



Reliance Cotton Spinning Mills Limited

Annual Report 2024

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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. Anjum Saleem	Independent Director

AUDIT COMMITTEE

Mr. Anjum Saleem	Chairman
Mr. Shahid Abdullah	Member
Mr. Nabeel Abdullah	Member

COMPANY SECRETARY

Mr. Rameez Ghausi

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Anjum Saleem	Chairman
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

CHIEF FINANCIAL OFFICER

Mr. Jawwad Faisal

SHARE REGISTRAR

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

TAX CONSULTANTS

Yousuf Adil, Chartered Accountants

AUDITORS

Shinewing Hameed Chaudhri & Company
Chartered Accountants

LEGAL ADVISOR

Hassan & Hassan, Advocates

BANKERS

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

RISK COMMITTEE

Mr. Shahid Abdullah Chairman
Mr. Shayan Abdullah Member
Mr. Jawwad Faisal Member

REGISTERED OFFICE:

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

☎ Tel: +92 21 111 000 100

📠 Fax +92 21 32416705

🌐 Website: www.sapphire.com.pk/rcsm

CORPORATE OFFICE:

📍 1st Floor, Tricon Corporate Centre,
73-E Main Jail Road, Gulberg II, Lahore. Pakistan.

MILLS:

Feroze Wattoan,
District Sheikhpura, Punjab.

DIRECTORS' PROFILE

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.

MR. SHAYAN ABDULLAH

Chief Executive Officer

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.



BOARD OF DIRECTORS

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.

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.

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.

ANJUM SALEEM

Independent Director

Mr. Anjum Saleem holds a Bachelors of Commerce degree from University of Karachi. He has an experience of over 40 years in the field of Insurance. He is working with Adamjee Insurance Company Limited as General Manager Development since 1980. With his excellent leadership qualities and great negotiating skills, he has been a valuable asset to Adamjee Insurance Company Limited.

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 at 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.





OUR VISION

To be one of the premier textile company recognized for leadership in technology, flexibility, responsiveness and quality. Our customers will share in our success through innovative manufacturing, certifiable quality, exceptional services and creative alliances. Structured to maintain in depth competence and knowledge about our business, our customers and worldwide markets.

Our workforce will be the most efficient in industry through multiple skill learning, the fostering of learning and the fostering of teamwork and the security of the safest work environment possible recognized 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 customer. Our mission will be accomplished through excellence in customer service, sales and manufacturing supported by customer service, sales and manufacturing supports 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.

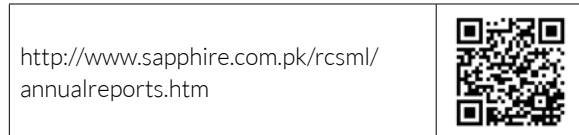
NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting of Reliance Cotton Spinning Mills Limited will be held on Monday, October 28, 2024 at Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi at 12:30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last General Meetings held on October 26, 2023 and September 26, 2024.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2024 together with the Chairman's Review, Directors' and Auditors' Report thereon.

In accordance with Section 223 of the Companies Act, 2017, and pursuant to S.R.O. 389(I)/2023 dated March 21, 2023, the financial statements have been uploaded on the website of the Company which can be downloaded from the following weblink and QR enabled code:



3. To approve final dividend for the year ended June 30, 2024.
4. To appoint auditors for the year ending 30th June 2025 and fix their remuneration. The present auditors, M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants retire and being eligible offer themselves for reappointment.

SPECIAL BUSINESS

5. To approve by way of special resolution with or without modification the following resolutions in respect of related party transactions in terms of Section 208 of the Companies Act, 2017:
 - (i) **"RESOLVED THAT** the related party transactions conducted during the year as disclosed in the note 35 of the unconsolidated financial statements for the year ended June 30, 2024 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, 2025.

"FURTHER RESOLVED that transactions approved by the 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



Karachi
September 27, 2024

Rameez Ghausi
Company Secretary

NOTE:

1. The share transfer books of the Company shall remain closed from 22nd October 2024 to 28th October 2024 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar i.e. Hameed Majeed Associates (Private) Limited, situated at 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, before the close of business on October 21, 2024, will be considered in time, to entitle the transferees to attend and vote at the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order, to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

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.

3. CDC shareholders will further have to follow the below mentioned guidelines as laid down in Circular 1, dated 26 January, 2000 issued by Securities and Exchange Commission of Pakistan:

A. For attending the meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the above Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the proxy form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.
 - v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form to the Company.
4. Any change of address of members should be immediately notified to the company's share registrar M/s. Hameed Majeed Associates (Private) Limited, situated at 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
5. In order to comply with the directives of the Securities and Exchange Commission of Pakistan, including in terms of Circular No. 4 of 2021, the Company has also arranged video conference facility for those members who are interested in participating virtually in the AGM.

Special arrangements for participating in the AGM through electronic means will be as under:

- a. AGM will be held through Zoom application - a video link facility.
- b. Members 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 48 hours before AGM on E-mail: contact@sapphiretextiles.com.pk along with a valid copy of both sides of CNIC.

Members 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 members, the Company will send the login credentials at their e-mail address. On the date of AGM, members 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.

6. The members are requested to submit a copy of their Computerized National Identity Card (CNIC), if not already provided and immediately notify changes if any, in their addresses to our Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd.
7. Pursuant to Companies (Postal Ballot) Regulations 2018, in case of special business, members will be allowed to exercise their right to vote through postal ballot, that is voting by post or through E-voting, in accordance with the requirements and procedures contained in the aforesaid regulations. The procedure of postal ballot [e-voting and voting by post] is hereby given below:

E-voting Procedure:

- (a) Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the company by the close of business on 21 October 2024.
- (b) The web address, login details, will be communicated to members via email. The security codes will be communicated to members through SMS from web portal of Hameed Majeed Associates (Private) Limited (being the e-voting service provider).

- (c) Identity of the members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- (d) E-Voting lines will start from 24 October 2024, 09:00 a.m. and shall close on 26 October 2024 at 5:00 p.m. Members can cast their votes any time during this period. Once the vote on a resolution is cast by a member, he / she shall not be allowed to change it subsequently.

Procedure for voting through Postal Ballot:

The members shall ensure that duly filled and signed ballot paper, along with copy of CNIC, should reach the Chairman of the meeting through post at the registered address of the Company / Share Registrar or through email at contact@sapphiretextiles.com.pk, by close of business on October 26, 2024. The signature on the ballot paper shall match with the signature on CNIC.

- 8. Deposit of physical certificate(s) 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 the Companies Act, 2017.
- Accordingly, a member having physical shares are encouraged to open a CDC sub-account with a broker or Investor Account directly with CDC to place their physical certificates into scrip less form.
- 9. An updated list of unclaimed dividends/shares of the Company is available on the Company's website www.sapphire.com.pk/rcsml. These are unclaimed dividends/shares which have remained unclaimed or unpaid for three years from the date these have become due and payable.
 - 10. 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.

- 11. (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%

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.
- (iv) Zakat is also deductible at source from the dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction of zakat. To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarized copy of Zakat Declaration Form "CZ-50" on non-judicial stamp paper of Rs. 50.00 to the Shares Registrar, before the date of book closure.

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 Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (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).

(v) For any query/information, the investors may contact the Company Secretary at phone: (021) 111 000 100 & email address: contact@sapphire textiles.com.pk and/or Hameed Majeed Associates (Private) Limited at phone: (021) 32424826 / 32469573 & email address: khi@hmaconsultants.com

(vi) 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.

12. The Company shall provide video conference facility to its members for attending the General Meeting at places other than the town in which general meeting is taking place, provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 07 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following form and submit to registered address of the Company 07 days before holding of the General Meeting:

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

Signature of Member

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

1. Agenda 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 35 to the unconsolidated financial statements for the year ended June 30, 2024.

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 note 35 to the unconsolidated financial statements for the year ended June 30, 2024.

2. Agenda number 5(ii) of the notice – Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2025.

The Company shall be conducting transactions with its related parties during the year ending June 30, 2025 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, 2025 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

GOVERNANCE

The governance framework established by Reliance Cotton Spinning Mills Limited is pivotal for ensuring corporate success and fostering confidence among stakeholders. Our governance structure has been meticulously crafted to align with the legal and regulatory requirements, thereby addressing the informational needs of our stakeholders effectively. This framework is anchored in the laws of Pakistan, particularly the Companies Act of 2017 and the Code of Corporate Governance, alongside other statutory and regulatory obligations pertinent to entities listed on the Pakistan Stock Exchange. To uphold compliance with these laws, the company has assembled a proficient and dedicated team, implementing a comprehensive code of conduct, a whistleblowing policy, and a code of business ethics, among other essential measures.

The financial year concluding on June 30, 2024, has seen the Board's performance and effectiveness rated as satisfactory. This assessment is derived from a thorough evaluation of key elements such as the organization's vision, mission, and values; involvement in strategic planning; policy formulation; oversight of business operations; management of financial resources; equitable treatment of employees; and the overall efficiency in executing the Board's responsibilities.

ECONOMIC FRONT

The economic landscape for the financial year 2023-24 has been characterized by persistent challenges, including elevated inflation rates, increased taxation and high borrowing costs. Despite these hurdles, the implementation of tighter monetary and fiscal policies, coupled with record agricultural output and a stable currency, has contributed to the current inflation levels. Additionally, the government is showing a willingness to lower the policy rate, which may facilitate a gradual recovery in economic activity.

The constant increase in the cost of production is a challenge for the industry. Management is focused on building strategic alliances in the export market and developing innovative products to achieve sustainable profitability. The Company's investment portfolio is also expected to contribute positively in profitability.

ACKNOWLEDGMENTS:

On behalf of the board of directors, I extend my heartfelt gratitude to our shareholders, customers, and employees for their continued trust and support. I also acknowledge the commitment and diligence of the board of directors for their steadfast leadership and valuable contributions to the company's continued growth.

Lahore
September 27, 2024



Shahid Abdullah
Chairman

چیمبر مین کی جائزہ رپورٹ

گورننس

ریلائنس کاشن ہولڈنگز کی طرف سے قائم کردہ گورننس فریم ورک کارپوریٹ کامیابی کو یقینی بنانے اور اسٹیک ہولڈرز کے مابین اعتماد کو فروغ دینے کے لئے اہم ہے۔ ہمارے گورننس ڈھانچے کو قانونی اور ریگولیٹری تقاضوں سے ہم آہنگ کرنے کے لئے بہت ہی احتیاط سے تیار کیا گیا ہے، اس طرح ہمارے اسٹیک ہولڈرز کی معلوماتی ضروریات کو مؤثر طریقے سے پورا کیا گیا ہے۔ یہ فریم ورک پاکستان کے قوانین خاص طور پر کمپنیز ایکٹ 2017 اور کوڈ آف کارپوریٹ گورننس اور پاکستان اسٹاک ایکسچینج میں درج اداروں سے متعلق دیگر قانونی اور ریگولیٹری ذمہ داریوں میں مضمر ہے۔ ان قوانین کی تعمیل کو برقرار رکھنے کے لئے، کمپنی نے ایک ماہر اور تجربہ کار ٹیم تیار کی ہے، جو دیگر ضروری اقدامات کے علاوہ ایک جامع ضابطہ اخلاق، ایک ویل بلونگ پالیسی، اور کاروباری اخلاقیات کا ایک ضابطہ نافذ کر رہی ہے۔

30 جون 2024 کو ختم ہونے والے مالی سال میں بورڈ کی کارکردگی اور موثریت کو تسلیم کر دیا گیا ہے۔ یہ تجزیہ تنظیم کے ڈون، مشن اور اقدار، اسٹریٹجک منصوبہ بندی میں شمولیت، پالیسی کی تشکیل کاروباری کارروائیوں کی نگرانی، مالی وسائل کا انتظام، ملازمین کے ساتھ مصفاہ سلوک اور بورڈ کی ذمہ داریوں کو سرانجام دینے میں مجموعی کارکردگی جیسے کلیدی عناصر کے مکمل جائزے سے اخذ کیا گیا ہے۔

اقتصادی جائزہ

مالی سال 2023-24 کے لئے معاشی مظہر نامہ مسلسل مشکلات کی نشاندہی کرتا رہا ہے، جس میں افراط زر کی زیادہ شرح، ٹیکس میں اضافہ اور قرض کی زیادہ لاگت شامل ہیں۔ ان رکاوٹوں کے باوجود سخت مانیٹری اور مالیاتی پالیسیوں کے نفاذ اور ریکارڈ زریعی پیداوار اور مستحکم کرنسی نے افراط زر کی موجودہ سطح میں اضافہ کیا ہے۔ مزید برآں، حکومت پالیسی ریٹ کو کم کرنے پر آمادگی ظاہر کر رہی ہے، جس سے معاشی سرگرمیوں میں بہتر توجہ بحالی میں مدد مل سکتی ہے۔

پیداواری لاگت میں مسلسل اضافہ صنعت کے لئے ایک چیلنج ہے۔ منجھٹ کی توجہ برآمدی مارکیٹ میں اسٹریٹجک اتحاد بنانے اور پائیدار منافع حاصل کرنے کے لئے جدید مصنوعات تیار کرنے پر مرکوز ہے۔ کمپنی کے سرمایہ کاری پورٹ فولیو سے بھی منافع میں مثبت کردار ادا کرنے کی توقع ہے۔

اظہار تشکر:

بورڈ آف ڈائریکٹرز کی جانب سے میں اپنے شیئر ہولڈرز، صارفین اور ملازمین کا ان کے مسلسل اعتماد اور حمایت پر تہ دل سے شکر گزار ہوں۔ میں بورڈ آف ڈائریکٹرز کی ثابت قدم قیادت اور کمپنی کی مسلسل ترقی میں قابل قدر خدمات کے لئے ان کے عزم اور لگن کو بھی سراہتا ہوں۔



شاہد عبداللہ
چیمبر مین

لاہور

27 ستمبر 2024ء

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present the Annual Report of your Company together with the audited financial statements for the year ended 30 June 2024.

Category	2024	2023
	Rupees in '000'	
Sales	14,645,976	11,048,840
Profit from operations	2,090,209	1,355,589
Finance Cost	(786,109)	(350,942)
Taxation	(119,144)	(165,537)
Profit after taxation	1,184,956	839,110

FINANCIAL PERFORMANCE

During the year under review, your Company achieved sales of Rs. 14.65 billion compared to Rs. 11.05 billion during last year, reflecting a significant increase of 32.6%, driven by strong demand for our products in both domestic and export markets.

The gross profit as a percentage of sales improved from 15.4% in the previous year to 16.2% this year, while profit after tax rose from 7.6% to 8.1% of sales.

The Company earned profit after tax of Rs. 1,185 million during the year, compared to Rs. 839 million in the corresponding year.

EARNINGS PER SHARE

The earnings per share (EPS) for the current year stands at Rs. 115.1 up from Rs. 81.5 in the previous year.

DIVIDEND

The Board of Directors of the company is pleased to recommend a final cash dividend of Rs. 4 per share for the year ended June 30, 2024 (2023: Rs. 4 per share).

TRANSFER TO RESERVES

The Board of Directors also decided to reclassify a sum of Rs. 6.5 billion from the Revenue Reserves to Separate Capital Reserves.

FUTURE OUTLOOK

Global GDP growth is forecasted at 3.3% in 2025, with a notable divergence between advanced economies and emerging markets. Advanced economies are expected to experience modest growth of 1.8%, whereas emerging and developing economies are projected to grow at a more robust rate of 4.3%, driven by stronger domestic demand.

Pakistan's projected growth rate of 3.5% highlights the country's resilience and its potential for economic recovery, despite numerous challenges facing its domestic industries. The downward trend in inflation and interest rates offers some much-needed relief to export oriented sectors, creating a more favorable environment for growth. If these trends are sustained, they could enhance the competitiveness of Pakistani exports in global markets and stimulate investment in key industries.

The management of your company is committed on maximizing shareholder value through profitable growth and capital efficiency.

SUBSIDIARY COMPANY

A wholly owned subsidiary, RCSM Company (Pvt.) Ltd., was incorporated on November 8, 2017. The subsidiary's primary activity is to acquire and hold shares in other companies. During the year, RCSML made an equity investment of Rs. 197,837,130 by subscribing to 19,783,713 shares of its subsidiary.

SIGNIFICANT CHANGES OCCURRED DURING THE YEAR

The Board of Directors of the Company in their meeting held on August 28, 2024 has approved the Scheme of Compromises, Arrangement and Reconstruction for Amalgamation / Merger of Amer Cotton Mills (Pvt.) Limited (ACML) – an Associated Company and its members with and into the Company in terms of provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017.

Upon the completion of merger / amalgamation through the intended Scheme, ACML will be dissolved under the order of the Honorable High Court of Sindh at Karachi without winding up and the shares of the Company shall be issued to the registered shareholders of ACML as per the SWAP ratio determined by the management of the Company. For this purpose a petition has been filed with the Honorable High Court of Sindh on September 02, 2024.

RELATED PARTIES

All transactions with related parties were conducted on an arm's length basis, in accordance with transfer pricing methods and the related party policy approved by the Board. A comprehensive list of all related party transactions is compiled and submitted to the Audit Committee on a quarterly basis. The internal audit function ensures that these transactions are executed at arm's length. After review by the Audit Committee, the transactions are presented to the Board for consideration and approval. During the year, the company engaged in transactions with its related parties, the details of which are disclosed in Note 35 to the unconsolidated financial statements.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company takes every possible measure to ensure the safety of both its employees and the communities in which it operates at all times. Environmental protection is a key priority on the company's Health, Safety, and Environment (HSE) agenda. We ensure that our production processes are eco-friendly and efficient, and we continuously work to improve energy efficiency at both our production facilities and offices.

Additionally, the Company has earned BCI (Better Cotton Initiative) certification, along with the OEKO-TEX certificate for eco-friendly cotton.

CASH FLOW STRATEGY

The Company has implemented an effective cash flow strategy, which has consistently enabled it to meet its financial obligations smoothly and is well-prepared to address any future challenges. To support this approach, the management continuously strives to optimize borrowing costs by maintaining a balanced portfolio of funding sources and utilizing efficient financing arrangements to enhance economic efficiency.

CORPORATE SOCIAL RESPONSIBILITY

As part of one of the country's most respected groups, we are committed to serving the community and ensuring that each of our CSR initiatives truly benefits those in need. Numerous activities were carried out during the year, and we actively encourage and appreciate our employees' participation and dedication to these efforts.

The Company also made significant donations toward health, education, and social welfare projects, as detailed in Note 27 of the financial statements.

BOARD'S STATEMENT FOR STRATEGIC OBJECTIVE ON ESG

The company is committed to establishing a transparent and proactive ESG reporting strategy that goes beyond compliance, aiming to drive meaningful and measurable improvements in sustainability performance. The goal of this strategy is to integrate and prioritize sustainability principles throughout the company's operations and decision-making processes, ensuring long-term value creation.

By embracing sustainable operational practices, adopting renewable energy policies, and implementing green initiatives, the company strives to contribute to a more sustainable future. The strategic team is also dedicated to maintaining the highest standards of corporate governance, fully adhering to corporate laws and regulations to prevent conflicts of interest.

Additionally, the management has set specific and measurable ESG targets aligned with the company's strategic objectives, aimed at enhancing sustainability, resilience, and positive social impact.

SUSTAINABILITY RELATED RISKS & OPPORTUNITIES

This sustainability reporting helps identify and manage risks related to environmental, social, and governance (ESG) factors, which are becoming increasingly important to investors, regulators, and consumers. Within this framework, the company faces the following key sustainability risks.

ENVIRONMENTAL RISKS

Water usage, pollution, waste management, carbon emissions & chemical use.

SOCIAL RISKS

Labor practices, human rights, health and safety.

GOVERNANCE RISKS

Regulatory compliance, supply chain transparency.

These factors pose a risk to the company; short-term non-compliance may result in penalties, while long-term repercussions could include substantial fines, legal costs, and reputational damage, potentially leading to the loss of customers or business.

Moreover, inadequate oversight of sustainability practices and insufficient transparency could erode investor confidence and limit access to capital in the long run. However, these risks also present opportunities. By embracing sustainable practices and improving energy efficiency, the company can achieve immediate cost savings and bolster its brand reputation. Long-term opportunities include gaining a sustained competitive advantage through a continued commitment to ESG principles, which can enhance investor confidence, reduce financial volatility, and ensure long-term profitability.

PROGRESS TOWARDS ESG INITIATIVES

Throughout the year, RCSML made significant progress in advancing our ESG initiatives. We concentrated on improving our environmental performance, promoting social equity, and strengthening governance structures. Furthermore, we are actively developing a comprehensive ESG policy to reinforce our commitment to sustainable and responsible business practices.

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	3
Mr. Nabeel Abdullah	Non-Executive Director	3
Ms. Madiha Saeed Nagra	Independent Director	3
Mr. Anjum Saleem	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. Anjum Saleem	Chairman (independent)	4
Mr. Shahid Abdullah	Member	4
Mr. Nabeel Abdullah	Member	3

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

Mr. Anjum Saleem	Chairman (independent)
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

- Risk Management Committee. During the year, two meetings were held and attended by all the members.

Mr. Shahid Abdullah	Chairman
Mr. Shayan Abdullah	Member
Mr. Jawwad Faisal	Member

PRINCIPAL RISKS & UNCERTAINTY

Businesses encounter a range of risks and uncertainties that, if not effectively managed, could lead to significant losses for the Company. The Board of Directors, through the Risk Management Committee (RMC), has conducted a thorough assessment of both internal and external risks facing the Company. Some of the key risks include:

- Increased competition at both global and regional levels, necessitating cost-effectiveness.
- Currency volatility and abrupt devaluation of the Rupee, leading to higher costs for imported raw materials.
- Implementation of customs and regulatory duties on cotton and man-made fibers, increasing raw material costs.
- Rising conversion and power costs due to escalating fuel and gas prices, natural gas shortages, and other inflationary pressures.
- High policy rates, such as KIBOR, resulting in increased financing costs.

- Uncertainty surrounding the transition from the Final Tax Regime (FTR) to the Normal Tax Regime (NTR) for exporters, and the continuation of super tax.
- Soaring inflation impacting the purchasing power of consumers, thereby reducing demand for the Company's products.

RISK MANAGEMENT

Effective risk management is crucial for sustainable business growth. At RCSML, the Risk Management Committee (RMC) supervises processes related to risk management and internal controls. These documented and regularly reviewed processes are designed to protect assets and mitigate potential risks to the Company, including those that could impact business continuity. Any identified risks that might affect the achievement of strategic, operational, financial, or compliance objectives are promptly reported to the Board for timely action to ensure seamless operations.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors periodically reviews the Company's strategic direction, with business plans and targets set by the Chief Executive and reviewed by the Board. Committed to upholding high standards of corporate governance, the Board has reviewed the Code of Corporate Governance and confirms the following:

1. The financial statements prepared by management accurately reflect the Company's financial position, results of operations, cash flows, and changes in equity.
2. The Company has maintained proper accounting records.
3. Consistent accounting policies have been applied in preparing the financial statements, and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards applicable in Pakistan have been followed in preparing the financial statements, with any deviations adequately disclosed and explained.
5. The internal control system is well-designed, effectively implemented, and continuously monitored through an internal audit function under a co-sourcing arrangement. Ongoing reviews will continue to enhance controls.
6. All liabilities related to taxes, duties, levies, and charges have been fully accounted for, and any unacknowledged claims are disclosed as contingent liabilities in the notes to the accounts.

7. There are no significant doubts about the Company's ability to continue as a going concern.
8. There have been no material deviations from best practices in corporate governance.
9. The Company maintains an Employees Provident Fund for staff, with Provident Fund members not eligible for the gratuity fund. The value of the Provident Fund investment as of June 30, 2024, is Rs. 57.4 million.
10. The Code of Conduct has been communicated to and acknowledged by each Director and employee of the Company.
11. As required by the Code, this report includes:
 - A Statement of Compliance with the Code of Corporate Governance, reviewed and found in order by the auditors.
 - A Statement of Shareholdings as of June 30, 2024, in accordance with Section 227(f) of the Companies Act, 2017.
 - A Statement of shares held by associated undertakings and related parties.
 - Key operating and financial statistics for the past six years.

REMUNERATION OF DIRECTORS

The remuneration of Directors is set by the Company during Board of Directors' meetings. In line with the Code of Corporate Governance, it is ensured that no Director participates in deciding their own remuneration. The Company does not provide salaries to non-executive and independent Directors; instead, they receive a fee for attending meetings. The remuneration packages for the Chief Executive and other executive Directors are disclosed in Note No. 34 of the financial statements.

PERFORMANCE EVALUATION OF DIRECTORS ON THE BOARD

The Board of Directors of your Company is composed of highly skilled professionals, each bringing diverse experience, deep business knowledge, and strategic insight. It consists of seven members, including two independent directors, all with extensive expertise in various business disciplines.

The Board operates according to best practices and adheres to the Code established by the Securities and Exchange Commission of Pakistan (SECP). It has implemented a structured process for evaluating its own performance, where individual members assess overall Board effectiveness through a series of evaluation questions. The compiled responses are then discussed in detail. The Board also reviews its performance in meeting fiduciary responsibilities, providing leadership, setting strategic direction, and guiding management in compliance with policies and standards.

The Board has proactively established committees with specific roles and responsibilities defined by Terms of Reference (ToRs). Overall, the Board's performance has been highly satisfactory, and it remains committed to continuous improvement as a key factor in the Company's success.

AUDITORS

The present Auditors M/s Shinewing Hameed Chaudhri & Company, 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 2025.

