are renewable on various expiry dates.

Total unfunded facilities available to the Company aggregate to Rs.1,925 million (2020: Rs.3,400 million) out of which the amount which remained unutilized at the year-end was Rs. 778 million (2020: Rs.2,981 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Company, cash margins and pledge of shares.

**25.2** This represents issuance of cheques in excess of balance at bank accounts.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>26 CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	20.1	140,514,858	19,354,499
Current portion of Gas Infrastructure Development Cess payable	20.2	43,141,417	-
		<b>183,656,275</b>	<b>19,354,499</b>

## 27 CONTINGENCIES AND COMMITMENTS

### Contingencies

<b>27.1</b> Guarantees issued by banks on behalf of the Company	<b>223,990,298</b>	<b>203,990,298</b>
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**27.2** Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at 30 June 2021 the value of these cheques amounted to Rs.447.543 million (2020: Rs.410.487 million).

### 27.3 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 20 June 2015. However, the Company has filed an appeal in Lahore High Court dated 07 July 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.

### 27.4 Commitments

Commitments in respect of confirmed letter of credit	27.4.1	922,975,459	234,027,315
Commitments in respect of capital expenditure		34,638,687	-
		<b>957,614,146</b>	<b>234,027,315</b>

#### 27.4.1 Confirmed letter of credit in respect of:

- plant and machinery	537,740,658	13,485,600
- raw material	368,568,500	209,838,330
- stores and spares	16,666,301	10,703,385
	<b>922,975,459</b>	<b>234,027,315</b>

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 28 NET TURNOVER

		Export Sales		Local Sales		Total	
	Note	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Yarn	28.2	6,050,551,248	4,665,708,272	2,077,274,663	1,751,029,099	8,127,825,911	6,416,737,371
Waste	28.3	140,216,004	134,686,558	53,953,162	67,455,051	194,169,166	202,141,609
Raw material		-	-	123,010,519	-	123,010,519	-
Processing income		-	-	248,924	-	248,924	-
Steam income		-	-	5,678,478	-	5,678,478	-
		6,190,767,252	4,800,394,830	2,260,165,746	1,818,484,150	8,450,932,998	6,618,878,980
Less: sales tax						(769,030,977)	(632,158,900)
						7,681,902,021	5,986,720,080

**28.1** Revenue is recognized at point in time as per the terms and conditions of underlying contracts with customers.

	2021 Rupees	2020 Rupees
<b>28.2 Export sales - Yarn</b>		
Direct export	1,799,565,046	1,370,230,993
In-direct export	4,250,986,202	3,295,477,279
	6,050,551,248	4,665,708,272

**28.3** Export waste sales represent comber noil sales.

**28.4** Exchange loss due to currency rate fluctuations amounting to Rs. 25.56 million (2020: Loss of Rs. 1.665 million) has been included in export sales.

## Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>29. COST OF SALES</b>			
Raw material consumed	29.1	4,150,333,578	3,747,194,990
Packing material consumed		101,496,368	82,300,504
Stores and spares consumed		146,040,159	104,119,890
Salaries, wages and benefits	29.2	469,873,322	424,716,701
Fuel, power and water		428,775,309	358,022,591
Repair and maintenance		10,523,810	9,619,292
Travelling and conveyance		6,354,705	6,759,626
Insurance expenses		11,043,255	8,446,683
Depreciation	6.3	200,651,679	197,416,948
Processing Charges		239,438,795	192,640,808
Other manufacturing expenses		5,518,711	5,201,744
		5,770,049,691	5,136,439,777
<b>Work in process</b>			
Opening stock		204,534,246	246,276,183
Closing stock	10	(223,211,729)	(204,534,246)
		(18,677,482)	41,741,937
<b>Cost of goods manufactured</b>		5,751,372,209	5,178,181,714
Finished goods			
Opening stock		432,548,884	292,164,901
Yarn / fabric purchased during the year		13,706,969	3,674,029
Closing stock	10	(363,753,827)	(432,548,884)
		82,502,026	(136,709,954)
<b>Cost of goods sold - manufactured</b>		5,833,874,235	5,041,471,760
Cost of raw material sold		89,303,197	17,350,463
		5,923,177,432	5,058,822,223
<b>29.1 Raw material consumed</b>			
Opening balance		1,954,060,805	1,290,321,972
Purchases		3,989,500,242	4,410,933,823
		5,943,561,047	5,701,255,795
Closing stock	10	(1,793,227,469)	(1,954,060,805)
		4,150,333,578	3,747,194,990

**29.2** Salaries, wages and benefits include Rs. 26,125,152 (2020: Rs.23,735,658) in respect of post employment benefits - gratuity and Rs.3,455,606 (2020: Rs.3,065,235) in respect of provident fund contribution.

## Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>30. DISTRIBUTION COST</b>			
Salaries and benefits	30.1	15,382,563	13,786,495
Postage and telephone		1,710,353	922,590
Travelling, conveyance and entertainment		7,783,726	10,013,349
Printing, stationery and others		727,620	506,010
Commission			
- Local		10,493,164	3,784,635
- Export		20,434,839	18,006,443
Freight and forwarding			
- Local		10,030,559	9,712,341
- Export		60,993,664	40,020,468
Provision for expected credit loss in trade debts	11.3	16,654,563	27,146,175
Export development surcharge		5,783,205	3,798,215
Insurance charges - export		293,159	228,897
		150,287,415	127,925,618

**30.1** Salaries and benefits include Rs. 693,502 (2020: Rs. 685,838) in respect of provident fund contribution.

## Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>31 ADMINISTRATIVE EXPENSES</b>			
Directors' meeting fee		114,000	-
Salaries and benefits	31.1	56,107,654	56,617,345
Utility charges		860,820	2,313,807
Postage and telephone		775,266	622,541
Printing and stationery		933,827	510,692
Travelling and conveyance		1,617,485	4,165,765
Repair and maintenance		3,753,360	7,301,973
Legal and professional charges		2,909,398	2,592,005
Fees and subscription		2,880,813	1,799,399
Advertisement		72,611	109,014
Entertainment		373,672	898,494
Donations	31.2	16,890,000	1,050,000
Depreciation	6.3	5,032,174	6,252,401
Others		85,273	199,442
		<b>92,406,353</b>	<b>84,432,878</b>

**31.1** Salaries and benefits include Rs.1,291,304 (2020: Rs. 1,214,860) in respect of provident fund contribution

**31.2** Donations to following organisations are greater than 10% of total donations of the Company.

	Note	2021 Rupees	2020 Rupees
Abdullah Foundation	31.2.1	16,500,000	-

**31.2.1** The Directors of the Company who have interest in Abdullah Foundation (donee) are following:

Name of director	Interest in donee	Name and address of donee
Mr. Shayan Abdullah	Chief Executive/ Director	Abdullah Foundation, 312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mr. Shahid Abdullah	Director	
Mr. Nabeel Abdullah	Director	
Mr. Amer Abdullah	Director	
Mr. Yousuf Abdullah	Director	



# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>32. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund	22.2	63,132,291	14,430,628
Auditors' remuneration	32.1	973,350	927,000
Exchange loss on foreign currency loans		-	49,007,416
		64,105,641	64,365,044

## 32.1 Auditors' remuneration

Audit fee	656,250	625,000
Half yearly review fee	138,600	132,000
Code of corporate governance review fee	57,750	55,000
Out-of-pocket expenses	68,250	65,000
Other certification / services	52,500	50,000
	973,350	927,000

## 33 OTHER INCOME

### Income from financial assets

Dividend income		
- from associated companies	5,550,000	5,755,374
- from other companies	3,051,708	1,937,018
	8,601,708	7,692,392

Amortization from government grant	4,416,938	-
	13,018,646	7,692,392

### Income from non-financial assets

Gain on sale of fixed assets	391,000	1,720,375
Gain on sale of investment	-	8,630,952
Exchange gain on foreign currency loans	2,115,761	-
Scrap sales [sales tax aggregating Rs.1,489,178 (2020: Rs. 1,304,189)]	7,703,786	6,700,642
	10,210,547	17,051,969
	23,229,193	24,744,361

## 34 FINANCE COST

### Interest / mark-up on :

- short term finances	152,583,760	311,779,426
- long term loans	24,195,072	17,802,043
- Workers' Profit Participation Fund	22.2 214,012	1,571,390
	176,992,844	331,152,859
Bank charges, commission and others charges	7,615,950	9,603,360
Unwinding effect of Government Grant	5,188,427	-
Unwinding effect of GIDC	5,181,487	-
	194,978,709	340,756,219

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>35. TAXATION</b>			
<b>Current</b>			
- for the year		79,389,202	60,276,805
- prior years		1,272,923	703,719
		<b>80,662,125</b>	<b>60,980,524</b>

**35.1** 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.

	Note	2021 Rupees	2020 Rupees
<b>36 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year	Rupees	1,199,513,538	274,181,935
Weighted average number of ordinary shares	Number	10,292,000	10,292,000
Earnings per share - basic and diluted	Rupees	116.55	26.64

## 37 CASH AND CASH EQUIVALENTS

Bank overdrafts	(1,772,114)	-
Cash and bank balances	8,756,563	6,270,961
	<b>6,984,449</b>	<b>6,270,961</b>

## 38 RELATED PARTY DISCLOSURES

The related parties comprise of associated companies (due to common directorship), subsidiaries, directors and key management personnel. The remuneration of key management personnel is disclosed in note 41. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2021 Rupees	2020 Rupees
<b>(i) Subsidiaries</b>	Investment made	2,500,000	-
<b>(ii) Associates</b>	Sales / processing	711,715,983	608,818,694
	Purchases	54,289,945	23,328,245
	Expenses charged to	5,502,878	870,188
	Expenses charged by	9,987,234	21,239,642
	Dividend paid	20,400	53,821,728
	Dividend received	5,550,000	5,755,374
	Services Obtained	-	2,591,016
	Loans repaid to associated companies	(21,420,000)	(6,067,000)
<b>(iii) Others</b>	Loans repaid to directors	(15,705,000)	-
	Donation	16,500,000	1,050,000

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

Company Name	Relationship	Basis of relationship	Aggregate % of shareholding
RCSM Company (Private) Limited	Subsidiary	100% Shareholding	100%
Sapphire Textile Mills Limited	Associate	Common directorship	3.46%
Sapphire Fibres Limited	Associate	Common directorship	0.462%
Sapphire Electric Company Limited	Associate	Common directorship	1.905%
Sapphire Finishing Mills Limited	Associate	Common directorship	1.69%
Sapphire Holding Limited	Associate	Common directorship	0.50%
SFL Limited	Associate	Common directorship	19.987%
Amer Cotton Mills (Private) Limited	Associate	Common directorship	N/A
Diamond Fabrics Limited	Associate	Common directorship	N/A
Sapphire Power Generation Limited	Associate	Common directorship	N/A
Neelum Textile Mills Limited	Associate	Common directorship	N/A
Galaxy Agencies (Private) Limited	Associate	Common directorship	N/A
Crystal Enterprises (Private) Limited	Associate	Common directorship	N/A
Salman Ismail (SMC) (Private) Limited	Associate	Common directorship	N/A
Yousuf Agencies (Private) Limited	Associate	Common directorship	N/A
Nadeem Enterprises (Private) Limited	Associate	Common directorship	N/A
Reliance Textile (Private) Limited	Associate	Common directorship	N/A
Amer Tex (Private) Limited	Associate	Common directorship	N/A
Sapphire Agencies (Private) Limited	Associate	Common directorship	N/A
Four Strength (Private) limited	Associate	Common directorship	N/A

	2021 Rupees	2020 Rupees
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## 39 NUMBER OF EMPLOYEES

Number of employees at year end	1,163	1,128
Average number of employees	1,145	1,115

## 40 PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	46,944	45,984
Number of spindles worked	43,463	42,595
Number of shifts worked per day	3	3
Total days worked	365	359
Installed capacity after conversion into 20/s lbs.	31,029,984	30,392,820
Actual production after conversion into 20/s lbs.	27,050,525	25,551,056

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.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Executives		Chief Executive	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Remuneration	31,101,125	29,607,862	9,648,000	9,648,000
Bonus	4,623,499	5,919,330	-	-
Medical	622,022	592,157	-	-
Contribution to provident fund	2,590,724	-	-	-
Leave encashment and other benefits	21,422,362	14,582,921	4,752,000	4,752,000
	60,359,732	50,702,270	14,400,000	14,400,000
<b>Number of persons</b>	12	12	1	1

**41.1** In addition, some of the above persons have been provided with the company maintained cars.

**41.2** Meeting fee of Rs. 114,000 (2020: Rs. 24,000) has been paid to independent non-executive directors. No other remuneration has been paid to non-executive directors of the Company.

**41.3** The Chief Executive and Executive Directors were also provided with telephones at residence.

## 42 PROVIDENT FUND

Reliance Cotton Spinning Mills Limited - Employees' Provident Fund holds the investments which are in accordance with the provisions of section 218 of the Companies Act 2017 and the Rules formulated for this purpose.

## 43 FINANCIAL INSTRUMENTS

The Company has exposures 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 Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also 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. 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.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 43.1 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, deposits, bank balances and other receivables.