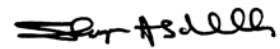
ACKNOWLEDGEMENTS

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



Shahid Abdullah
Director



Shayan Abdullah
Chief Executive

Lahore
September 27, 2024

ڈائریکٹرز کی حصص داران کو رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2024ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشوارے معاہدہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں '000 میں

تفصیل	2024 روپے	2023 روپے
فروخت	14,645,976	11,048,840
آپریٹنگ سے منافع	2,090,209	1,355,589
مالی لاگت	(786,109)	(350,942)
انکسپشن	(119,144)	(165,537)
ٹیکس کے بعد منافع	1,184,956	839,110

مالیاتی کارکردگی

دونوں ملکی اور عالمی منڈیوں میں ہماری مصنوعات کی مستحکم طلب کی وجہ سے زیر جائزہ سال کے دوران، آپ کی کمپنی نے 14.6% ارب روپے کی فروخت حاصل کی جو گزشتہ سال کے دوران 11.05 ارب روپے تھی، جو 32.6% کا نمایاں اضافہ ظاہر کرتی ہے۔

فروخت فی صد کے لحاظ سے مجموعی منافع گزشتہ سال میں 15.4% سے بہتر ہو کر اس سال 16.2% ہوا، جبکہ ٹیکس کے بعد منافع 7.6% سے بڑھ کر فروخت کا 8.1% ہو گیا۔

کمپنی نے سال کے دوران 1,185 ملین روپے بعد از ٹیکس منافع جبکہ گزشتہ سال میں 839 ملین روپے کمایا۔

فی حصص آمدنی

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 115.1 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 81.5 روپے تھی۔

منافع منقسمہ

کمپنی کی مجلس نظماً 30 جون 2024 کو ختم ہونے والے سال کے لئے حتمی نقد منافع منقسمہ بشرح 4 روپے فی شیئر (2023: 4 روپے فی شیئر) سفاکش کرتے ہوئے خوشی محسوس کرتی ہے۔

ذخائر کی منتقلی

بورڈ آف ڈائریکٹرز نے یہ بھی فیصلہ کیا ہے کہ 6.5 ارب روپے آمدن کے ذخائر سے محفوظ سرمایہ کے ذخائر میں منتقل کئے جائیں۔

مستقبل کا نقطہ نظر

عالمی جی ڈی پی کی شرح نمو 2025 میں 3.3 فیصد رہنے کی پیش گوئی کی گئی ہے، جس میں ترقی یافتہ معیشتوں اور ابھرتی ہوئی مارکیٹوں کے درمیان نمایاں فرق ہے۔ ترقی یافتہ معیشتوں میں 1.8 فیصد کی معمولی نمو متوقع ہے جبکہ ابھرتی ہوئی اور ترقی پذیر معیشتوں میں 3.3 فیصد کی زیادہ مضبوط شرح سے نمو کی توقع ہے۔ پاکستان کی متوقع شرح نمو 3.5 فیصد ہے جو ملکی صنعتوں کو درپیش متعدد مشکلات کے باوجود ملک کی پلک اور معاشی بحالی کے امکانات کو ظاہر کرتی ہے۔ افراط زر اور شرح سود میں کمی کارجمان برآمدی شیڈوں کو کچھ انتہائی ضروری سکون فراہم کرتا ہے، جس سے نمو کے لئے زیادہ سازگار ماحول پیدا

ہوتا ہے۔ اگر بر رجحانات برقرار رہتے ہیں تو یہ عالمی منڈیوں میں پاکستانی برآمدات کی مسابقت میں اضافہ کر سکتے ہیں اور اہم صنعتوں میں سرمایہ کاری کو فروغ دے سکتے ہیں۔

آپ کی کمپنی کی انتظامیہ منافع بخش نمو اور سرمائے کی کارکردگی کے ذریعے شیئر ہولڈر کی قدر کو زیادہ سے زیادہ کرنے کے لئے پُر عزم ہے۔

ذیلی کمپنی

RCSM ایک مکمل ملکیتی ذیلی کمپنی (پرائیویٹ) لمیٹڈ جس کو 8 نومبر 2017 کو شامل کیا گیا تھا۔ ذیلی ادارے کی اصل سرگرمی کسی دوسری کمپنیوں میں حصص لینا یا حاصل کرنا اور رکھنا ہے۔ سال کے دوران، RCSM نے اپنی ذیلی کمپنی کے 19,783,713 شیئرز کی سبسکرائبنگ کے ذریعے 197,837,130 روپے کی ایجوینی سرمایہ کاری کی ہے۔

سال کے دوران واقع ہونے والی اہم تبدیلیاں

کمپنی کے بورڈ آف ڈائریکٹرز نے دفعہ 279 سے 283 اور کمپنیز ایکٹ 2017 کی دیگر تمام متعلقہ شقوں کے مطابق، 28 اگست 2024 کو منعقدہ اپنے اجلاس میں عام کالٹن (پرائیویٹ) لمیٹڈ (اے سی ایم ایل) - ایسی ایجنڈہ کمپنی اور اس کے ممبران اور کمپنی کے ممبران کے انضمام/ادغام کے لئے تجویزوں، انتظامات اور ترمیموں کی اکتیم کی منظوری دی ہے۔

انضمام/ادغام کی تکمیل کے بعد اے سی ایم ایل کو معزز عدالت عالیہ سندھ کراچی کے حکم کے تحت دائرہ تک کے بغیر تحلیل کر دیا جائے گا اور کمپنی کے شیئرز کمپنی کی انتظامیہ کی جانب سے مقرر کردہ سوہپ تناسب کے مطابق اے سی ایم ایل کے رجسٹرڈ شیئرز ہولڈرز کو جاری کیے جائیں گے۔ اس مقصد کے لئے 02 ستمبر 2024 کو سندھ ہائی کورٹ میں ایک درخواست دائر کی گئی ہے۔

متعلقہ پارٹنرز

متعلقہ پارٹنروں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹنروں کے لئے ٹرانسفر پرائسنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشن کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمپنی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنانس یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشن قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمپنی 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 پارٹنروں کے ساتھ ٹرانزیکشن سرانجام دی ہیں۔ ان ٹرانزیکشنز کی تفصیلات غیر منجمد مالی حسابات کے نوٹ 35 میں منکشف ہیں۔

صحت، تحفظ اور ماحول (HSE)

کمپنی اپنے تمام ملازمین اور کمیونٹیوں میں ہم کام کرتے ہیں کی ہمہ وقت حفاظت کو یقینی بنانے کے لئے تمام کامی اقدامات کرتی ہے۔ ماحول کا تحفظ کمپنی کے ہیلتھ، سیفٹی اور انوائرنمنٹ (HSE) ایجنڈا کی سب سے بڑی ترجیح ہوتی ہے۔ ہم اس بات کو یقینی بناتے ہیں کہ اس کے پیداواری طریقے ماحول دوست اور موثر ہیں۔ ہم پیداواری سہولیات اور اپنے دفاتر دونوں جگہوں پر پینگی پیمانے کے لئے مسلسل کوشاں رہتے ہیں۔

اس کے علاوہ، کمپنی نے OEKO-TEX سرٹیفکیٹ (ماحول - دوستانہ کپاس) رکھنے کے علاوہ BCI سرٹیفکیشن (Better Cotton Initiative) بھی حاصل کیا ہے۔

بورڈ نے ڈیلی 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 ڈائریکٹری حاضری حسب ذیل ہے:

نام	کمیٹری	اجلاسوں کی تعداد
جناب انجم سلیم	چیئرمین (آزاد)	4
جناب شاہ عبداللہ	رکن	4
جناب نیل عبداللہ	رکن	3

ہیومن ریورس اینڈ ریمیزیشن کمیٹی

سال کے دوران ہیومن ریورس اینڈ ریمیزیشن کمیٹی کا ایک اجلاس منعقد ہوا۔ تمام ارکان نے شرکت کی:

نام	کمیٹری
جناب انجم سلیم	چیئرمین (آزاد)
جناب یوسف عبداللہ	رکن
جناب شایان عبداللہ	رکن

رسک مینجمنٹ کمیٹی

سال کے دوران دو اجلاس ہوئے اور تمام ممبران نے شرکت کی۔

جناب شاہ عبداللہ	چیئرمین
جناب شایان عبداللہ	ممبر
جناب جواد فیصل	ممبر

بنیادی خطرات اور غیر یقینی صورتحال

کاروبار کو بے شمار خطرات اور غیر یقینی صورتحال کا سامنا ہے، جن کا اگر مناسب طریقے سے سدباب نہ کیا گیا تو کمیٹی کو شدید نقصان پہنچ سکتا ہے۔ کمیٹی کے بورڈ آف ڈائریکٹرز نے، رسک مینجمنٹ کمیٹی (RMC) کے ذریعے، کمیٹی کو درپیش دونوں اندرونی اور بیرونی خطرات کا جائزہ اور مکمل جائزہ لیا ہے۔ کمیٹی کو جن خطرات کا سامنا ہے ان میں سے کچھ درج ذیل ہیں:

- عالمی اور علاقائی سطحوں پر مسابقت میں اضافہ جس سے لاگت متاثر ہوتی ہے۔
- کرنی میں اتار چڑھاؤ، روپے کی قدر میں اچانک کمی، جس کے نتیجے میں درآمد شدہ خام مال کی قیمت میں اضافہ ہوتا ہے۔
- کاش/مصنوعی ریشوں کی درآمد پر کسٹم ڈیوٹی/ریگولیشنری ڈیویژن کا نفاذ جس سے خام مال زیادہ مہنگا ہوتا ہے۔
- تبادلوں، ایجنڈوں/گیس کی بڑھتی ہوئی قیمتوں، قدرتی گیس میں کمی اور دیگر افراط زر کے اثرات کی وجہ سے بجلی کی قیمت کا بڑھتا ہوا رجحان۔
- پالیسی کی شرحوں میں اضافہ یعنی KIBOR جس کے نتیجے میں مالیاتی اخراجات میں اضافہ ہوتا ہے۔
- غیر یقینی ٹیکس کے اقدامات بشمول پیر ٹیکس کا نفاذ۔
- بڑھتی ہوئی افراط زر عام آدمی کی قوت خرید کو متاثر کرتی ہے جس سے کمیٹی کی مصنوعات کی طلب میں کمی واقع ہوتی ہے۔

رسک مینجمنٹ:

مؤثر رسک مینجمنٹ کاروبار کی پائیدار نمو کے لیے اہم ہے۔ RCSML میں، رسک مینجمنٹ کمیٹی (RMC) پرائس کی نگرانی کرتی ہے، جس میں رسک مینجمنٹ اور اندرونی کنٹرول کے طریقہ کار شامل ہیں۔ یہ پرائس، جن کا دستاویزی اور باقاعدگی سے جائزہ لیا جاتا ہے، اچانکوں کی حفاظت اور کمیٹی کو مکمل خطرات، بشمول کاروبار کے تسلسل پر مکمل اثرات سے نمٹنے کے لیے ڈیڑھ گھنٹے کے لیے کوئی بھی نمایاں خطرہ جو مکمل طور پر اسٹریٹجک، آپریشنل، مالیاتی اور/یا تقابلی مقاصد کے حصول کو مکمل طور پر متاثر کر سکتا ہے، اس کی فوری طور پر بورڈ کو اطلاع دی جاتی ہے تاکہ بلا تامل کارروائیوں کو یقینی بنایا جاسکے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

بورڈ آف ڈائریکٹرز باقاعدگی سے کمیٹی 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- کمیٹی 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- کمیٹی 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 مدین تمام ادا کی گئیں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کردی جائیں گی یا جہاں تفریح کے دعویٰ کا اعتراف نہیں کیا گیا ان کا مالی حسابات میں آشکار کیا گیا ہے؛
- 7- کمیٹی کے رواں 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- کمیٹی نے عملہ کے لئے ایپلائنڈ پراویڈنٹ فنڈ قائم کیا ہے، پراویڈنٹ فنڈ کے ممبران گریجویٹ فنڈ کے اہل نہیں ہیں۔ 30 جون 2024 کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 57.4 ملین روپے ہے۔
- 10- کوڈ آف کنڈکٹ کمیٹی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطلع کیا گیا ہے۔
- 11- 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 ڈیویڈنڈ کے جائزہ کے بعد یہ رپورٹ درست پائی گئی۔
- کمپنیز ایکٹ، 2017 کے سیکشن 227 (f) کے مطابق 30 جون 2024 کو شیئر ہولڈنگز کے بیٹرن کا بیان
- شریک انڈر ٹیکنگ اور متعلقہ پارٹیوں کے سرملکتی حصص کا بیان
- گزشتہ 6 سالوں کے کلیدی آپریشننگ اور مالیاتی اعداد و شمار

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 طریقے 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 پر شرکت کرنے کا شکر یہ ادا اور حوصلہ افزائی کرتے ہیں۔

کمپنی نے صحت، تعلیم اور معاشرتی بہبود کے منصوبوں کے لئے فراخ دلی سے عطیہ دیا، جس کی تفصیلی مالی حسابات کے نوٹ نمبر 27 میں بیان کی گئی ہے۔

ESG پراسٹریٹجک مقصد کے لیے بورڈ کا بیان

کمپنی ایک شفاف اور مضبوط ESG رپورٹنگ حکمت عملی تیار کرنے کے لیے پُر عزم ہے جو محض تعمیل سے بالاتر ہے، جس کا مقصد پائیدار کارکردگی میں باہمی اور قابل بینائیں بہتری پیدا کرنا ہے۔ یہ ویژن کمپنی کے تمام آپریٹرز اور فیصلہ سازی کے عمل میں پائیداری کے اصولوں کو کم کرنے اور ترجیح دینے کی خواہش سے کارفرما ہے، طویل مدتی قدر کی تخلیق کو یقینی بناتا ہے۔

قابل تجدید توانائی کی پالیسیاں اپنا کر، ماحول دوست طریقوں کو اپناتے ہوئے، اور مثبت اقدامات شروع کر کے، کمپنی زیادہ پائیدار مستقبل میں فعال طور پر اپنا حصہ ڈالنے کی کوشش کرتی ہے۔ اسٹریٹجک ٹیم کارپوریٹ گورننس کے اعلیٰ ترین معیارات کو برقرار رکھنے کے لیے بھی وقف ہے، مفادات کے تصادم سے بچنے کے لیے کارپوریٹ گورننس اور ضوابط پر سختی سے عمل پیرا ہے۔

اس کے علاوہ، انتظامیہ نے مخصوص اور قابل بینائیں ESG اہداف مقرر کیے ہیں جو کمپنی کے اسٹریٹجک اہداف سے ہم آہنگ ہیں، جس کا مقصد پائیدار چیک بک بڑھانا اور ایک مثبت سماجی اثر پیدا کرنا ہے۔

پائیداری سے متعلق خطرات اور مواقع

پائیداری کی رپورٹنگ کا یہ فریم ورک کمپنی کو ماحولیاتی، سماجی، اور گورننس (ESG) عوامل سے وابستہ خطرات کی شناخت اور ان کا انتظام کرنے میں مدد کرتا ہے، جو سرمایہ کاروں، ریگولیٹرز اور صارفین کے لیے بہت اہم ہیں۔ کمپنی بنیادی طور پر درج ذیل پائیداری کے خطرات سے دوچار ہے:

ماحولیاتی خطرات

- پانی کا استعمال، آلودگی، فضلہ کا انتظام، کاربن کا اخراج، اور کیمیائی استعمال۔

سماجی خطرات

- مزدوری کے طریقے، انسانی حقوق، صحت اور حفاظت۔

گورننس کے خطرات

- ریگولیٹری تعمیل اور سپلائی چین کی شفافیت۔

ان خطرات سے نمٹنے میں ناکامی کمپنی کو تعمیل مدت میں جرمانے اور زیادہ سنگین نتائج جیسے بھاری جرمانے، قانونی اخراجات، شہرت کو نقصان، اور طویل مدت میں کاروبار کا نقصان پہنچا سکتی ہے۔ مزید برآں، پائیداری کے طریقوں کی ناکامی گمراہی یا شفافیت کا فقدان سرمایہ کاروں کے اعتماد کو ختم اور سرمائے تک رسائی کو محدود کر سکتا ہے۔

تاہم، یہ خطرات مواقع بھی پیش کرتے ہیں۔ پائیدار طریقوں کو اپنا کر اور توانائی کی کارکردگی کو بہتر بنانا، کمپنی فوری طور پر لاگت کی بچت حاصل کر سکتی ہے اور اپنے برانڈ کی ساکھ کو بہتر بنا سکتی ہے۔ طویل مدت کے دوران ESG اصولوں سے وابستگی ایک پائیدار مسابقتی فائدہ کی پیش کش کرتی ہے، سرمایہ کاروں کے اعتماد کو بڑھاتی، مالیاتی اتار چڑھاؤ کو کم کرتی، اور طویل مدتی منافع کو یقینی بناتی ہے۔

ESG اقدامات کی طرف پیش رفت

سال بھر میں، RCSML نے اپنے ESG اقدامات کو آگے بڑھانے، ماحولیاتی کارکردگی کو بہتر بنانے، سماجی مساوات کو فروغ دینے، اور گورننس کے فریم ورک کو تقویت دینے میں نمایاں پیش رفت کی ہے۔ ہم پائیدار اور ذمہ دار کاروباری طریقوں کے لیے اپنی وابستگی کو مزید گہرا کرنے کے لیے ایک جامع ESG پالیسی بھی فعال طور پر تیار کر رہے ہیں۔

بورڈ کی تشکیل اور ان کے اجلاس

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

ڈائریکٹرز کی کل تعداد

- (a) مرد 06
(b) خاتون 01

تشکیل:

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

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

نام	کمیٹری	اجلاسوں کی تعداد
جناب شایان عبداللہ	ایگزیکٹو ڈائریکٹر	4
جناب شاہ عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	3
جناب نذیر عبداللہ	نان ایگزیکٹو ڈائریکٹر	3
محترمہ مدیحہ سعید ناگرہ	آزاد ڈائریکٹر	3
جناب انجم سلیم	آزاد ڈائریکٹر	4

ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز کے اجلاس میں کمپنی کی طرف سے ڈائریکٹرز کے معاوضے کا تعین کیا جاتا 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۔ کمپنی غیر ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کو معاوضہ ادا نہیں کرتی ہے۔ تاہم، انہیں اجلاسوں میں شرکت کے لیے فیس ادا کی جاتی ہے۔ چیف ایگزیکٹو اور دیگر ایگزیکٹو ڈائریکٹرز کے معاوضے کا پہنچ مالی حسابات کے نوٹ نمبر 34 میں منکشف ہے۔

بورڈ پر ڈائریکٹرز کی کارکردگی کی تشخیص

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

بورڈ کا کام بہترین کاروباری طریقوں پر مبنی اور سیکورٹیز 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 ری سپانز کے بعد ارکان کے درمیان ایک تفصیلی بحث کی جاتی ہے۔ بحث کے دوران، بورڈ اپنی ذمہ داریوں کو پورا کرنے، اپنی قیادت کو در 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۔

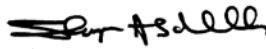
محاسب کا تقرر

موجودہ محاسب میسر شمیمو ننگ حمید چودھری اینڈ کمپنی، 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 2025 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 شکر گزار اور عملے اور کارکنوں کی لگن اور سخت محنت کو سراہتی ہے۔

منجانب بورڈ آف ڈائریکٹرز



(شایان عبد اللہ)

چیف ایگزیکٹو



(شاہد عبد اللہ)

ڈائریکٹر

لاہور

تاریخ: 27 ستمبر 2024ء

INDEPENDENT AUDITOR'S REVIEW REPORT

To The Members Of Reliance Cotton Spinning Mills Limited

Review Report on the Statement of Compliance Contained in the 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 June 30, 2024 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2024.

Shinewing Hameed Chaudhri & Co.

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

Audit Engagement Partner: Osman Hameed Chaudhri

LAHORE; September 30, 2024

UDIN: CR202410104E3671ZHUt

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company RELIANCE COTTON SPINNING MILLS LIMITED year ended June 30, 2024.

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 Director/ Female Director	Mr. Anjum Saleem Ms. Madiha Saeed Nagra
Executive Director	Mr. Shayan Abdullah
Executive Director	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

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

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

9. Out of total seven (7) Directors of the Company, five (5) Directors meet the requirements of Training Program. Two (2) Directors have already attained certification under directors training program and three (3) Directors meet the requirements of the exemption under regulation. Remaining directors will complete training in the year 2024- 25.

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.

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. Anjum Saleem (Chairman)
- Mr. Shahid Abdullah (Member)
- Mr. Nabeel Abdullah (Member)

b) HR and Remuneration Committee

- Mr. Anjum Saleem (Chairman)
- Mr. Yousuf Abdullah (Member)
- Mr. Shayan Abdullah (Member)

c) Risk Management Committee

- Mr. Shahid Abdullah (Chairman)
- Mr. Shayan Abdullah (Member)
- Mr. Jawwad Faisal (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:
- Audit Committee [Quarterly]
 - HR and Remuneration Committee [yearly]
 - Risk Management Committee [half yearly]
15. The Board has set up an effective Internal Audit Function which is co-sourced. The Head of Internal Audit and outsourced team are considered suitably qualified and experienced for the purpose and are 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.
19. Explanation with requirements other than regulations 3, 7, 8, 27, 32, 33 and 36 are below:

Matter	Regulation no.	Explanation
Independent Director Each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors.	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.
Environmental, Social and Governance (ESG) matters The board is responsible for setting the Company's sustainability strategies, priorities and targets to create long term corporate value. The board may establish a dedicated sustainability committee having at least one female director.	10(A)(5)	At present the Board provides governance and oversight in relation to the Company's initiatives on Environmental, Social and Governance (ESG) matters. Nevertheless, the requirements introduced recently by SECP through notification dated June 12, 2024 will be complied with in due course.

For and on behalf of the Board



Shahid Abdullah
Chairman



Shayan Abdullah
Chief Executive

Lahore
September 27, 2024

SIX YEARS AT A GLANCE

	UOM	2024	2023	2022	2021	2020	2019
Sales	Rs. (000)	14,645,976	11,048,840	11,386,469	7,681,902	5,986,720	5,379,009
Gross profit	Rs. (000)	2,367,496	1,705,456	3,706,632	1,758,725	927,898	816,922
Net profit before taxation	Rs. (000)	1,304,100	1,004,647	2,943,342	1,280,176	335,162	417,198
Net profit after taxation	Rs. (000)	1,184,956	839,110	2,772,332	1,199,514	274,182	390,682
Share capital	Rs. (000)	102,920	102,920	102,920	102,920	102,920	102,920
Shareholders' equity	Rs. (000)	8,170,028	7,033,732	6,287,039	3,570,669	2,359,883	2,169,189
Fixed assets - net	Rs. (000)	4,151,999	3,591,288	3,240,429	2,161,161	2,051,140	1,987,544
Total assets	Rs. (000)	13,197,522	13,383,672	10,945,951	6,718,829	6,413,531	5,350,050
Cash dividend	%	40.00	40.00	75.00	50.00	-	80.00
RATIOS							
Profitability Ratios							
Gross profit	%	16.16	15.44	32.55	22.89	15.50	15.19
Profit before tax	%	8.90	9.09	25.85	16.66	5.60	7.76
Profit after tax	%	8.09	7.59	24.35	15.61	4.58	7.26
Return to Shareholders							
Return on equity before tax	%	15.96	14.28	46.82	35.85	14.20	19.23
Return on equity after tax	%	14.50	11.93	44.10	33.59	11.62	18.01
Basic earning per share after tax	Rs.	115.13	81.53	269.37	116.55	26.64	7.96
Activity							
Sale to fixed assets	Times	3.53	3.08	3.51	3.55	2.92	2.71
Sale to total assets	Times	1.11	0.83	1.04	1.14	0.93	1.01
Liquidity Ratios							
Current ratio		2.39 : 1	2.03 : 1	2.61 : 1	2.15 : 1	1.36 : 1	1.26 : 1
Debt to equity ratio	Times	0.21	0.28	0.30	0.30	0.36	0.25
Total liability to equity ratio	Times	0.62	0.90	0.74	0.88	1.72	1.47
Breakup value per share	Rs. Per share	793.82	683.42	610.87	346.94	229.29	210.76

FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

	UOM	2019	2020	2021	2022	2023	2024
Profitability Ratios							
Gross Profit	Percentage	15.2	15.5	22.9	32.6	15.4	16.2
Net Profit to Sales	Percentage	7.3	4.6	15.6	24.3	7.6	8.1
EBITDA Margin to Sales	Percentage	14.9	14.7	21.9	30.0	14.9	16.7
Return on Capital Employed	Percentage	23.1	20.6	31.7	39.6	15.4	21.4
Return on Equity	Percentage	18.0	11.6	33.6	44.1	11.9	14.5
Return on Assets	Percentage	14.1	8.4	25.8	34.5	9.5	12.2
Liquidity Ratios							
Current Ratio	Times	1.3	1.4	2.2	2.6	2.0	2.4
Quick Ratio	Times	0.5	0.5	0.8	1.0	0.7	0.8

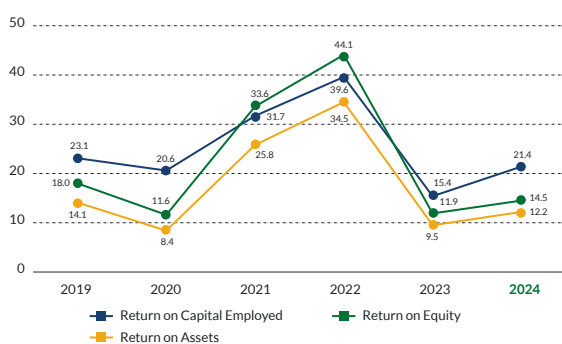
Profitability Ratios

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.

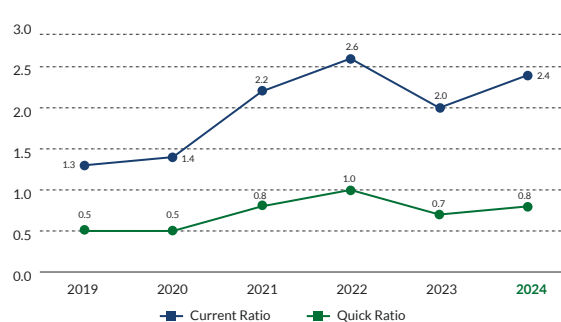
Liquidity Ratios

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.

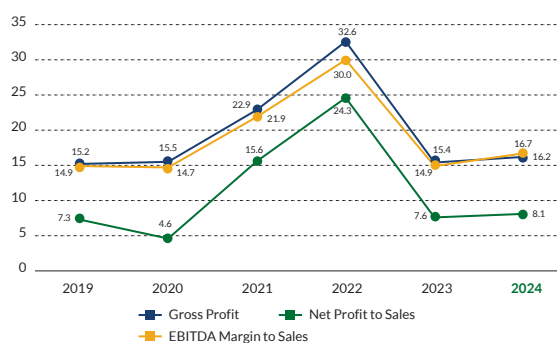
Profitability Ratios



Liquidity Ratios



Profitability Ratios



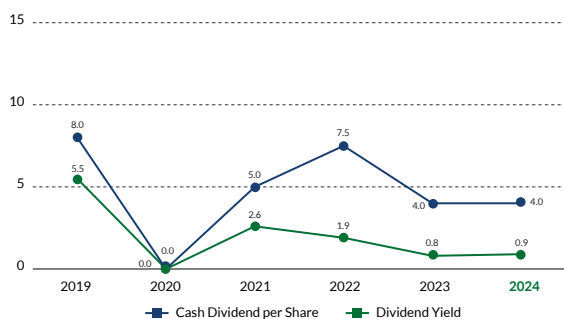
FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

	UOM	2019	2020	2021	2022	2023	2024
Investor Ratios							
Earning per Share	Rs. Per share	38.0	26.6	116.5	269.4	81.5	115.1
Price Earning Ratio	Times	3.8	4.8	1.7	1.4	6.3	3.9
Price to Book Ratio	Times	0.7	0.6	0.6	0.6	0.7	0.6
Dividend Yield	Percentage	5.5	0.0	2.6	1.9	0.8	0.9
Cash Dividend per Share	Rs. Per share	8.0	0.0	5.0	7.5	4.0	4.0
Dividend Payout Ratio	Percentage	21.1	0.0	4.3	2.8	4.9	3.5
Dividend Cover Ratio	Times	4.7	0.0	23.3	35.9	20.4	28.8
Breakup Value per Share	Rs. Per share	210.8	229.3	347.0	610.9	683.4	793.8
Market Value per Share at the End of the Year	Rs. Per share	146.0	128.0	193.7	385.6	511.3	451.6
Share Price - High During the Year	Rs. Per share	154.9	142.0	194.5	385.6	750.0	575.0
Share Price - Low During the Year	Rs. Per share	135.5	125.0	126.5	161.0	511.3	387.3

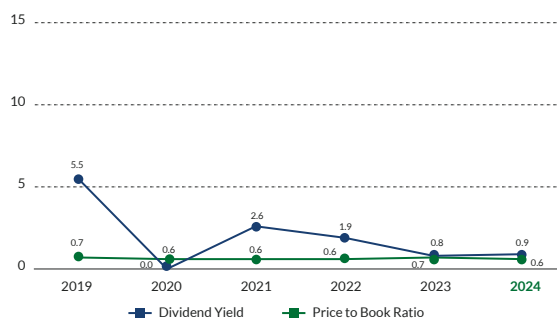
Share Price Sensitivity Analysis

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 2024, RCSML's share price touched the peak of Rupees 575 while the lowest recorded price as Rupees 387.3 with a closing price of Rupees 451.6 at the end of the year.

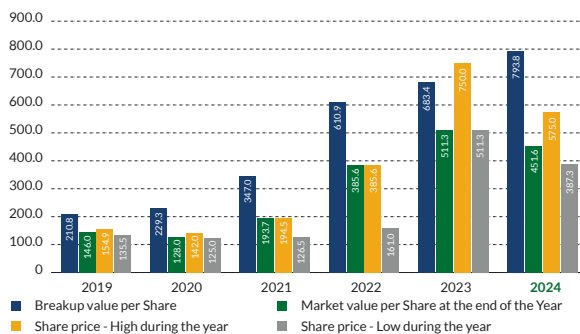
Invsetment / Market Share Ratio



Invsetment / Market Share Ratio



Share Price Sensitivity Analysis



FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

	UOM	2019	2020	2021	2022	2023	2024
Capital Structure Ratios							
Financial Leverage Ratio	Times	1.2	1.4	0.6	0.5	0.6	0.4
Weighted Average Cost of debts	Percentage	10.0	12.0	9.7	8.2	3.6	7.4
Debt to Equity Ratio	Times	0.3	0.4	0.3	0.3	0.3	0.2
Interest Cover Ratio	Times	3.6	2.6	8.6	14.4	4.7	3.1
Activity / Turnover Ratio							
Inventory Turn Over	Days	129.3	169.2	170.6	179.2	213.1	171.6
Inventory Turn Over Ratio	Times	2.8	2.2	2.1	2.0	1.7	2.1
Debtor Turnover	Days	48.1	53.3	47.6	44.8	62.7	48.5
Debtors Turn Over Ratio	Times	7.6	6.9	7.7	8.1	5.8	7.5
Creditors Turnover	Days	12.0	10.4	10.2	9.5	13.8	13.2
Creditors Turnover Ratio	Times	30.5	34.9	35.9	38.6	26.5	27.6
Fixed Assets Turn Over Ratio	Times	3.1	3.0	3.6	4.2	3.2	3.8
Total Assets Turn Over Ratio	Times	1.2	1.0	1.2	1.3	0.9	1.1
Operating Cycle	Days	165.4	212.0	208.0	214.6	262.0	206.8

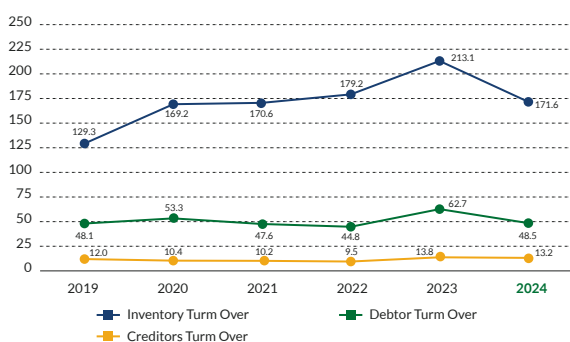
Capital Structure

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.

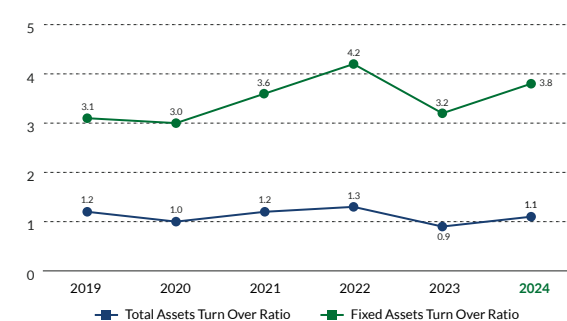
Cash Operating Cycle / Activity

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.

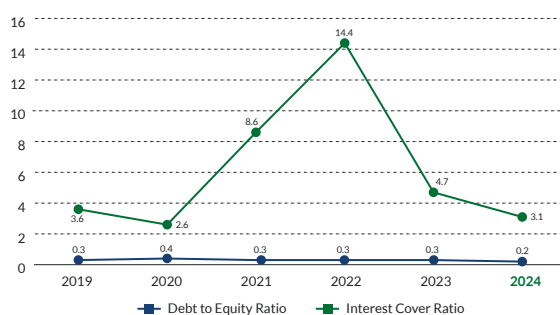
Activity / Turnover Ratio



Activity / Turnover Ratio



Interest Coverage Ratio

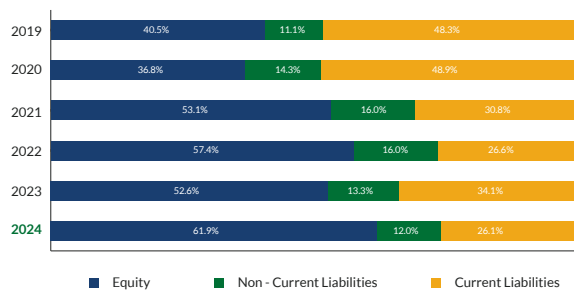


SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

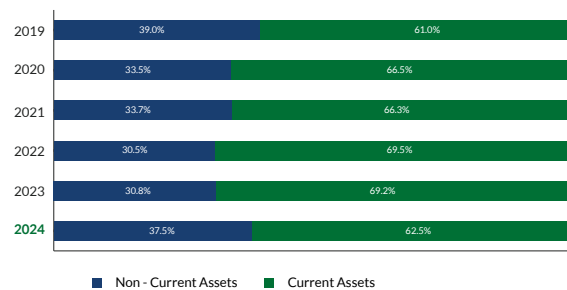
FINANCIAL POSITION

Rs. '000'	2024	2023	2022	2021	2020	2019
Total Equity	8,170,028	7,033,732	6,287,039	3,570,669	2,359,883	2,169,188
Total non-current liabilities	1,578,954	1,782,714	1,746,345	1,076,888	916,281	595,886
Total current liabilities	3,448,540	4,567,226	2,912,567	2,071,273	3,137,366	2,584,976
	13,197,522	13,383,672	10,945,951	6,718,829	6,413,531	5,350,050
Total non-current assets	4,945,801	4,118,403	3,341,086	2,263,919	2,149,198	2,085,601
Total current assets	8,251,721	9,265,269	7,604,865	4,454,910	4,264,333	3,264,449
Total assets	13,197,522	13,383,672	10,945,951	6,718,829	6,413,531	5,350,050
Variance in %	2024	2023	2022	2021	2020	2019
Total Equity	16.15	11.88	76.07	51.31	8.79	15.85
Total non-current liabilities	(11.43)	2.08	62.17	17.53	53.77	113.84
Total current liabilities	(24.49)	56.81	40.62	(33.98)	21.37	43.58
	(1.39)	22.27	62.91	4.76	19.88	35.40
Total non-current assets	20.09	23.27	47.58	5.34	3.05	33.79
Total current assets	(10.94)	21.83	70.71	4.47	30.63	36.44
Total assets	(1.39)	22.27	62.91	4.76	19.88	35.40

Equity & Liabilities



Assets



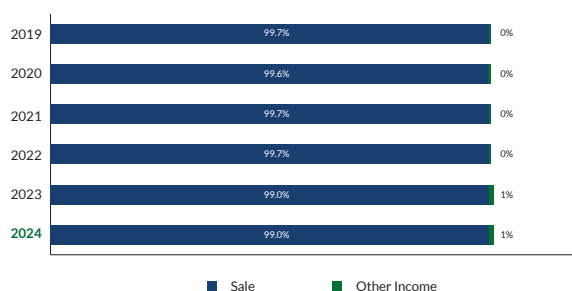
SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

STATEMENT OF PROFIT OR LOSS

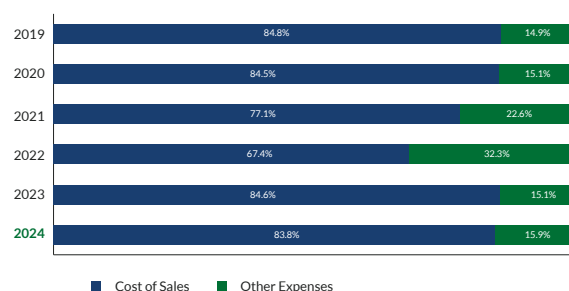
Rs. '000'	2024	2023	2022	2021	2020	2019
Net Sales	14,645,976	11,048,840	11,386,469	7,681,902	5,986,720	5,379,009
Cost of sales	12,278,480	9,343,384	7,679,838	5,923,177	5,058,822	4,562,087
Gross profit	2,367,496	1,705,456	3,706,632	1,758,725	927,898	816,922
Distribution cost	163,095	166,400	212,137	150,287	127,926	108,444
Administrative expenses	207,019	187,054	123,621	92,406	84,433	67,696
Other operating expenses	63,792	75,794	223,829	64,106	64,365	20,562
Other operating income	156,619	79,381	32,958	23,229	24,744	18,107
Profit from operations	2,090,209	1,355,589	3,180,003	1,475,154	675,919	638,327
Finance cost	786,109	350,942	236,661	194,979	340,756	221,129
Profit before taxation	1,304,100	1,004,647	2,943,342	1,280,176	335,162	417,198
Provision for taxation	119,144	165,537	171,010	80,662	60,981	26,515
Profit after taxation	1,184,956	839,110	2,772,332	1,199,514	274,182	390,682

Variance in %	2024	2023	2022	2021	2020	2019
Profit and Loss Account						
Net Sales	32.56	(2.97)	48.22	28.32	11.30	22.31
Cost of sales	31.41	21.66	29.66	17.09	10.89	21.19
Gross profit	38.82	(53.99)	110.76	89.54	13.58	28.96
Distribution cost	(1.99)	(21.56)	41.15	17.48	17.96	14.33
Administrative expenses	10.67	51.31	33.78	9.44	24.72	22.57
Other operating expenses	(15.84)	(66.14)	249.16	(0.40)	213.03	(55.85)
Other operating income	97.30	140.85	41.88	(6.12)	36.66	87.03
Profit from operations	54.19	(57.37)	115.57	118.24	5.89	42.97
Finance cost	124.00	48.29	21.38	(42.78)	54.10	129.98
Profit before taxation	29.81	(65.87)	129.92	281.96	(19.66)	19.09
Provision for taxation	(28.03)	(3.20)	112.01	32.28	129.98	(4.58)
Profit after taxation	41.22	(69.73)	131.12	337.49	(29.82)	21.13

Sale & Other Income



Cost of Sales and Expenses



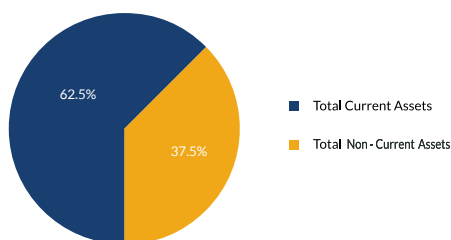
SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

FINANCIAL POSITION

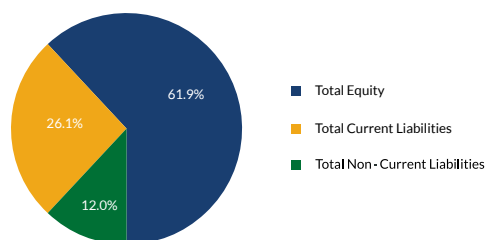
Rs. '000'	2024		2023		2022		2021		2020		2019	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Statement of Financial Position												
As at 30 June 2024												
Total Equity	8,170,028	61.91	7,033,732	52.55	6,287,039	57.44	3,570,669	53.14	2,359,883	36.80	2,169,188	40.55
Total Non-Current Liabilities	1,578,954	11.96	1,782,714	13.32	1,746,345	15.95	1,076,888	16.03	916,281	14.29	595,886	11.14
Total Current Liabilities	3,448,540	26.13	4,567,226	34.13	2,912,567	26.61	2,071,273	30.83	3,137,366	48.92	2,584,976	48.32
Total equity and liabilities	13,197,522	100.00	13,383,672	100.00	10,945,951	100.00	6,718,829	100.00	6,413,531	100.00	5,350,050	100.00
Total Non-Current Assets	4,945,801	37.48	4,118,403	30.77	3,341,086	30.52	2,263,919	33.70	2,149,198	33.51	2,085,601	38.98
Total Current Assets	8,251,721	62.52	9,265,269	69.23	7,604,865	69.48	4,454,910	66.30	4,264,333	66.49	3,264,449	61.02
Total assets	13,197,522	100.00	13,383,672	100.00	10,945,951	100.00	6,718,829	100.00	6,413,531	100.00	5,350,050	100.00

Total assets comprise of current and non-current assets. At 30 June 2024, non-current assets are 37.48% of total assets while current assets are 62.52%. On the other side, share capital and reserves are 61.91% of the total equity and liabilities while non-current liabilities and current liabilities are 11.96% and 26.13% respectively. Share capital and reserves mainly constitute issued subscribed and paid up share capital, share premium 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.

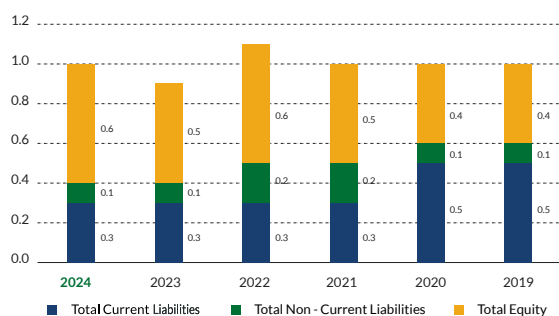
Vertical Analysis - Total Assets (2024)



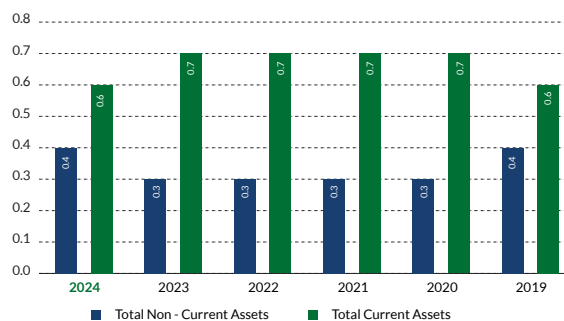
Vertical Analysis - Total Equity & Liabilities 2024



Vertical Analysis - Total Equity & Liabilities



Vertical Analysis - Total Assets



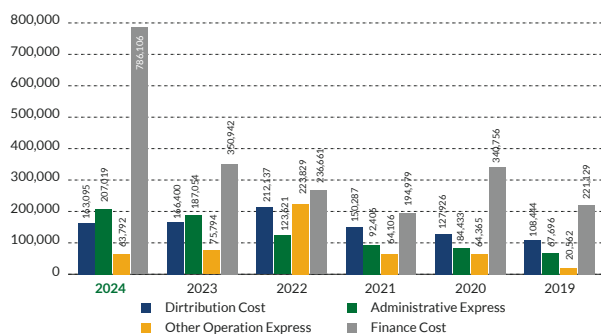
SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

STATEMENT OF PROFIT OR LOSS

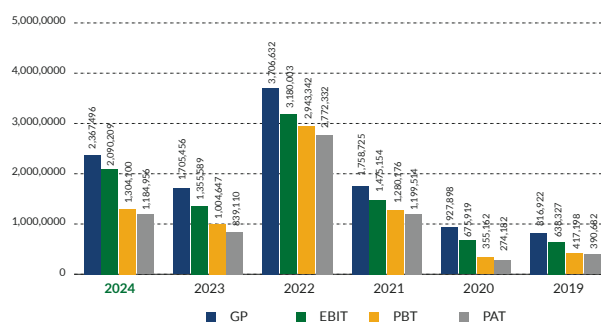
Rs. '000'	2024		2023		2022		2021		2020		2019	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Net Turnover	14,645,976	100.00	11,048,840	100.00	11,386,469	100.00	7,681,902	100.00	5,986,720	100.00	5,379,009	100.00
Cost of sales	12,278,480	83.84	9,343,384	84.56	7,679,838	67.45	5,923,177	77.11	5,058,822	84.50	4,562,087	84.81
Gross profit	2,367,496	16.16	1,705,456	15.44	3,706,632	32.55	1,758,725	22.89	927,898	15.50	816,922	15.19
Distribution cost	163,095	1.11	166,400	1.51	212,137	1.86	150,287	1.96	127,926	2.14	108,444	2.02
Administrative expenses	207,019	1.41	187,054	1.69	123,621	1.09	92,406	1.20	84,433	1.41	67,696	1.26
Other operating expenses	63,792	0.44	75,794	0.69	223,829	1.97	64,106	0.83	64,365	1.08	20,562	0.38
Other income	156,619	1.07	79,381	0.72	32,958	0.29	23,229	0.30	24,744	0.41	18,107	0.34
Earnings before interest & tax	2,090,209	14.27	1,355,589	12.27	3,180,003	27.93	1,475,154	19.20	675,919	11.29	638,327	11.87
Finance cost	786,109	5.37	350,942	3.18	236,661	2.08	194,979	2.54	340,756	5.69	221,129	4.11
Profit before taxation	1,304,100	8.90	1,004,647	9.09	2,943,342	25.85	1,280,176	16.66	335,162	5.60	417,198	7.76
Provision for taxation	119,144	0.81	165,537	1.50	171,010	1.50	80,662	1.05	60,981	1.02	26,515	0.49
Profit after taxation	1,184,956	8.09	839,110	7.59	2,772,332	24.35	1,199,514	15.61	274,182	4.58	390,682	7.26

During the year, Company has recorded sales amounting to Rs. 14.65 billion as compared to Rs. 11.05 from last year showing an increase of 32.6 %. Gross profit has reached to 16.2% as compared to 15.4% from last year whereas, The company earn profit after tax 1.185 billion compared to 0.84 billion compared to last year.

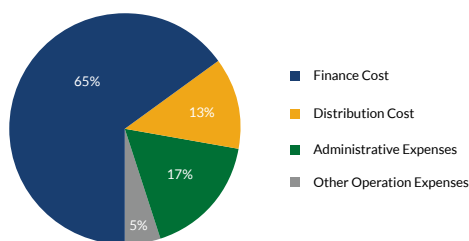
Vertical Analysis - Expenses



Vertical Analysis - Profits



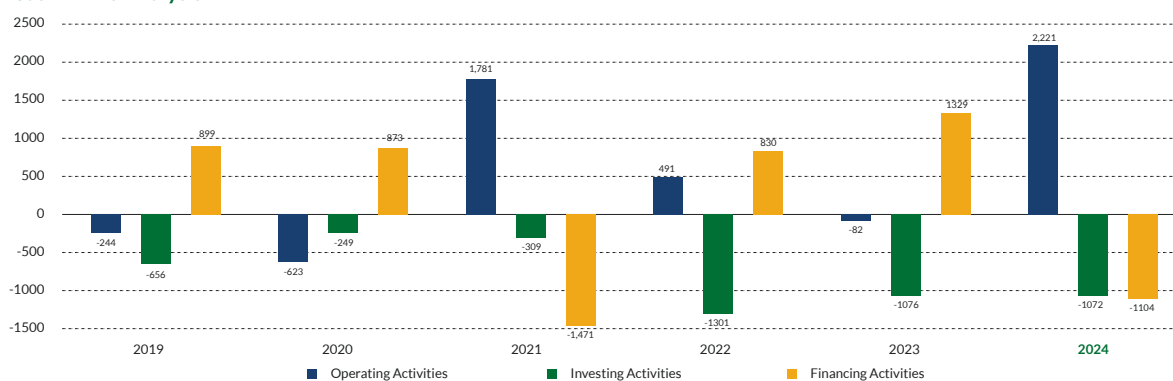
Vertical Analysis - Expenses 2024



SIX YEARS ANALYSIS OF CASH FLOWS WITH GRAPHICAL PRESENTATION

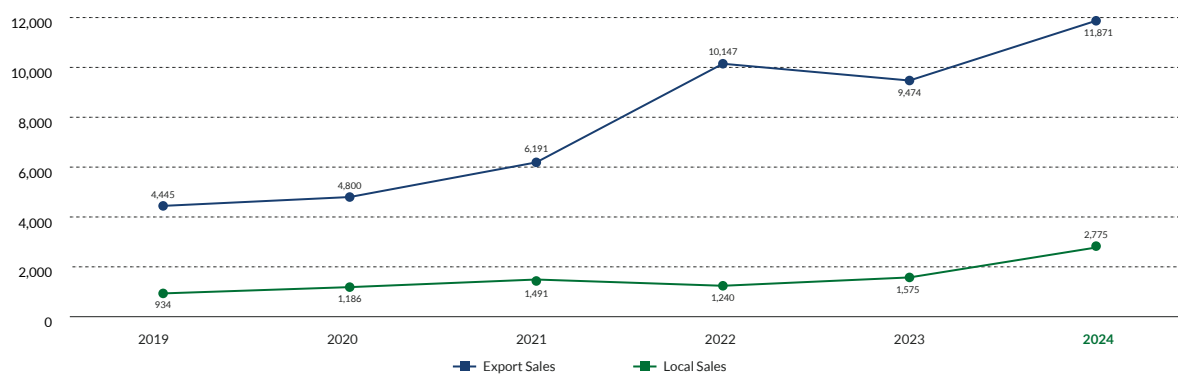
	UOM	2019	2020	2021	2022	2023	2024
Cash Flow							
Operating Activities	Rs. In Million	(244)	(623)	1,781	491	(82)	2,221
Investing Activities	Rs. In Million	(656)	(249)	(309)	(1,301)	(1,076)	(1,072)
Financing Activities	Rs. In Million	899	873	(1,471)	830	1,329	(1,104)

Cash Flows Analysis



	UOM	2019	2020	2021	2022	2023	2024
Local and export sales							
Local Sales	Rs. In Million	934	1,186	1,491	1,240	1,575	2,775
Export Sales	Rs. In Million	4,445	4,800	6,191	10,147	9,474	11,871
Total Sales	Rs. In Million	5,379	5,987	7,682	11,386	11,049	14,646

Composition of Local & Export Sales



CSR

WORLD ENVIRONMENT DAY - 2024

Reliance Cotton Spinning Mills Limited Celebrated World Environment Day 2024 by giving employees plants to encourage sense of ownership for a greener planet. We are committed to protect our planet by being more responsible towards Environment and how our actions can have a negative impact.



WORLD HYPERTENSION DAY - 2024

Reliance Cotton Spinning Mills Limited constantly strives for the well-being of its employees, recognizing that a positive mindset fosters a healthy environment. In observance of World Hypertension Day, we collaborated with Dr. Mohammad Muezz Uddin, a renowned consultant interventional cardiologist, who discussed Cardiac Vascular (CV) disease, its risk factors, and strategies to mitigate these risks. Additionally, our Group Head HR, Ms. Aliya Kashmiri, shared valuable insights on Mastering Stress.

Our core values, embodied in PRIDE, emphasize 'People' at the forefront, underscoring our commitment to prioritizing our employees' health and well-being.



PRIORITIZING HEATH & HYGIENE AT WORK

At Reliance Cotton Spinning Mills Limited, we are dedicated to create a healthy work environment and support the overall well-being of our employees. As part of this commitment, we recently conducted health sessions for our management and non management employees in collaboration with Doctors Hospital & Medical Center.

During these sessions, the expert medical professionals shared insights into prevalent health issues and offered practical tips for maintaining overall well-being. Special Thanks to Doctors Hospital & Medical Center team for their support.



CSR

WORLD BLOOD DONATION DAY

For World Blood Donation Day, Reliance Cotton Spinning Mills Limited, in collaboration with the Fatimid Foundation, organized a successful blood drive across the Sapphire Group. Heartfelt thanks to everyone at Sapphire Textile Mills, Diamond Fabrics Limited (Sapphire Group), and Sapphire Mills for your incredible contributions to saving lives. Together, we're making a positive impact!



WORLD NO TOBACCO DAY

At Reliance Cotton Spinning Mills Limited, we are committed to the health and happiness of our community. This World No Tobacco Day, we join the global effort to highlight the dangers of tobacco use and promote healthier lifestyles. Together, we can inspire change and support each other in making healthier choices for ourselves and our communities.



EARTH DAY

At the heart of our mission lies a deep commitment to nurturing our planet. This year, as we align with the Earth Day theme of 'Planet vs. Plastics, we're diligently working toward recycling and incorporating more sustainable and biodegradable fibers into our production process.

By opting for eco-friendly materials over plastic-based solutions. Join us on this journey of care and responsibility for our beautiful planet.



EYE CAMP

Sapphire believes in giving back, and in return, we simply ask you to contribute by planting trees at your home as a continuous act of charity.

Recently, an eye camp was organized by Sapphire Group in collaboration with Lahore Green Eye Lions Club. This initiative aligns with the sustainable development goals, particularly focusing on good health and the well-being of our community.



INTERNATIONAL WOMEN'S DAY

Reliance Cotton Spinning Mills Limited celebrated International Women's Day on March 8th, 2024 focusing on the theme of Inspire Inclusion and highlighting the importance of self-inclusion to play our individual role in creating an inclusive work culture for all. The day-long session focused on learning from the inspiring life of Ms. Nicole Sandra Isaacs (PHRi™) from Kashf Foundation, understanding life stressors and coping strategies from Dr. Ahmed Waheed – Consultant Psychiatrist and importance of general women health by Dr. Huma Arshad – Consultant Gynecologist & Obstetrician. The session continued with a power talk by Ms. Aliya Kashmiri – Group Head HR and ended on concluding note by Mr. Hasan Abdullah – C.O.O, who highlighted the importance of having a diverse workforce and potential of women employees contributing in business success.

The day included some fun elements as the females were engaged in Treasure Hunt and Bowling Competition. All the fun and laughter helped us bond stronger, build magical memories yet we promised to play our part in creating a self-inclusive work environment for all – not just on 8th March but throughout the year.

Thank you, Kashf Foundation and Doctors Hospital, for joining us and sharing your valuable experiences.

DIVERSITY AND GENDER PAY DISCLOSURE

Reliance Cotton Spinning Mills Limited is committed to fostering an inclusive and diverse work environment, ensuring that employees of all genders are equitably represented and remunerated. The Company is focused on providing equal opportunities for all, with a specific emphasis on gender diversity at all levels of the organization.

At present, women represent 9% of the workforce. We are continuously working to improve this representation as part of our broader diversity and inclusion strategy.

In line with our commitment to fair compensation, men and women performing equivalent roles within the Company receive equal remuneration. However, our analysis of pay across the workforce reveals a mean gender pay gap of 26% and a median gender pay gap of 22%. These figures reflect differences in roles and seniority and are areas we are actively addressing through targeted initiatives to ensure a more balanced representation of women across all functions and leadership positions.

Reliance Cotton Spinning Mills Limited remains committed to transparency and continuous improvement in achieving gender equality within the organization.





UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

RELIANCE COTTON SPINNING MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Reliance Cotton Spinning Mills Limited** (the Company), which comprise the statement of financial position as at June 30, 2024, the statement of profit or loss, the statement of other 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 material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2024 and of the profit, other comprehensive loss, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1	<p>Capitalisation of property, plant and equipment</p> <p>Refer note 4 to the financial statements.</p> <p>The Company incurred significant capital expenditure mainly to enhance production capacity and technological upgrade of the plant as part of its expansion activity. The Company has capitalized operating fixed assets aggregating Rs. 1.413 billion during the year.</p> <p>There are number of areas where management judgement is involved in connection with the above activities. These include:</p> <ul style="list-style-type: none"> - Determining which costs meet the criteria for capitalisation as per International Accounting Standard – IAS – 16; - Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence; - Capitalisation of borrowing costs and related implications; - The estimation of economic useful lives and residual values assigned to property, plant and equipment; and - Impairment testing; assessing whether there are any indicators of impairment present. <p>We consider the above as a key audit matter being significant transactions and events for the Company during the year.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - obtained an understanding of the design and implementation of management controls over capitalization and performed tests of controls over authorization of capital expenditure and accuracy of its recording in the system. - assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices. - assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework. - checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis. - assessed whether the disclosures were made in accordance with the applicable financial reporting framework.

S. No.	Description	How the matter was addressed in our audit
2	<p>Valuation of stock-in-trade</p> <p>Refer note 7 to the financial statements.</p> <p>The total value of stock in trade as at the reporting date amounted to Rs. 5.338 billion, representing 64% of the Company's total current assets. Stock in trade as at reporting date included raw material and finished goods.</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <p>We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - Assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards. - Attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data. - Assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis. - Tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories. - Assessed the management determination of NRV of raw material thereon by performing tests on the subsequent purchase price. - Tested the cost of inventories for finished goods and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices. <p>We reviewed the Company's disclosure in the financial statement in respect of stock in trade.</p>

S. No.	Description	How the matter was addressed in our audit
2	<p>Revenue recognition</p> <p>The principal activity of the Company is the manufacture and sale of yarn. Revenue from sale of goods is recognised as or when performance obligations are satisfied by transferring control of promised goods to customer, and control is transferred at a point in time. Revenue is measured at fair value of the consideration received or receivable and the payment is typically due on the satisfaction of performance obligation.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company and due to the reason that revenue increased significantly as compared to last year. In addition, revenue was also considered as an area of significant audit risk as part of the audit process.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - assessed the design, implementation and operating effectiveness of the key internal controls involved in revenue recognition; - performed testing of revenue transactions on a sample basis with underlying documentation including dispatch documents and sales invoices; - tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognised in the correct period; - performed audit procedures to analyse variation in the price and quantity sold during the year; - performed recalculations of discounts as per the Company's policy on test basis; - understood and evaluated the accounting policy with respect to revenue recognition; and - assessed the adequacy of disclosures made in the financial statements related to revenue.

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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors is 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 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of 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 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 other 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.

The Engagement partner on the audit resulting in this independent auditors' report is Osman Hameed Chaudhri.