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

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

### 43.1.1 Exposure to 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, and arises principally from the trade debts, trade deposits, other receivables and bank balances. Out of total financial assets of Rs. 1,101 million (2020: Rs. 1,045 million), financial assets which are subject to credit risk aggregate to Rs. 1,045 million (2020: Rs. 1,001 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Note	2021 Rupees	2020 Rupees
Long term deposits		8,987,690	8,987,690
Trade debts		1,014,788,632	986,719,304
Security deposits		3,361,677	-
Other receivables		9,970,853	-
Bank balances		8,048,063	4,910,961
		1,045,156,915	1,000,617,955

43.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows:

	Note	2021 Rupees	2020 Rupees
Local		974,044,108	805,179,475
Export		98,968,852	223,109,593
		1,073,012,960	1,028,289,068

The majority of export debts of the Company are situated in Asia, Europe and North America.

43.1.3 Customer credit risk is managed under the Company's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and all exports are covered by letters of credit or other forms of credit insurance obtained from reputable banks.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Company does not hold collateral as security. The letters of credit for export sales are considered integral part of export trade receivables and there is no past history of default in case of export debtors, so the expected credit loss rate for the export trade receivables is insignificant, hence gross amount equals to net carrying amount. However, for local trade receivables the Company evaluates the concentration of risk with respect to them as low, as its customers mostly deal in advances and their demand is order based.

Set out below is the information about the credit risk exposure on the Company's local trade receivables using a provision matrix:

	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	361 days or more
Rupees							
<b>As at 30 June 2021</b>							
<b>Estimated total gross carrying amount</b>	166,012,563	435,758,867	336,796,827	99,718,989	14,962,243	764,547	18,998,924
<b>Expected credit loss</b>	-	4,357,589	16,841,383	9,971,899	7,481,122	573,410	18,998,924
<b>As at 30 June 2020</b>							
<b>Estimated total gross carrying amount</b>	759,767,266	118,413,327	64,507,087	74,701,634	-	-	10,899,753
<b>Expected credit loss</b>	4,919,499	3,035,260	5,090,241	21,767,602	-	-	6,757,162

**43.1.4** Credit risk from balances with banks and financial institutions is managed by the Company's finance department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held:

Name of bank	Rating Agency	Rating	
		Short term	Long term
Askari Bank Limited	PACRA	AA-	AA-
Allied Bank Limited	PACRA	A-1+	AAA
Bank Islami Pakistan Limited	PACRA	A-1	A+
Dubai Islamic Bank	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
United Bank Limited	JCR-VIS	A-1+	AAA

## 43.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.



# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

Financial liabilities in accordance with their contractual maturities are presented below:

	2021				
	Carrying amount	Contractual cash flows	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,102,718,295	1,224,123,611	160,002,932	609,750,117	454,370,562
Trade and other payables	752,277,530	914,894,090	914,894,090	-	-
Accrued interest / mark-up	29,571,786	29,571,786	29,571,786	-	-
Unclaimed dividend	617,737	617,737	617,737	-	-
Short term borrowings	814,941,320	814,941,320	814,941,320	-	-
	2,700,126,668	2,984,148,544	1,920,027,865	609,750,117	454,370,562

	2020				
	Carrying amount	Contractual cash flows	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	873,050,628	989,849,022	41,971,602	476,668,421	471,208,999
Trade and other payables	334,156,552	349,431,112	349,431,112	-	-
Accrued interest / mark-up	61,040,204	61,040,204	61,040,204	-	-
Unclaimed dividend	613,360	613,360	613,360	-	-
Short term borrowings	2,518,887,111	2,518,887,111	2,518,887,111	-	-
	3,787,747,855	3,919,820,809	2,971,943,389	476,668,421	471,208,999

**43.2.1** The contractual cash flow relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-end. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

## 43.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments.

### 43.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares and export of goods mainly denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Company's exposure to foreign currency risk for US Dollar, Euro, Japanese Yen and Swiss Frank is as follows:

	2021						
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(98,968,852)	(627,179)	-	-	-	-	-
	(98,968,852)	(627,179)	-	-	-	-	-
Outstanding letters of credit	922,975,459	2,453,891	970,117	-	2,045,000	-	-
Net Exposures	824,006,607	1,826,712	970,117	-	2,045,000	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	2020						
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(223,109,593)	(1,245,927)	(71,293)	-	-	-	-
	(223,109,593)	(1,245,927)	(71,293)	-	-	-	-
Outstanding letters of credit	234,027,315	1,324,814	39,330	1,917,031	-	-	-
Foreign currency forward contracts	189,734,118	1,124,350	-	-	-	-	-
<b>Net Exposures</b>	<b>200,651,840</b>	<b>1,203,238</b>	<b>(31,963)</b>	<b>1,917,031</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following significant exchange rates have been applied as at reporting date:

	Note	2021 Rupees	2020 Rupees
US \$ to Rupees (Buying/Selling)		<b>158.3 / 157.8</b>	168.25 / 168.75
Euro to Rupees (Buying/Selling)		<b>188.71 / 188.12</b>	189.11 / 189.73

## Sensitivity analysis

A 5 percent (2020: 5 percent) strengthening of the Rupees against US Dollar and Euro at 30 June would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2021</b>		
Effect in US Dollar	<b>14,412,759</b>	14,412,759
Effect in Euro	<b>9,124,921</b>	9,124,921
<b>As at 30 June 2020</b>		
Effect in US Dollar	<b>10,152,317</b>	10,152,317
Effect in Euro	<b>(303,217)</b>	(303,217)

5 percent (2020: 5 percent) weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 43.3.2 Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	Effective rate		Carrying Amount	
	2021	2020	2021	2020
	(Percentage)		(Rupees)	
Fixed rate instruments				
Financial liabilities				
Long term financing	1% to 4%	2.50%	1,102,718,295	873,050,628
Variable rate instruments				
Financial liabilities				
Short term borrowings - local currency	2.5% to 9.33%	2.3% to 15.10%	814,941,320	2,518,887,111

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in mark-up / interest rates at the reporting date would not affect profit or loss account.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2021</b>		
Cash flow sensitivity - variable rate instruments	8,149,413	(8,149,413)
<b>As at 30 June 2020</b>		
Cash flow sensitivity - variable rate instruments	25,188,871	(25,188,871)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

## 43.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitor developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in share prices of listed companies at the reporting date would have increased / decreased the Company's unrealized gain on investments at fair value through OCI as follows:

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	2021 Rupees	2020 Rupees
<b>Effect on equity</b>	5,547,007	4,218,744
Effect on investments	5,547,007	4,218,744

The sensitivity analysis prepared is not necessarily indicative of the effects on equity / investments of the Company.

## 43.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	Note	2021 Rupees	2020 Rupees
<b>43.5 Financial instruments by Category</b>			
<b>FINANCIAL ASSETS</b>			
<b>Debt instruments at amortized cost</b>			
Long term deposits		8,987,690	8,987,690
Trade debts		1,014,788,632	986,719,303
Security deposits		3,120,505	133,984
Other receivables		9,970,853	-
		1,045,624,244	1,000,751,937
<b>Equity instruments at fair value through OCI</b>			
Quoted equity shares		55,470,065	42,187,437
Bank balances		8,756,563	4,910,961
<b>Total current</b>		1,092,106,618	1,033,951,685
<b>Total non current</b>		8,987,690	8,987,690
<b>FINANCIAL LIABILITIES</b>			
<b>At amortized cost</b>			
Trade and other payables		752,277,530	348,509,872
Accrued interest / mark-up		29,571,786	61,040,204
Unclaimed dividend		617,737	613,360
Secured bank loan		1,102,718,295	873,050,628
Short term finances from banks		814,941,320	2,518,887,111
		2,700,126,668	3,802,101,175
<b>Total current</b>		1,737,923,231	2,948,405,046
<b>Total non current</b>		962,203,437	853,696,129

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 43.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1. Quoted market price (unadjusted) in an active market for identical instrument.

Level 2. Inputs other than quoted price 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 main level of inputs used by the Company for its financial assets are derived and evaluated as follows:

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees
<b>As at 30 June 2021</b>			
<b>Assets carried at fair value</b>			
Equity instruments at fair value through OCI	55,470,065	-	-
<b>As at 30 June 2020</b>			
<b>Assets carried at fair value</b>			
Equity instruments at fair value through OCI	42,187,437	-	-

## 43.7 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings (long term financing and short term borrowings as shown in the statement of financial position). Total capital comprises shareholders equity as shown in the statement of financial position under 'share capital and reserves'.

	Note	2021 Rupees	2020 Rupees
Total borrowings		1,917,659,615	3,391,937,739
Less: Cash and bank balances		8,756,563	6,270,961
Net debt		1,908,903,052	3,385,666,778
Total equity		3,570,668,592	2,359,883,266
Total capital		5,479,571,644	5,745,550,044
		2021 (Percentage)	2020 (Percentage)
Gearing ratio		34.84	58.93

# Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

## 44 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

30 June 2021					
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
Rupees					
<b>Balance as at 01 July 2020</b>	873,050,628	2,518,887,111	61,040,204	613,360	3,453,591,303
<b>Cash flows</b>					
Repayment of loans	(51,596,789)	-	-	-	(51,596,789)
Proceeds from loans	286,109,905	(1,705,717,905)	-	-	(1,419,608,000)
Finance cost paid	-	-	(208,765,213)	-	(208,765,213)
Bank overdraft included in cash and cash equivalents	-	1,772,114	-	-	1,772,114
Dividends paid	-	-	-	4,377	4,377
<b>Total changes from financing cash flows</b>	234,513,116	(1,703,945,791)	(208,765,213)	4,377	(1,678,193,511)
<b>Other changes including non-cash</b>					
Deferred grant	(4,845,449)	-	-	-	(4,845,449)
Finance cost	-	-	177,296,796	-	177,296,796
Total liability related other changes	(4,845,449)	-	177,296,796	-	177,296,796
<b>Closing as at 30 June 2021</b>	1,102,718,295	814,941,320	29,571,787	617,737	1,952,694,588
30 June 2020					
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed dividend	Total
Rupees					
<b>Balance as at 01 July 2020</b>	559,379,252	1,960,037,936	47,104,270	500,767	2,567,022,225
<b>Cash flows</b>					
Repayment of loans	(5,703,124)	-	-	-	(5,703,124)
Proceeds from loans	319,374,500	558,849,175	-	-	878,223,675
Finance cost paid	-	-	(315,645,535)	-	(315,645,535)
Dividends paid	-	-	-	(82,223,407)	(82,223,407)
<b>Total changes from financing cash flows</b>	313,671,376	558,849,175	(315,645,535)	(82,223,407)	474,651,609
<b>Other changes including non-cash</b>					
Dividend declared	-	-	-	82,336,000	82,336,000
Finance cost	-	-	329,581,469	-	329,581,469
Total liability related other changes	-	-	329,581,469	82,336,000	411,917,469
<b>Closing as at 30 June 2020</b>	873,050,628	2,518,887,111	61,040,204	613,360	3,453,591,303



## Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

### 45 EVENTS AFTER REPORTING DATE

The board of directors of the Holding Company in its meeting held on 23 September 2021 proposed cash dividend of Rs.5 (2020: Nil) per ordinary share of Rs. 10 each which is subject to approval by shareholders at the forthcoming Annual General Meeting and has not recognised in these financial statements.

### 46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors and authorized for issue on 23 September 2021.



Chief Executive Officer



Director



Chief Financial Officer

[illegible]



# CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

## Director's REPORT

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 period year ended June 30, 2021. 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 (Pvt.) Limited collectively referred to as 'the Group' was incorporated in Pakistan under the Companies Ordinance, 1984. The wholly owned subsidiary was incorporated on November 08, 2017.