Lahore: September 30, 2024
UDIN: AR202410104OPGEDrmLt

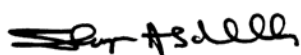
Shinewing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Assets			
Non current assets			
Property, plant and equipment	4	4,151,998,699	3,591,288,186
Long term investments	5	715,964,376	518,127,246
Long term advances and deposits		9,887,690	8,987,690
Deferred taxation	18	67,949,917	-
		4,945,800,682	4,118,403,122
Current assets			
Stores, spare parts and loose tools	6	65,071,820	74,977,863
Stock-in-trade	7	5,338,704,058	6,203,133,931
Trade debts	8	1,876,069,280	2,012,865,224
Loans and advances	9	90,863,597	32,906,723
Short term deposits and prepayments	10	1,003,023	4,559,315
Short term investments	11	23,731,750	14,088,516
Other receivables	12	173,602,022	149,220,766
Tax refunds due from Government	13	440,618,474	575,764,159
Cash and bank balances	14	242,057,392	197,752,154
		8,251,721,416	9,265,268,651
Total assets		13,197,522,098	13,383,671,773
Equity and Liabilities			
Share capital and reserves			
Authorised capital			
12,000,000 ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid-up capital	15	102,920,000	102,920,000
Reserves		135,516,734	127,503,013
Unappropriated profit		7,931,591,126	6,803,308,914
Total equity		8,170,027,860	7,033,731,927
Non current liabilities			
Long term liabilities	16	1,406,786,986	1,640,499,005
Staff retirement benefit - gratuity	17	172,166,761	113,293,444
Deferred taxation	18	-	28,921,440
		1,578,953,747	1,782,713,889
Current liabilities			
Trade and other payables	19	1,273,368,343	1,567,481,110
Contract liabilities		28,786,532	64,937,119
Accrued mark-up / interest	20	56,150,323	94,526,249
Short term borrowings	21	1,497,168,386	2,331,143,302
Current portion of long term liabilities	22	332,044,816	325,244,097
Unclaimed dividend		861,089	801,640
Provision for income tax and levies		260,161,002	183,092,440
		3,448,540,491	4,567,225,957
Total liabilities		5,027,494,238	6,349,939,846
Contingencies and commitments	23		
Total equity and liabilities		13,197,522,098	13,383,671,773

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director



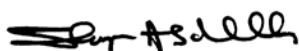
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	(Restated) 2023 Rupees
Sales	24	14,645,976,383	11,048,839,608
Cost of sales	25	(12,278,480,474)	(9,343,384,100)
Gross profit		2,367,495,909	1,705,455,508
Distribution cost	26	(163,094,853)	(166,399,764)
Administrative expenses	27	(207,019,212)	(187,053,686)
Other income	28	156,618,976	79,381,470
Other expenses	29	(63,792,172)	(75,794,016)
Profit from operations		2,090,208,648	1,355,589,512
Finance cost	30	(786,108,601)	(350,942,396)
Profit before revenue tax and income tax		1,304,100,047	1,004,647,116
Final taxes - levy	31	(197,427,695)	(155,106,182)
Profit before income tax		1,106,672,352	849,540,934
Income tax	31	78,284,039	(10,431,017)
Profit for the year		1,184,956,391	839,109,917
Earnings per share – basic and diluted	32	115.13	81.53

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director



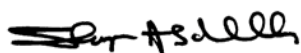
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Profit after taxation	1,184,956,391	839,109,917
Other comprehensive loss		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised gain on remeasurement of investment at fair value through other comprehensive income	9,643,234	2,748,279
Impact of deferred tax	(1,629,513)	-
Realised loss on disposal of investment at fair value through other comprehensive income	-	(9,944,577)
Loss on re-measurement of staff retirement benefit obligation	(34,374,482)	(9,323,592)
Impact of deferred tax	18,868,303	1,292,437
	(7,492,458)	(15,227,453)
Total comprehensive income for the year	1,177,463,933	823,882,464

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director

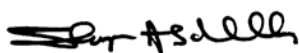


Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2024

	Rupees					
	Issued, subscribed and paid-up capital	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	Reserves		Revenue Unappropriated profit	Total
			Revenue General	Sub-total		
Balance as at July 01, 2022	102,920,000	(5,245,266)	130,000,000	124,754,734	6,059,364,729	6,287,039,463
Total comprehensive income for the year ended June 30, 2023						
Profit for the year	-	-	-	-	839,109,917	839,109,917
Other comprehensive loss	-	(7,196,298)	-	(7,196,298)	(8,031,155)	(15,227,453)
	-	(7,196,298)	-	(7,196,298)	831,078,762	823,882,464
Reclassification adjustment of loss on sale of investment	-	9,944,577	-	9,944,577	(9,944,577)	-
Transactions with owners						
Final cash dividend for the year ended June 30, 2022 @ Rs 7.5 per share	-	-	-	-	(77,190,000)	(77,190,000)
Balance as at June 30, 2023	102,920,000	(2,496,987)	130,000,000	127,503,013	6,803,308,914	7,033,731,927
Total comprehensive income for the year ended June 30, 2024						
Profit for the year	-	-	-	-	1,184,956,391	1,184,956,391
Other comprehensive income / (loss)	-	8,013,721	-	8,013,721	(15,506,179)	(7,492,458)
	-	8,013,721	-	8,013,721	1,169,450,212	1,177,463,933
Transactions with owners						
Final cash dividend for the year ended June 30, 2023 @ Rs.4 per share	-	-	-	-	(41,168,000)	(41,168,000)
Balance as at June 30, 2024	102,920,000	5,516,734	130,000,000	135,516,734	7,931,591,126	8,170,027,860



Chief Executive Officer



Director



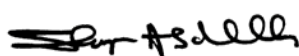
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,304,100,047	1,004,647,116
Adjustments for non-cash and other items:			
Depreciation	4.2	362,393,473	285,624,241
Amortisation of government grant		-	(841,007)
Staff retirement benefit - gratuity	17	51,480,173	38,482,517
Provision for workers' profit participation fund	29	57,595,317	45,946,678
(Reversal) / provision made for workers' welfare fund	29	(80,906,324)	20,942,535
Reversal for expected credit loss in trade debtors	8.4	(6,208,341)	(47,214,395)
Provision for doubtful sales tax refunds	13	3,937,577	7,608,603
Gain on disposal of operating fixed assets	4.4	(37,122,185)	(4,436,617)
Unwinding of interest of GIDC	16.2	1,210,542	2,949,225
Dividend income	28	(11,457,702)	(10,036,651)
Finance cost		784,749,002	347,993,171
		2,429,771,579	1,691,665,416
Working capital changes			
Decrease / (increase) in current assets:			
- stores, spare parts and loose tools	6	9,906,043	(7,594,859)
- stock-in-trade	7	864,429,873	(1,496,926,727)
- trade debts	8	143,004,285	(183,134,622)
- loans and advances	9	(57,956,874)	82,226,882
- short term deposit and prepayments	10	3,556,292	(3,511,250)
- other receivables and sales tax		127,748,868	115,625,138
		1,090,688,487	(1,493,315,438)
(Decrease) / increase in current liabilities:			
- trade and other payables		(143,844,353)	285,657,167
- contract liabilities		(36,150,587)	(3,956,864)
		(179,994,940)	281,700,303
Net working capital changes		3,340,465,126	480,050,281
Staff retirement benefits paid	17	(26,981,338)	(26,839,146)
Finance cost paid		(823,632,449)	(297,122,499)
Taxes paid / refunds		(222,369,729)	(90,156,768)
Rebate income received		77,851	2,561,370
Workers' profit participation fund paid	19.4	(45,946,678)	(150,824,250)
Long term advances and deposits - net		(900,000)	100,000
		(1,119,752,343)	(562,281,293)
Net cash generated from / (used in) operating activities		2,220,712,783	(82,231,012)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(953,431,733)	(644,167,434)
Proceeds from disposal of operating fixed assets		67,449,932	12,120,750
Proceeds from disposal of short term investment		-	32,173,928
Long term investment	5	(197,837,130)	(426,557,601)
Short term investment		-	(9,944,401)
Investment in term deposit receipts		-	(50,000,000)
Dividend income received	28	11,457,702	10,036,651
Net cash used in investing activities		(1,072,361,229)	(1,076,338,107)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		-	312,039,880
- repaid		(228,962,849)	(193,348,634)
Dividend paid		(41,108,551)	(77,232,758)
Short term borrowings - net	21	(833,974,916)	1,287,903,134
Net cash (used in) / generated from financing activities		(1,104,046,316)	1,329,361,622
Net increase in cash and cash equivalents		44,305,238	170,792,503
Cash and cash equivalents - at beginning of the year		197,752,154	26,959,651
Cash and cash equivalents - at end of the year	33	242,057,392	197,752,154

The annexed notes 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, 2024

1. LEGAL STATUS AND OPERATIONS

Reliance Cotton Spinning Mills Limited (“the Company”) was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn.

Geographical location and addresses of major business units including mills / plant of the Company are as under:

Karachi	Purpose
312, Cotton Exchange Building, I.I Chundrigar Road	Registered office
Lahore	
1st Floor, Tricon Corporate Centre, 73-E, Main Jail Road, Gulberg II,	Head office
Sheikhupura	
Feroze Wattoan,	Production plant

2. BASIS OF PREPARATION

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 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment valued at fair value, derivative financial instruments which have been marked to market and staff retirement benefit – gratuity which is stated at present value of defined benefit obligation.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company’s functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees unless otherwise specified.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

2.4 Changes in Accounting Policies and Disclosures Resulting From Amendments in Standards During The Year

2.4.1 Standards, amendments to approved accounting standards and interpretations that are effective and have been adopted by the Company

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for annual periods beginning on or after July 01, 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

(a) IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 **Effective: January 01, 2023**

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

(b) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors **Effective: January 01, 2023**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The amendments have no impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are effective but are not relevant to the Company and therefore, have not been presented here.

2.4.2 Standards, amendments to approved accounting standards and interpretations that are not effective and have not been early adopted by the Company

The following amendments with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

(a) IAS 7 Statement of Cashflows and IFRS 7 Financial Instruments; Disclosures **Effective: January 01, 2024**

Amendments in IAS 7 Statement of Cashflows and IFRS 7 Financial Instruments; Disclosures; Supplier Finance Arrangements, disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The amendments are supplement requirements already in IFRS Accounting Standards and require a company to disclose:

- the terms and conditions;
- the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet;
- ranges of payment due dates; and
- liquidity risk information.

b) IFRS 16 Leases

Effective: January 01, 2024

Leases – Lease Liability in a Sale and Leaseback – Amendments requires a seller lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

(c) IAS 1 Presentation of Financial Statements

Effective: January 01, 2024

Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current. In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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

2.5 IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes (the Guidance) issued by ICAP

The Institute of Chartered Accountants of Pakistan (ICAP) issued the aforementioned Guidance through Circular No.07 / 2024 dated May 15, 2024. In light of the said Guidance, as the minimum taxes and final taxes are not calculated on the 'taxable income' as defined in IAS 12 (Income Taxes) but calculated on turnover or other basis (as per relevant sections of the Income Tax Ordinance, 2001 (the Ordinance); accordingly, minimum taxes and final taxes should be accounted for under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) / IFRIC 21 (Levies) as levies (though these are charged under tax law) and not under IAS 12 as income taxes. Based on the Guidance, the minimum taxes under the Ordinance are hybrid taxes, which comprise of a component within the scope of IAS 12 and a component within the scope of IFRIC 21.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) - 'Accounting Policies, Change in Accounting Estimates and Errors'. There has been no effect on the Statement of Financial Position, Earnings per share and Statement of Changes in Equity as a result of this change

	As at June 30, 2024			As at June 30, 2023		
	Had there been no change in accounting policy	Impact of change in accounting policy	After change in accounting policy	Had there been no change in accounting policy	Impact of change in accounting policy	After change in accounting policy
	Rupees					
Effect on profit or loss and other comprehensive income						
Final taxes - levy	-	(197,427,695)	(197,427,695)	-	(155,106,182)	(155,106,182)
Profit before income tax	1,304,100,047	(197,427,695)	1,106,672,352	1,004,647,116	(155,106,182)	849,540,934
Income tax expense	(119,143,656)	(197,427,695)	78,284,039	165,537,199	(155,106,182)	(10,431,017)

2.6 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Company estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss model. Management used actual credit loss experience over past years for the calculation of expected credit loss. Trade and other receivables are written off when there is no reasonable expectation of recovery.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 17.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

(e) **Income taxes**

In making the estimates for income taxes, the Company takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the date the assets are available for use while no depreciation is charged to the date in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the statement of profit or loss.

Impairment

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

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalized and apportioned to the respective items of property, plant and equipment on completion.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.2 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

The Company has elected not to recognise right-of-use assets and its corresponding lease liabilities for some of the low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

3.3 Financial assets

Initial measurement

The Company classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

- Debt Instruments at FVTOCI

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- Debt Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- Financial Assets measured at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Derecognition

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

Investments in Subsidiary and Associated Companies

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.

3.4 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost which is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.5 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

Particulars	Mode of valuation
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date
Work-in-process	- cost of direct materials and appropriate manufacturing overheads
Finished goods	- lower of average cost and net realizable value
Waste	- net realizable value

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.6 Trade debts and other receivables and related impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

3.7 Government grants

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the Company.

Government grant towards research and development activities is recognized in statement of profit or loss as deduction from the relevant expenses on matching basis.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.8 Impairment

(a) Financial assets

The Company assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for the calculation of ECL.

For debt instruments measured as FVTOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The provision for impairment loss is recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

3.9 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

3.11 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

3.12 Employees' retirement benefits

(a) Defined contribution plan

The Company operates a defined contribution plan through an approved provident fund (the Fund) for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the Fund.

(b) Defined benefit plan

The Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2024 on the basis of projected unit credit method by an Independent Actuary. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements is recognized in the statement of financial statement immediately, with a charge or credit to statement of other comprehensive income in the periods in which they occur.

3.13 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in statement of other comprehensive income or directly in equity. In this case, the tax is also recognized in statement of other comprehensive income or directly in equity, respectively.

The Company designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognise it as current income tax expense. The amount calculated not on the basis of taxable income, is then recognized as a levy falling under the scope of IFRIC 21/IAS 37.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted 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 statement of other comprehensive income / equity in which case it is included in statement of other comprehensive income / equity.

3.14 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.15 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the prevailing best estimate.

3.16 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognized in the statement of profit or loss.

3.17 Revenue recognition

Revenue is recognized when the performance obligation associated with the sale contract is satisfied. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Sale of goods

- 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;

Rendering of services

- 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;

Other sources of revenue

- export rebate income is recognized on accrual basis as and when the right to receive the income establishes;
- dividend income from investments is recognized when the Company's right to receive dividend is established; and

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

- 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 is established.

3.18 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss.

3.19 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognized in the period in which they are approved.

3.20 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Note	2024 Rupees	2023 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	4,011,058,942	2,990,289,649
Capital work-in-progress	4.3	140,939,757	600,998,537
		4,151,998,699	3,591,288,186

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4.1 Operating fixed assets

	Rupees										
	Freehold land	Residential buildings and others on freehold land	Factory buildings on freehold land	Plant and machinery	Electric installations	Office	Equipment	Computer hardware	Vehicles	Furniture and fixtures	Total
At July 1, 2022											
Cost	65,109,754	147,622,787	86,290,1306	3,232,350,731	167,104,495	5,588,279	408,950	3,810,712	111,590,548	3,024,347	4,599,511,909
Accumulated depreciation	-	65,574,108	526,346,653	1,374,533,447	88,838,849	2,877,736	261,488	3,478,582	51,393,952	1,990,081	2,115,294,896
Net book value	65,109,754	82,048,679	336,554,653	1,857,817,284	78,265,646	2,710,543	147,462	332,130	60,196,596	1,034,266	2,484,217,013
Year ended June 30, 2023											
Opening net book value	65,109,754	82,048,679	336,554,653	1,857,817,284	78,265,646	2,710,543	147,462	332,130	60,196,596	1,034,266	2,484,217,013
Additions	-	8,793,033	131,404,444	637,937,175	4,261,358	-	-	-	16,985,000	-	799,381,010
Disposals:											
- cost	-	-	-	13,639,152	-	-	-	-	10,787,915	-	24,427,067
- accumulated depreciation	-	-	-	(10,277,127)	-	-	-	-	(6,465,807)	-	(16,742,934)
	-	-	-	3,362,025	-	-	-	-	4,322,108	-	7,684,133
Depreciation charge	-	4,259,772	38,379,810	220,441,132	8,146,167	271,054	14,746	99,639	13,908,494	103,427	285,624,241
Closing net book value	65,109,754	86,581,940	429,579,287	2,271,951,302	74,380,837	2,439,489	132,716	232,491	58,950,994	930,839	2,990,289,649
At June 30, 2023											
Cost	65,109,754	156,415,820	994,305,750	3,856,648,754	171,365,853	5,588,279	408,950	3,810,712	117,787,633	3,024,347	5,374,465,852
Accumulated depreciation	-	69,833,880	564,726,463	1,584,697,452	96,985,016	3,148,790	276,234	3,578,221	58,836,639	2,093,508	2,384,176,203
Net book value	65,109,754	86,581,940	429,579,287	2,271,951,302	74,380,837	2,439,489	132,716	232,491	58,950,994	930,839	2,990,289,649
Year ended June 30, 2024											
Opening net book value	65,109,754	86,581,940	429,579,287	2,271,951,302	74,380,837	2,439,489	132,716	232,491	58,950,994	930,839	2,990,289,649
Additions	-	25,416,940	127,532,393	957,230,954	303,310,228	-	-	-	-	-	1,413,490,515
Disposals:											
- cost	-	-	-	66,197,473	-	-	-	-	1,078,834	-	67,276,307
- accumulated depreciation	-	-	-	(36,124,255)	-	-	-	-	(824,305)	-	(36,948,560)
	-	-	-	30,073,218	-	-	-	-	254,529	-	30,327,747
Depreciation charge	-	4,537,240	45,720,266	287,483,368	12,493,254	243,949	13,272	69,747	11,739,293	93,084	362,393,473
Closing net book value	65,109,754	107,461,640	511,391,414	2,911,625,670	365,197,811	2,195,540	119,444	162,744	46,957,172	837,755	4,011,058,942
At June 30, 2024											
Cost	65,109,754	181,832,760	1,121,838,143	4,747,682,235	474,676,081	5,588,279	408,950	3,810,712	116,708,799	3,024,347	6,720,680,060
Accumulated depreciation	-	74,371,120	610,446,729	1,836,056,565	109,478,270	3,392,739	289,506	3,647,968	69,751,627	2,186,592	2,709,621,116
Net book value	65,109,754	107,461,640	511,391,414	2,911,625,670	365,197,811	2,195,540	119,444	162,744	46,957,172	837,755	4,011,058,942
Depreciation rate (% - per annum)		5	10	10	10	10	10	30	20	10	10

*This include machinery costing Rs. 289.270 million (2023: Rs. 1.900 million) purchased from Amer Cotton Mills (Private) Limited (a related party).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4.1.2 Particulars of immovable property in the name of Company are as follows:

Location	Usage of immovable property	Total area in square yards
Freehold Land		
- Ferozewattoan, District Shiekhupura.	Production plant	181,802

	Note	2024 Rupees	2023 Rupees
4.2 Depreciation charge has been allocated as follows:			
Cost of goods manufactured		358,198,359	280,375,260
Administrative expenses		4,195,114	5,248,981
		362,393,473	285,624,241
4.3 Capital work-in-progress			
Buildings		31,361,807	138,643,918
Plant and machinery	4.3.1	104,838,950	446,319,619
Advance payments against:			
- buildings		-	16,035,000
- vehicles		4,739,000	-
		4,739,000	16,035,000
		140,939,757	600,998,537

4.3.1 The Company during the year has capitalised borrowing cost of Rs. 27.800 million (2023: Rs. 7.322 million) charged at the rate ranging from 17.03% to 22.95% (2023: 3.5% to 4.0%) per annum.

4.3.2 Movement in the account of capital work in progress during the year is as follows:

	July 1, 2023	Additions during the year	Transferred to operating fixed assets	June 30, 2024
	Rupees			
Building	138,643,918	24,522,222	131,804,333	31,361,807
Plant and Machinery	446,319,619	877,186,682	1,218,667,351	104,838,950
	584,963,537	901,708,904	1,350,471,684	136,200,757
Advance payments against:				
Factory / office building	16,035,000	5,110,000	21,145,000	-
Plant and Machinery	-	41,873,832	41,873,832	-
Vehicles	-	4,739,000	-	4,739,000
	16,035,000	51,722,832	63,018,832	4,739,000

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4.4 The details of operating fixed assets disposed-off is as follows:

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Sold to:
	Rupees						
Assets having net book value exceeding Rs. 500,000 each							
Plant and machinery							
Comber Rieter	8,035,366	2,981,565	5,053,801	5,400,000	346,199	Negotiation	M/s H-A Haq Spinning Mills (Pvt) Ltd.
Rieter Card	20,208,230	15,408,663	4,799,567	25,000,000	20,200,433	Negotiation	M/s Sapphire Fibres Ltd.
Rieter Card	20,208,230	15,449,682	4,758,548	25,000,000	20,241,452	Negotiation	M/s Amer Cotton Mills (pvt) Ltd.
Auto Cone Machine	9,700,000	945,750	8,754,250	5,677,966	(3,076,284)	Negotiation	M/s Ideal Trading Co.
Auto Cone Machine	8,045,647	1,338,595	6,707,052	5,677,966	(1,029,086)	Negotiation	M/s Ideal Trading Co.
	66,197,473	36,124,255	30,073,218	66,755,932	36,682,714		
Assets having net book value upto Rs. 500,000 each							
Vehicles							
Suzuki WagonR	1,078,834	824,305	254,529	694,000	439,471	Negotiation	Mr. Muhammad Farooq
2024	67,276,307	36,948,560	30,327,747	67,449,932	37,122,185		
2023	24,427,067	16,742,934	7,684,133	12,120,750	4,436,617		

	Note	2024 Rupees	2023 Rupees
5. LONG TERM INVESTMENTS			
Subsidiary Company – at cost	5.1	200,437,130	2,600,000
Associated Companies – at cost	5.2	515,527,246	515,527,246
		715,964,376	518,127,246
5.1 Subsidiary Company – unquoted RCSM Company (Private) Limited			
20,043,713 (2023 : 260,000) ordinary shares of Rs. 10 each			
Equity held: 100%	5.1.1	200,437,130	2,600,000

5.1.1 RCSM Company (Private) Limited was incorporated in November 8, 2017. The principal activity of the Subsidiary Company is to take or otherwise acquire and hold shares in any other Company but not to act as an investment Company.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	2024 Rupees	2023 Rupees
5.2 Associated Companies		
Quoted		
Sapphire Fibres Limited		
798,796 ordinary shares of Rs. 10 each	468,514,083	468,514,083
Equity held: 3.864%		
Fair value: Rs. 1,270.085 million (2023: Rs. 893.357 million)		
Sapphire Textile Mills Limited		
100,223 ordinary shares of Rs.10 each	8,114,578	8,114,578
Equity held: 0.462%		
Fair value: Rs. 134.197 million (2023: Rs. 116.824 million)		
Un quoted		
SFL Limited		
401,570 ordinary shares of Rs. 10 each	2,439,475	2,439,475
Equity held: 42.83%(2023: 1.998%)		
Sapphire Finishing Mills Limited		
1,556,000 ordinary shares of Rs. 10 each	16,509,160	16,509,160
Equity held: 1.69%		
Sapphire Holding Limited		
100,223 ordinary shares of Rs.10 each	524,950	524,950
Equity held: 0.5%		
Sapphire Power Generation Limited		
555,000 ordinary shares of Rs. 10 each	19,425,000	19,425,000
Equity interest held 3.46%		
	515,527,246	515,527,246

5.2.1 As these are the unconsolidated financial statements of the company, investments in associates have been carried at cost and equity method will be applied in the consolidated financial statements of the Company.

5.2.2 The Company's investment in above companies is less than 20% but these are considered associated companies as the Company has significant influence over the financial and operating policies through representation on the Board of Directors of these companies.

	2024 Rupees	2023 Rupees
6. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	11,506,314	21,646,143
Spare parts	29,689,512	29,681,269
Loose tools	76,033	93,600
Items in transit	23,799,961	23,556,851
	65,071,820	74,977,863

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	2024 Rupees	2023 Rupees
7. STOCK-IN-TRADE		
Raw materials:		
– at mills	3,193,255,139	3,982,794,123
– in transit	902,480,627	767,222,050
	4,095,735,766	4,750,016,173
Work-in-process	616,706,382	609,784,835
Finished goods	618,303,680	782,193,926
Waste	7,958,230	61,138,997
	5,338,704,058	6,203,133,931

7.1. As at June 30, 2024, Stock in trade include items costing Rs. 141.757 million (2023: Rs. 3,523.197 million) stated at their net realizable value aggregated Rs. 122.857 million (2023: Rs. 2,855.843 million). The amount charged to cost of sales in respect of stocks written down to their net realizable value was Rs. 18.900 million (2023: Rs. 667.354 million).

	Note	2024 Rupees	2023 Rupees
8. TRADE DEBTS			
Considered good			
Unsecured – local	8.1	1,774,002,590	1,856,307,118
Secured – foreign debts		110,388,282	171,088,039
		1,884,390,872	2,027,395,157
Less: provision for expected credit loss	8.4	8,321,592	14,529,933
		1,876,069,280	2,012,865,224

8.1 These include the following amounts due from related parties:

Amer Cotton Mills (Pvt.) Limited	9,245,073	15,371,284
Diamond Fabrics Limited	4,665,962	11,251,470
Sapphire Fibers Limited	71,657,127	538,403,297
Sapphire Power Generation Limited	1,009,166	10,951
Sapphire Textile Mills Limited	17,316,333	1,924,002
	103,893,661	566,961,004

8.2 The ageing of trade debts at June 30, is as follows

	Related parties		Others	
	2024	2023	2024	2023
	Rupees			
Not past due	11,644,646	18,938,867	712,878,389	533,110,815
Past due 1–30 days	78,305,971	159,450,079	501,923,922	434,906,866
Past due 31–60 days	2,345,917	91,661,427	396,345,181	360,948,028
Past due 61–90 days	1,192,861	41,233,233	58,965,436	58,178,456
Past due 91–365 days	10,305,382	255,666,447	100,318,173	48,463,448
Past due one year	98,884	10,951	10,066,110	24,826,540
	103,893,661	566,961,004	1,780,497,211	1,460,434,153

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

8.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs. 684.84 million (2023: Rs. 714.54 million).

	Note	2024 Rupees	2023 Rupees
8.4 Provision for expected credit loss			
Balance at the beginning of the year		14,529,933	61,744,328
Reversal of provision		(6,208,341)	(47,214,395)
Balance at the end of the year		8,321,592	14,529,933
9. LOANS AND ADVANCES			
Current portion of long term loans to employees		1,200,000	100,000
Advances to supplier and contractors	9.1	89,663,597	32,806,723
		90,863,597	32,906,723

9.1 This include amount of Rs. 2.129 thousand (2023: Rs. 3.433 million) paid to Sapphire Textile Mills Limited (a related party) and an amount of Rs.40 million paid to Sapphire Fibres Limited (a related party) for purchase of raw material.

	Note	2024 Rupees	2023 Rupees
10. SHORT TERM DEPOSITS AND PREPAYMENTS			
Bank guarantee margin		1,003,023	2,295,700
Prepayments		-	231,234
Letter of credit margin		-	2,032,381
		1,003,023	4,559,315
11. SHORT TERM INVESTMENTS			
Equity instruments	11.1	23,731,750	14,088,516

11.1 Equity Instruments - at FVTOCI

(Investment in quoted securities)

No. of Shares/Certificate		Name of the investee company	Market value		Cost	
2024	2023		2024	2023	2024	2023
Rupees						
39,796	39,796	Meezan Bank Limited	9,526,764	3,437,181	2,431,357	2,431,357
30,000	30,000	Oil & Gas Development Company Limited	4,061,100	2,340,000	4,574,621	4,574,621
17,744	17,744	Pakistan State Oil Company Limited	2,949,230	1,969,761	3,969,942	3,969,942
26,000	26,000	Sui Northern Gas Pipeline Limited	1,650,220	1,023,620	3,224,374	3,224,374
50,950	50,950	Sui Southern Gas Company Limited	483,006	437,661	1,892,741	1,892,741
12,100	12,100	Systems Limited	5,061,430	4,880,293	492,468	492,468
			23,731,750	14,088,516	16,585,503	16,585,503
Adjustment arising from re-measurement to fair value					7,146,247	(2,496,987)
Market value					23,731,750	14,088,516

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
12. OTHER RECEIVABLES			
Advance income tax		25,102,891	24,191,489
Export rebate & duty drawbacks		481,497	559,348
Deposits with the High Court		6,993,302	6,993,302
Profit on term deposit receipts		-	308,904
Prepaid final tax levy		138,419,906	116,932,363
Others		2,604,426	235,360
		173,602,022	149,220,766
13. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		244,667,658	395,964,231
Less: provision for doubtful tax refunds		49,614,647	45,677,070
		195,053,011	350,287,161
Income tax		245,565,463	225,476,998
		440,618,474	575,764,159
14. CASH AND BANK BALANCES			
Cash-in-hand		310,000	788,500
Cash at bank			
- at current account	14.1	241,082,693	146,337,508
- at dividend account		664,699	626,146
		241,747,392	146,963,654
Term deposit receipts	14.2	-	50,000,000
		242,057,392	197,752,154

14.1 This include US\$ 688,305 (2023: US\$ 457,393).

14.2 This carried mark up at the rate of 20.5% per annum and is having a maturity period of three months.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2024 Number	2023		2024 Rupees	2023
	10,292,000	10,292,000	Ordinary shares of Rs.10 each fully paid in cash	102,920,000	102,920,000

15.1 Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

15.2 6,773,655 (2023: 6,761,108) ordinary shares of Rs. 10 each are held by the related parties as at year-end.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
16. LONG TERM LIABILITIES – Secured			
Long term finances	16.1	1,644,744,322	1,872,866,164
Provision for Gas infrastructure Development Cess	16.2	94,087,480	92,876,938
		1,738,831,802	1,965,743,102
Less: current portion grouped under current liabilities		(332,044,816)	(325,244,097)
		1,406,786,986	1,640,499,005
16.1 Long term finances (from banking companies)			
- Faysal Bank Limited	16.1.1	133,786,531	217,795,286
- Habib Bank Limited	16.1.2	145,509,000	169,951,993
- MCB Bank Limited	16.1.3	658,267,513	747,708,885
- Meezan Bank Limited	16.1.4	707,181,278	737,410,000
		1,644,744,322	1,872,866,164

16.1.1 The Company has arranged long term finance facilities amounting to Rs. 300 million from Faysal Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank has disbursed Rs. 269.647 million in 11 tranches of different amounts during the preceding years. Each tranche is repayable in 32 equal quarterly installments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranging from 3.00% to 24.02% (2023: 3.00% to 24.08%) per annum and are secured against first charge of Rs. 400 million with 25% margin over all present and future plant and machinery of the Company.

16.1.2 The Company has arranged long term finance facilities amounting Rs. 250 million from Habib Bank Limited under the state bank of Pakistan (SBP) scheme for imported plant and machinery. These finance facilities have different repayment terms and carry mark-up at the rate 2.85% (2023: 1.00% to 2.85%) per annum, payable on quarterly basis. This facility secured against pari passu charge over present and future plant and machinery of the Company for Rs. 641.333 million.

16.1.3 The Company has arranged a long term finance facility amounting Rs. 1,065.548 million from MCB Bank Limited to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs. 933.472 million in 24 tranches of different amount during the preceding years. Each tranche is repayable in 16 equal quarterly installments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranged from 2.50% to 23.13% (2023: 2.50% to 18.32%) per annum and are secured against 1st joint pari passu charge of Rs. 6,536 million (2023: Rs. 2,534 million) with 25 % margin over all present and future plant and machinery of the company.

16.1.4 The Company has arranged a long term Islamic finance facility (Diminishing Musharakah Facility) amounting Rs. 1,400 million from Meezan Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs. 737.410 million in 14 tranches of different amounts during the preceding years. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate ranged from 3.50% to 4.00% (2023: 3.50% to 4.00%) per annum and are secured against 1st pari passu charge with 25 % margin overall present and future plant and machinery of the Company.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
16.2 Movement in Gas Infrastructure			
Development Cess payable			
Balance of provision for GIDC	16.2.1	92,876,938	89,927,713
Unwinding of interest		1,210,542	2,949,225
		94,087,480	92,876,938

16.2.1 The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 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 falls under the category of consumer and had 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 recorded a provision against GIDC. The amount has been recorded at its present value, by discounting future estimated cash flows using risk free rate of return.

17. STAFF RETIREMENT BENEFIT – Gratuity

The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2024 Rupees	2023 Rupees
Amount recognized in the statement of financial position		
Net liability at the beginning of the year	113,293,444	92,326,481
Charge to statement of profit or loss	51,480,173	38,482,517
Remeasurement recognized in statement of other comprehensive income	34,374,482	9,323,592
Payments made during the year	(26,981,338)	(26,839,146)
Net liability at the end of the year	172,166,761	113,293,444
Movement in the present value of defined benefit obligation		
Balance at beginning of the year	113,293,444	92,326,481
Current service cost	35,262,222	27,830,084
Interest cost	16,217,951	10,652,433
Benefits paid	(26,981,338)	(26,839,146)
Remeasurements on obligation	34,374,482	9,323,592
Balance at end of the year	172,166,761	113,293,444
Expense recognized in Statement of profit or loss		
Current service cost	35,262,222	27,830,084
Interest cost	16,217,951	10,652,433
	51,480,173	38,482,517

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Remeasurements recognized in statement of other comprehensive income		
Demographic assumptions	9,581,237	-
Financial assumptions	(861,791)	-
Experience adjustment	25,655,036	9,323,592
	34,374,482	9,323,592

	2024	2023
Actuarial assumptions used		
Discount rate	14.75%	16.25%
Expected rate of increase in future estimates	13.75%	15.25%
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

Sensitivity analysis for actuarial assumptions

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

	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(159,866,102)	186,483,929
Increase in future salaries	1.00%	186,964,612	(159,221,419)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Based on actuary's advice, the expected charge for the year ending June 30, 2025 amounts to Rs. 74.012 million.

The weighted average duration of defined benefit obligation is 8 years.

Historical information

	2024	2023	2022	2021	2020
	Rupees				
Present value of defined benefit obligation	172,166,761	113,293,444	92,326,481	72,010,728	62,585,160
Experience adjustment on obligation / actuarial loss	(34,374,482)	(9,323,592)	(3,661,570)	(2,009,990)	(2,324,570)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
18. DEFERRED TAXTION - Net		
The balance of deferred tax is in respect of following major temporary differences		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowance	-	41,781,987
- gain on investments	1,629,513	-
	1,629,513	41,781,987
Deductible temporary differences arising in respect of:		
- staff retirement benefit - gratuity	46,984,297	8,397,763
- provision for doubtful tax refunds	19,349,712	3,385,767
- provision for impairment in trade debts	3,245,421	1,077,017
	69,579,430	12,860,547
Deferred tax (asset) / liability	(67,949,917)	28,921,440

18.1 The Company's income for the current and preceding tax year falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. In light of recent changes in the tax laws, made via Finance Act, 2024, the Company's income for tax year 2025 and onwards will now fall under normal tax regime. The Company has calculated its temporary differences in view of opinion sought from its legal counsel on changes in tax regime.

	Note	2024 Rupees	2023 Rupees
19. TRADE AND OTHER PAYABLES			
Trade creditors	19.1	203,826,715	398,060,892
Accrued expenses		345,452,749	313,629,230
Bills payable	19.2	383,212,986	501,433,624
Sindh government infrastructure fee	19.3	283,280,576	227,399,957
Workers' profit participation fund	19.4	57,595,317	45,946,678
Workers' welfare fund	19.5	-	81,010,729
		1,273,368,343	1,567,481,110
19.1 These balances include the following amounts due to related parties:			
Amer Cotton Mills (Pvt.) Limited		14,214	170,448,677
Sapphire Fibres Limited		34,877,846	43,837,396
Sapphire Textile Mills Limited		-	76,399
		34,892,060	214,362,472

19.2 These are secured against import documents.

19.3 This provision has been recognized against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has contested this issue in the Sindh High Court (the High Court). The Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2024, the Company has provided bank guarantees aggregating Rs. 310.720 million (2023: Rs. 260.720 million) in favor of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favor.

	2024 Rupees	2023 Rupees
19.4 Workers' profit participation fund		
Balance at beginning of the year	45,946,678	148,524,276
Add: interest on funds utilized by the Company	149,057	2,299,974
	46,095,735	150,824,250
Less: payments made during the year	46,095,735	150,824,250
	-	-
Add: allocation for the year	57,595,317	45,946,678
Balance at end of the year	57,595,317	45,946,678

19.5 Provisions for workers' welfare fund recognized in prior years have been reversed during the year. The Company is of the view that the balance amount is no more payable as matter already been decided by Honourable Supreme Court of Pakistan.

	Note	2024 Rupees	2023 Rupees
20. ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on:			
- long term finances		13,066,151	21,562,560
- short term borrowings		43,084,172	72,963,689
		56,150,323	94,526,249
21. SHORT TERM BORROWINGS			
Short term loans	21.1	490,000,000	1,625,449,000
Running / cash finances - secured	21.1	1,007,168,386	705,694,302
		1,497,168,386	2,331,143,302

21.1 The Company has obtained short term finance facilities under mark-up arrangements aggregate to Rs. 5,053 million (2023: Rs. 5,553 million). These finance facilities, during the year, carried mark-up at the rates ranged from 20.24% to 24.04% (2023: 14.06% to 23.08%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs. 17,565 million (2023: Rs. 16,539 million) over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Facilities available for opening letters of credit and guarantees aggregate to Rs. 6,320 million (2023: Rs. 6,620 million) out of which the amount remained unutilized at the year-end was Rs. 4,297.83 million (2023: Rs. 4,818.88 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Company, cash margins and counter guarantee by the Company.

Abovementioned facilities are expiring on various dates upto May 08, 2025.

	Note	2024 Rupees	2023 Rupees
22. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term finances	16	237,957,337	235,039,316
Current portion of Gas Infrastructure Development Cess payable	16	94,087,479	90,204,781
		332,044,816	325,244,097

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 Outstanding bank guarantees

Guarantees aggregating Rs. 399.78 million (2023: Rs. 386.662 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

23.1.2 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 June 30, 2024 the value of these cheques amounted to Rs. 5,207.667 million (2023: Rs. 5,343.701 million).

23.1.3 The Company has claimed an input tax credit of Rs. 49.615 million (2023: Rs. 45.749 million) which was disallowed by FBR through its notice dated June 20, 2015. The Company has filed an appeal against the decision of FBR in the Honorable Lahore High Court dated July 07, 2015. The management expects a favourable out come in this case.

	2024 Rupees	2023 Rupees
23.2 Commitments		
Commitments in respect of :		
- letters of credit for capital expenditure	408,962,241	571,789,427
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	242,965,933	308,063,329
- capital expenditure other than letters of credit	12,275,251	51,039,978
- foreign & local bills discounted	538,367,280	283,113,000

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

24. SALES – Net

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

	Note	2024 Rupees	2023 Rupees
Types of goods and services			
Local sales			
- yarn		3,534,371,787	2,566,235,017
- waste		325,352,810	154,957,553
- raw materials		61,490,609	40,394,396
- local steam income		26,951,790	13,142,730
- processing income		2,596,294	6,903,449
		3,950,763,290	2,781,633,145
Export Sales			
- yarn	24.1	11,740,952,127	9,260,171,217
- waste		129,992,175	213,864,063
		11,870,944,302	9,474,035,280
		15,821,707,592	12,255,668,425
Less: sales tax		1,175,731,209	1,206,828,817
		14,645,976,383	11,048,839,608

24.1 This includes indirect export of Rs. 9,007 million (2023: Rs. 7,108 million).

24.2 **Waste sales include sale of comber noil.**

24.3 Exchange loss due to currency rate fluctuations relating to export sales amounting to Rs. 2.11 million (2023: exchange gain Rs. 82.51 million) has been included / net off in export sales.

24.4 The contract liabilities outstanding at June 30, 2023 amounting to Rs. 43.721 million have been recognized as revenue during the year.

24.5 The Company's revenue from external customers by geographical location is detailed below:

	2024 Rupees	2023 Rupees
Africa	144,242,790	16,979,870
America	389,290,594	674,580,007
Asia	13,353,688,613	9,554,349,435
Australia	8,817,844	47,860,773
Europe	749,936,542	755,069,523
	14,645,976,383	11,048,839,608

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
25. COST OF SALES			
Finished goods at beginning of the year		843,332,923	400,139,698
Cost of goods manufactured	25.1	11,931,546,556	9,732,349,056
Yarn purchased during the year		83,132,100	26,491,754
Cost of raw materials sold		46,730,805	27,736,515
		12,061,409,461	9,786,577,325
		12,904,742,384	10,186,717,023
Finished goods at end of the year		(626,261,910)	(843,332,923)
		12,278,480,474	9,343,384,100
25.1 Cost of goods manufactured			
Work-in-process at beginning of the year		609,784,835	309,372,499
Raw materials consumed	25.2	8,703,995,765	7,686,531,115
Salaries, wages and benefits	25.3	867,396,454	667,121,883
Packing stores consumed		183,586,587	134,549,070
General stores consumed		218,859,727	208,747,841
Processing charges		359,498,771	260,072,715
Depreciation	4.2	358,198,359	280,375,260
Fuel and power		1,170,941,152	734,368,714
Repair and maintenance		15,060,100	10,708,597
Insurance		33,326,562	28,648,307
Travelling and conveyance		17,288,470	13,974,943
Other manufacturing expense		10,316,156	7,662,947
		12,548,252,938	10,342,133,891
Work-in-process at end of the year		(616,706,382)	(609,784,835)
		11,931,546,556	9,732,349,056
25.2 Raw materials consumed			
Stocks at beginning of the year		3,982,794,123	3,560,945,774
Purchases		7,914,456,781	8,108,379,464
		11,897,250,904	11,669,325,238
Stocks at end of the year		(3,193,255,139)	(3,982,794,123)
		8,703,995,765	7,686,531,115

25.3 Salaries, wages and benefits include Rs. 51.480 million (2023: Rs. 38.482 million) in respect of staff retirement benefit – gratuity and Rs. 5.075 million (2023: Rs. 4.336 million) contribution in respect of staff provident fund.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
26. DISTRIBUTION COST			
Salaries and other benefits	26.1	16,796,747	20,132,824
Travelling, conveyance and entertainment		4,878,093	5,857,965
Insurance charges – exports		548,588	656,643
Telephone & Postage		1,059,338	1,611,743
Printing and stationery		156,309	1,041,883
Fee and subscription		4,551,508	-
Commission:			
– local		9,193,828	10,755,444
– export		34,182,259	41,361,093
		43,376,087	52,116,537
Freight and forwarding:			
– local		16,721,263	13,998,709
– export		67,926,328	65,790,887
		84,647,591	79,789,596
Export development surcharge		7,080,592	5,192,573
		163,094,853	166,399,764

26.1 Salaries and other benefits include Rs. 0.727 million (2023: Rs. 0.353 million) in respect of contribution to staff provident fund.

	Note	2024 Rupees	2023 Rupees
27. ADMINISTRATIVE EXPENSES			
Directors' remuneration		21,600,000	21,600,000
Director's meeting fee		280,000	240,000
Salaries and other benefits	27.1	85,220,118	49,527,326
Postage		3,340,680	1,902,883
Fee and subscription		4,898,670	3,294,969
Legal and professional charges		11,173,296	11,462,483
Entertainment		15,179,040	9,928,021
Travelling and conveyance		37,039,928	34,698,055
Printing and stationery		4,646,658	1,563,231
Advertisement		219,173	819,164
Repair and maintenance		5,448,549	4,949,313
Utility charges		4,713,054	4,404,027
Charity and donations	27.2	8,700,000	36,525,000
Depreciation	4.2	4,195,114	5,248,981
Insurance expense		158,314	-
Others		206,618	890,233
		207,019,212	187,053,686

27.1 Salaries and other benefits include Rs. 3.195 million (2023: Rs. 2.617 million) in respect of contribution to staff provident fund.

27.2 Donations exceeding 10% of the total donations of the Company

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Donations with directors' interest

Preceding year donations include donations amounted Rs. 30.30 million that were made to Abdullah Foundation, 212 – Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nabeel Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Shayan Abdullah have common directorship in both Companies.

Donations without directors' interest

These include donations amounted Rs. 2.50 million made to China Forum and Rs. 4 million made to Durbeen (2023: Rs. 5 million made to Progressive education Network).

	Note	2024 Rupees	2023 Rupees
28. OTHER INCOME			
Income from financial assets			
Dividend income from:			
– related parties		8,990,189	4,939,200
– others		2,467,513	5,097,451
		11,457,702	10,036,651
Interest income		4,761,644	308,904
Amortisation of deferred income – government grant		–	841,007
		16,219,346	11,186,562
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.4	37,122,185	4,436,617
Scrap sales [Net of sales tax aggregating Rs. 2.909 million (2023: Rs. 3.047 million)]		16,162,780	16,543,896
		53,284,965	20,980,513
Reversal for expected credit loss in trade debts	8.4	6,208,341	47,214,395
Reversal of workers' welfare fund	19.5	80,906,324	–
		156,618,976	79,381,470
29. OTHER EXPENSES			
Workers' profit participation fund	19.4	57,595,317	45,946,678
Workers' welfare fund	19	–	20,942,535
Provision for doubtful tax refunds		3,937,577	7,608,603
Auditors' remuneration	29.1	2,259,278	1,296,200
		63,792,172	75,794,016
29.1 Auditors' remuneration:			
– statutory audit		913,000	794,200
– prior year (over) / under provision		(18,825)	65,750
– half yearly review		175,400	152,500
– code of corporate governance review		80,000	63,500
– special audit		800,000	–
– certifications and others		219,703	120,250
– out-of-pocket expenses		90,000	100,000
		2,259,278	1,296,200

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	Note	2024 Rupees	2023 Rupees
30. FINANCE COST			
Mark-up / interest on long term finances		72,976,839	75,023,623
Mark-up / interest on short term borrowings		697,389,408	256,693,990
Interest on workers' profit participation fund	19.4	149,057	2,299,974
Unwinding effect of long term liabilities	16.2	1,210,542	2,949,225
Bank and other financial charges		14,382,755	13,975,584
		786,108,601	350,942,396

31. LEVIES AND INCOME TAXATION

31.1 Final tax levy

Levy:			
- for the year	31.2	197,489,168	155,324,932
- for prior year		(61,473)	(218,750)
		197,427,695	155,106,182

31.2 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 (the Ordinance) and current year's provision is made accordingly. As explained in note 2.5 the liability shall be the final tax fall under levy within the scope of IFRIC 21 / IAS 37.

31.3 Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.

	2024 Rupees	2023 Rupees
31.4 Income tax		
Current tax for the year	1,348,528	740,881
Deferred tax	(79,632,567)	9,690,136
	(78,284,039)	10,431,017

31.5 Reconciliation of current tax charged as per tax laws for the year, with current tax recognised in the profit and loss account, is as follows:

	2024 Rupees	2023 Rupees
Current tax liability for the year as per applicable tax laws	198,837,696	155,847,063
Portion of current tax liability as per tax laws, representing income tax under IAS 12	1,348,528	740,881
Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21 / IAS 37	197,489,168	155,106,182
Difference	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	2024 Rupees	2023 Rupees
32. EARNINGS PER SHARE		
32.1 Basic earnings per share		
Net profit for the year	1,184,956,391	839,109,917
	Number of shares	
Weighted average ordinary shares in issues	10,292,000	10,292,000
	Rupees	
Earnings per share	115.13	81.53

32.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2024 and June 30, 2023 which would have any effect on the earnings per share if the option to convert is exercised.

	2024 Rupees	2023 Rupees
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	242,057,392	197,752,154

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2024	2023	2024	2023
	Rupees			
Managerial remuneration	21,600,000	21,600,000	77,444,695	60,225,558
Contribution to provident fund trust	-	-	3,595,031	3,361,253
Medical	-	-	863,153	807,023
Leave encashment / bonus	-	-	9,762,600	19,161,065
	21,600,000	21,600,000	91,665,479	83,554,899
Number of persons	1	1	12	17

34.1 Certain executives are provided with Company maintained vehicles.

34.2 During the year, meeting fees of Rs. 280 thousand (2023: Rs. 240 thousand) was paid to two non-executive director.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Subsidiary Companies, Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
RCSM Company Private Limited	Subsidiary Company	100%
Sapphire Textile Mills Limited	Common directorship	0.462%
Sapphire Fibres Limited	Common directorship	3.864%
Sapphire Electric Company Limited	Common directorship	-
Sapphire Finishing Mills Limited	Common directorship	1.69%
Sapphire Holding Limited	Common directorship	0.50%
SFL Limited	Common directorship	42.83%
Amer Cotton Mills (Private) Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Amer Tex (Private) Limited	Common directorship	-
Crystal Enterprises (Private) Limited	Common directorship	-
Galaxy Agencies (Private) Limited	Common directorship	-
Neelum Textile Mills (Private) Limited	Common directorship	-
Nadeem Enterprises (Private) Limited	Common directorship	-
Reliance Textile (Private) Limited	Common directorship	-
Salman Ismail (SMC-Private) Limited	Common directorship	-
Sapphire Agencies (Private) Limited	Common directorship	-
Yousaf Agencies (Private) Limited	Common directorship	-
Four Strength (Private) Limited	Common directorship	-
Sapphire Power Generation Limited	Common directorship	3.460%

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Significant transactions with the related parties		
i) Subsidiary Companies		
Shares allotted	197,837,130	-
ii) Associated Companies		
Sales of:		
- raw material / yarn / fabric / stores	1,126,418,018	1,298,331,515
- fixed assets	50,000,000	-
Purchases:		
- raw material / yarn / fabric / stores	472,275,783	160,447,947
- fixed assets	289,270,112	48,537,601
- services obtained	7,290,900	-
Expenses charged by	61,118,319	32,892,792
Expenses charged to	13,814,979	300,736
Dividend:		
- received	8,990,189	4,939,200
- paid	27,047,032	50,552,310
iii) Director and their related parties		
Donation	-	30,300,000
iv) Key management personnel		
Salary and other employment benefits	39,469,632	36,873,380
v) Retirement Fund		
Contribution towards provident fund	8,997,505	12,686,700

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price 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.

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 overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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(a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans and advances, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note. 36.4, the financial assets exposed to credit risk aggregated to Rs. 2,171,558 million as at June 30, 2024 (2023: Rs. 2,259.091 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2023: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2024 Rupees	2023 Rupees
Long term deposits	9,887,690	8,987,690
Trade debts	1,884,390,872	2,027,395,157
Loans and advances	1,200,000	100,000
Short term deposits	1,003,023	4,328,081
Short term investments	23,731,750	14,088,516
Other receivables	9,597,728	7,228,662
Bank balances	241,747,392	196,963,654
	2,171,558,455	2,259,091,760

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. 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 the Company 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. Export sales made to major customers are secured through letters of credit.

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

	2024 Rupees	2023 Rupees
Domestic	1,774,002,590	1,856,307,118
Export	110,388,282	171,088,039
	1,884,390,872	2,027,395,157

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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The credit quality of the Company's bank balances can be assessed with reference to the external credit ratings as follows:

Name of Bank	Rating		
	short term	long term	agency
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	PACRA
Faysal Bank Limited	A-1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AAA	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Dubai Islamic Bank	A-1+	AA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AAA	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analysis the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2024					
Long term liabilities	1,738,831,802	2,007,338,481	369,485,557	1,163,217,162	474,635,762
Trade and other payables	932,492,450	932,492,450	932,492,450	-	-
Accrued mark-up / interest	56,150,323	56,150,323	56,150,323	-	-
Short term borrowings	1,497,168,386	1,737,871,495	1,737,871,495	-	-
Unclaimed dividend	861,089	861,089	861,089	-	-
	4,225,504,050	4,734,713,838	3,096,860,914	1,163,217,162	474,635,762

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2023					
Long term finances	1,965,743,102	2,329,721,564	331,228,787	1,262,953,925	735,538,852
Trade and other payables	1,213,123,746	1,213,123,746	1,213,123,746	-	-
Accrued mark-up / interest	94,526,249	94,526,249	94,526,249	-	-
Short term borrowings	2,331,143,302	2,511,827,513	2,511,827,513	-	-
Unclaimed dividend	801,640	801,640	801,640	-	-
	5,605,338,039	6,150,000,712	4,151,507,935	1,262,953,925	735,538,852

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

(c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Japanese Yen and Swiss Franc. The company's exposure to foreign currency risk for U.S.Dollar, Euro, Japanese Yen (JPY), and Swiss Franc (CHF) is as follow:

	Rupees	U.S. \$	Euro	CHF
For the year ended June 30, 2024				
Bills payables	383,212,986	1,374,508	-	-
Trade debts	(110,388,282)	(396,652)	-	-
Bank balances	(191,555,282)	(688,305)	-	-
Net balance sheet exposure	81,269,423	289,551	-	-
Outstanding letters of credit	651,928,174	989,829	191,302	1,029,600
	733,197,597	1,279,380	191,302	1,029,600

	Rupees	U.S. \$	Euro	JPY	CHF
For the year ended June 30, 2023					
Bills payables	501,433,624	1,746,547	-	-	-
Trade debts	(171,088,039)	(596,958)	-	-	-
Bank balances	(131,088,834)	(457,393)	-	-	-
Net balance sheet exposure	199,256,751	692,196	-	-	-
Outstanding letters of credit	879,852,756	909,187	903,321	2,268,384	1,029,600
	1,079,109,507	1,601,383	903,321	2,268,384	1,029,600

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The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2024	2023	2024	2023
	Rupees			
US Dollar to Rupee	284.33	259.97	278.80 / 278.30	287.10 / 286.60
Euro to Rupee	307.39	259.31	298.41 / 297.88	314.27 / 313.72
Swiss Franc to Rupee	354.73	340.65	309.71 / 309.16	320.90 / 320.34
Japanese Yen to Rupee	2.08	1.79	1.7305 / 1.7274	2.0013 / 1.9978

At June 30, 2024, if Rupee had strengthened / weakened by 10% against US Dollars and Euros with all other variables held constant, profit for the year would have been (lower) / higher by the amount shown below mainly as a result of net foreign exchange (loss) / gain on translation of financial assets and liabilities.

	2024 Rupees	2023 Rupees
Effect on profit for the year		
US Dollar to Rupee	8,058,204	19,872,947

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

ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Company arises from long & short term borrowings from banks and deposits with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2024	2023	2024	2023
	Effective rate		Carrying amount	
	%	%	Rupees	
Fixed rate instruments				
Financial liabilities				
Long term finances	2.50 to 24.02	1 to 24.08	1,644,744,322	1,872,866,164
Variable rate instruments				
Short term borrowings	20.24 to 24.04	14.06 to 23.08	1,497,168,386	2,331,143,302

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

At June 30, 2024, if the interest rate on the Company's variable rate borrowings had been higher / (lower) by 1% with all other variables held constant, profit before tax for the year would have been (lower) / higher by Rs. 14.971 million (2023: Rs. 23.311 million) mainly as a result of higher / (lower) interest expense.

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

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(iii) Other price risk

Other price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Company's investments in ordinary shares and certificates of listed companies aggregating to Rs. 23.732 million (2023: Rs. 14.089 million) are exposed to price risk due to changes in market price.

At June 30, 2024 if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs. 2.373 million (2023: Rs. 1.409 million).

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

36.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs. 23.732 million (2023: Rs. 14.089 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

36.3 Capital risk management

The Company's objective when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

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In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2024 Rupees	2023 Rupees
Total borrowings	3,141,912,708	4,204,009,466
Less: cash and bank balances	242,057,392	197,752,154
Net debt	2,899,855,316	4,006,257,312
Total equity	8,170,027,860	7,033,731,927
Total capital	11,069,883,176	11,039,989,239
Gearing ratio	26%	36%

36.4 Financial instruments by category

	As at June 30, 2024			As at June 30, 2023		
	Amortised cost	At fair value through OCI	Total	Amortised cost	At fair value through OCI	Total
	Rupees					
Financial assets as per statement of financial position						
Long term advances and deposits	9,887,690	-	9,887,690	8,987,690	-	8,987,690
Trade debts	1,884,390,872	-	1,884,390,872	2,027,395,157	-	2,027,395,157
Short term deposits	1,003,023	-	1,003,023	4,328,081	-	4,328,081
Loans and advances	1,200,000	-	1,200,000	100,000	-	100,000
Short term investments	-	23,731,750	23,731,750	-	14,088,516	14,088,516
Other receivables	9,597,728	-	9,597,728	7,537,566	-	7,537,566
Cash and bank balances	242,057,392	-	242,057,392	197,752,154	-	197,752,154
	2,148,136,705	23,731,750	2,171,868,455	2,246,100,648	14,088,516	2,260,189,164

	Financial liabilities measured at amortised cost	
	2024 Rupees	2023 Rupees
Financial liabilities as per statement of financial position		
Long term liabilities and accrued mark-up	1,751,897,953	1,987,305,662
Trade and other payables	1,069,541,628	1,169,420,218
Unclaimed dividend	861,089	801,640
Short term borrowings and accrued mark-up	1,540,252,558	2,404,106,991
	4,362,553,228	5,561,634,511

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		2024	2023
37.	CAPACITY AND PRODUCTION		
37.1	Spinning units		
	Number of spindles installed	57,792	57,600
	Number of spindles worked	48,146	44,350
	Number of shifts worked per day	3	3
	Total number of days worked	365	365
	Installed capacity after conversion into 20's count	Lbs. 43,506,540	35,405,073
	Actual production after conversion into 20's count	Lbs. 31,618,713	26,479,413

37.1.1 It is difficult to describe precisely the production capacity in textile industry since it fluctuate widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw material 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.

38. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Divided
	Rupees			
Balance as at July 01, 2023	1,872,866,164	2,331,143,302	94,526,249	801,640
Changes from financing activities				
Finances obtained	-	(833,974,916)	-	-
Finances / finance cost repaid	(228,121,842)	-	(823,124,928)	-
Dividends paid	-	-	-	(41,108,551)
Dividend declared	-	-	-	41,168,000
Total changes from financing cash flows	(228,121,842)	(833,974,916)	(823,124,928)	59,449
Finance cost	-	-	784,749,002	-
Balance as at June 30, 2024	1,644,744,322	1,497,168,386	56,150,323	861,089

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Divided
	Rupees			
Balance as at July 01, 2022	1,754,174,918	1,043,240,168	43,655,577	844,398
Changes from financing activities				
Finances obtained	312,039,880	1,287,903,134	-	-
Finances / finance cost repaid	(193,348,634)	-	(297,122,499)	-
Dividends paid	-	-	-	(77,232,758)
Dividend declared	-	-	-	77,190,000
Total changes from financing cash flows	118,691,246	1,287,903,134	(297,122,499)	(42,758)
Finance cost	-	-	347,993,171	-
Balance as at June 30, 2023	1,872,866,164	2,331,143,302	94,526,249	801,640

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

39. PROVIDENT FUND RELATED DISCLOSURES

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and conditions specified thereunder.

	2024	2023
40. NUMBER OF EMPLOYEES		
Average number of employees during the year	1,255	1,238
Number of employees	1,254	1,237

41. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation the effect of which is not material.

42. NON ADJUSTING EVENTS AFTER THE REPORTING DATE

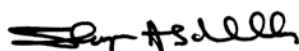
42.1 The Board of Directors of the Company in their meeting held on August 28, 2024 has approved the Scheme of Compromises, Arrangement and Reconstruction for Amalgamation / Merger of Amer Cotton Mills (Pvt.) Limited (ACML) – an Associated Company and its members with and into the Company in terms of provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017.

Upon the completion of merger / amalgamation through the intended Scheme, ACML will be dissolved under the order of the Honorable High Court of Sindh at Karachi without winding up and the shares of the Company shall be issued to the registered shareholders of ACML as per the SWAP ratio determined by the management of the Company. For this purpose a petition has been filed with the Honorable High Court of Sindh on September 02, 2024.

42.2 The Board of Directors, in their meeting held on September 27, 2024 has proposed a final cash dividend of 40% (i.e. Rs. 4 per share) amounting to Rs. 41.168 million for the year ended June 30, 2024, for approval of the members at the Annual General Meeting to be held on October 28, 2024. These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in the year ending June 30, 2025. The Board of Directors also decided to reclassify a sum of Rs. 6.5 Billion from revenue reserves to separate capital reserves.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 27, 2024 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

DIRECTORS' REPORT

TO THE SHAREHOLDERS

The directors are pleased to present their report together with consolidated financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (Pvt.) Limited for the year ended 30 June, 2024. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements).

RCSM Company (Pvt.) Limited

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

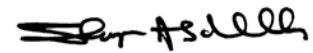
RCSM Company (Pvt.) Limited was incorporated in Pakistan as private limited by shares wholly owned by Reliance Cotton Spinning Mills Limited under Companies Ordinance, 1984 on November 08, 2017.

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

For and on behalf of the Board



Shahid Abdullah
(Director)



(Shayan Abdullah)
(Chief Executive)

Lahore
September 27, 2024

ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 30 جون 2024ء کو حتم ہونے والے سال کے لئے ریلیٹنس کاؤن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کسپنی (پرائیویٹ) لمیٹڈ کے اشتمال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار -27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتمال شدہ مالی گوشواروں کے ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

RCSM کسپنی (پرائیویٹ) لمیٹڈ

RCSM کسپنی (پرائیویٹ) لمیٹڈ (ہولڈنگ کسپنی) اور اس کی مکمل ملکیتی ذیلی کمپنی RCSM کسپنی (پرائیویٹ) لمیٹڈ جو مجموعی طور ایک "گروپ" کہلاتا ہے، کمپنیز آرڈیننس، 1984 کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کسپنی پاکستان سٹاک ایکسچینج لمیٹڈ میں درج ہے (جو پہلے کراچی سٹاک ایکسچینج لمیٹڈ اور لاہور سٹاک ایکسچینج لمیٹڈ کے نام سے جانا جاتا تھا)۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

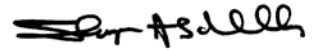
RCSM کسپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984 کے تحت 08 نومبر 2017ء کو ریلیٹنس کاؤن سپننگ ملز لمیٹڈ کی مکمل ملکیتی شیئرز کے ذریعے ایک پبلک لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔

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۔

مخائب بورڈ



(شاہد عبداللہ)
ڈائریکٹر



(شایان عبداللہ)
چیف ایگزیکٹو

لاہور

27 ستمبر 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
RELIANCE COTTON SPINNING MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of **Reliance Cotton Spinning Mills Limited** and its subsidiary Company (the Group), which comprise the consolidated statement of financial position as at June 30, 2024, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information 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 June 30, 2024, and of 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 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:

S. No.	Description	How the matter was addressed in our audit
1	<p>Capitalisation of property, plant and equipment</p> <p>Refer note 4 to the consolidated financial statements.</p> <p>The Group incurred significant capital expenditure mainly to enhance production capacity and technological upgrade of the plant as part of its expansion activity. The Group has capitalized operating fixed assets aggregating Rs. 1,413 million during the year.</p> <p>There are number of areas where management judgement is involved in connection with the above activities. These include:</p> <ul style="list-style-type: none"> - Determining which costs meet the criteria for capitalisation as per International Accounting Standard – IAS – 16; - Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence; - Capitalisation of borrowing costs and related implications; - The estimation of economic useful lives and residual values assigned to property, plant and equipment; and - Impairment testing; assessing whether there are any indicators of impairment present. <p>We consider the above as a key audit matter being significant transactions and events for the Group during the year.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - obtained an understanding of the design and implementation of management controls over capitalization and performed tests of controls over authorization of capital expenditure and accuracy of its recording in the system; - assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices; - assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework; - checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and - assessed whether the disclosures were made in accordance with the applicable financial reporting framework.

S. No.	Description	How the matter was addressed in our audit
2	<p>Valuation of stock-in-trade</p> <p>Refer note 7 to the consolidated financial statements.</p> <p>The total value of stock in trade as at the reporting date amounted to Rs. 5,339 billion, representing 62.9% of the Group's total current assets. Stock in trade as at reporting date included raw material and finished goods.</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <p>We identified this matter as key in our audit due to the judgement and assumption applied by the Group in determining the cost and NRV of stock in trade at the year-end.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - Assessed whether the Group's accounting policy for inventory valuation is in line with the applicable financial reporting standards. - Attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data. - Assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis. - Tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories. - Assessed the management determination of NRV of raw material thereon by performing tests on the subsequent purchase price. - Tested the cost of inventories for finished goods and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices. <p>We reviewed the Group's disclosure in the financial statement in respect of stock in trade.</p>

S. No.	Description	How the matter was addressed in our audit
3	<p>Revenue recognition</p> <p>The principal activity of the Group is the manufacture and sale of yarn. Revenue from sale of goods is recognised as or when performance obligations are satisfied by transferring control of promised goods to customer, and control is transferred at a point in time. Revenue is measured at fair value of the consideration received or receivable and the payment is typically due on the satisfaction of performance obligation.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Group and due to the reason that revenue increased significantly as compared to last year. In addition, revenue was also considered as an area of significant audit risk as part of the audit process.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Assessed the design, implementation and operating effectiveness of the key internal controls involved in revenue recognition. - Performed testing of revenue transactions on a sample basis with underlying documentation including dispatch documents and sales invoices. - Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognised in the correct period. - Performed audit procedures to analyse variation in the price and quantity sold during the year. - Performed recalculations of discounts as per the Group's policy on test basis. - Understood and evaluated the accounting policy with respect to revenue recognition. - Assessed the adequacy of disclosures made in the financial statements related to revenue.

Information Other than the Consolidated 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 consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and 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.

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 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 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 auditors’ 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 upto the date of our auditors’ 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 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.

The Engagement partner on the audit resulting in this independent auditors’ report is Osman Hameed Chaudhri.

Lahore; September 30,2024
UDIN: AR2024101041foq4blke

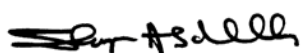
ShineWing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Assets			
Non current assets			
Property, plant and equipment	4	4,151,998,699	3,591,288,186
Long term investments	5	2,839,320,839	2,446,709,699
Long term advances and deposits		9,887,690	8,987,690
		7,001,207,228	6,046,985,575
Current assets			
Stores, spare parts and loose tools	6	65,071,820	74,977,863
Stock-in-trade	7	5,338,704,058	6,203,133,931
Trade debts	8	1,876,069,280	2,012,865,224
Loans and advances	9	286,972,702	32,906,723
Short term deposits and prepayments	10	1,003,023	4,559,315
Short term investments	11	25,866,353	16,937,774
Other receivables	12	199,693,667	149,220,766
Tax refunds due from Government	13	440,618,474	575,764,159
Cash and bank balances	14	242,164,640	197,801,997
		8,476,164,017	9,268,167,752
Total assets		15,477,371,245	15,315,153,327
Equity and Liabilities			
Share capital and reserves			
Authorised capital			
12,000,000 ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid-up capital	15	102,920,000	102,920,000
Reserves		219,116,229	24,478,689
Unappropriated profit		9,934,825,771	8,619,232,451
Total equity		10,256,862,000	8,746,631,140
Non current liabilities			
Long term liabilities	16	1,406,786,986	1,640,499,005
Staff retirement benefit - gratuity	17	172,166,761	113,293,444
Deferred taxation	18	185,170,680	247,350,781
		1,764,124,427	2,001,143,230
Current liabilities			
Trade and other payables	19	1,273,646,093	1,567,634,110
Contract liabilities		28,786,532	64,937,119
Accrued mark-up / interest	20	56,150,323	94,526,249
Short term borrowings	21	1,497,168,386	2,331,143,302
Current portion of long term liabilities	22	332,044,816	325,244,097
Unclaimed dividend		861,089	801,640
Provision for income tax and levies		267,727,579	183,092,440
		3,456,384,818	4,567,378,957
Total liabilities		5,220,509,245	6,568,522,187
Contingencies and commitments	23		
Total equity and liabilities		15,477,371,245	15,315,153,327

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director



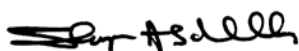
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	(Restated) 2023 Rupees
Sales	24	14,645,976,383	11,048,839,608
Cost of sales	25	(12,278,480,474)	(9,343,384,100)
Gross profit		2,367,495,909	1,705,455,508
Distribution cost	26	(163,094,853)	(166,399,764)
Administrative expenses	27	(207,019,212)	(187,053,686)
Other income	28	174,290,592	74,867,492
Other expenses	29	(65,022,767)	(75,834,067)
Profit from operations		2,106,649,669	1,351,035,483
Finance cost	30	(786,108,602)	(350,942,396)
Share of profit from Associated Companies		1,320,541,067	1,000,093,087
Profit before revenue tax and income tax		336,212,117	440,759,725
Final taxes – levy	31	(205,079,087)	(155,169,961)
Profit before income tax		1,451,674,097	1,285,682,851
Income tax	31	43,592,783	(88,732,397)
Profit for the year		1,495,266,880	1,196,950,454
Earnings per share – basic and diluted	32	145.28	116.30

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director



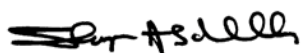
Chief Financial Officer

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Profit after taxation	1,495,266,880	1,196,950,454
Other comprehensive income / (loss)		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised gain on remeasurement of investment at fair value through other comprehensive income	9,643,234	2,748,279
Impact of deferred tax	(1,629,513)	-
Realised loss on disposal of investment at fair value through other comprehensive income	-	(9,944,577)
Share of fair value gain / (loss) on remeasurement of investment at fair value through other comprehensive income by Associates	185,521,635	(30,767,935)
	193,535,356	(37,964,233)
Loss on re-measurement of staff retirement benefit obligation	(34,374,482)	(9,323,592)
Share of loss on remeasurement of staff retirement benefit obligation of Associates	(3,041,740)	(1,522,589)
Impact of deferred tax	18,868,303	1,292,437
	(18,547,919)	(9,553,744)
	174,987,437	(47,517,977)
Items that will be reclassified to statement of profit or loss subsequently		
Forward foreign exchange contracts		
Share of unrealised gain on remeasurement of forward foreign currency contract of Associates	1,102,184	1,469,912
Other comprehensive income / (loss) for the year	176,089,621	(46,048,065)
Total comprehensive income for the year	1,671,356,501	1,150,902,389

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director

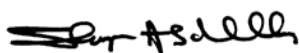


Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2024

	Issued, subscribed and paid-up capital	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	On hedging instruments	Reserves		Revenue Unappropriated profit	Total
				Revenue			
				General	Sub-total		
Rupees							
Balance as at July 01, 2022	102,920,000	(57,891,148)	510,485	118,353,673	60,973,010	7,214,445,036	7,378,338,046
Total comprehensive income for the year ended June 30, 2023							
Profit for the year	-	-	-	-	-	1,196,950,454	1,196,950,454
Other comprehensive (loss) / income	-	(37,964,233)	1,469,912	-	(36,494,321)	(9,553,744)	(46,048,065)
	-	(37,964,233)	1,469,912	-	(36,494,321)	1,187,396,710	1,150,902,389
Effect of items directly credit in equity by							
Associated companies	-	-	-	-	-	294,580,705	294,580,705
Transactions with owners							
Final cash dividend for the year ended							
June 30, 2022 @ Rs 7.5 per share	-	-	-	-	-	(77,190,000)	(77,190,000)
Balance as at June 30, 2023	102,920,000	(95,855,381)	1,980,397	118,353,673	24,478,689	8,619,232,451	8,746,631,140
Total comprehensive income for the year ended June 30, 2024							
Profit for the year	-	-	-	-	-	1,495,266,880	1,495,266,880
Other comprehensive Income / (loss)	-	193,535,356	1,102,184	-	194,637,540	(18,547,919)	176,089,621
	-	193,535,356	1,102,184	-	194,637,540	1,476,718,961	1,671,356,501
Transactions with owners							
Final cash dividend for the year ended							
June 30, 2023 @ Rs.4 per share	-	-	-	-	-	(41,168,000)	(41,168,000)
Cost of issuance of shares - subsidiary Company	-	-	-	-	-	(1,764,775)	(1,764,775)
Effect of items directly credit in equity by							
Associated companies	-	-	-	-	-	(118,192,866)	(118,192,866)
Balance as at June 30, 2024	102,920,000	97,679,975	3,082,581	118,353,673	219,116,229	9,934,825,771	10,256,862,000



Chief Executive Officer



Director



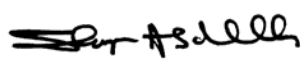
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation & share of profit from Associated Companies	1,320,541,067	1,000,093,087
Adjustments for non-cash and other items:		
Depreciation	362,393,473	285,624,241
Amortisation of government grant	-	(841,007)
Staff retirement benefit - gratuity	51,480,173	38,482,517
Provision for workers' profit participation fund	57,595,317	45,946,678
Provision for workers' welfare fund	(80,906,324)	20,942,535
Provision for doubtful tax refunds	3,937,577	7,608,603
Remeasurement loss / (gain) on investment at FVPL	-	2,221
Reversal / provision for expected credit loss in trade debtors	(6,208,341)	(47,214,395)
Gain on disposal of operating fixed assets	(37,122,186)	(4,436,617)
Unwinding of interest of GIDC	1,210,542	2,949,225
Dividend income	(3,032,905)	(5,522,673)
Finance cost	784,749,005	347,993,171
	2,454,637,398	1,691,627,586
Working capital changes		
Decrease/ (increase) in current assets:		
- stores, spare parts and loose tools	9,906,043	(7,594,859)
- stock-in-trade	870,638,214	(1,496,926,727)
- trade debts	143,004,285	(183,134,622)
- loans and advances	(254,065,979)	82,226,882
- short term deposit and prepayments	3,556,292	(3,511,250)
- other receivables and sales tax	123,144,766	115,625,138
	896,183,621	(1,493,315,438)
(Decrease) / increase in current liabilities:		
- trade and other payables	(213,908,996)	285,624,167
- contract liabilities	(36,150,587)	(3,956,864)
	(250,059,583)	281,667,303
Net working capital changes	3,100,761,436	479,979,451
Staff retirement benefits paid	(26,981,338)	(26,839,146)
Finance cost paid	(823,124,929)	(297,122,499)
Taxes refunds / (paid)	(181,518,676)	(90,156,768)
Rebate income received	77,851	2,561,370
Workers' profit participation fund paid	(45,946,678)	(150,824,250)
Long term advances and deposits - net	(900,000)	100,000
	(1,078,393,770)	(562,281,293)
Net cash generated from / (used in) operating activities	2,022,367,666	(82,301,842)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(953,431,733)	(644,167,434)
Proceeds from disposal of operating fixed assets	67,449,932	12,120,750
Proceeds from disposal of short term investment	-	32,173,928
Long term investment	-	(426,557,601)
Short term investment	-	(10,301,076)
Investment in term deposit receipts	-	(50,000,000)
Dividend income received	12,023,094	10,461,873
	(873,958,707)	(1,076,269,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances - obtained	-	312,039,880
- repaid	(228,962,849)	(193,348,634)
Dividend paid	(41,108,551)	(77,232,758)
Short term borrowings - net	(833,974,916)	1,287,903,134
	(1,104,046,316)	1,329,361,622
Net cash (used in) / generated from financing activities	(1,104,046,316)	1,329,361,622
Net increase in cash and cash equivalents	44,362,643	170,790,220
Cash and cash equivalents - at beginning of the year	197,801,997	27,011,777
Cash and cash equivalents - at end of the year	242,164,640	197,801,997

The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

1. THE GROUP AND ITS OPERATIONS

The Group consist of:

The Parent Company

– Reliance Cotton Spinning Mills Limited

Subsidiary Company

– RCSM Company (Private) Limited

Reliance Cotton Spinning Mills Limited

Reliance Cotton Spinning Mills Limited (“The Parent Company”) was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan Stock Exchange Limited. The principal activity of the Holding Company is manufacturing and sale of yarn.

Karachi

312, Cotton Exchange Building,
I.I Chundrigar Road

Purpose

Registered office

Lahore

1st Floor, Tricon Corporate Centre,
73–E, Main Jail Road, Gulberg II,

Head office

Sheikhupura

Feroze Wattoan,

Production plant

Subsidiary Companies

● RCSM Company (Private) Limited

RCSM Company (Private) Limited was incorporated in Pakistan under the Companies Ordinance, 1984(now companies Act, 2017) on November 8, 2017. The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other company but not to act as an investment company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

2.2 Principal of consolidation

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiary;
- is exposed to variable returns from the subsidiary; and
- decision making power allows the Group to affects its variable returns from the subsidiary.

Subsidiary is consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The assets, liabilities, income and expenses of subsidiary company is consolidated on a line by line basis and the carrying value of investments held by the Parent Company is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements.

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Act, 2017, are accounted for under the equity method of accounting.

2.3 Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for investment valued at fair value, derivative financial instruments which have been marked to market and staff retirement benefit - gratuity which is stated at present value of defined benefit obligation.

2.5 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees unless otherwise specified.

2.6 Changes in Accounting Policies and Disclosures Resulting From Amendments in Standards During the Year

2.6.1 Standards, amendments to approved accounting standards and interpretations that are effective and have been adopted by the Group

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for annual periods beginning on or after July 01, 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

(a) IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 **Effective: January 01, 2023**

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 – The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

(b) IAS 8 Accounting Policies, Changes in Effective: January 01, 2023 **Accounting Estimates and Errors**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Group develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments.

The amendments have no impact on the Group’s consolidated financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are effective but are not relevant to the Group and therefore, have not been presented here.

2.6.2 Standards, amendments to early approved accounting standards and interpretations that are not effective and have not been adopted by the Group

The following amendments with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

(a) IAS 7 Statement of Cashflows and IFRS 7 Financial Instruments; Disclosures **Effective: January 01, 202**

Amendments in IAS 7 Statement of Cashflows and IFRS 7 Financial Instruments; Disclosures; Supplier Finance Arrangements, disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk.

The amendments are supplement requirements already in IFRS Accounting Standards and require a company to disclose:

- the terms and conditions;
- the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet;
- ranges of payment due dates; and
- liquidity risk information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

b) IFRS 16 Leases

Effective: January 01, 2024

Leases – Lease Liability in a Sale and Leaseback – Amendments requires a seller lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller–lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller–lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

c) IAS 1 Presentation of Financial Statements

Effective: January 01, 2024

Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non–current. In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non–current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non–current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non–current liabilities with covenants could become repayable within twelve months.

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

2.7 IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes (the Guidance) issued by ICAP

The Institute of Chartered Accountants of Pakistan (ICAP) issued the aforementioned Guidance through Circular No.07 / 2024 dated May 15, 2024. In light of the said Guidance, as the minimum taxes and final taxes are not calculated on the 'taxable income' as defined in IAS 12 (Income Taxes) but calculated on turnover or other basis (as per relevant sections of the Income Tax Ordinance, 2001 (the Ordinance); accordingly, minimum taxes and final taxes should be accounted for under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) / IFRIC 21 (Levies) as levies (though these are charged under tax law) and not under IAS 12 as income taxes. Based on the Guidance, the minimum taxes under the Ordinance are hybrid taxes, which comprise of a component within the scope of IAS 12 and a component within the scope of IFRIC 21.

Accordingly, the impact has been incorporated in these consolidated financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) – 'Accounting Policies, Change in Accounting Estimates and Errors'. There has been no effect on the Statement of Financial Position, Earnings per share and Statement of Changes in Equity as a result of this change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	As at June 30, 2024			As at June 30, 2023		
	Had there been no change in accounting policy	Impact of change in accounting policy	After change in accounting policy	Had there been no change in accounting policy	Impact of change in accounting policy	After change in accounting policy
	Rupees					
Effect on profit or loss and other comprehensive income						
Final taxes - levy	-	(205,079,087)	(205,079,087)	-	(155,169,961)	(155,169,961)
Profit before income tax	1,656,753,184	(205,079,087)	1,451,674,097	1,440,852,812	(155,169,961)	1,285,682,851
Income tax expense	(161,486,304)	(205,079,087)	43,592,783	243,902,358	(155,169,961)	(88,732,397)

2.8 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Group reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Group estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss model. Management used actual credit loss experience over past years for the calculation of expected credit loss. Trade and other receivables are written off when there is no reasonable expectation of recovery.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

(e) Income taxes

In making the estimates for income taxes, the Group takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Group's view differs with the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these Consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Investments in Associated Companies

Investments in Associated Companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amounts are increased or decreased to recognise the Group's share of consolidated statement of profit or loss of the Investee after the date of acquisition.

The Group's share of post acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in consolidated statement of other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in Associates equals or exceeds its interest in the Associates the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associates.

The Group determines at each reporting date whether there is any objective evidence that the investments in the Associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associates and its carrying values and recognises the amount adjacent to share of profit / loss of Associates in the consolidated statement of profit or loss.

3.2 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the date the assets are available for use while no depreciation is charged in the date in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the statement of profit or loss.

Impairment

The Group assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in income currently.

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalized and apportioned to the respective items of property, plant and equipment on completion.

3.3 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Group recognised right of use assets equal to the present value of lease payments.

The Group has elected not to recognise right-of-use assets and its corresponding lease liabilities for some of the low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

3.4 Financial assets

Initial measurement

The Group classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

- Debt Instruments at FVTOCI

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

- Debt Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the consolidated statement of profit or loss.

- Financial Assets measured at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments in Subsidiary and Associated Companies

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 Group 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 consolidated statement of profit or loss.

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost which is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated up to the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

Particulars

Raw materials
Raw materials in transit
Work-in-process
Finished goods
Waste

Mode of valuation

- weighted average cost
- cost accumulated to the reporting date
- cost of direct materials and appropriate manufacturing overheads
- lower of average cost and net realizable value
- net realizable value

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.7 Trade debts and other receivables and related impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Group uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Group has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

3.8 Government grants

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the Company.

Government grant towards research and development activities is recognized in consolidated statement of profit or loss as deduction from the relevant expenses on matching basis.

3.9 Impairment

(a) Financial assets

The Group assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Group followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for the calculation of ECL.

For debt instruments measured as FVTOCI, 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. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The provision for impairment loss is recognized in the consolidated statement of profit or loss.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be 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.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the consolidated statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.10 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in the consolidated statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

3.12 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit or loss over the period of the borrowings as interest expense.

3.13 Employees' retirement benefits

(a) Defined contribution plan

The Parent operates a defined contribution plan through an approved provident fund (the Fund) for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the Fund.

(b) Defined benefit plan

The Parent operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2024 on the basis of projected unit credit method by an Independent Actuary. The liability recognized in the consolidated statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements is recognized in the consolidated statement of financial statement immediately, with a charge or credit to consolidated statement of other comprehensive income in the periods in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.14 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in statement of other comprehensive income or directly in equity. In this case, the tax is also recognized in statement of other comprehensive income or directly in equity, respectively.

The Company designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognise it as current income tax expense. The amount calculated not on the basis of taxable income, is then recognized as a levy falling under the scope of IFRIC 21/IAS 37.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted 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 statement of other comprehensive income / equity in which case it is included in statement of other comprehensive income / equity.

3.15 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

3.16 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the prevailing best estimate.

3.17 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

3.18 Revenue recognition

Revenue is recognized when the performance obligation associated with the sale contract is satisfied. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Sale of goods

- 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;

Rendering of services

- 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;

Other sources of revenue

- export rebate income is recognized on accrual basis as and when the right to receive the income establishes;
- dividend income from investments is recognized when the Group's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

3.19 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the consolidated statement of profit or loss.

3.20 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognized in the period in which they are approved.

3.21 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Note	2024 Rupees	2023 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	4,011,058,942	2,990,289,649
Capital work-in-progress	4.3	140,939,757	600,998,537
		4,151,998,699	3,591,288,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4.1 Operating fixed assets

	Rupees											
	Freehold land	Residential buildings and others on freehold land	Factory buildings and buildings on freehold land	Plant and machinery	Electric installations	Office	Equipment	Computer hardware	Vehicles	Furniture and fixtures	Total	
At July 1, 2022												
Cost	65,109,754	147,622,787	862,901,306	3,232,350,731	167,104,495	5,588,279	408,950	3,810,712	111,590,548	3,024,347	4,599,511,909	
Accumulated depreciation	-	65,574,108	526,346,653	1,374,533,447	88,838,849	2,877,736	261,488	3,478,582	51,393,952	1,990,081	2,115,294,896	
Net book value	65,109,754	82,048,679	336,554,653	1,857,817,284	78,265,646	2,710,543	147,462	332,130	60,196,596	1,034,266	2,484,217,013	
Year ended June 30, 2023												
Opening net book value	65,109,754	82,048,679	336,554,653	1,857,817,284	78,265,646	2,710,543	147,462	332,130	60,196,596	1,034,266	2,484,217,013	
Additions	-	8,793,033	131,404,444	637,937,175	4,261,358	-	-	-	16,985,000	-	799,381,010	
Disposals:												
- cost	-	-	-	13,639,152	-	-	-	-	10,787,915	-	24,427,067	
- accumulated depreciation	-	-	-	(10,277,127)	-	-	-	-	(6,465,807)	-	(16,742,934)	
	-	-	-	3,362,025	-	-	-	-	4,322,108	-	7,684,133	
Depreciation charge	-	4,259,772	38,379,810	220,441,132	8,146,167	271,054	14,746	99,639	13,908,494	103,427	285,624,241	
Closing net book value	65,109,754	86,581,940	429,579,287	2,271,951,302	74,380,837	2,439,489	132,716	232,491	58,950,994	930,839	2,990,289,649	
At June 30, 2023												
Cost	65,109,754	156,415,820	994,305,750	3,856,648,754	171,365,853	5,588,279	408,950	3,810,712	117,787,633	3,024,347	5,374,465,852	
Accumulated depreciation	-	69,833,880	564,726,463	1,584,697,452	96,985,016	3,148,790	276,234	3,578,221	58,836,639	2,093,508	2,384,176,203	
Net book value	65,109,754	86,581,940	429,579,287	2,271,951,302	74,380,837	2,439,489	132,716	232,491	58,950,994	930,839	2,990,289,649	
Year ended June 30, 2024												
Opening net book value	65,109,754	86,581,940	429,579,287	2,271,951,302	74,380,837	2,439,489	132,716	232,491	58,950,994	930,839	2,990,289,649	
Additions	-	25,416,940	127,532,393	957,230,954	303,310,228	-	-	-	-	-	1,413,490,515	
Disposals:												
- cost	-	-	-	66,197,473	-	-	-	-	1,078,834	-	67,276,307	
- accumulated depreciation	-	-	-	(36,124,255)	-	-	-	-	(824,305)	-	(36,948,560)	
	-	-	-	30,073,218	-	-	-	-	254,529	-	30,327,747	
Depreciation charge	-	4,537,240	45,720,266	287,483,368	12,493,254	243,949	13,272	69,747	11,739,293	93,084	362,393,473	
Closing net book value	65,109,754	107,461,640	511,391,414	2,911,625,670	365,197,811	2,195,540	119,444	162,744	46,957,172	837,755	4,011,058,942	
At June 30, 2024												
Cost	65,109,754	181,832,760	1,121,838,143	4,747,682,235	474,676,081	5,588,279	408,950	3,810,712	116,708,799	3,024,347	6,720,680,060	
Accumulated depreciation	-	74,371,120	610,446,729	1,836,056,565	109,478,270	3,392,739	289,506	3,647,968	69,751,627	2,186,592	2,709,621,116	
Net book value	65,109,754	107,461,640	511,391,414	2,911,625,670	365,197,811	2,195,540	119,444	162,744	46,957,172	837,755	4,011,058,942	
Depreciation rate (% - per annum)		5	10	10	10	10	10	30	20	10		

*This include machinery costing Rs. 289.270 million (2023 : Rs. 1.900 million) purchased from Amer Cotton Mills (Private) Limited (a related party).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4.1.1 Particulars of immovable property in the name of Group are as follows:

Location	Usage of immovable property	Total area in square yards
Freehold Land		
- Ferozewattoan, District Shiekhupura.	Production plant	181,802

	Note	2024 Rupees	2023 Rupees
4.2 Depreciation charge has been allocated as follows:			
Cost of goods manufactured		358,198,359	280,375,260
Administrative expenses		4,195,114	5,248,981
		362,393,473	285,624,241
4.3 Capital work-in-progress			
Buildings		31,361,807	138,643,918
Plant and machinery	4.3.1	104,838,950	446,319,619
Advance payments against:			
- buildings		-	16,035,000
- vehicles		4,739,000	-
		4,739,000	16,035,000
		140,939,757	600,998,537

4.3.1 The group during the year has capitalised borrowing cost of Rs. 27.800 million (2023: Rs. 7.322 million) charged at the rate ranging from 17.03% to 22.95% (2023: 3.5% to 4.0%) per annum.