RCSM Company (Pvt.) Limited is incorporated in Pakistan as private limited by share wholly owned by Reliance Cotton Spinning Mills Limited under the 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 of Directors



**Shahid Abdullah**  
Director



**Shayan Abdullah**  
Chief Executive

Lahore:

Dated: September 23, 2021

## ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 30 جون 2021ء کو ختم ہونے والے سال کے لئے ریلائنس کاؤن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ کے اشتہال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتہال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتہال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

### RCSM کمپنی (پرائیویٹ) لمیٹڈ:

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

RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984 کے تحت 08 نومبر 2017 کو ریلائنس کاؤن 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



(شایان عبد اللہ)

چیف ایگزیکٹو



(شاہد عبد اللہ)

ڈائریکٹر

لاہور

تاریخ: 23 ستمبر 2021

# 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 and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2021 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and its consolidated financial performance and its consolidated cash flows for the year then 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 the 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 are the key audit matters:

Sr. No.	Key audit matters	How our audit addressed the key audit matter
1.	<p><b>Revenue recognition</b></p> <p>As described in note 5.13 and note 28, the Group generates revenue from local and export sales of several types of products and services including three major categories i.e. yarn, waste and raw material manufacturing. During the year ended 30 June 2021, the Group generated net revenue of Rs. 7.68 billion as compared to Rs. 5.99 billion during the previous year, which represents an increase of approximately 28% as compared to last year.</p> <p>Considering the significance of amounts involved and that the revenue is a key indicator of performance measurement of the Group and its management, we have considered the revenue recognition as a Key Audit Matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's processes and related internal controls for revenue recognition and on a sample basis, tested the effectiveness of those controls, specifically in relation to recognition of revenue and timing thereof.</li> <li>• We, on a sample basis, reviewed sales transactions near the reporting date to assess whether transactions are recorded in relevant accounting period.</li> <li>• We performed substantive analytical procedures including developing an expectation of the current year revenue based on trend analysis information taking into account historical sales, seasonal and market patterns.</li> <li>• We correlated the revenue transactions with movement in receivables and cash balances and compared with the results from our balance confirmation procedures.</li> <li>• We reconciled revenue recorded in the books of account on a sample basis with underlying accounting records including dispatch and delivery documents.</li> <li>• We reviewed and assessed the adequacy of related disclosures made in the consolidated financial statements in accordance with the applicable financial reporting standards and the Companies Act, 2017</li> </ul>



Sr. No.	Key audit matters	How our audit addressed the key audit matter
2.	<p><b>Initial audit</b></p> <p>This is our first year of audit of the Group. Initial audit engagements involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include:</p> <ul style="list-style-type: none"> <li>Gaining an initial understanding of the Group and its business including its control environment and information systems, sufficient to make audit risk assessments and develop the audit strategy and plan;</li> <li>Obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles; and</li> <li>Communicating with the previous auditors.</li> </ul> <p>Due to the additional considerations involved with initial audits, significant audit attention was required and hence, considered a Key Audit Matter.</p>	<p>Following additional audit procedures were applicable being the auditors of the Company for the first year:</p> <ul style="list-style-type: none"> <li>We conducted meeting with the previous auditors and gained an understanding of the key audit risks and areas of focus identified by them;</li> <li>We performed review of the working papers of predecessor auditors in order to gain reliance on opening balances</li> <li>We obtained an understanding of the business and financial statements' risks relevant to our audit</li> <li>We evaluated the client's internal control environment including entity level controls in order to establish our audit strategy</li> </ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

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 auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of 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 is responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

### To the members of Reliance Cotton Spinning Mills Limited Report on the Audit of the Consolidated Financial Statements

#### Auditors' 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 the 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 the 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 the 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 the 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.

### Other matter

The financial statements of Reliance Cotton Spinning Mills Limited for the year ended 30 June 2020, were audited by another firm of chartered accountants who expressed an unmodified opinion on those statements on 29 September 2020.

The engagement partner on the audit resulting in this independent auditors' report is Farooq Hameed.



EY Ford Rhodes  
Chartered Accountants

Lahore  
23 September 2021

# Consolidated Statement of Financial Position

As at June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	2,161,161,215	2,051,140,337
Long term investments	7	1,065,257,214	886,248,151
Long term advances and deposits	8	11,187,690	8,987,690
		3,237,606,119	2,946,376,178
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	88,495,394	49,505,453
Stock in trade	10	2,837,241,214	2,699,519,145
Trade debts	11	1,014,788,632	986,719,303
Loan and advances	12	133,857,807	104,493,271
Short term deposits and prepayments	13	3,390,846	221,491
Other receivables	14	20,778,303	10,915,489
Other financial assets	15	57,774,461	42,187,437
Tax refunds due from the Government	16	292,131,521	364,500,551
Cash and bank balances	17	8,920,138	6,325,506
		4,457,378,316	4,264,387,646
		7,694,984,435	7,210,763,824
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
12,000,000 (2020: 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	19	4,332,090,786	2,963,497,171
		4,435,010,786	3,066,417,171
<b>NON-CURRENT LIABILITIES</b>			
Long term liabilities	20	1,004,448,375	853,696,129
Deferred liabilities	21	184,087,679	153,139,706
		1,188,536,054	1,006,835,835
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	915,058,995	442,141,295
Contract liabilities	23	21,175,650	8,170,916
Unclaimed dividend		617,737	613,360
Accrued markup/interest	24	29,571,786	61,040,204
Short term borrowings	25	814,941,320	2,518,887,111
Current portion of long term liabilities	26	183,656,276	19,354,499
Provision for taxation		106,415,831	87,303,433
		2,071,437,595	3,137,510,818
		7,694,984,435	7,210,763,824
<b>CONTINGENCIES AND COMMITMENTS</b>			
	27		

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Consolidated Statement of Profit or Loss

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
Net turnover	28	7,681,902,021	5,986,720,080
Cost of sales	29	(5,923,177,432)	(5,058,822,223)
<b>Gross profit</b>		<b>1,758,724,589</b>	<b>927,897,857</b>
Distribution cost	30	(150,287,415)	(127,925,618)
Administrative expenses	31	(92,406,353)	(84,432,878)
Other operating expenses	32	(64,216,916)	(64,416,184)
		(306,910,684)	(276,774,680)
Other income	33	17,682,098	18,988,987
<b>Operating profit before finance cost</b>		<b>1,469,496,003</b>	<b>670,112,164</b>
Finance cost	34	(194,978,710)	(340,756,219)
Share of profit from associates		157,936,666	131,909,872
<b>Profit before taxation</b>		<b>1,432,453,959</b>	<b>461,265,817</b>
Provision for taxation	35	(101,756,204)	(68,434,693)
<b>Profit for the year</b>		<b>1,330,697,755</b>	<b>392,831,124</b>
<b>Earnings per share - basic and diluted</b>	36	<b>129.29</b>	<b>38.17</b>

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Consolidated Statement of Comprehensive Income

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>Profit for the year</b>		1,330,697,755	392,831,124
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Unrealized gain / (loss) on remeasurement of forward foreign currency contracts - associates		96,989	(180,721)
Net loss on debt instruments at fair value through other comprehensive income		-	1,173,343
Loss in deemed disposal		-	(24,603,198)
<b>Items that will not be reclassified subsequently to profit and loss</b>			
(Loss) / gain on remeasurement of staff retirement benefits	21	(2,009,990)	(2,324,570)
Gain / (loss) on remeasurement of staff retirement gratuity - associates		53,745	(75,811)
		(1,956,245)	(2,400,381)
Net gain / (loss) on investments in equity instruments designated as FVTOCI		13,283,453	(21,566,535)
Net gain / (loss) on investments in equity instruments designated as FVTOCI - associates		27,471,093	-
		40,754,546	(21,566,535)
<b>Total comprehensive income for the year</b>		1,369,593,045	345,253,632

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2021

	Share capital	Capital reserve		Revenue reserves		Sub-total	Total
		Unrealized gain / (loss) on investments at fair value through OCI	Unrealized gain/(loss) on forward foreign exchange contracts	General reserve	Un-appropriated profit		
Rupees							
Balance as at 01 July 2019	102,920,000	(29,338,610)	551,683	118,353,673	2,606,048,568	2,695,615,314	2,798,535,314
Total comprehensive income:							
Profit For the year ended 30 June 2021	-	-	-	-	392,831,124	392,831,124	392,831,124
Other comprehensive income	-	(20,393,192)	(180,721)	-	(27,003,579)	(47,577,492)	(47,577,492)
Total comprehensive income	-	(20,393,192)	(180,721)	-	365,827,545	345,253,632	345,253,632
Share of decrease in reserves of associated companies under equity method							
	-	-	-	-	4,964,225	4,964,225	4,964,225
Transactions with owners:							
Final dividend for the year ended 30 June 2019 @ Rs. 8.0 per share	-	-	-	-	(82,336,000)	(82,336,000)	(82,336,000)
Balance as at 30 June 2020	102,920,000	(49,731,802)	370,962	118,353,673	2,894,504,338	2,963,497,171	3,066,417,171
Total comprehensive income:							
Profit for the year ended 30 June 2021	-	-	-	-	1,330,697,755	1,330,697,755	1,330,697,755
Other comprehensive income	-	40,754,546	96,989	-	(1,956,245)	38,895,290	38,895,290
Total comprehensive income	-	40,754,546	96,989	-	1,328,741,510	1,369,593,045	1,369,593,045
Share of decrease in reserves of associated companies under equity method							
	-	-	-	-	(999,430)	(999,430)	(999,430)
Balance as at 30 June 2021	102,920,000	(8,977,256)	467,951	118,353,673	4,222,246,418	4,332,090,786	4,435,010,786

The annexed notes from 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer




# Consolidated Statement of Cash Flow


For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,432,453,959	461,265,817
Adjustments for:			
Depreciation on property, plant and equipment	6	205,683,853	203,669,349
Provision for employee benefits	21	26,125,152	23,735,658
Provision for GIDC		31,137,629	-
Provision for expected credit loss in trade debts		16,654,563	27,146,175
Remeasurement gain on investment at FVPL		(1,675)	-
Gain / (Loss) on sale of short term investment		-	(8,630,952)
Gain on disposal of property, plant and equipment	6	(391,000)	(1,720,375)
Amortization of Government grant		(4,416,938)	-
Finance cost	34	176,992,845	340,756,219
Impact of discounting and unwinding of interest on GIDC		(8,740,372)	-
Dividend income on investments		(3,052,939)	(1,937,018)
Share of profit from Associates		(157,936,666)	(131,909,872)
		282,054,452	451,109,184
		1,714,508,411	912,375,001
<b>Working capital changes</b>			
<b>Decrease / (Increase) in current assets</b>			
Stores and spare parts		(38,989,941)	(4,392,904)
Stock in trade		(137,722,069)	(710,224,785)
Trade debts		(44,723,892)	(252,803,599)
Loan and advances		(29,364,536)	3,079,301
Short term deposits and prepayments		(3,169,355)	1,371,915
Other receivables		(9,970,853)	2,532,574
		(263,940,646)	(960,437,498)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		535,906,799	(88,863,368)
Contract liabilities		13,004,734	238,085
<b>Cash generated from / (used in) operations</b>		1,999,479,298	(136,687,780)
Dividend paid		4,378	(82,223,406)
Employee benefits paid		(18,709,574)	(12,174,309)
Finance cost paid		(208,461,264)	(326,820,285)
Sales tax refunded		3,969,741	6,229,800
Income taxes refunded/ (paid)		6,849,377	(95,414,095)
Long term advances and deposits - net		(2,200,000)	-
Export rebate and duty draw back received		108,039	23,607,932
		(218,439,303)	(486,794,363)
<b>Net cash generated from / (used in) operating activities</b>		1,781,039,995	(623,482,143)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(316,738,731)	(268,005,212)
Proceeds from disposal of property, plant and equipment		1,425,000	2,460,000
Short term investments - net		(2,301,046)	-
Proceed from sale of investments		-	8,630,952
Dividend received		8,602,939	7,692,392
<b>Net cash used in investing activities</b>		(309,012,688)	(249,221,868)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing obtained		286,109,905	319,374,500
Short term borrowings - net		(1,705,717,905)	558,849,176
Repayment of long term loan		(51,596,789)	(5,703,124)
<b>Net cash (used in) / generated from financing activities</b>		(1,471,204,789)	872,520,552
<b>Net increase / (decrease) in cash and cash equivalents</b>		822,518	(152,344)
<b>Cash and cash equivalents at beginning of the year</b>		6,325,506	6,477,850
<b>Cash and cash equivalents at the end of the year</b>	37	7,148,024	6,325,506

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 1. LEGAL STATUS AND OPERATIONS

- 1.1** Reliance Cotton Spinning Mills Limited ("The Parent Company") was incorporated in Pakistan on 13 June 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Parent Company was listed on 16 June 1993 on Pakistan Stock Exchange limited. The principal activity of the Holding Company is manufacturing and sale of yarn. The registered office of the Parent Company and Subsidiary Company is situated at 312, Cotton Exchange Building, Karachi and mills of Parent Company are located at Warburton Road, Ferozewattoan, District Sheikhpura, 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 8 November 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.

## 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 for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting 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 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

## 2.3 Basis of measurement

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

## 2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupee which is the Group's functional currency. Amounts presented in the consolidated financial statements have been rounded off to the nearest of Rupee, unless otherwise stated.

## 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 New / Revised Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for new standards, interpretation and amendments to following amendments as described below:

IFRS 3	–	Business Combinations - Definition of a Business (amendments)
IFRS 7 & IFRS 9	–	Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)
IAS 1 & IAS 8	–	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)
IFRS 16	–	Covid-19-Related Rent Concessions (Amendment to IFRS 16)
IFRS 16	–	Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

The adoption of the above, amendments and improvements to accounting standards did not have any material effect on the consolidated financial statement.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 3.2 Standards, Interpretations and amendments to approved accounting standards that are not yet effective:

The following amendments to the approved accounting and reporting standards, applicable in Pakistan, would be effective from the dates mentioned below against the respective standards and interpretation have not been adopted early by the Group:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 7 & IAS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021
IFRS 3	Business Combinations - The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IFRS 16	Property, plant and equipment - Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2023
IAS 1	Presentation of Financial Statements to require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy	01 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments) - Definition of Accounting Estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”	01 January 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	‘Not yet finalized

The above new amendments to standards are not expected to have any material impact on the Group’s consolidated financial statements in the period of initial application.

In addition to the above amendments to standards, the IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 July 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

In addition to the above amendments to standards, improvements to various accounting standards have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after 01 January 2022. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard			IASB effective date (annual periods beginning on or after)
IFRS 1	-	First time adoption of International Financial Reporting Standards	01 July 2009
IFRS 17	-	Insurance Contracts	01 January 2023

The Group expects that the adoption of the above standards will not affect the Group's financial statements in the period of initial application.