4.3.2 Movement in the account of capital work in progress during the year is as follows:

	July 1, 2023	Additions during the year	Transferred to operating fixed assets	June 30, 2024
	Rupees			
Building	138,643,918	24,522,222	131,804,333	31,361,807
Plant and Machinery	446,319,619	877,186,682	1,218,667,351	104,838,950
	584,963,537	901,708,904	1,350,471,684	136,200,757
Advance payments against:				
Factory / office building	16,035,000	5,110,000	21,145,000	-
Plant and Machinery	-	41,873,832	41,873,832	-
Vehicles	-	4,739,000	-	4,739,000
	16,035,000	51,722,832	63,018,832	4,739,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4.4 The details of operating fixed assets disposed-off is as follows:

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Sold to:
	Rupees						
Assets having net book value exceeding Rs.500,000 each							
Plant and machinery							
Comber Rieter	8,035,365	2,981,565	5,053,800	5,400,000	346,200	Negotiation	M/s H-A Haq Spinning Mills (Pvt) Ltd.
Rieter Card	20,208,230	15,408,663	4,799,567	25,000,000	20,200,433	Negotiation	M/s Sapphire Fibres Ltd.
Rieter Card	20,208,230	15,449,682	4,758,548	25,000,000	20,241,452	Negotiation	M/s Amer Cotton Mills (pvt) Ltd.
Auto Cone Machine	9,700,000	945,750	8,754,250	5,677,966	(3,076,284)	Negotiation	M/s Ideal Trading Co.
Auto Cone Machine	8,045,647	1,338,595	6,707,052	5,677,966	(1,029,086)	Negotiation	M/s Ideal Trading Co.
	66,197,472	36,124,255	30,073,217	66,755,932	36,682,715		
Assets having net book value upto Rs.500,000 each							
Vehicles							
Suzuki WagonR	1,078,834	824,305	254,529	694,000	439,471	Negotiation	Mr. Muhammad Farooq
2024	67,276,306	36,948,560	30,327,746	67,449,932	37,122,186		
2023	24,427,067	16,742,934	7,684,133	12,120,750	4,436,617		

	Note	2024 Rupees	2023 Rupees
5. LONG TERM INVESTMENTS			
Associated Companies – equity method	5.1	2,839,320,839	2,446,709,699
5.1 Associated Companies			
Quoted			
Sapphire Fibres Limited	5.2.1	1,870,741,663	1,585,853,521
Sapphire Textile Mills Limited	5.2.2	293,357,610	215,873,353
Un quoted			
SFL Limited	5.2.3	210,784,518	206,129,848
Sapphire Finishing Mills Limited	5.2.4	287,121,571	285,370,250
Sapphire Holding Limited	5.2.5	104,323,303	91,769,570
Sapphire Power Generation Limited	5.2.6	72,992,174	61,713,157
		2,839,320,839	2,446,709,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

5.1 Summarised financial information of associates

The table below summarise the financial information / reconciliation of based on un-audited financial statements of Associates as at June 30, 2024. Financial statements have been amended to reflect adjustments made by the entity using the equity method.

Summarised Statement of Financial Position	SFL		STML		SFL		SFML		SHL		SPGL	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rupees											
Noncurrent assets	35,465,629,526	31,691,007,700	98,009,659,993	97,869,647,965	538,437,791	10,464,205,108	19,787,022,381	17,052,317,063	22,100,010,866	19,405,808,170	2,304,128,947	1,922,119,456
Current assets	46,066,384,575	45,039,727,271	87,160,618,073	73,402,404,135	8,714,149	56,199,948	240,735,162,594	220,849,003,337	297,728,855	186,285,373	330,652,226	136,829,212
Noncurrent liabilities and current liabilities	8,151,014,101	76,759,075,511	185,169,978,866	171,509,888,100	542,159,210	10,540,404,986	43,865,406,635	39,137,227,400	23,998,884,411	19,591,893,543	2,434,783,073	2,088,946,668
Net assets	26,067,912,715	28,769,647,628	10,159,640,650	108,381,665,433	50,088,223	27,765,227	26,884,200,981	22,644,642,293	1,463,001,922	1,193,533,800	327,314,341	257,135,364
	7,031,568,261	6,955,409,522	20,176,661,419	16,097,753,947	-	-	-	-	-	-	-	-
	33,099,480,976	35,719,011,150	12,162,902,649	124,791,590,780	50,088,223	27,765,227	26,884,200,981	22,644,642,293	1,463,001,922	1,193,533,800	327,314,341	257,135,364
	48,413,533,125	41,039,772,361	63,487,076,297	467,120,297,320	497,120,987	10,313,139,759	16,976,339,654	16,672,791,107	20,915,865,119	18,398,539,743	2,107,466,732	1,781,813,304
Reconciliation to carrying amount												
Opening net assets	41,039,772,361	35,034,333,962	46,718,997,320	40,327,935,476	10,313,139,759	6,681,148,040	16,672,791,107	12,546,163,066	18,398,539,743	13,210,980,935	1,781,813,304	1,599,451,079
Profit for the year	3,875,292,580	6,785,600,152	13,263,476,833	7,450,193,757	26,074,999	2,157,464,133	(18,637,489)	4,392,404,980	1,394,318,821	3,972,286,787	206,338,877	199,513,745
Other comprehensive (loss) / income	3,711,664,538	(579,407,369)	2,445,944,459	(730,026,770)	17,905,071	(82,944,924)	299,294,662	(881,750,031)	1,078,935,994	(192,438,634)	138,722,989	(244,541,617)
Other adjustments	(7,877,584)	6,164,366	1,297,605,925	(2,409,233)	(10,105,998,841)	1,557,803,10	891,374	(17,908)	4,357,1861	1,407,630,655	(194,046,438)	7,302,647
Dividend paid during the year	(206,718,750)	(206,718,750)	(216,897,910)	(216,897,910)	-	-	-	-	-	-	-	-
Closing net assets	48,413,533,125	41,039,772,361	63,487,076,297	467,120,297,320	497,120,988	10,313,139,759	16,976,339,654	16,672,791,107	20,915,865,119	18,398,539,743	2,107,466,732	1,781,813,304
Groups share (percentage)	3.8642%	3.8642%	0.462%	0.462%	42.83%	2.00%	1.69%	1.69%	0.50%	0.50%	3.46%	3.46%
Carrying amount												
Investment (Rupees)	1,870,741,663	1,588,853,521	293,857,610	215,873,633	210,784,518	206,129,948	287,121,571	285,370,230	104,823,303	91,789,570	72,992,174	61,713,157
Summarised Statement of profit or loss												
Revenue	65,461,810,451	65,461,810,451	137,298,423,364	109,484,981,039	35,553,492	6,715,338	42,348,220,379	42,348,220,379	74,993,939	19,166,116	-	-
Profit before tax	8,785,085,978	8,785,085,978	22,794,823,824	12,825,804,007	64,368,846	2,300,886,915	5,045,713,810	5,045,713,810	1,735,145,025	4,108,943,674	26,629,005	23,897,297
Profit after tax	7,807,862,463	7,807,862,463	19,726,627,575	10,723,157,462	274,901,372	2,157,464,133	4,392,404,980	4,392,404,980	1,494,526,021	3,972,286,787	206,338,877	199,513,745
Other comprehensive loss	3,711,664,538	(579,407,369)	2,445,944,459	(730,026,770)	17,905,071	(82,944,924)	299,294,662	(881,750,031)	1,078,935,994	(192,438,634)	138,722,989	(244,541,617)
Total comprehensive income / (loss)	11,519,527,001	7,228,456,094	22,151,572,034	9,973,130,692	292,806,443	2,074,211,209	4,691,699,642	4,300,654,949	2,513,462,015	3,779,786,153	94,059,866	175,059,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

- 5.2.1** Investment in SFL represents 798,796 (2023: 798,796) fully paid ordinary shares of Rs. 10 each representing 3.8642% (2023: 3.8642%) of SFL's issued, subscribed and paid-up capital as at June 30, 2024. SFL was incorporated on June 05, 1979 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of SFL is manufacturing and sale of yarn, fabrics and garments.
- 5.2.2** Investment in STML represents 100,223 fully paid ordinary shares of Rs. 10 each representing 0.462% (2023: 0.462%) of STML's issued, subscribed and paid-up capital as at June 30, 2024. STML was incorporated as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of STML is manufacturing and sale of yarn, fabrics, home textile products, finishing, stitching and printings of fabrics.
- 5.2.3** Investment in SFLL represents 401,570 fully paid ordinary shares of Rs. 10 each representing 42.83% (2023: 2.00%) of SFLL's issued, subscribed and paid-up capital as at June 30, 2024. SFLL was incorporated in Pakistan as a public limited company and is principally engaged in the business to invest in the shares of associated companies and other business.
- 5.2.4** Investment in SFML represents 1,556,000 fully paid ordinary shares of Rs. 10 each representing 1.69% (2023: 1.69%) of SFML's issued, subscribed and paid-up capital as at June 30, 2024. SFML was incorporated as a public limited company and is principally engaged in processing, dyeing and finishing of fabric and stitching of garments (work wear and fashion apparel).
- 5.2.5** Investment in SHL represents 100,223 fully paid ordinary shares of Rs. 10 each representing 0.5% (2023: 0.5%) of SHL's issued, subscribed and paid-up capital as at June 30, 2024. SHL was incorporated in Pakistan as a public limited company by shares and its principal business is to invest in the shares of associated companies and other business.
- 5.2.6** Investment in SPGL represents 555,000 fully paid ordinary shares of Rs. 10 each representing 3.46% (2023: 3.46%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2024. SPGL was incorporated in Pakistan as a public limited company by shares and its principal business is electric power generation and distribution.
- 5.2.7** The Group investment in above companies is less than 20% but these are considered associated companies as the Group has significant influence over the financial and operating policies through representation on the Board of Directors of these companies.

	2024 Rupees	2023 Rupees
6. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	11,506,314	21,646,143
Spare parts	29,689,512	29,681,269
Loose tools	76,033	93,600
Items in transit	23,799,961	23,556,851
	65,071,820	74,977,863
7. STOCK-IN-TRADE		
Raw materials:		
– at mills	3,193,255,139	3,982,794,123
– in transit	902,480,627	767,222,050
	4,095,735,766	4,750,016,173
Work-in-process	616,706,382	609,784,835
Finished goods	618,303,680	782,193,926
Waste	7,958,230	61,138,997
	5,338,704,058	6,203,133,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

7.1 As at June 30, 2024, Stock in trade include items costing Rs. 141.757 million (2023: Rs. 3,523.197 million) stated at their net realizable value aggregated Rs. 122.857 million (2023: Rs. 2,855.843 million). The amount charged to cost of sales in respect of stocks written down to their net realizable value was Rs. 18.900 million (2023: Rs. 667.354 million).

	Note	2024 Rupees	2023 Rupees
8. TRADE DEBTS			
Considered good			
Unsecured - local	8.1	1,774,002,590	1,856,307,118
Secured - foreign debts		110,388,282	171,088,039
		1,884,390,872	2,027,395,157
Less: provision for expected credit loss	8.4	8,321,592	14,529,933
		1,876,069,280	2,012,865,224
8.1 These include the following amounts due from related parties			
Amer Cotton Mills (Pvt.) Limited		9,245,073	15,371,284
Diamond Fabrics Limited		4,665,962	11,251,470
Sapphire Fibers Limited		71,657,127	538,403,297
Sapphire Power Generation Limited		1,009,166	10,951
Sapphire Textile Mills Limited		17,316,333	1,924,002
		103,893,661	566,961,004

8.2 The ageing of trade debts at June 30, is as follows

	Related parties		Others	
	2024	2023	2024	2023
	Rupees			
Not past due	11,644,646	18,938,867	712,878,389	533,110,815
Past due 1-30 days	78,305,971	159,450,079	501,923,922	434,906,866
Past due 31-60 days	2,345,917	91,661,427	396,345,181	360,948,028
Past due 61-90 days	1,192,861	41,233,233	58,965,436	58,178,456
Past due 91-365 days	10,305,382	255,666,447	100,318,173	48,463,448
Past due one year	98,884	10,951	10,066,110	24,826,540
	103,893,661	566,961,004	1,780,497,211	1,460,434,153

8.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs. 684.84 million (2023: Rs. 714.54 million).

	2024 Rupees	2023 Rupees
8.4 Provision for expected credit loss		
Balance at the beginning of the year	14,529,933	61,744,328
Reversal of provision	(6,208,341)	(47,214,395)
Balance at the end of the year	8,321,592	14,529,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
9. LOANS AND ADVANCES			
Loan to associated company	9.1	196,109,105	-
Current portion of long term loans to employees		1,200,000	100,000
Advances to supplier and contractors	9.2	89,663,597	32,806,723
		286,972,702	32,906,723

9.1 During the year, after obtaining special resolution dated November 16, 2023, the Company provided loan amounting Rs. 196,109,105 to Sapphire Farm Services (Private) Limited, an associated Company. The loan along with mark-up at interbank rate KIBOR + 0.5% is repayable on demand.

9.2 This include amount of Rs. 2.129 thousand (2023: Rs. 3.433 million) paid to Sapphire Textile Mills Limited (a related party) and an amount of Rs. 40 million paid to Sapphire Fibres Limited (a related party) for purchase of raw material.

	Note	2024 Rupees	2023 Rupees
10. SHORT TERM DEPOSITS AND PREPAYMENTS			
Bank guarantee margin		1,003,023	2,295,700
Prepayments		-	231,234
Letter of credit margin		-	2,032,381
		1,003,023	4,559,315

11. SHORT TERM INVESTMENTS			
Equity instruments			
- at FVTOCI	11.1	23,731,750	14,088,516
- at FVTPL	11.2	2,134,604	2,849,259
		25,866,353	16,937,774

11.1 Equity Instruments - at FVTOCI

(Investment in quoted securities)

No. of Shares/Certificates		Name of the investee company	Market value		Cost	
2024	2023		2024	2023	2024	2023
			Rupees			
39,796	39,796	Meezan Bank Limited	9,526,764	3,437,181	2,431,357	2,431,357
30,000	30,000	Oil & Gas Development Company Limited	4,061,100	2,340,000	4,574,621	4,574,621
17,744	17,744	Pakistan State Oil Company Limited	2,949,230	1,969,761	3,969,942	3,969,942
26,000	26,000	Sui Northern Gas Pipeline Limited	1,650,220	1,023,620	3,224,374	3,224,374
50,950	50,950	Sui Southern Gas Company Limited	483,006	437,661	1,892,741	1,892,741
12,100	12,100	Systems Limited	5,061,430	4,880,293	492,468	492,468
			23,731,750	14,088,516	16,585,503	16,585,503
		Adjustment arising from re-measurement to fair value			7,146,247	(2,496,987)
		Market value			23,731,750	14,088,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

11.2. Equity Instruments – at FVTPL

Number of Units		Name of the investee company	Market value		Cost	
2024	2023		2024	2023	2024	2023
Rupees						
42,296	56,551	Pakistan Cash Management Fund	2,134,603	2,849,258	2,129,836	2,854,026
Add: Adjustment arising from re-measurement to fair value					4,767	(4,768)
					2,134,603	2,849,258

	Note	2024 Rupees	2023 Rupees
12. OTHER RECEIVABLES			
Advance income tax		25,102,891	24,191,489
Export rebate & duty drawbacks		481,497	559,348
Deposits with the High Court		6,993,302	6,993,302
Prepaid final tax levy		138,419,906	116,932,363
Profit on Term Deposit Receipts		–	308,904
Others		28,696,071	235,360
		199,693,667	149,220,766
13. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		244,667,658	395,964,231
Less: provision for doubtful tax refunds		49,614,647	45,677,070
		195,053,011	350,287,161
Income tax		245,565,463	225,476,998
		440,618,474	575,764,159
14. CASH AND BANK BALANCES			
Cash-in-hand		310,000	788,500
Cash at bank			
– at current account	14.1	241,189,941	146,387,351
– at dividend account		664,699	626,146
		241,854,640	147,013,497
Term deposit receipts	14.2	–	50,000,000
		242,164,640	197,801,997

14.1 This include US\$ 688,805 (2023: US\$ 457,393).

14.2 This carried mark up at the rate of 20.5% per annum and is having a maturity period of three months.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2024	2023		2024	2023
Number			Rupees	
10,292,000	10,292,000	Ordinary shares of Rs.10 each fully paid in cash	102,920,000	102,920,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

15.1 Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

15.2 6,773,655 (June 30, 2023: 6,761,808) ordinary shares of Rs. 10 each are held by the related parties as at year-end.

	Note	2024 Rupees	2023 Rupees
16. LONG TERM LIABILITIES – Secured			
Long term finances	16.1	1,644,744,322	1,872,866,164
Provision for Gas infrastructure			
Development Cess	16.2	94,087,480	92,876,938
		1,738,831,802	1,965,743,102
Less: current portion grouped under current liabilities		(332,044,816)	(325,244,097)
		1,406,786,986	1,640,499,005
16.1 Long term finances (from banking companies)			
– Faysal Bank Limited	16.1.1	133,786,531	217,795,286
– Habib Bank Limited	16.1.2	145,509,000	169,951,993
– MCB Bank Limited	16.1.3	658,267,513	747,708,885
– Meezan Bank Limited	16.1.4	707,181,278	737,410,000
		1,644,744,322	1,872,866,164

16.1.1 The Parent Company has arranged long term finance facilities amounting to Rs. 300 million from Faysal Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank has disbursed Rs. 269.647 million in 11 tranches of different amounts during the preceding years. Each tranche is repayable in 32 equal quarterly instalments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranging from 3.00% to 24.02% (2023: 3.00% to 24.08%) per annum and are secured against first charge of Rs. 400 million with 25% margin over all present and future plant and machinery of the Parent Company.

16.1.2 The Parent Company has arranged long term finance facilities amounting Rs. 250 million from Habib Bank Limited under the state bank of Pakistan (SBP) scheme for imported plant and machinery. These finance facilities have different repayment terms and carry mark-up at the rate 2.85% (2023:1.00% to 2.85%) per annum, payable on quarterly basis. This facility secured against Pari passu charge over present and future plant and machinery of the Parent Company for Rs. 641.333 million.

16.1.3 The Parent Company has arranged a long term finance facility amounting Rs. 1,065.548 million from MCB Bank Limited to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs. 933.472 million in 24 tranches of different amount during the preceding years. Each tranche is repayable in 16 equal quarterly instalments commenced from different months of financial year 2022. These finances carry mark-up at the rates ranged from 2.50% to 23.13% (2023: 2.50% to 18.32%) per annum and are secured against 1st joint Pari passu charge of Rs. 6,536 (2023:Rs.2,534 million) with 25 % margin over all present and future plant and machinery of the Parent Company.

16.1.4 The Parent Company has arranged a long term Islamic finance facility (Diminishing Musharka Facility) amounting Rs. 1,400 million from Meezan Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs. 737.410 million in 14 tranches of different amounts during the preceding years. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate ranged from 3.50% to 4.00% (2023: 3.50% to 4.00%) per annum and are secured against 1st Pari passu charge with 25 % margin overall present and future plant and machinery of the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
16.2 Movement in Gas Infrastructure			
Development Cess payable			
Balance of provision for GIDC	16.2.1	92,876,938	89,927,713
Unwinding of interest		1,210,542	2,949,225
		94,087,480	92,876,938

16.2.1 The Honourable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 2020 decided the appeal against the Parent 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 Parent Company has filed a civil suit before the Honourable Sindh High Court (SHC) on the grounds that the Parent Company falls under the category of consumer and had 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 Parent Company.

The Parent Company has recorded a provision against GIDC. The amount has been recorded at its present value, by discounting future estimated cash flows using risk free rate of return.

17. STAFF RETIREMENT BENEFIT – Gratuity

The Parent Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2024 Rupees	2023 Rupees
Amount recognized in the statement of financial position		
Net liability at the beginning of the year	113,293,444	92,326,481
Charge to statement of profit or loss	51,480,173	38,482,517
Remeasurement recognized in statement of other comprehensive income	34,374,482	9,323,592
Payments made during the year	(26,981,338)	(26,839,146)
Net liability at the end of the year	172,166,761	113,293,444
Movement in the present value of defined benefit obligation		
Balance at beginning of the year	113,293,444	92,326,481
Current service cost	35,262,222	27,830,084
Interest cost	16,217,951	10,652,433
Benefits paid	(26,981,338)	(26,839,146)
Remeasurements on obligation	34,374,482	9,323,592
Balance at end of the year	172,166,761	113,293,444
Expense recognized in Statement of profit or loss		
Current service cost	35,262,222	27,830,084
Interest cost	16,217,951	10,652,433
	51,480,173	38,482,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Remeasurements recognized in statement of other comprehensive income		
Demographic assumptions	9,581,237	-
Financial assumptions	(861,791)	-
Experience adjustment	25,655,036	9,323,592
	34,374,482	9,323,592

	2024	2023
Actuarial assumptions used		
Discount rate	14.75%	16.25%
Expected rate of increase in future estimates	13.75%	15.25%
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

Sensitivity analysis for actuarial assumptions

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

	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(159,866,102)	186,483,929
Increase in future salaries	1.00%	186,964,612	(159,221,419)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Based on actuary's advice, the expected charge for the year ending June 30, 2025 amounts to Rs. 74.012 million.

The weighted average duration of defined benefit obligation is 8 years.

Historical information

	2024	2023	2022	2021	2020
	Rupees				
Present value of defined benefit obligation	172,166,761	113,293,444	92,326,481	72,010,728	62,585,160
Experience adjustment on obligation / actuarial loss	(34,374,482)	(9,323,592)	(3,661,570)	(2,009,990)	(2,324,570)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
18. DEFERRED TAXTION - Net		
The balance of deferred tax is in respect of following major temporary differences		
Taxable temporary differences arising in respect of :		
- accelerated tax depreciation allowance	-	41,781,987
- investment in associates	253,120,597	218,429,341
- gain on investments	1,629,513	-
	254,750,110	260,211,328
Deductible temporary differences arising in respect of :		
- staff retirement benefit - gratuity	46,984,297	8,397,763
- provision for doubtful tax refunds	19,349,712	3,385,767
- provision for impairment in trade debts	3,245,421	1,077,017
	69,579,430	12,860,547
Deferred tax liability	185,170,680	247,350,781

18.1 The Parent Company's income for the current and preceding tax year falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. In light of recent changes in the tax laws, made via Finance Act, 2024, the Company's income for tax year 2025 and onwards will now fall under normal tax regime. The Company has calculated its temporary differences in view of opinion sought from its legal counsel on changes in tax regime.

	Note	2024 Rupees	2023 Rupees
19. TRADE AND OTHER PAYABLES			
Trade creditors	19.1	203,826,715	398,060,892
Accrued expenses		345,730,499	313,782,230
Bills payable	19.2	383,212,986	501,433,624
Sindh government infrastructure fee	19.3	283,280,576	227,399,957
Workers' profit participation fund	19.4	57,595,317	45,946,678
Workers' welfare fund	19.5	-	81,010,729
		1,273,646,093	1,567,634,110
19.1 These balances include the following amounts due to related parties:			
Amer Cotton Mills (Pvt.) Limited		14,214	170,448,677
Sapphire Fibres Limited		34,877,846	43,837,396
Sapphire Textile Mills Limited		-	76,399
		34,892,060	214,362,472

19.2 These are secured against import documents.

19.3 This provision has been recognized against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Parent Company has contested this issue in the Sindh High Court (the High Court). The Parent Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them. The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared up to December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2024, the Parent Company has provided bank guarantees aggregating Rs. 310.720 million (2023: Rs. 260.720 million) in favor of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Parent Company's Favor.

	2024 Rupees	2023 Rupees
19.4 Workers' profit participation fund		
Balance at beginning of the year	45,946,678	148,524,276
Add: interest on funds utilized by the Company	149,057	2,299,974
	46,095,735	150,824,250
Less: payments made during the year	46,095,735	150,824,250
	-	-
Add: allocation for the year	57,595,317	45,946,678
Balance at end of the year	57,595,317	45,946,678

19.5 Provisions for workers' welfare fund recognized in prior years have been reversed during the year. The Company is of the view that the balance amount is no more payable as matter already been decided by Honourable Supreme Court of Pakistan.

	Note	2024 Rupees	2023 Rupees
20. ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on:			
- long term finances		13,066,151	21,562,560
- short term borrowings		43,084,172	72,963,689
		56,150,323	94,526,249
21. SHORT TERM BORROWINGS			
Short term loans	21.1	490,000,000	1,625,449,000
Running / cash finances – secured	21.1	1,007,168,386	705,694,302
		1,497,168,386	2,331,143,302

21.1 The Parent Company has obtained short term finance facilities under mark-up arrangements aggregate to Rs. 5,053 million (2023: Rs. 5,553 million). These finance facilities, during the year, carried mark-up at the rates ranged from 20.24% to 24.02% (2023: 14.06% to 23.08%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs. 17,565 million (2023: Rs. 16,539 million) over current assets of the Parent Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Facilities available for opening letters of credit and guarantees aggregate to Rs. 6,320 million (2023: Rs. 6,620 million) out of which the amount remained unutilized at the year-end was Rs. 4,279.83 (2023: Rs. 4,818.88 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Parent Company, cash margins and counter guarantee by the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Abovementioned facilities are expiring on various dates up to May 08, 2025.

	Note	2024 Rupees	2023 Rupees
22. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term finances	16	237,957,337	235,039,316
Current portion of Gas Infrastructure			
Development Cess payable	16	94,087,479	90,204,781
		332,044,816	325,244,097

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 Outstanding bank guarantees

Guarantees aggregating Rs. 399.78 million (2023: Rs. 386.662 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

23.1.2 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 June 30, 2024 the value of these cheques amounted to Rs. 5,207.667 million (2023: Rs. 5,343.701 million).

23.1.3 The Holding Company has claimed an input tax credit of Rs. 49.615 million (2023: Rs. 45.749 million) which was disallowed by FBR through its notice dated June 20, 2015. The Holding Company has filed an appeal against the decision of FBR in the Honourable Lahore High Court dated July 07, 2015. The management expects a favourable out come in this case.

	2024 Rupees	2023 Rupees
23.2 Commitments		
Commitments in respect of :		
- letters of credit for capital expenditure	408,962,241	571,789,427
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	242,965,933	308,063,329
- capital expenditure other than letters of credit	12,275,251	51,039,978
- foreign & local bills discounted	538,367,280	283,113,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

24. SALES – Net

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

	Note	2024 Rupees	2023 Rupees
Types of goods and services			
Local sales			
- yarn		3,534,371,787	2,566,235,017
- waste		325,352,810	154,957,553
- raw materials		61,490,609	40,394,396
- local steam income		26,951,790	13,142,730
- processing income		2,596,294	6,903,449
		3,950,763,290	2,781,633,145
Export Sales			
- yarn	24.1	11,740,952,127	9,260,171,217
- waste		129,992,175	213,864,063
		11,870,944,302	9,474,035,280
		15,821,707,592	12,255,668,425
Less: sales tax		1,175,731,209	1,206,828,817
		14,645,976,383	11,048,839,608

24.1 This includes indirect export of Rs. 9,007 million (2023: Rs. 7,108 million).

24.2 Waste sales include sale of comber noil.

24.3 Exchange loss due to currency rate fluctuations relating to export sales amounting to Rs. 2.11 (2023: exchange gain Rs. 82.51 million) has been included / net off in export sales.

24.4 The contract liabilities outstanding at June 30, 2023 amounting to Rs. 43.721 million have been recognized as revenue during the year.

24.5 The Company's revenue from external customers by geographical location is detailed below:

	2024 Rupees	2023 Rupees
Africa	144,242,790	16,979,870
America	389,290,594	674,580,007
Asia	13,353,688,613	9,554,349,435
Australia	8,817,844	47,860,773
Europe	749,936,542	755,069,523
	14,645,976,383	11,048,839,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
25. COST OF SALES			
Finished goods at beginning of the year		843,332,923	400,139,698
Cost of goods manufactured	25.1	11,931,546,556	9,732,349,056
Yarn / fabric purchased during the year		83,132,100	26,491,754
Cost of raw materials sold		46,730,805	27,736,515
		12,061,409,461	9,786,577,325
		12,904,742,384	10,186,717,023
Finished goods at end of the year		(626,261,910)	(843,332,923)
		12,278,480,474	9,343,384,100
25.1 Cost of goods manufactured			
Work-in-process at beginning of the year		609,784,835	309,372,499
Raw materials consumed	25.2	8,703,995,765	7,686,531,115
Salaries, wages and benefits	25.3	867,396,454	667,121,883
Packing stores consumed		183,586,587	134,549,070
General stores consumed		218,859,727	208,747,841
Processing charges		359,498,771	260,072,715
Depreciation	4.2	358,198,359	280,375,260
Fuel and power		1,170,941,152	734,368,714
Repair and maintenance		15,060,100	10,708,597
Insurance		33,326,562	28,648,307
Travelling and conveyance		17,288,470	13,974,943
Other manufacturing expense		10,316,156	7,662,947
		12,548,252,938	10,342,133,891
Work-in-process at end of the year		(616,706,382)	(609,784,835)
		11,931,546,556	9,732,349,056
25.2 Raw materials consumed			
Stocks at beginning of the year		3,982,794,123	3,560,945,774
Purchases		7,914,456,781	8,108,379,464
		11,897,250,904	11,669,325,238
Stocks at end of the year		(3,193,255,139)	(3,982,794,123)
		8,703,995,765	7,686,531,115

25.3 Salaries, wages and benefits include Rs. 51.480 million (2023: Rs. 38.482 million) in respect of staff retirement benefit – gratuity and Rs. 5.075 million (2023: Rs.4. 336 million) contribution in respect of staff provident fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
26. DISTRIBUTION COST			
Salaries and other benefits	26.1	16,796,747	20,132,824
Travelling, conveyance and entertainment		4,878,093	5,857,965
Insurance charges – exports		548,588	656,643
Telephone & Postage		1,059,338	1,611,743
Printing and stationery		156,309	1,041,883
Fee and subscription		4,551,508	-
Commission:			
– local		9,193,828	10,755,444
– export		34,182,259	41,361,093
		43,376,087	52,116,537
Freight and forwarding:			
– local		16,721,263	13,998,709
– export		67,926,328	65,790,887
		84,647,591	79,789,596
Export development surcharge		7,080,592	5,192,573
		163,094,853	166,399,764

26.1 Salaries and other benefits include Rs. 0.727 million (2023: Rs. 0.353 million) in respect of contribution to staff provident fund.

	Note	2024 Rupees	2023 Rupees
27. ADMINISTRATIVE EXPENSES			
Directors' remuneration		21,600,000	21,600,000
Director's meeting fee		280,000	240,000
Salaries and other benefits	27.1	85,220,118	49,527,326
Postage		3,340,680	1,902,883
Fee and subscription		4,898,670	3,294,969
Legal and professional charges		11,173,296	11,462,483
Entertainment		15,179,040	9,928,021
Travelling and conveyance		37,039,928	34,698,055
Printing and stationery		4,646,658	1,563,231
Advertisement		219,173	819,164
Repair and maintenance		5,448,549	4,949,313
Utility charges		4,713,054	4,404,027
Charity and donations	27.2	8,700,000	36,525,000
Depreciation	4.2	4,195,114	5,248,981
Insurance expense		158,314	-
Others		206,618	890,233
		207,019,212	187,053,686

27.1 Salaries and other benefits include Rs. 3.195 million (2023: Rs. 2.617 million) in respect of contribution to staff provident fund.

27.2 Donations exceeding 10% of the total donations of the Company.

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Donations with directors' interest

Preceding year donations include donations amounted Rs. 30.30 million that were made to Abdullah Foundation, 212 – Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nabeel Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Shayan Abdullah have common directorship in both Companies.

Donations without directors' interest

These include donations amounted Rs.5 million (2023: Rs.5 million) made to Progressive education Network.

	Note	2024 Rupees	2023 Rupees
28. OTHER INCOME			
Income from financial assets			
Dividend income		3,032,905	5,522,673
Interest income		30,853,289	308,904
Amortisation of deferred income – government grant		–	841,007
		33,886,194	6,672,584
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.4	37,122,186	4,436,617
Scrap sales [Net of sales tax aggregating Rs.2.909 million (2023: Rs.3.047 million)]		16,162,780	16,543,896
Miscellaneous Income		4,767	–
		53,289,733	20,980,513
Reversal for expected credit loss in trade debts	8.4	6,208,341	47,214,395
Reversal of workers' welfare fund	19.5	80,906,324	–
		174,290,592	74,867,492
29. OTHER EXPENSES			
Workers' profit participation fund	19.4	57,595,317	45,946,678
Workers' welfare fund	19	–	20,942,535
Provision for doubtful tax refunds		3,937,577	7,608,603
Auditors' remuneration	29.1	2,259,278	1,296,200
Loss on fair value shares		–	4,768
Other expense		1,230,595	35,283
		65,022,767	75,834,067
29.1 Auditors' remuneration:			
– statutory audit		913,000	794,200
– prior year (over) / under provision		(18,825)	65,750
– half yearly review		175,400	152,500
– code of corporate governance review		80,000	63,500
– special audit		800,000	–
– certifications and others		219,703	120,250
– out-of-pocket expenses		90,000	100,000
		2,259,278	1,296,200

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	Note	2024 Rupees	2023 Rupees
30. FINANCE COST			
Mark-up / interest on long term finances		72,976,839	75,023,623
Mark-up / interest on short term borrowings		697,389,408	256,693,990
Interest on workers' profit participation fund	19.4	149,057	2,299,974
Unwinding effect of long term liabilities	16.2	1,210,542	2,949,225
Bank and other financial charges		14,382,756	13,975,584
		786,108,602	350,942,396

31. LEVIES AND INCOME TAXATION

31.1 Final tax levy

Levy:			
- for the year	31.2	205,140,560	155,388,711
- for prior year		(61,473)	(218,750)
		205,079,087	155,169,961

31.2 The Group's income mainly falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 (the Ordinance) and current year's provision is made accordingly. As explained in note 2.5 the liability shall be the final tax fall under levy within the scope of IFRIC 21 / IAS 37.

31.3 Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.

	2024 Rupees	2023 Rupees
31.4 Income tax		
Current tax for the year	1,348,528	740,881
Deferred tax	(44,941,311)	87,991,516
	(43,592,783)	88,732,397

31.5 Reconciliation of current tax charge charged as per tax laws for the year, with current tax recognised in the profit and loss account, is as follows:

	2024 Rupees	2023 Rupees
Current tax liability for the year as per applicable tax laws	206,489,088	155,910,842
Portion of current tax liability as per tax laws, representing income tax under IAS 12	1,348,528	740,881
Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21 / IAS 37	205,140,560	155,169,961
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2024 Rupees	2023 Rupees
32. EARNINGS PER SHARE		
32.1 Basic earnings per share		
Net profit for the year	1,495,266,880	1,196,950,454
	Number of shares	
Weighted average ordinary shares in issues	10,292,000	10,292,000
	Rupees	
Earnings per share	145.28	116.30

32.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2024 and June 30, 2023 which would have any effect on the earnings per share if the option to convert is exercised.

	2024 Rupees	2023 Rupees
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	242,164,640	197,801,997

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2024	2023	2024	2023
	Rupees			
Managerial remuneration	21,600,000	21,600,000	77,444,695	60,225,558
Contribution to provident fund trust	-	-	3,595,031	3,361,253
Medical	-	-	863,153	807,023
Leave encashment / bonus	-	-	9,762,600	19,161,065
	21,600,000	21,600,000	91,665,479	83,554,899
Number of persons	1	1	12	17

34.1 Certain executives are provided with Group maintained vehicles.

34.2 During the year, meeting fees of Rs. 280 thousand (2023: Rs. 240 thousand) was paid to two non-executive director.

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35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Group in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Group has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Sapphire Textile Mills Limited	Common directorship	0.462%
Sapphire Fibres Limited	Common directorship	3.864%
Sapphire Electric Company Limited	Common directorship	-
Sapphire Finishing Mills Limited	Common directorship	1.69%
Sapphire Holding Limited	Common directorship	0.50%
SFL Limited	Common directorship	42.83%
Amer Cotton Mills (Private) Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Amer Tex (Private) Limited	Common directorship	-
Crystal Enterprises (Private) Limited	Common directorship	-
Galaxy Agencies (Private) Limited	Common directorship	-
Neelum Textile Mills (Private) Limited	Common directorship	-
Reliance Textile (Private) Limited	Common directorship	-
Salman Ismail (SMC-Private) Limited	Common directorship	-
Sapphire Agencies (Private) Limited	Common directorship	-
Yousaf Agencies (Private) Limited	Common directorship	-
Four Strength (Private) Limited	Common directorship	-
Sapphire Power Generation Limited	Common directorship	3.460%

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Group considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

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FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Significant transactions with the related parties		
i) Associated Companies		
Sales of:		
– raw material / yarn / fabric / stores	1,126,418,018	1,298,331,515
– fixed assets	50,000,000	-
Purchases:		
– raw material / yarn / fabric / stores	472,275,783	160,447,947
– fixed assets	289,270,112	48,537,601
– services obtained	7,290,900	-
Expenses charged by	61,118,319	32,892,792
Expenses charged to	13,814,979	300,736
Dividend:		
– received	8,990,189	4,939,200
– paid	27,047,032	50,552,310
ii) Director and their related parties		
Donation	-	30,300,000
iii) Key management personnel		
Salary and other employment benefits	39,469,632	36,873,380
iv) Retirement Fund		
Contribution towards provident fund	8,997,505	12,686,700

36. FINANCIAL RISK MANAGEMENT

36.1. Financial risk factors

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price 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.

The Group'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 overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans and advances, deposits, trade debts, other receivables and balances with banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note. 36.4, the financial assets exposed to credit risk aggregated to Rs. 2,395,336 million as at June 30, 2024 (2023: Rs. 2,261,364 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2023: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2024 Rupees	2023 Rupees
Long term deposits	9,887,690	8,987,690
Trade debts	1,884,390,872	2,027,395,157
Loans and advances	197,309,105	100,000
Short term deposits	1,003,023	4,328,081
Short term investments	25,866,353	16,937,774
Other receivables	35,689,373	7,228,662
Bank balances	241,189,941	196,387,351
	2,395,336,357	2,261,364,715

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. 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 the Company 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. Export sales made to major customers are secured through letters of credit.

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

	2024 Rupees	2023 Rupees
Domestic	1,774,002,590	1,856,307,118
Export	110,388,282	171,088,039
	1,884,390,872	2,027,395,157

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

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The credit quality of the Group's bank balances can be assessed with reference to the external credit ratings as follows:

Name of Bank	Rating		
	short term	long term	agency
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	PACRA
Faysal Bank Limited	A-1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AAA	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Dubai Islamic Bank	A-1+	AA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AAA	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2024					
Long term liabilities	1,738,831,802	2,007,338,481	369,485,557	1,163,217,162	474,635,762
Trade and other payables	932,770,200	932,770,200	932,770,200	-	-
Accrued mark-up / interest	56,150,323	56,150,323	56,150,323	-	-
Short term borrowings	1,497,168,386	1,737,871,495	1,737,871,495	-	-
Unclaimed dividend	861,089	861,089	861,089	-	-
	4,225,781,800	4,734,991,588	3,097,138,664	1,163,217,162	474,635,762

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	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	Rupees				
June 30, 2023					
Long term finances	1,965,743,102	2,329,721,564	331,228,787	1,262,953,925	735,538,852
Trade and other payables	1,213,276,746	1,213,276,746	1,213,276,746	-	-
Accrued mark-up / interest	94,526,249	94,526,249	94,526,249	-	-
Short term borrowings	2,331,143,302	2,511,827,513	2,511,827,513	-	-
Unclaimed dividend	801,640	801,640	801,640	-	-
	5,605,491,039	6,150,153,712	4,151,660,935	1,262,953,925	735,538,852

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

(c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Japanese Yen and Swiss Franc. The Group's exposure to foreign currency risk for U.S.Dollar, Euro, Japanese Yen (JPY), and Swiss Franc (CHF) is as follow:

	Rupees	U.S. \$	Euro	CHF	
For the year ended June 30, 2024					
Bills payables	383,212,986	1,374,508	-	-	
Trade debts	(110,388,282)	(396,652)	-	-	
Bank balances	(191,555,282)	(688,305)	-	-	
Net balance sheet exposure	81,269,423	289,551	-	-	
Outstanding letters of credit	651,928,174	989,829	191,302	1,029,600	
	733,197,597	1,279,380	191,302	1,029,600	
For the year ended June 30, 2023					
Bills payables	501,433,624	1,746,547	-	-	-
Trade debts	171,088,039	(596,958)	-	-	-
Bank balances	(131,088,834)	(457,393)	-	-	-
Net balance sheet exposure	541,432,829	692,196	-	-	-
Outstanding letters of credit	879,852,756	909,187	903,321	2,268,384	1,029,600
	1,421,285,585	1,601,383	903,321	2,268,384	1,029,600

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The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2024	2023	2024	2023
	Rupees			
US Dollar to Rupee	284.33	259.97	278.80 / 278.30	287.10 / 286.60
Euro to Rupee	307.39	259.31	298.41 / 297.88	314.27 / 313.72
Swiss Franc to Rupee	354.73	340.65	309.71 / 309.16	320.90 / 320.34
Japanese Yen to Rupee	2.08	1.79	1.7305 / 1.7274	2.0013 / 1.9978

At June 30, 2024, if Rupee had strengthened / weakened by 10% against US Dollars and Euros with all other variables held constant, profit for the year would have been (lower) / higher by the amount shown below mainly as a result of net foreign exchange (loss) / gain on translation of financial assets and liabilities.

	2024 Rupees	2023 Rupees
Effect on profit for the year		
US Dollar to Rupee	8,058,204	19,872,947

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

(ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Group arises from long & short term borrowings from banks and deposits with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

	2024	2023	2024	2023
	Effective rate		Carrying amount	
	%	%	Rupees	
Fixed rate instruments				
Financial liabilities				
Long term finances	2.50 to 24.02	1 to 24.08	1,644,744,322	1,872,866,164
Variable rate instruments				
Short term borrowings	20.24 to 24.04	14.06 to 23.08	1,497,168,386	2,331,143,302

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

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(iii) Other price risk

Other price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Group's investments in ordinary shares and certificates of listed companies aggregating to Rs. 23.732 million (2023: Rs. 14.089 million) are exposed to price risk due to changes in market price.

At June 30, 2024, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs. 2.373 million (2023: Rs. 1.409 million).

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

36.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Group's Consolidated financial assets measured at fair value consists of level 1 financial assets amounting to Rs. 23.732 million (2023: Rs. 14.089 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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36.3 Capital risk management

The Group's objective when managing capital are to ensure the Group's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Group may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Group that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2024 Rupees	2023 Rupees
Total borrowings	3,141,912,708	4,204,009,466
Less: cash and bank balances	242,164,640	197,801,997
Net debt	2,899,748,068	4,006,207,469
Total equity	10,256,862,000	8,746,631,140
Total capital	13,156,610,068	12,752,838,609
Gearing ratio	22%	31%

36.4 Financial instruments by category

	As at June 30, 2024			As at June 30, 2023		
	Amortised cost	At fair value through OCI	Total	Amortised cost	At fair value through OCI	Total
	Rupees					
Financial assets as per statement of financial position						
Long term advances and deposits	9,887,690	-	9,887,690	8,987,690	-	8,987,690
Trade debts	1,884,390,872	-	1,884,390,872	2,027,395,157	-	2,027,395,157
Short term deposits	1,003,023	-	1,003,023	4,328,081	-	4,328,081
Loans and advances	197,309,105	-	197,309,105	100,000	-	100,000
Short term investments	-	23,731,750	23,731,750	-	14,088,516	14,088,516
Other receivables	35,689,373	-	35,689,373	7,537,566	-	7,537,566
Cash and bank balances	242,164,640	-	242,164,640	197,801,997	-	197,801,997
	2,370,444,703	23,731,750	2,394,176,453	2,246,150,491	14,088,516	2,260,239,007

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	Financial liabilities measured at amortised cost	
	2024 Rupees	2023 Rupees
Financial liabilities as per statement of financial position		
Long term liabilities and accrued mark-up	1,751,897,953	1,987,305,662
Trade and other payables	1,069,819,378	1,169,573,218
Unclaimed dividend	861,089	801,640
Short term borrowings and accrued mark-up	1,540,252,558	2,404,106,991
	4,362,830,978	5,561,787,511

		2024	2023
37. CAPACITY AND PRODUCTION			
Spinning units			
Number of spindles installed		57,792	57,600
Number of spindles worked		48,146	44,350
Number of shifts worked per day		3	3
Total number of days worked		365	365
Installed capacity after conversion into 20's count	Lbs.	43,506,540	35,405,073
Actual production after conversion into 20's count	Lbs.	31,618,713	26,479,413

37.1.1 It is difficult to describe precisely the production capacity in textile industry since it fluctuate widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw material 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.

38. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Divided
	Rupees			
Balance as at July 01, 2023	1,872,866,164	2,331,143,302	94,526,249	801,640
Changes from financing activities				
Finances obtained	-	(833,974,916)	-	-
Finances / finance cost repaid	(228,121,842)	-	(823,124,928)	-
Dividends paid	-	-	-	(41,108,551)
Dividend declared	-	-	-	41,168,000
Total changes from financing cash flows	(228,121,842)	(833,974,916)	(823,124,928)	59,449
Finance cost	-	-	784,749,002	-
Balance as at June 30, 2024	1,644,744,322	1,497,168,386	56,150,323	861,089

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	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Divided
	Rupees			
Balance as at July 01, 2022	1,754,174,918	1,043,240,168	43,655,577	844,398
Changes from financing activities				
Finances obtained	312,039,880	1,287,903,134	-	-
Finances / finance cost repaid	(193,348,634)	-	(297,122,499)	-
Dividends paid	-	-	-	(77,232,758)
Dividend declared	-	-	-	77,190,000
Total changes from financing cash flows	118,691,246	1,287,903,134	(297,122,499)	(42,758)
Deferred grant	-	-	-	-
Finance cost	-	-	347,993,171	-
Balance as at June 30, 2023	1,872,866,164	2,331,143,302	94,526,249	801,640

39. PROVIDENT FUND RELATED DISCLOSURES

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and conditions specified thereunder.

	2024	2023
40. NUMBER OF EMPLOYEES		
Average number of employees during the year	1,255	1,238
Number of employees	1,254	1,237

41. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation the effect of which is not material.

42. NON ADJUSTING EVENTS AFTER THE REPORTING DATE

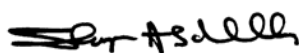
42.1 The Board of Directors of the Parent Company in their meeting held on August 28, 2024 has approved the Scheme of Compromises, Arrangement and Reconstruction for Amalgamation / Merger of Amer Cotton Mills (Pvt.) Limited (ACML) – an Associated Company and its members with and into the Parent Company in terms of provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017.

Upon the completion of merger / amalgamation through the intended Scheme, ACML will be dissolved under the order of the Honorable High Court of Sindh at Karachi without winding up and the shares of the Parent Company shall be issued to the registered shareholders of ACML as per the SWAP ratio determined by the management of the Parent Company. For this purpose a petition has been filed with the Honorable High Court of Sindh on September 02, 2024.

42.2 The Board of Directors of the Parent Company, in their meeting held on September 27, 2024 has proposed a final cash dividend of 40% (i.e. Rs. 4 per share) amounting to Rs. 41.168 million for the year ended June 30, 2024, for approval of the members at the Annual General Meeting to be held on October 28, 2024. These consolidated financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in the year ending June 30, 2025. The Board of Directors also decided to reclassify a sum of Rs. 6.5 Billion from revenue reserves to separate capital reserves.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 27, 2024 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer

PATTERN OF SHAREHOLDING

AS AT 30 JUNE, 2024

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
314	1	100	6,459
69	101	500	25,094
21	501	1,000	18,602
17	1,001	5,000	43,200
8	5,001	10,000	55,420
3	10,001	15,000	33,597
2	15,001	20,000	34,500
1	20,001	25,000	20,539
4	25,001	30,000	108,594
1	30,001	35,000	34,271
2	35,001	40,000	75,585
1	40,001	45,000	43,188
2	50,001	55,000	102,888
1	65,001	70,000	69,160
1	75,001	80,000	79,027
1	80,001	85,000	82,106
1	85,001	90,000	89,050
1	95,001	100,000	96,251
1	105,001	110,000	108,233
1	120,001	125,000	123,902
1	145,001	150,000	149,194
1	150,001	155,000	153,618
3	155,001	160,000	465,311
2	165,001	170,000	340,000
1	205,001	210,000	205,522
2	220,001	225,000	440,762
1	315,001	320,000	315,963
1	435,001	440,000	435,645
1	465,001	470,000	465,638
4	595,001	600,000	2,395,761
1	635,001	640,000	636,156
4	755,001	760,000	3,038,764
474			10,292,000

*Note: The slabs representing nil holding have been omitted.

CATEGORY OF SHAREHOLDERS

AS AT 30 JUNE, 2024

	Shares Held	Percentage	
1	Directors, Chief Executive Officer, and their spouse and minor children.	888,686	8.6347
2	Associated Companies, Undertakings and Related Parties	6,773,655	65.8148
3	NIT and ICP	465,638	4.5243
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	325	0.0032
5	Modarabas Companies & Mutual Funds	500	0.0049
6	General Public		
	A. Local	2,120,545	20.6038
	B. Foreign	100	0.0010
7	Joint Stock Companies	4,244	0.0412
8	Other Companies	38,307	0.3722
		10,292,000	100.0000

PATTERN OF SHAREHOLDING

AS AT 30 JUNE, 2024

SR #	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD
A)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	
	Amer Cotton Mills (Private) Limited	18,100
	Crystal Enterprises (Private) Limited	28,798
	Salman Ismail (SMC-PRIVATE) Limited	1,500
	Sapphire Fibers Limited	153,618
	Sapphire Holding Limited	636,156
	Sapphire Power Generation Limited	20,539
	Sapphire Textile Mills Limited	315,963
	SFL Corporation (Pvt) Limited	202
	SFL Limited	25,083
	STM Corporation (Pvt) Limited	96,251
	Yousuf Agencies (Private) Limited	42,920
	ATMZ Company (Private) Limited	1,358,632
	Channel Holdings (Private) Limited	1,358,632
	Resource Corporation (Private) Limited	1,358,632
	Synergy Holdings (Private) Limited	1,358,629
B)	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN	
	DIRECTORS & THEIR SPOUSES	
	Mr. Shahid Abdullah	117,777
	Mr. Yousuf Abdullah	248,710
	Mr. Amer Abdullah	51,644
	Mr. Nabeel Abdullah	570
	Mr. Anjum Saleem	58
	Mrs. Shireen Shahid	98,506
	Mrs. Ambareen Amer	116,233
	Mrs. Usma Yousuf	28,013
	Mrs. Madiha Saeed Nagra	100
	CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
	Mr. Shayan Abdullah	227,075
C)	NIT & ICP	
	CDC – Trustee National Investment (Unit) Trust	465,638
D)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS	
	BANKS	
	National Bank of Pakistan	225

SR #	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD
	DEVELOPMENT FINANCIAL INSTITUTIONS	
	National Development Finance Corporation	100
E)	MODARABAS, INVESTMENTS AND MUTUAL FUNDS	
	MODARABAS COMPANIES	
	First Punjab Modaraba	500
F)	GENERAL PUBLIC	
	A. Local	2,120,545
	B. Foreign	100
G)	JOINT STOCK COMPANIES	4,244
H)	OTHER COMPANIES	38,307
	TOTAL	10,292,000

SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST

ATMZ Company (Private) Limited	1,358,632
Channel Holdings (Private) Limited	1,358,632
Resource Corporation (Private) Limited	1,358,632
Synergy Holdings (Private) Limited	1,358,629

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









Mr. Amer Abdullah received gift from mother Mrs. Shamshad Begum	12,694
Mr. Shayan Abdullah received gift from grandmother Mrs. Shamshad Begum	6,347









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FORM OF PROXY

RELIANCE COTTON SPINNING MILLS LIMITED

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 at Trading Hall, Cotton Exchange Building, I.I Chundrigar Road, Karachi on Monday the 28th October 2024 at 12:30 pm and / or any adjournment thereof.

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: _____
 (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 company seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company 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 and CNIC numbers shall be mentioned on the form.
 - ii. Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iii. The proxy shall produce his original CNIC or original passport at the time of meeting.
 - iv. In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Witness:

Name
Address
NIC No.

Name
Address
NIC No.

منارم برائے قائم مقام / متبادل ریلائنس کائٹن اسپننگ ملز لمیٹڈ

میں / ہم _____ جس کا تعلق _____ سے ہے

ریلائنس کائٹن اسپننگ ملز لمیٹڈ کے ممبر کی حیثیت سے _____ شیئرز کی تحویل رکھتا / رکھتی ہوں۔ میں / ہم _____ کو یا ان

کی عدم حاضری کی صورت میں _____ کو جس / جن کا تعلق _____ سے ہے، کو 28 اکتوبر 2024
دوپہر 12:30 بجے ٹریڈنگ ہال، کائٹن اسپننگ بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں 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 پراکسی مقرر کرتا / کرتے / کرتی ہوں۔

اس دستاویز پر مورخہ _____ 2024 کو دستخط ہوئے۔

ریونیو ٹکٹ پانچ روپے

_____ شیئرز ہولڈر کے دستخط
_____ شیئرز ہولڈر کا فوئیو نمبر
_____ اور / یا CDC
_____ پراکسی کے دستخط
_____ شیئرز ہولڈر کا فوئیو نمبر
_____ اور / یا
_____ شریک ہونے والے کا CNIC نمبر
_____ اور سب اکاؤنٹ نمبر
_____ شریک ہونے والے کا CNIC نمبر
_____ اور سب اکاؤنٹ نمبر

نوٹس

- 1 کوئی بھی پراکسی اس وقت تک درست نہیں سمجھی جائے گی جب تک اس پر پانچ (05) روپے کا محصول ٹکٹ نہ لگایا جائے۔
- 2 بینک یا کمپنی کی صورت میں پراکسی منارم پر authorized person کے دستخط کے ساتھ کمپنی کی مشترکہ ممبر لازم ہوگی۔
- 3 پاور آف اٹرنی یا دیگر authority کی صورت میں پراکسی منارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔
- 4 دستخط شدہ پراکسی منارم کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔
- 5 سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں:
- (i) پراکسی منارم پر دو امینداری تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر منارم پر موجود ہونا چاہئے۔
- (ii) Beneficial owners کے CNIC یا پاسپورٹ کی اسکین شدہ کاپی پراکسی منارم کے ساتھ جمع کرانے ہوں گے۔
- (iii) پراکسی مینٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔
- (iv) کارپوریٹ اثباتی کی صورت میں، پراکسی منارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution / power of attorney بعد پراکسی ہولڈر کے دستخط بھی جمع کروائے جائیں گے (اگر یہ پہلے منارم نہیں کیا گیا ہو)۔

گواہان

(1) دستخط _____ نام _____ پتہ _____ CNIC یا پاسپورٹ نمبر _____

(2) دستخط _____ نام _____ پتہ _____ CNIC یا پاسپورٹ نمبر _____



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