## 4. KEY JUDGMENTS AND 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.

### 4.1 Employee retirement benefits

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

### 4.2 Property, plant and equipment

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

### 4.3 Taxation

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

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling (NCI) interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## 5.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

## Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of foreign associate of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated in functional currency of the Group. Statement of financial position items are translated at the exchange rate at the reporting date and the statement of profit or loss items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange difference on translating foreign operation in consolidated reserves.

### 5.3 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 consolidated statement of financial position date.

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

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

#### Depreciation

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 6 to these financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the month of disposal respectively.

#### Disposal

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

#### Capital work-in-Progress

Capital work-in-progress is stated at cost accumulated up to 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 operating fixed assets as and when these assets are available for use.

### 5.4 Stores, spare parts and loose tools

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



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 5.5 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	- 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 up to the reporting date.

Waste stock is 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.

## 5.6 Financial instruments – initial recognition and subsequent measurement

### 5.6.1 Financial assets

#### a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through consolidated 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 Group business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group 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 Group'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 Group commits to purchase or sell the asset.

#### b) 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 Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- (ii) 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 Group's financial assets at amortized cost includes trade debts, deposits and other receivables, short term advances, long term loans and advances and bank balances.

## **Financial assets at fair value through OCI (debt instruments)**

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

- (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- (ii) 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 Group has no financial assets under this category at the reporting date.

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

Upon initial recognition, the Group 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 Group 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.

Based on its business model, the Group 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 consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the consolidated 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.

The Group has no financial assets under this category at the reporting date.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## c) Derecognition

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

- (i) The rights to receive cash flows from the asset have expired, or
- (ii) The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

## d) Impairment of financial assets

The Group 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 Group 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, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group 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 Group reassesses the internal credit rating of the debt instrument.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 5.6.2 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.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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 Group's financial liabilities include trade and other payables, unclaimed dividend and loans and borrowings including bank overdrafts.

## Subsequent measurement

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

### a) 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 Group 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 consolidated 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 Group has not designated any financial liability as at fair value through profit or loss.

### b) Financial liabilities at amortised cost

This is the category most relevant to the Group. 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.

### c) 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 consolidated statement of profit or loss.

### d) 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.

## 5.7 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less expected credit losses (ECL) as explained in 5.6.1(d).

## 5.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term highly liquid deposits 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 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 Group's cash management.

## 5.9 Trade and other payables

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

## 5.10 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 consolidated 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 Group 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 Group and employee at the of 8.33% of the basic salary. The Group's contributions are recognized as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized 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 consolidated 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 Group, 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 consolidated 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 consolidated statement of profit or loss.

## 5.11 Provisions

### Recognition and measurement

Provisions are recognized when the Group 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 recognized for future operating losses.

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 recognized as interest expense.

## 5.12 Earnings per share

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

## 5.13 Revenue recognition

Revenue is recognized when performance obligation is satisfied. 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;

# Notes to the Consolidated Financial Statements

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- 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 recognized in profit or loss as other income when the Group's right to receive payment have been established;
- 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.

## 5.14 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.

## 5.15 Income 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 balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial statements. It is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax is calculated at the rates that are expected to apply for the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in consolidated other comprehensive income or equity.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

The Group assesses at each reporting date whether its income is subject to tax under the Final Tax Regime or normal provision of the Income Tax Ordinance, 2001. It considers turnover trend of last three years as well as expected pattern of taxation of future years in order to recognize deferred tax.

## 5.16 Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

## 5.17 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 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.

## 5.18 Dividend distribution

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

## 5.19 Related party transactions

All transactions with related parties are carried out by the Group at arms' length. Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the consolidated financial statements.

## 5.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company that makes strategic decisions. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment. All non-current assets of the Group are located in Pakistan and 100% of the revenue is derived from sale of yarn.

## 6 PROPERTY, PLANT AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	6.1	2,105,320,345	2,046,222,535
Capital work-in-progress	6.5	55,840,870	4,917,802
		2,161,161,215	2,051,140,337



# Notes to the Consolidated Financial Statements

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## 6.1 Operating fixed assets

Particulars	COST				DEPRECIATION			Book value	Annual depreciation rate %	
	As at 01 July 2020	Additions	Transfers	Disposals	As at 30 June 2021	As at 01 July 2020	Charge for the year	As at 30 June 2021		
Rupees										
Freehold land	65,109,754	-	-	-	65,109,754	-	-	-	65,109,754	-
Buildings on freehold land:										
Residential	132,914,353	-	-	-	132,914,353	57,552,157	3,768,110	61,320,267	71,594,086	5
Factory	852,442,356	-	5,518,253	-	857,960,609	448,263,977	40,723,543	488,987,520	368,973,089	10
Plant and machinery	2,464,403,804	-	255,847,377	-	2,720,251,181	1,114,522,755	140,654,654	1,255,177,409	1,465,073,772	10
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,747,477	127,685	1,875,162	1,149,185	10
Vehicles	84,248,878	4,127,000	-	-	88,965,878	34,372,377	10,187,615	376,000	44,183,992	20
Office equipment	5,484,005	104,274	-	-	5,588,279	2,241,929	334,635	-	2,576,564	10
Electric installation	167,104,495	-	-	-	167,104,495	70,480,240	9,682,426	-	80,142,666	10
Electric equipment	408,950	-	-	-	408,950	226,898	18,205	-	245,103	10
Computers	3,680,953	218,759	-	-	3,899,712	3,191,550	206,980	-	3,398,530	30
	3,778,821,895	4,450,033	261,365,630	1,410,000	4,043,227,558	1,732,599,360	205,683,853	376,000	1,937,907,213	2,105,320,345

### At 30 June 2020

Particulars	COST			DEPRECIATION			Book value As at 30 June 2020	Annual depreciation rate %
	As at 01 July 2019	Additions	Transfers	Disposals	As at 30 June 2020	Charge for the year		
Rupees								
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
Factory	801,760,880	-	50,681,476	-	852,442,356	408,047,998	40,215,979	448,263,977
Plant and machinery	2,186,890,081	-	283,870,709	-	2,464,403,804	983,147,883	137,386,618	6,011,746
Furniture and fittings	3,024,347	-	-	-	3,024,347	1,605,602	141,875	1,747,477
Vehicles	85,461,908	-	1,410,000	-	84,248,878	24,103,363	12,497,659	34,372,377
Office equipment	4,227,057	-	1,256,948	-	5,484,005	1,881,698	360,231	2,241,929
Electric installation	138,894,811	-	28,209,684	-	167,104,495	61,560,156	8,920,084	70,480,240
Electric equipment	408,950	-	-	-	408,950	206,670	20,228	226,898
Computers	3,554,953	126,000	-	-	3,680,953	3,031,306	160,244	3,191,550
	3,422,247,094	126,000	365,428,817	8,980,016	3,778,821,895	1,537,170,402	203,669,349	1,732,599,360
								2,046,222,535

## for the year ended June 30, 2021

6.3 The depreciation charge for the year has been allocated as follows:

6.4 Particulars of disposed operating fixed assets during the year are as follows:

	Note	2021 Rupees	2020 Rupees
--	------	----------------	----------------

Civil works	28,271,871	-
Plant and machinery	27,568,999	4,917,802
	55,840,870	4,917,802

1 July 2020	Additions during the year	Transferred to operating fixed assets	30 June 2021
Rupees			

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# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

7	LONG TERM INVESTMENTS	Note	2021 Rupees	2020 Rupees
	<b>Related parties - under equity method</b>			
	Associates - listed	7.1	796,833,431	656,207,478
	- unlisted	7.2	268,423,783	230,040,673
			1,065,257,214	886,248,151

## 7.1 Investments in associates - listed

No. of Shares		Name of Company		
2021	2020			
393,697	393,697	<b>Sapphire Fibres Limited (SFL)</b>	41,956,482	41,956,482
		Equity Interest Held 1.905% (2020: 1.905%)		
		Share of post acquisition profit items directly recognized in equity	515,698,586	431,809,412
		Dividend received	-	(3,149,576)
			557,655,068	470,616,318
100,223	100,223	<b>Sapphire Textile Mills Limited (STML)</b>	8,114,578	8,114,578
		Equity Interest Held 0.462% (2020: 0.462%)		
		Share of post acquisition profit and items directly recognized in equity	133,058,879	98,065,831
		Dividend received	-	(2,605,798)
			141,173,457	103,574,611
401,570	401,570	<b>SFL Limited (SFLL)</b>	2,439,475	2,439,475
		Equity Interest Held 2.00% (2020: 2.00%)		
		Share of post acquisition profit	95,565,431	79,577,074
			98,004,906	82,016,549
			796,833,431	656,207,478

## 7.2 Investments in associates - unlisted

No. of Shares		Name of Company		
2021	2020			
1,556,000	1,556,000	<b>Sapphire Finishing Mills Limited (SFML)</b>	16,509,160	16,509,160
		Equity Interest Held 1.69% (2020: 1.69%)		
		Share of post acquisition profit and items directly recognized in equity	152,793,230	121,836,181
			169,302,390	138,345,341
100,223	100,223	<b>Sapphire Holding Limited (SHL)</b>	524,950	524,950
		Equity Interest Held 0.5% (2020: 0.5%)		
		Share of post acquisition profit	50,501,323	42,792,704
			51,026,273	43,317,654
555,000	555,000	<b>Sapphire Power Generation Limited (SPGL)</b>	19,425,000	19,425,000
		Equity Interest Held 3.46% (2020: 3.46%)		
		Share of post acquisition profit	34,220,120	28,952,678
		Dividend Paid by SPGL	(5,550,000)	-
			48,095,120	48,377,678
			268,423,783	230,040,673

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

The summary of financial statements / reconciliation of the associates is as follows:

	30 June 2021					
	SFL	STML	SFLL	SFML	SHL	SPGL
<b>Summarized Statement of Financial Position</b>						
Non-current assets	30,594,593,172	71,286,576,128	4,886,445,621	10,507,477,722	10,964,014,602	1,432,456,174
Current assets	34,255,795,664	44,774,915,613	49,039,275	14,643,425,031	127,996,875	134,830,966
	64,850,388,836	116,061,491,741	4,935,484,896	25,150,902,753	11,092,011,477	1,567,287,140
Non-current and current liabilities	29,691,826,355	74,698,370,410	32,079,078	15,140,735,710	862,047,477	178,660,654
NCI Share	5,877,689,063	10,811,024,647	-	-	-	-
Net assets	29,280,873,418	30,552,096,684	4,903,405,818	10,010,167,043	10,229,964,000	1,388,626,486
<b>Reconciliation to carrying amount</b>						
Opening net assets	24,711,845,133	22,415,130,852	4,103,472,364	8,179,794,215	8,684,510,412	1,396,774,497
Profit / (loss) for the period	3,808,878,435	6,850,946,508	706,861,668	1,663,137,582	1,496,229,282	116,088,778
Other comprehensive (loss) / income	760,548,327	1,286,952,667	93,414,665	167,235,246	250,184,598	36,004,412
Other adjustments	(398,477)	(933,343)	(342,879)	-	-	1,187
Dividend paid during the year	-	-	-	-	-	(160,242,390)
Closing net assets	29,280,873,418	30,552,096,684	4,903,405,818	10,010,167,043	10,430,924,292	1,388,626,484
Group's share (%)	1.90%	0.462%	2.00%	1.69%	0.50%	3.46%
Carrying amount of investment	557,655,068	141,173,457	98,004,906	169,302,390	51,026,273	48,095,120
<b>Summarized Statement of Profit or Loss</b>						
Revenue	39,732,449,120	58,162,790,748	4,974,085	21,798,961,333	6,528,229	-
Profit / (loss) before tax	5,019,912,465	9,637,501,624	718,721,533	1,935,045,770	1,646,102,515	148,611,704
Profit / (loss) after tax	4,616,008,541	8,988,722,814	706,861,668	1,663,137,582	1,496,229,282	116,088,778
	7.2.1	7.2.2	7.2.3	7.2.4	7.2.5	7.2.6
	30 June 2020					
	SFL	STML	SFLL	SFML	SHL	SPGL
<b>Summarized Statement of Financial Position</b>						
Non-current assets	29,680,779,028	74,049,097,346	4,085,827,723	9,754,501,438	9,284,764,318	1,268,186,963
Current assets	26,500,258,928	35,738,238,258	38,602,458	12,099,131,535	101,927,336	351,903,858
	56,181,037,956	109,787,335,604	4,124,430,181	21,853,632,973	9,386,691,654	1,620,090,821
Non-current and current liabilities	26,195,771,120	78,602,956,411	20,957,817	13,673,838,758	702,181,242	223,306,183
NCI Share	5,273,421,703	8,769,248,341	-	-	-	-
Net assets	24,711,845,133	22,415,130,852	4,103,472,364	8,179,794,215	8,684,510,412	1,396,784,638
<b>Reconciliation to carrying amount</b>						
Opening net assets	22,210,267,817	18,145,226,529	3,594,691,588	6,437,932,784	7,641,151,557	1,387,122,800
Profit / (loss) for the period	255,937,500	642,660,400	-	-	-	-
Other comprehensive (loss) / income	3,033,750,207	5,257,567,820	575,825,756	1,819,279,465	1,235,854,678	39,685,542
Other adjustments	(628,482,778)	(1,102,899,749)	(68,911,008)	(77,418,034)	(198,231,223)	(30,016,282)
Dividend paid during the year	(2,117,613)	(5,262,508)	1,866,028	-	-	(17,563)
Closing net assets	(157,500,000)	(522,161,640)	-	-	-	-
	24,711,855,133	22,415,130,852	4,103,472,364	8,179,794,215	8,678,775,012	1,396,774,497
Group's share (%)	1.90%	0.462%	2.00%	1.69%	0.50%	3.46%
Carrying amount of investment	470,616,318	103,574,611	82,016,549	138,345,341	43,317,654	48,377,678
<b>Summarized Statement of Profit or Loss</b>						
Revenue	32,717,006,346	52,967,395,731	3,554,985	20,284,035,371	5,393,106	540,000
Profit / (loss) before tax	4,567,476,874	7,986,260,661	579,234,334	2,047,791,307	1,321,674,466	62,150,168
Profit / (loss) after tax	4,180,114,163	7,864,279,180	575,825,756	1,819,279,465	1,235,854,678	39,693,688

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- 7.2.1** Investment in SFL represents 393,697 fully paid ordinary shares of Rs.10 each representing 1.905% (2020: 1.905%) of SFL's issued, subscribed and paid-up capital as at 30 June 2021. SFL was incorporated in Pakistan as a public limited company and is principally engaged in manufacturing and sale of yarn, fabrics and garments.
- 7.2.2** Investment in STML represents 100,223 fully paid ordinary shares of Rs.10 each representing 0.462% (2020: 0.462%) of STML's issued, subscribed and paid-up capital as at 30 June 2021. STML was incorporated in Pakistan as a public limited company and is principally engaged in manufacturing and sale of yarn, fabrics, home textile products, finishing, stitching and printing of fabrics.
- 7.2.3** Investment in SFLL represents 401,570 fully paid ordinary shares of Rs.10 each representing 2.00% (2020: 2.00%) of SFLL's issued, subscribed and paid-up capital as at 30 June 2021. SFLL was incorporated in Pakistan as a public limited company. The main business of the Company is to invest in the shares of associated companies and other business.
- 7.2.4** Investment in SFML represents 1,556,000 fully paid ordinary shares of Rs.10 each representing 1.69% (2020: 1.69%) of SFML's issued, subscribed and paid-up capital as at 30 June 2021. SFML was incorporated in Pakistan as a public limited company. It is principally engaged in processing, dyeing and finishing of fabric and stitching of garments (work wear and fashion apparel).
- 7.2.5** Investment in SHL represents 100,223 fully paid ordinary shares of Rs.10 each representing 0.5% (2020: 0.5%) of SHL's issued, subscribed and paid-up capital as at 30 June 2021. SHL was incorporated in Pakistan as a public limited company and the main business of the Company is to invest in the shares of associated companies and other business. SHL is an associate of the Group due to common directorship.
- 7.2.6** Investment in SPGL represents 555,000 fully paid ordinary shares of Rs.10 each representing 3.46% (2020: 3.46%) of SPGL's issued, subscribed and paid-up capital as at 30 June 2021. SPGL was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution.

**7.2.7** The share of profit or loss after acquisition is recognized based on financial statements as at 30 June 2021.

<b>8</b>	<b>LONG TERM ADVANCES AND DEPOSITS</b>	<b>2021 Rupees</b>	<b>2020 Rupees</b>
	<b>Advance for vehicle</b>	2,200,000	-
	<b>Deposits</b>		
	Water and Power Development Authority	5,554,420	5,554,420
	Central Depository Company of Pakistan	25,000	25,000
	Others	3,408,270	3,408,270
		<b>11,187,690</b>	<b>8,987,690</b>

## **9 STORES, SPARES AND LOOSE TOOLS**

	<b>In hand</b>		
	Stores	7,845,702	5,329,896
	Spares	34,300,140	16,553,050
	Loose tools	24,000	-
	<b>In transit</b>		
	Stores and spares	46,325,552	27,622,507
		<b>88,495,394</b>	<b>49,505,453</b>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

10	STOCK IN TRADE	Note	2021 Rupees	2020 Rupees
	Raw material - in hand	29	1,793,227,469	1,954,060,805
	Raw material - in transit		457,048,189	108,375,210
			2,250,275,658	2,062,436,015
	Work in process	29	223,211,729	204,534,246
	Finished goods		357,481,301	426,561,708
	Waste		6,272,526	5,987,176
		29	363,753,827	432,548,884
			2,837,241,214	2,699,519,145

## 11 TRADE DEBTS

<b>Considered good</b>				
	Foreign debts		98,968,852	223,109,593
<b>Considered good</b>				
	Local debts		963,115,276	795,227,560
	Waste		5,006,755	4,673,712
	Others		5,922,077	5,278,203
			974,044,108	805,179,475
	Less: Provision for expected credit loss	11.3	(58,224,328)	(41,569,765)
			915,819,780	763,609,710
			1,014,788,632	986,719,303

**11.1** Local debts includes an amount of Rs. 772.087 million (2020: Rs. 581.799 million) receivable against indirect export sales.

### 11.2 Due from related parties- Domestic debts

	Amer Cotton Mills (Private) Limited	144,861	51,804,054
	Diamond Fabrics Limited	3,488,111	17,295
	Sapphire Fibres Limited	51,786,807	23,477,663
	Sapphire Power Generation Limited	10,951	29,250
	Sapphire Textile Mills Limited	2,804,676	9,012,166
		58,235,406	84,340,428

**11.2.1** The aging of trade debts receivable from related parties as at reporting date is as follows:

	Total amount receivable	Neither past due nor impaired	Past due but not impaired				
			0-30 days	31-60 days	61-90 days	91-180 days	181-360 days
<b>30 June 2021</b>	58,235,406	431,027	52,020,493	3,623,571	502,632	1,596,327	61,357

**11.2.2** Maximum amount due from related parties during the year, calculated by reference to month-end balances, was Rs. 58,235,406 (2020: Rs. 84,340,428).

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>11.3 Provision for expected credit loss</b>			
Balance at the beginning of the year		41,569,765	14,423,590
Charged during the year	30	16,654,563	27,146,175
Balance at the end of the year		58,224,328	41,569,765
<b>12. LOANS AND ADVANCES</b>			
Advances to suppliers - considered good		32,729,124	9,079,176
Advance income tax		101,128,683	95,414,095
		133,857,807	104,493,271
<b>13. SHORT TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits		3,120,505	-
Bank guarantee margin		241,172	133,984
Prepayments		29,169	87,507
		3,390,846	221,491
<b>14. OTHER RECEIVABLES</b>			
Claims receivable		9,970,853	-
Export rebate receivable		3,814,148	3,922,187
Deposits with High Court		6,993,302	6,993,302
		20,778,303	10,915,489
<b>15. OTHER FINANCIAL ASSETS</b>			
Equity instruments at fair value through other comprehensive income (FVOCI)	15.1	58,707,227	58,706,377
		(3,235,487)	(16,518,940)
		55,471,740	42,187,437
Equity instruments at fair value through profit or loss (FVPL)	15.2	2,301,046	-
Unrealized gain on remeasurement of investment		1,675	-
		2,302,721	-
		57,774,461	42,187,437



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 15.1 Equity instruments at fair value through other comprehensive income (FVOCI) (Investment in quoted securities)

Number of Shares		Name of Company	2021	2020	2021	2020
2021	2020		Cost		Fair value	
Rupees						
14,000	14,000	Attock Cement Pakistan Limited	1,870,481	1,870,481	2,517,480	1,744,820
14,200	14,200	D. G. Khan Cement Company Limited	1,659,557	1,659,557	1,674,464	1,211,686
25,740	25,740	Engro Corporation Limited	7,296,579	7,296,579	7,583,261	7,539,761
55,000	55,000	Engro Fertilizers Limited	3,317,315	3,317,315	3,864,850	3,315,400
156,683	156,683	Engro Polymer & Chemicals Limited	4,881,318	4,881,318	7,401,705	3,913,941
19,000	19,000	The Hub Power Company Limited	2,428,134	2,428,134	1,513,730	1,377,500
5,900	5,900	ICI Pakistan Limited	6,980,061	6,980,061	5,125,920	4,098,789
290,000	290,000	K-Electric Limited	1,879,537	1,879,537	1,212,200	872,900
3,350	3,350	Lucky Cement Limited	2,167,609	2,167,609	2,892,524	1,546,293
847	847	Mari Petroleum Company Limited	1,054,594	1,054,594	1,291,158	1,047,443
31,460	28,600	Meezan Bank Limited	2,431,357	2,431,357	3,630,799	1,969,110
30,000	30,000	Oil & Gas Development Company Limited	4,574,621	4,574,621	2,850,900	3,270,000
2,400	2,400	Packages Limited	2,037,824	2,037,824	1,308,480	833,304
15,264	15,264	Pakistan Petroleum Limited	1,530,272	1,530,272	1,325,373	1,324,610
17,744	17,744	Pakistan State Oil Company Limited	3,969,942	3,969,942	3,979,092	2,806,391
66,000	66,000	Sui Northern Gas Pipeline Limited	8,184,950	8,184,950	3,206,280	3,603,600
52,000	52,000	Sui Southern Gas Company Limited	1,931,748	1,931,748	691,600	693,680
6,050	5,500	Systems Limited	492,468	492,468	3,389,331	1,010,240
45	40	The Searle Company Limited	18,010	18,860	10,918	7,969
			58,706,377	58,707,227	55,470,065	42,187,437

## 15.2 Equity instruments at fair value through profit or loss (FVPL)

Number of units		Name of Fund		
2021	2020			
42,421	-	Pakistan Income Fund	2,301,046	-
			2,302,721	-

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>16 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax refundable		189,710,072	258,109,361
Sales tax receivable		102,421,449	106,391,190
		<b>292,131,521</b>	<b>364,500,551</b>

## 17. CASH AND BANK BALANCES

Cash in hand	708,500	1,360,000
Cash at bank in current accounts	8,211,638	4,965,506
	<b>8,920,138</b>	<b>6,325,506</b>

## 18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021 Number	2020 Number		2021 Rupees	2020 Rupees
10,292,000	10,292,000	Ordinary shares of Rs.10 each		
		allotted for consideration paid in cash	102,920,000	102,920,000

**18.1** The Group has only one class of shares which carry no right to fixed income.

**18.2** 6,709,970 (2020: 6,709,970) shares of the Group are held by associated companies as at the reporting date. The breakup is as under:

	2021 Number of shares	2020 Number of shares
Amer Cotton Mills (Private) Limited	18,100	18,100
Amer Tex (Private) Limited	5,167	5,167
Crystal Enterprises (Private) Limited	27,696	27,696
Galaxy Agencies (Private) Limited	108,217	108,217
Neelum Textile Mills (Private) Limited	1,365,515	1,365,515
Nadeem Enterprises (Private) Limited	87,104	87,104
Reliance Textiles (Private) Limited	1,098,118	1,098,118
Salman Ismail (SMC-Private) Limited	1,500	1,500
Sapphire Textile Mills Limited	313,295	313,295
Sapphire Fibres Limited	138,900	138,900
Sapphire Holding Limited	636,156	636,156
SFL Limited	557,621	557,621
Sapphire Agencies (Private) Limited	2,318,899	2,318,899
Sapphire Power Generation Limited	20,539	20,539
Yousuf Agencies (Private) Limited	3,223	3,223
Four Strength (Private) Limited	9,920	9,920
	<b>6,709,970</b>	<b>6,709,970</b>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>19. RESERVES</b>			
Capital reserves	19.1	(8,509,305)	(49,360,840)
Revenue reserves	19.2	4,340,600,091	3,012,858,011
		4,332,090,786	2,963,497,171

**19.2.1** This represents appropriation of profit in past years to meet future contingencies.

**19.2.2** This represents the level of unrestricted funds available for general use and distribution among the shareholders.

	Note	2021 Rupees	2020 Rupees
<b>20 LONG TERM LIABILITIES</b>			
Long term financing	20.1	962,203,436	853,696,129
Gas Infrastructure Development Cess payable	20.2	42,244,939	-
		1,004,448,375	853,696,129

## 20.1 Long term financing

### Loans from banking companies - secured

Faysal Bank Limited	20.1.1	154,503,000	9,937,500
Habib Bank Limited	20.1.2	295,240,666	202,398,000
MCB Bank Limited	20.1.3	652,974,629	660,715,128
		1,102,718,295	873,050,628
Less: Current portion shown under current liabilities		(140,514,859)	(19,354,499)
		962,203,436	853,696,129

**20.1.1** These loans carry mark-up ranging from 3.00% to 8.33% (2020: 8.33%) obtained in different tranches and are repayable in 32 quarterly instalments. These are secured against exclusive hypothecation charge of Rs. 500 million (2020: Rs.460 million) over specific plant and machinery.

**20.1.2** These loans carry mark-up ranging from 1% to 11.84% (2020: 2.85%) obtained in different tranches and are repayable in quarterly instalments ranging from 4 to 32. These are secured against exclusive hypothecation charge of Rs.488 million (2020: Rs.334 million) over specific plant and machinery.

**20.1.3** These loans carry mark-up at the rate of 2.5% to 11.84% (2020: 2.50% to 8.84%) obtained in different tranches and are repayable in 16 half yearly instalments. These are secured against exclusive hypothecation charge of Rs.1,000 million (2020: 1,000 million) over specific plant and machinery.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>20.2 Gas Infrastructure Development Cess payable</b>			
Gas Infrastructure Development Cess payable		85,386,356	-
Less: current portion shown under current liabilities		(43,141,417)	-
		42,244,939	-
<b>20.2.1 Movement in Gas Infrastructure Development Cess payable</b>			
Balance as at 01 July 2020		62,989,099	-
Effect of discounting		(13,921,859)	-
Provision during the year		31,137,629	-
Unwinding of interest		5,181,487	-
		85,386,356	-

**20.2.2** The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated 13 August 2020 decided the appeal against the Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company has not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Company.

The Group has already recorded a provision for GIDC (included in trade and other payables in the preceding year). The amount has now been classified as long term liabilities at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs. 13,921,859 which has been netted off against cost of sales.

	Note	2021 Rupees	2020 Rupees
<b>21 DEFERRED LIABILITIES</b>			
Government grant	21.1	428,511	-
Staff retirement benefits - gratuity	21.2	72,010,728	62,585,160
Deferred tax		111,648,440	90,554,546
		184,087,679	153,139,706
<b>21.1 Government grant</b>			
Government grant		3,814,496	-
Less: current portion shown under trade and other payables		(3,385,985)	-
		428,511	-

Government grant has been recognized against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
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## 21.2 Staff retirement benefits

### Movement in the net liability recognized in the statement of financial position

Opening net liability		62,585,160	48,699,241
Expense for the year in profit and loss	21.2.1	26,125,152	23,735,658
Remeasurement loss recognized in other comprehensive income		2,009,990	2,324,570
		90,720,302	74,759,469
Benefits paid during the year		(18,709,574)	(12,174,309)
Closing net liability		72,010,728	62,585,160

### 21.2.1 Expense recognized in the statement of profit or loss

Current service cost		21,600,570	17,983,026
Interest cost		4,524,582	5,752,632
		26,125,152	23,735,658

### Movement in the present value of defined benefit obligation

Present value of defined benefit obligation		62,585,160	48,699,241
Current service cost		21,600,570	17,983,026
Interest cost		4,524,582	5,752,632
Actuarial loss		2,009,990	2,324,570
Benefits paid		(18,709,574)	(12,174,309)
		72,010,728	62,585,160

	2021 Rupees	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees
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### Historical information:

Present value of defined benefit obligation	72,010,728	62,585,160	48,699,241	92,932,343	80,336,813
Experience adjustment on obligation / actuarial loss	(2,009,990)	(2,324,570)	(116,423)	13,753,511	15,983,741

- Expected gratuity expense charged to profit and loss for the year ending 30 June 2022 works out to Rs. 33,219,972.

- The weighted average duration of defined benefit obligation is 13 years.

### General description

The scheme provides for terminal benefits for all of its workers at mill who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method. Latest actuarial valuation was carried out on 30 June 2021.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	2021 %	2020 %
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## Principal actuarial assumptions

Following are a few important actuarial assumption used in the valuation:

Discount rate	10.25	8.50
Expected rate of increase in salary	9.25	7.50
Average age of employees	13 years	11 years
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

## Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes the amount of defined benefit obligation at the end of the reporting period if there is a change in respective assumptions by 100 basis point.

		Increase in assumptions Rupees	Decrease in assumptions Rupees
Discount rate	1%	63,273,911	81,955,731
Salary growth rate	1%	81,953,919	63,273,133

	Note	2021 Rupees	2020 Rupees
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## 21.3 Deferred taxation

Deferred tax liability as at year end comprises of temporary differences relating to:

Investment in associates	111,648,440	90,554,546
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The temporary differences associated with investments in the Group's associates, for which a deferred tax liability has not been recognised in the periods presented, aggregate to Rs. 34.794 million (2020: Rs. 29.037 million). The Group has determined that the undistributed profits of its associates will not be distributed in the foreseeable future. Furthermore, the Group has also no intention to sell the investments in its associate in the foreseeable future. Hence, there are no income tax consequences attached to the payment of dividends in either 2021 or 2020 by the Group to its shareholders.

	Note	2021 Rupees	2020 Rupees
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## 22 TRADE AND OTHER PAYABLES

Creditors	22.1	162,002,268	70,998,783
Accrued liabilities		267,776,107	264,210,745
Workers' profit participation fund	22.2	63,132,291	14,430,628
Infrastructure fee		96,098,284	79,056,195
Current portion of deferred government grant		3,385,985	-
Foreign Bills Payable against LC		322,664,060	13,444,944
		915,058,995	442,141,295

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
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## 22.1 These balances include the following amounts due to related parties:

Amer Cotton Mills (Private) Limited		133,360	304,200
Sapphire Fibres Limited		5,774,827	803,113
Sapphire Textile Mills Limited		122,029	-
Sapphire Power Generation Limited		252,720	252,720
		6,282,936	1,360,033

## 22.2 Workers' profit participation fund

Balance at the beginning of the year		14,430,628	20,562,233
Allocation for the year		63,132,291	14,430,628
Interest on funds utilized in the Company's business	34	214,012	1,571,390
		63,346,303	16,002,018
		77,776,931	36,564,251
Less: Payments during the year		(14,644,640)	(22,133,623)
Balance at the end the year		63,132,291	14,430,628

## 23 CONTRACT LIABILITIES

The contract liabilities outstanding at 30 June 2020 have been recognized as revenue during the year.

## 24 ACCRUED INTEREST / MARK-UP

Accrued interest / mark-up on secured:

- long term financing		7,489,406	4,447,797
- short term borrowings		22,082,380	56,592,408
		29,571,786	61,040,205

## 25 SHORT TERM BORROWINGS

### From Banking Companies:

Short term loans		360,000,000	189,734,118
Running finance under mark-up arrangements		453,169,206	2,292,027,993
	25.1	813,169,206	2,481,762,111
Bank overdrafts	25.2	1,772,114	-

### From related parties:

Loan from Directors		-	15,705,000
Loan from associated companies		-	21,420,000
		-	37,125,000
		814,941,320	2,518,887,111

**25.1** Aggregate facilities amounting to Rs.7,318 million (2020: Rs.6,320 million) were available to the Group from banking companies. These are secured against hypothecation charge on stock in trade, book debts, export bills under collection and pledge of shares. These carry mark up ranging from 2.5% to 9.33% (2020: 2.35% to 15.10%) per annum on local and foreign currency loans payable monthly / quarterly. These facilities are renewable on various expiry dates.



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

Total unfunded facilities available to the Group aggregate to Rs. 1,925 million (2020: Rs.3,400 million) out of which the amount which remained unutilized at the year-end was Rs. 778 million (2020: Rs.2,981 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Group, cash margins and pledge of shares.

**25.2** This represents issuance of cheques in excess of balance at bank accounts.

	Note	2021 Rupees	2020 Rupees
<b>26</b>	<b>CURRENT PORTION OF LONG TERM LIABILITIES</b>		
Current portion of long term financing	20.1	140,514,859	19,354,499
Current portion of Gas Infrastructure Development Cess payable	20.2	43,141,417	-
		183,656,276	19,354,499

## 27 CONTINGENCIES AND COMMITMENTS

### Contingencies

**27.1** Guarantees issued by banks on behalf of the Company 223,990,298 203,990,298

**27.2** Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at 30 June 2021 the value of these cheques amounted to Rs.447.543 million (2020: Rs.410.487 million).

### 27.3 Claim of input sales tax

The Holding 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 20 June 2015. However, the Holding Company has filed an appeal in Lahore High Court dated 07 July 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 Holding Company.

	Note	2021 Rupees	2020 Rupees
<b>27.4</b>	<b>Commitments</b>		
Commitments in respect of confirmed letter of credit	27.4.1	922,975,459	234,027,315
Commitments in respect of capital expenditure		34,638,687	-
		957,614,146	234,027,315

**27.4.1** Confirmed letter of credit in respect of:

- plant and machinery	537,740,658	13,485,600
- raw material	368,568,500	209,838,330
- stores and spares	16,666,301	10,703,385
	922,975,459	234,027,315

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 28. NET TURNOVER

		Export Sales		Local Sales		Total	
	Note	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Yarn	28.2	6,050,551,248	4,665,708,272	2,077,274,663	1,751,029,099	8,127,825,911	6,416,737,371
Waste	28.3	140,216,004	134,686,558	53,953,162	67,455,051	194,169,166	202,141,609
Raw material		-	-	123,010,519	-	123,010,519	-
Processing income		-	-	248,924	-	248,924	-
Steam income		-	-	5,678,478	-	5,678,478	-
		6,190,767,252	4,800,394,830	2,260,165,746	1,818,484,150	8,450,932,998	6,618,878,980
Less: sales tax						(769,030,977)	(632,158,900)
						7,681,902,021	5,986,720,080

**28.1** Revenue is recognized at point in time as per the terms and conditions of underlying contracts with customers.

	2021 Rupees	2020 Rupees
<b>28.2 Export sales - Yarn</b>		
Direct export	1,799,565,046	1,370,230,993
In-direct export	4,250,986,202	3,295,477,279
	6,050,551,248	4,665,708,272

**28.3** Export waste sales represent comber noil sales.

**28.4** Exchange loss due to currency rate fluctuations amounting to Rs. 25.56 million (2020: Loss of Rs. 1.665 million) has been included in export sales.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>29. COST OF SALES</b>			
Raw material consumed	29.1	4,150,333,578	3,747,194,990
Packing material consumed		101,496,368	82,300,504
Stores and spares consumed		146,040,159	104,119,890
Salaries, wages and benefits	29.2	469,873,322	424,716,701
Fuel, power and water		428,775,309	358,022,591
Repair and maintenance		10,523,810	9,619,292
Travelling and conveyance		6,354,705	6,759,626
Insurance expenses		11,043,255	8,446,683
Depreciation	6.3	200,651,679	197,416,948
Processing charges		239,438,795	192,640,808
Other manufacturing expenses		5,518,712	5,201,744
		5,770,049,692	5,136,439,777
<b>Work in process</b>			
Opening stock		204,534,246	246,276,183
Closing stock	10	(223,211,729)	(204,534,246)
		(18,677,483)	41,741,937
<b>Cost of goods manufactured</b>		5,751,372,209	5,178,181,714
Finished goods			
Opening stock		432,548,884	292,164,901
Yarn / fabric purchased during the year		13,706,969	3,674,029
Closing stock	10	(363,753,827)	(432,548,884)
		82,502,026	(136,709,954)
<b>Cost of goods sold - manufactured</b>		5,833,874,235	5,041,471,760
Cost of raw material sold		89,303,197	17,350,463
		5,923,177,432	5,058,822,223
<b>29.1 Raw material consumed</b>			
Opening balance		1,954,060,805	1,290,321,972
Purchases		3,989,500,242	4,410,933,823
		5,943,561,047	5,701,255,795
Closing stock	10	(1,793,227,469)	(1,954,060,805)
		4,150,333,578	3,747,194,990

**29.2** Salaries, wages and benefits include Rs. 26,125,152 (2020: Rs.23,735,658) in respect of post employment benefits - gratuity and Rs.3,455,606 (2020: Rs.3,065,235) in respect of provident fund contribution.

## Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>30. DISTRIBUTION COST</b>			
Salaries and benefits	30.1	15,382,563	13,786,495
Postage and telephone		1,710,353	922,590
Travelling, conveyance and entertainment		7,783,726	10,013,349
Printing, stationery and others		727,620	506,010
Commission			
- Local		10,493,164	3,784,635
- Export		20,434,839	18,006,443
Freight and forwarding			
- Local		10,030,559	9,712,341
- Export		60,993,664	40,020,468
Provision for expected credit loss in trade debts	11.3	16,654,563	27,146,175
Export development surcharge		5,783,205	3,798,215
Insurance charges - export		293,159	228,897
		150,287,415	127,925,618

**30.1** Salaries and benefits include Rs. 693,502 (2020: Rs. 685,838) in respect of provident fund contribution.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>31 ADMINISTRATIVE EXPENSES</b>			
Directors' meeting fee		114,000	-
Salaries and benefits	31.1	56,107,654	56,617,345
Utility charges		860,820	2,313,807
Postage and telephone		775,266	622,541
Printing and stationery		933,827	510,692
Travelling and conveyance		1,617,485	4,165,765
Repair and maintenance		3,753,360	7,301,973
Legal and professional charges		2,909,398	2,592,005
Fees and subscription		2,880,813	1,799,399
Advertisement		72,611	109,014
Entertainment		373,672	898,494
Donations	31.2	16,890,000	1,050,000
Depreciation	6.3	5,032,174	6,252,401
Others		85,273	199,442
		<b>92,406,353</b>	<b>84,432,878</b>

**31.1** Salaries and benefits include Rs.1,291,304 (2020: Rs. 1,214,860) in respect of provident fund contribution.

**31.2** Donations to following organisations are greater than 10% of total donations of the Group.

	Note	2021 Rupees	2020 Rupees
Abdullah Foundation	31.2.1	16,500,000	-

**31.2.1** The Directors of the Group who have interest in Abdullah Foundation (donee) are following.

Name of director	Interest in donee	Name and address of donee
Mr. Shayan Abdullah	Chief Executive/ Director	Abdullah Foundation, 312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mr. Shahid Abdullah	Director	
Mr. Nabeel Abdullah	Director	
Mr. Amer Abdullah	Director	
Mr. Yousuf Abdullah	Director	

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>32. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund	22.2	63,132,291	14,430,628
Auditors' remuneration	32.1	973,350	927,000
Exchange loss on foreign currency loans		-	49,007,416
Other Expenses		111,275	51,140
		<b>64,216,916</b>	<b>64,416,184</b>

## 32.1 Auditors' remuneration

Audit fee	656,250	625,000
Half yearly review fee	138,600	132,000
Code of corporate governance review fee	57,750	55,000
Out-of-pocket expenses	68,250	65,000
Other certification / services	52,500	50,000
	<b>973,350</b>	<b>927,000</b>

## 33 OTHER INCOME

### Income from financial assets

Dividend income		
- from associated companies	3,052,939	1,937,018
Amortization from government grant	4,416,938	-
	<b>7,469,877</b>	<b>1,937,018</b>

### Income from non-financial assets

Gain on sale of fixed assets	391,000	1,720,375
Gain on sale of investment	-	8,630,952
Exchange gain on foreign currency loans	2,115,760	-
Scrap sales [sales tax aggregating Rs.1,489,178 (2020: Rs. 1,304,189)]	7,703,786	6,700,642
Miscellaneous income	1,675	-
	<b>10,212,221</b>	<b>17,051,969</b>
	<b>17,682,098</b>	<b>18,988,987</b>

## 34 FINANCE COST

### Interest / mark-up on :

- short term finances	152,583,760	311,779,426
- long term loans	24,195,073	17,802,043
- Workers' Profit Participation Fund	22.2 214,012	1,571,390
	<b>176,992,845</b>	<b>331,152,859</b>
Bank charges, commission and others charges	7,615,950	9,603,360
Unwinding effect of Government Grant	5,188,428	-
Unwinding effect of GIDC	5,181,487	-
	<b>194,978,710</b>	<b>340,756,219</b>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>35. TAXATION</b>			
<b>Current</b>			
- for the year		79,389,387	60,276,805
- prior years		1,272,923	703,719
<b>Deferred</b>			
-for the year		21,093,894	7,454,169
		101,756,204	68,434,693

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

	Note	2021 Rupees	2020 Rupees
<b>36 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year	Rupees	1,330,697,755	392,831,124
Weighted average number of ordinary shares	Number	10,292,000	10,292,000
Earnings per share - basic and diluted	Rupees	129.29	38.17

## 37 CASH AND CASH EQUIVALENTS

Bank overdrafts	(1,772,114)	-
Cash and bank balances	8,920,138	6,325,506
	7,148,024	6,325,506

## 38 RELATED PARTY DISCLOSURES

The related parties comprise of associated companies (due to common directorship), subsidiaries, directors and key management personnel. The remuneration of key management personnel is disclosed in note 41. The Parent Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2021 Rupees	2020 Rupees
<b>(i) Associates</b>	Sales / processing	711,715,983	608,818,694
	Purchases	54,289,945	23,328,245
	Expenses charged to	5,502,878	870,188
	Expenses charged by	9,987,234	21,239,642
	Dividend paid	20,400	53,821,728
	Dividend received	5,550,000	5,755,374
	Services Obtained	-	2,591,016
	Loans repaid to associated companies	(21,420,000)	(6,067,000)
<b>(ii) Others</b>	Loans repaid to directors	(15,705,000)	-
	Donation	16,500,000	1,050,000



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

**38.1** The related parties with whom the Group had entered into transactions or have arrangement / agreement in place are following:

Company Name	Relationship	Basis of relationship	Aggregate % of shareholding
Sapphire Textile Mills Limited	Associate	Common directorship	3.46%
Sapphire Fibres Limited	Associate	Common directorship	0.462%
Sapphire Electric Company Limited	Associate	Common directorship	1.905%
Sapphire Finishing Mills Limited	Associate	Common directorship	1.69%
Sapphire Holding Limited	Associate	Common directorship	0.50%
SFL Limited	Associate	Common directorship	2.00%
Amer Cotton Mills (Private) Limited	Associate	Common directorship	N/A
Diamond Fabrics Limited	Associate	Common directorship	N/A
Sapphire Power Generation Limited	Associate	Common directorship	N/A
Neelum Textile Mills Limited	Associate	Common directorship	N/A
Galaxy Agencies (Private) Limited	Associate	Common directorship	N/A
Crystal Enterprises (Private) Limited	Associate	Common directorship	N/A
Salman Ismail (SMC) (Private) Limited	Associate	Common directorship	N/A
Yousuf Agencies (Private) Limited	Associate	Common directorship	N/A
Nadeem Enterprises (Private) Limited	Associate	Common directorship	N/A
Reliance Textile (Private) Limited	Associate	Common directorship	N/A
Amer Tex (Private) Limited	Associate	Common directorship	N/A
Sapphire Agencies (Private) Limited	Associate	Common directorship	N/A
Four Strength (Private) limited	Associate	Common directorship	N/A

	2021 Rupees	2020 Rupees
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## 39 NUMBER OF EMPLOYEES

Number of employees at year end	1,163	1,128
Average number of employees	1,145	1,115

## 40 PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	46,944	45,984
Number of spindles worked	43,463	42,595
Number of shifts worked per day	3	3
Total days worked	365	359
Installed capacity after conversion into 20/s lbs.	31,029,984	30,392,820
Actual production after conversion into 20/s lbs.	27,050,525	25,551,056

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.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Remuneration	31,101,125	29,607,862	9,648,000	9,648,000
Bonus	4,623,499	5,919,330	-	-
Medical	622,022	592,157	-	-
Contribution to provident fund	2,590,724	-	-	-
Leave encashment and other benefits	21,422,362	14,582,921	4,752,000	4,752,000
	60,359,732	50,702,270	14,400,000	14,400,000
<b>Number of persons</b>	12	12	1	1

**41.1** In addition, some of the above persons have been provided with the Group maintained cars.

**41.2** Meeting fee of Rs. 114,000 (2020: Rs. Nil) has been paid to independent non-executive directors. No other remuneration has been paid to non-executive directors of the Group.

**41.3** The Chief Executive and Executive Directors were also provided with telephones at residence.

## 42 PROVIDENT FUND

Reliance Cotton Spinning Mills Limited - Employees' Provident Fund holds the investments which are in accordance with the provisions of section 218 of the Companies Act 2017 and the Rules formulated for this purpose.

## 43 FINANCIAL INSTRUMENTS

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

Credit risk  
Liquidity risk  
Market risk

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

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors reviews and agrees policies for managing each of these risks.

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

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 43.1 Credit risk

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

The Group is exposed to credit risk from its operating activities primarily for local trade debts, deposits, bank balances and other receivables.

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

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

### 43.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, trade deposits, other receivables and bank balances. Out of total financial assets of Rs. 1,101 million (2020: Rs. 1,045 million), financial assets which are subject to credit risk aggregate to Rs. 1,045 million (2020: Rs. 1,001 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2021 Rupees	2020 Rupees
Long term deposits	8,987,690	8,987,690
Trade debts	1,014,788,632	986,719,304
Security deposits	3,361,677	-
Other receivables	9,970,853	-
Bank balances	8,211,638	4,965,506
	1,045,320,490	1,000,672,500

43.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows:

	2021 Rupees	2020 Rupees
Local	915,819,780	763,609,711
Export	98,968,852	223,109,593
	1,014,788,632	986,719,304

The majority of export debts of the Group are situated in Asia, Europe and North America.

43.1.3 Customer credit risk is managed under the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and all exports are covered by letters of credit or other forms of credit insurance obtained from reputable banks.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security. The letters of credit for export sales are considered integral part of export trade receivables and there is no past history of default in case of export debtors, so the expected credit loss rate for the export trade receivables is insignificant, hence gross amount equals to net carrying amount. However, for local trade receivables the Group evaluates the concentration of risk with respect to them as low, as its customers mostly deal in advances and their demand is order based.

	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	361 days or more
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>As at 30 June 2021</b>							
<b>Estimated total gross carrying amount at default</b>	166,012,563	435,758,867	336,796,827	99,718,989	14,962,243	764,547	18,998,924
<b>Expected credit loss</b>	-	4,357,589	16,841,383	9,971,899	7,481,122	573,410	18,998,924
<b>As at 30 June 2020</b>							
Estimated total gross carrying amount at default	759,767,266	118,413,327	64,507,087	74,701,634	-	-	10,899,753
Expected credit loss	4,919,499	3,035,260	5,090,241	21,767,602	-	-	6,757,162

**43.1.4** Credit risk from balances with banks and financial institutions is managed by the Group's finance department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held:

Name of bank	Rating Agency	Rating	
		Short term	Long term
Askari Bank Limited	PACRA	AA-	AA-
Allied Bank Limited	PACRA	A-1+	AAA
Bank Islami Pakistan Limited	PACRA	A-1	A+
Dubai Islamic Bank	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
United Bank Limited	JCR-VIS	A-1+	AAA

## 43.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The Group's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

Financial liabilities in accordance with their contractual maturities are presented below:

	2021				
	Carrying amount	Contractual cash flows	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,102,718,295	1,224,123,611	160,002,932	609,750,117	454,370,562
Trade and other payables	752,442,435	752,442,435	752,442,435	-	-
Accrued interest / mark-up	29,571,786	29,571,786	29,571,786	-	-
Unclaimed dividend	617,737	617,737	617,737	-	-
Short term borrowings	814,941,320	814,941,320	814,941,320	-	-
	2,700,291,573	2,821,696,889	1,757,576,210	609,750,117	454,370,562

	2020				
	Carrying amount	Contractual cash flows	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	873,050,628	989,849,022	41,971,602	476,668,421	471,208,999
Trade and other payables	334,156,552	349,431,112	349,431,112	-	-
Accrued interest / mark-up	61,040,204	61,040,204	61,040,204	-	-
Unclaimed dividend	613,360	613,360	613,360	-	-
Short term borrowings	2,518,887,111	2,518,887,111	2,518,887,111	-	-
	3,787,747,855	3,919,820,809	2,971,943,389	476,668,421	471,208,999

**43.2.1** The contractual cash flow relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-end. The rates of mark-up / interest have been disclosed in the respective notes to these consolidated financial statements.

## 43.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of consolidated financial instruments.

### 43.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores and spares and export of goods mainly denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Group's exposure to foreign currency risk for US Dollar, Euro, Japanese Yen and Swiss Frank is as follows:

	2021						
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(98,968,852)	(627,179)	-	-	-	-	-
	(98,968,852)	(627,179)	-	-	-	-	-
Outstanding letters of credit	922,975,459	2,453,891	970,117	-	2,045,000	-	-
Net Exposures	824,006,607	1,826,712	970,117	-	2,045,000	-	-

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

2020							
	Rupees	US \$	EURO	JPY	CHF	AED	GBP
Trade debts	(223,109,593)	(1,245,927)	(71,293)	-	-	-	-
	(223,109,593)	(1,245,927)	(71,293)	-	-	-	-
Outstanding letters of credit	234,027,315	1,324,814	39,330	1,917,031	-	-	-
Foreign currency forward contracts	189,734,118	1,124,350	-	-	-	-	-
<b>Net Exposures</b>	<b>200,651,840</b>	<b>1,203,238</b>	<b>(31,963)</b>	<b>1,917,031</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following significant exchange rates have been applied as at reporting date:

	Note	2021 Rupees	2020 Rupees
US \$ to Rupees (Buying/Selling)		158.3 / 157.8	168.25 / 168.75
Euro to Rupees (Buying/Selling)		188.71 / 188.12	189.11 / 189.73

## Sensitivity analysis

A 5 percent (2020: 5 percent) strengthening of the Rupees against US Dollar and Euro at 30 June would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity Rupees	Profit or loss Rupees
<b>As at 30 June 2021</b>		
Effect in US Dollar	14,412,759	14,412,759
Effect in Euro	9,124,921	9,124,921
<b>As at 30 June 2020</b>		
Effect in US Dollar	10,152,317	10,152,317
Effect in Euro	(303,217)	(303,217)

5 percent (2020: 5 percent) weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 43.3.2 Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Group's significant financial assets and liabilities is as follows:

Particulars	Effective Rate		Carrying Amount	
	2021	2020	2021	2020
	Percentage		Rupees	
Fixed rate instruments				
Financial liabilities				
Long term financing	1% to 4%	2.50%	1,102,718,295	873,050,628
Variable rate instruments				
Financial liabilities				
Short term borrowings - local currency	2.5% to 9.33%	2.3% to 15.10%	814,941,320	2,518,887,111

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in mark-up / interest rates at the reporting date would not affect profit or loss account.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

	Profit and loss 100 bps	
	Increase	Decrease
	Rupees	Rupees
<b>As at 30 June 2021</b>		
Cash flow sensitivity - variable rate instruments	8,149,413	(8,149,413)
<b>As at 30 June 2020</b>		
Cash flow sensitivity - variable rate instruments	25,188,871	(25,188,871)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Group.

## 40.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the Group diversifies its portfolio and continuously monitor developments in equity markets. In addition the Group actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in share prices of listed companies at the reporting date would have increased / decreased the Group's unrealized gain on investments at fair value through OCI as follows:



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	2021 Rupees	2020 Rupees
<b>Effect on equity</b>	5,547,007	4,218,744
Effect on investments	5,547,007	4,218,744

The sensitivity analysis prepared is not necessarily indicative of the effects on equity / investments of the Group.

## 43.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	Note	2021 Rupees	2020 Rupees
--	------	----------------	----------------

## 43.5 Financial instruments by Category

### FINANCIAL ASSETS

#### Debt instruments at amortized cost

Long term deposits	8,987,690	8,987,690
Trade debts	1,014,788,632	986,719,303
Security deposits	3,120,505	133,984
Other receivables	9,970,853	-
	1,036,867,680	995,840,977

#### Equity instruments at fair value through OCI

Quoted equity shares	55,470,065	42,187,437
Bank balances	8,920,138	4,965,506

#### Total current

#### Total non current

	1,092,270,193	1,034,006,230
	8,987,690	8,987,690

### FINANCIAL LIABILITIES

#### At amortized cost

Trade and other payables	752,442,435	348,654,472
Accrued interest / mark-up	29,571,786	61,040,204
Unclaimed dividend	617,737	613,360
Secured bank loan	1,102,718,295	873,050,628
Short term finances from banks	814,941,320	2,518,887,111
	2,700,291,573	3,802,245,775
<b>Total current</b>	1,738,088,137	2,948,549,646
<b>Total non current</b>	962,203,436	853,696,129

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 43.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1. Quoted market price (unadjusted) in an active market for identical instrument.

Level 2. Inputs other than quoted price 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 main level of inputs used by the Group for its financial assets are derived and evaluated as follows:

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees
<b>As at 30 June 2021</b>			
<b>Assets carried at fair value</b>			
Equity instruments at fair value through OCI	55,470,065	-	-
<b>As at 30 June 2020</b>			
<b>Assets carried at fair value</b>			
Equity instruments at fair value through OCI	42,187,437	-	-

## 43.7 Capital risk management

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings (long term financing and short term borrowings as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the consolidated statement of financial position under 'share capital and reserves'.

	Note	2021 Rupees	2020 Rupees
<b>Total borrowings</b>		1,917,659,615	3,391,937,739
Less: Cash and bank balances		8,920,138	6,325,506
<b>Net debt</b>		1,908,739,477	3,385,612,233
<b>Total equity</b>		4,435,010,786	3,066,417,171
<b>Total capital</b>		6,343,750,263	6,452,029,404
		2021 (Percentage)	2020 (Percentage)
<b>Gearing ratio</b>		30.09	52.47

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

## 44 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	30 June 2021				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed divided	Total
	Rupees				
<b>Balance as at 01 July 2020</b>	873,050,628	2,518,887,111	61,040,204	613,360	3,453,591,304
<b>Cash flows</b>					
Repayment of loans	(51,596,789)	(1,705,717,905)	-	-	(1,757,314,694)
Proceeds from loans	286,109,905	-	-	-	286,109,905
Bank overdraft included in cash and cash equivalents	-	1,772,114	-	-	1,772,114
Finance cost paid	-	-	(208,461,264)	-	(208,461,264)
Dividends paid	-	-	-	4,378	4,378
<b>Total changes from financing cash flows</b>	234,513,116	(1,703,945,791)	(208,461,264)	4,378	(1,677,889,562)
<b>Other changes including non-cash</b>					
Deferred grant	(4,845,449)				
Finance cost	-	-	176,992,845	-	176,992,845
Total liability related other changes	(4,845,449)	-	176,992,845	-	176,992,845
<b>Closing as at 30 June 2021</b>	1,102,718,295	814,941,320	29,571,785	617,738	1,952,694,587
	30 June 2020				
	Long term loans	Short term borrowings	Accrued interest / mark-up	Unclaimed divided	Total
<b>Balance as at 01 July 2019</b>	559,379,252	1,960,037,936	47,104,270	500,767	2,567,022,225
<b>Cash flows</b>					
Repayment of loans	(5,703,124)	-	-	-	(5,703,124)
Proceeds from loans	319,374,500	558,849,175	-	-	878,223,675
Finance cost paid	-	-	(315,645,535)	-	(315,645,535)
Dividends paid	-	-	-	(82,223,407)	(82,223,407)
<b>Total changes from financing cash flows</b>	313,671,376	558,849,175	(315,645,535)	(82,223,407)	474,651,609
<b>Other changes including non-cash</b>					
Dividend declared	-	-	-	82,336,000	82,336,000
Finance cost	-	-	329,581,469	-	329,581,469
Total liability related other changes	-	-	329,581,469	82,336,000	411,917,469
<b>Closing as at 30 June 2020</b>	873,050,628	2,518,887,111	61,040,204	613,360	3,453,591,303

**45 EVENTS AFTER REPORTING DATE**

The board of directors of the Holding Company in its meeting held on 23 September 2021 proposed cash dividend of Rs.5 (2020: Nil) per ordinary share of Rs. 10 each which is subject to approval by shareholders at the forthcoming Annual General Meeting and has not recognised in these financial statements.

**46 DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 23 September 2021.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

## PATTERN OF SHAREHOLDING

As at 30 June 2021

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
314	1	100	6,616
67	101	500	24,640
25	501	1,000	21,654
27	1,001	5,000	70,841
8	5,001	10,000	58,632
2	10,001	15,000	22,597
3	15,001	20,000	51,440
2	20,001	25,000	45,539
2	25,001	30,000	55,709
4	35,001	40,000	153,085
2	40,001	45,000	87,064
1	65,001	70,000	69,160
1	75,001	80,000	79,027
1	80,001	85,000	82,106
2	85,001	90,000	176,154
1	105,001	110,000	108,217
1	120,001	125,000	123,902
1	145,001	150,000	149,194
1	150,001	155,000	153,906
2	220,001	225,000	440,762
1	230,001	235,000	232,838
1	315,001	320,000	315,985
1	340,001	345,000	340,826
1	365,001	370,000	365,515
1	435,001	440,000	435,645
1	465,001	470,000	465,638
1	545,001	550,000	545,522
1	555,001	560,000	557,621
1	635,001	640,000	636,156
1	930,001	935,000	934,026
1	995,001	1,000,000	1,000,000
1	1,095,001	1,100,000	1,097,110
1	1,380,001	1,385,000	1,384,873
<b>480</b>			<b>10,292,000</b>

## CATEGORIES OF SHAREHOLDERS

As at 30 June 2021

Particulars	No. of Shares Held	Percentage %
Director's, CEO, Their Spouse and Minor Children	1,675,318	16.26%
Associated Companies, Undertakings and Related Parties	6,733,066	65.42%
NIT & ICP	465,638	4.52%
Banks, Development Finance Institutions,	325	0.01%
Non- Banking Financial Institutions	16,940	0.16%
Insurance Companies	500	0.01%
Modarabas Companies & Mutual Funds	1,331,464	12.94%
General Public (Local)	4,353	0.04%
Joint Stock Companies	64,396	0.63%
	10,292,000	100%

# PATTERN OF SHAREHOLDING

As at 30 June 2021

A)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	NO OF SHARES
	Amer Cotton Mills (Private) Limited	18,100
	Amer Tex (Pvt.) Limited	10,567
	Four Strenght (Pvt.) Limited	9,920
	Crystal Enterprises (Private) Limited	27,696
	Galaxy Agencies (Private) Limited	108,217
	Nadeem Enterprise (Private) Limited	87,104
	Neelum Textile Mills (Pvt.) Limited	1,365,515
	Reliance Textiles (Private) Limited	1,098,118
	Salman Ismail (SMC-PRIVATE) Limited	1,500
	Sapphire Agencies (Pvt.) Limited	2,318,899
	Sapphire Fibres Limited	153,906
	Sapphire Power Generation Limited	20,539
	Sapphire Textile Mills Limited	315,985
	SFL Limited	557,621
	Sapphire Holding Limited	636,156
	Yousuf Agencies (Private) Limited	3,223
B)	NIT & ICP	
	CDC - Trustee National Investment (Unit) Trust	465,638
C)	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN	
	DIRECTORS & THEIR SPOUSES	
	Mr. Shahid Abdullah	117,777
	Mr. Yousuf Abdullah	588,710
	Mr. Amer Abdullah	379,576
	Mr. Nabeel Abdullah	570
	Mr. Asif Elahi	500
	Mrs. Shireen Shahid	98,506
	Mrs. Ambareen Amer	240,838
	Mrs. Usma Yousuf	28,013
	Mrs. Madiha Saeed Nagra	100
	CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
	Mr. Shayan Abdullah	220,728
D)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES BANKS	
	National Bank of Pakistan	225



## PATTERN OF SHAREHOLDING

As at 30 June 2021

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

#### BANKS, DFI & NBFI

National Development Finance Corporation	100
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#### INSURANCE COMPANIES

First Punjab Modaraba	500
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#### MODARABAS & MUTUAL FUNDS

First Punjab Modaraba	500
-----------------------	-----

### E) SHAREHOLDERS HOLDING 05% OR MORE

Reliance Textiles (Private) Limited	1,098,118
Sapphire Agencies (Pvt.) Limited	2,318,899
Neelum Textile Mills (Pvt.) Limited	1,365,515
SFL Limited	557,621
Sapphire Holding Limited	636,156

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

NIL



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-  FAQs Answered
-  Online Quizzes
-  Stock trading simulator  
(based on live feed from PSX)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device



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\*Mobile apps are also available for download for android  
and ios devices

# FORM OF PROXY Reliance Cotton Spinning Mills Limited

For the year ended 30 June 2021

I/we \_\_\_\_\_ of \_\_\_\_\_  
a member(s) of Reliance Cotton Spinning Mills Limited and a holder of \_\_\_\_\_  
Ordinary Shares, do hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
who is also a member of Reliance Cotton Spinning Mills Limited, vide Registered Folio No. \_\_\_\_\_  
as my/ our Proxy to act on my/ our behalf at Annual General Meeting of the Company to be held virtually on Wednesday  
the 27th October, 2021 at 02:30 pm through video conference and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Signature of shareholder \_\_\_\_\_

CNIC No: \_\_\_\_\_

Folio No/ CDC and/or Sub Account No: \_\_\_\_\_

Email: \_\_\_\_\_

Signature of proxy: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Folio No/ CDC and/or Sub Account No: \_\_\_\_\_

Email: \_\_\_\_\_

REVENUE  
STAMP PF  
RS.5/-

(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, a certified copy of that Power of Attorney must be deposited along with this form.
4. This proxy form duly completed must be deposited at the Registered Office of the Company at least 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 CNIC numbers shall be mentioned on the form.
  - ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
  - iv) In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Witness:

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

فارم برائے قائم مقام / متبادل  
ریلائیمنس کاٹن اسپینگ ملز لمیٹڈ

میں/ہم \_\_\_\_\_ جس کا تعلق \_\_\_\_\_ سے ہے:

ریائینس کا ٹن اسپنگ ملز لمیٹڈ کے ممبر کی حیثیت سے \_\_\_\_\_ شیرز کی تحویل رکھتا/رکھتی ہوں۔ میں/ہم \_\_\_\_\_ کو یا ان کی عدم حاضری کی صورت میں \_\_\_\_\_ کو \_\_\_\_\_ جس کا تعلق \_\_\_\_\_ سے ہے، کو 127 اکتوبر 2021 شام 2:30 بجے ویڈیو کانفرنسنگ کے ذریعے منعقد ہونے والے سالانہ اجلاس عام یا ملتوی ہونے کی صورت میں دیگر تاریخ پر اپنی/ہماری غیر موجودگی میں شرکت اور ووٹ دینے کے لئے اپنا/ہمارا پر کسی مقرر کرتا/کرتے / کرتی ہوں۔

اس دستاویذ پر مورخہ _____	2021ء کو دستخط ہوئے۔	ریونیٹنگلٹ
شیرز ہولڈر کے دستخط _____		پانچ روپے
شیرز ہولڈر کا فوئیو نمبر: _____	شریک ہونے والے کا CNIC نمبر _____	
اور/یا CDC _____	اور سب اکاؤنٹ نمبر _____	
پراسی کے دستخط _____		
شیرز ہولڈر کا فوئیو نمبر: _____	شریک ہونے والے کا CNIC نمبر _____	
اور/یا CDC _____	اور سب اکاؤنٹ نمبر _____	

نویس

- ۱۔ کوئی بھی پراکسی اس وقت تک درست سمجھی جائے گی جب تک اس پر پانچ (05) روپے کا محصول ٹکٹ نالگایا 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 چاہئے۔  
(ii) Beneficial owners کے CNIC یا پاسپورٹ کی اسکین شدہ کاپی پراکسی فارم کے ساتھ جمع کرانے ہوں گے۔  
(iii) پراکسی مینٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔  
(iv) کارپوریٹ اثاثہ کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution / Power of Attorney بمعہ پراکسی ہولڈر کے دستخط بھی جمع کروائے جائیں گے (اگر یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1) دستخط: \_\_\_\_\_  
نام: \_\_\_\_\_  
پتہ: \_\_\_\_\_  
CNIC ایسپورٹ نمبر: \_\_\_\_\_

(2) دستخط: \_\_\_\_\_  
نام: \_\_\_\_\_  
پتہ: \_\_\_\_\_  
CNIC ایسپورٹ نمبر: \_\_\_\_\_





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E-Mail: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk)