

**Sapphire**

**ANNUAL REPORT 2022**

**Reliance Cotton Spinning  
Mills Limited**

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

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

## AUDIT COMMITTEE

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

## COMPANY SECRETARY

Mr. Rameez Ghausi

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Asif Elahi	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

## REGISTERED OFFICE:

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

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

## CORPORATE OFFICE:

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

## MILLS:

Feroze Wattoan,  
District, Sheikhpura, Punjab.

# DIRECTORS' PROFILE

success

Goals

Lead by  
Example

Vision

Teamwork

Exan

## 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

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.

Motivate

Innovation  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management

Study

Mentor

# BOARD OF DIRECTORS

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## **MR. AMER ABDULLAH**

Director

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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

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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

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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.

# BOARD OF DIRECTORS

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## **MR. ASIF ELAHI**

Independent Director

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

## **MADIHA SAEED NAGRA**

Independent Director

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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 recognised for leadership in technology, flexibility, responsiveness and quality.

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

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



## Our **MISSION**

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

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

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



**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT 33<sup>rd</sup> Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi on Wednesday the 26<sup>th</sup> day of October 2022 at 04:00 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the minutes of last Annual General Meeting.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2022 together with the Chairman's Review, Directors' and Auditors' Report thereon.
3. To approve final dividend for the year ended June 30, 2022.
4. To appoint auditors for the year ending 30<sup>th</sup> June 2023 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 transaction in terms of Section 208 of the Companies Act, 2017:

(i) **"RESOLVED THAT** the related parties transactions conducted during the year as disclosed in the note 36 of the unconsolidated financial statements for the year ended June 30, 2022 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, 2023."

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

**Any other Business**

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

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

Karachi.  
26<sup>th</sup> September 2022

By Order of the Board

  
**Rameez Ghausi**  
Secretary

**NOTES**

1. Closure of share transfer books:  
Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 20<sup>th</sup> October 2022 to 26<sup>th</sup> October 2022 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 4<sup>th</sup> Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 19<sup>th</sup> October 2022 will be entitled to attend and vote at the meeting.



2. A member entitled to attend and vote at this meeting is entitled to appoint another member as his/ her proxy to attend, speak and vote. An instrument of proxy applicable for the meeting is being provided with the notice sent to the members. Further copies of the instrument may be obtained from the registered office of the Company during normal office hours. The proxy form can also be downloaded from the Company's website: [www.sapphire.com.pk/rcsml](http://www.sapphire.com.pk/rcsml)

**In order to comply with the requirement of circular 4 of 2021 issued by the Securities and Exchange Commission of Pakistan (the SECP), the Company has also arranged the video conference facility for those shareholders who are interested to participate virtually in the AGM.**

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

- a. AGM will be held through Zoom application – a video link facility.
- b. Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by sending an e-mail with subject: "Registration for RCSML AGM" at the earliest but not later than 5:00 pm Monday, October 24, 2022 on E-mail: [contact@sapphiretextiles.com.pk](mailto:contact@sapphiretextiles.com.pk) along with a valid copy of both sides of CNIC.

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

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

3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 312, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.
4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 4<sup>th</sup> Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
5. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

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

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

6. Pursuant to Notification vide SRO. 787(1)/ 2014 of September 08, 2014, SECP has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.sapphire.com.pk/rcsml](http://www.sapphire.com.pk/rcsml). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address. The Financial Statements of the company for the year ended June 30, 2022 are also available on the company's website.
7. (i) The rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 shall be as follows:
  1. Persons appearing in Active Tax Payers List (ATL) 15%
  2. Persons not appearing in Active Tax Payers List (ATL) 30%



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

(ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to Hameed Majeed Associates (Private) Limited, by the first day of Book Closure.

(iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/ Non-Filer' status of Principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts.

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

Company Name	Folio/CDS Account #	Total Shares	Principal 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).

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

(v) Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or Hameed Majeed Associates (Private) Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers. Without the NTN Company would not be in a position to check filer status on the ATL and hence higher tax of 30% may be applied in such cases.

8. Deposit of Physical Certificate in CDC Account: As per section 72 of Companies Act, 2017, every listed company shall be required to replace its physical certificates with book entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding four years from the commencement of this Act.

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

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

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

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

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



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

**1. Item Number 5(i) of the notice – Ratification and approval of the related party transactions**

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

All transactions with related parties to be ratified have been disclosed in the note 36 to the unconsolidated financial statements for the year ended June 30, 2022.

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

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

The nature of relationship with these related parties has also been indicated in the note 36 to the unconsolidated financial statements for the year ended June 30, 2022.

**2. Item Number 5(ii) of the notice - Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2023**

The Company shall be conducting transactions with its related parties during the year ending June 30, 2023 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, 2023 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ ratification.




## **REVIEW REPORT BY THE CHAIRMAN**

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

For the financial year ended June 30, 2022, the Board's overall performance and effectiveness have been assessed as satisfactory. The performance is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business. I would also like to extend my acknowledgement and gratefulness towards the board for their positive contribution and continuous commitment.

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



Shahid Abdullah  
Chairman

Lahore  
September 26, 2022



## چیئر مین کی جائزہ رپورٹ

بورڈ اپنے فرانسس کو قانون کے مطابق اور کمپنی اور اس کے حصہ داروں کے بہترین مفاد میں انجام دے رہا ہے۔ کوڈ آف کارپوریٹ گورننس کے تحت درکار ریلائنس کانسپٹنگ ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی گئی ہے۔ اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور نتائج کمپنی کے مقاصد قائم کرنے کے تناظر میں پیمائش اور توقعات کے خلاف بیچ مارک ہیں۔

30 جون 2022 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور نتائج کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار، اسٹریٹجک پلاننگ میں مصروفیت؛ پالیسیوں کی تشکیل؛ تنظیم کی کاروباری سرگرمیوں کی نگرانی؛ مالی وسائل مینجمنٹ کی نگرانی؛ مؤثر مالی نگرانی؛ بورڈ کے کاروبار کی انجام دہی میں تمام ملازمین اور کارکردگی کے منصفانہ ٹریسٹ سمیت لازمی اجزاء کی تشخیص پر مبنی ہے۔ میں بورڈ کی جانب سے ان کی مثبت شراکت اور مسلسل وابستگی کا اعتراف اور شکر گزار ہوں۔

ریلائنس کانسپٹنگ ملز لمیٹڈ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے حوالہ سے قانون میں متعین تمام ریکوائزمنٹس پر عمل کرتی ہے۔ ضروری بورڈ ایجنڈا اور متعلقہ معاون دستاویزات بورڈ اور اس کی کمیٹی کے اجلاسوں سے قبل مناسب وقت پر بورڈ کو مہیا کی گئیں۔ بورڈ نے اپنے تمام اختیارات کو متعلقہ قوانین اور ریگولیشن کے مطابق استعمال کیا ہے اور نان ایگزیکٹو اور آزاد ڈائریکٹرز بورڈ کے اہم فیصلوں میں مساوی کے شریک ہوتے ہیں۔

شاہد عبداللہ

چیئر مین

لاہور

مورخہ: 26 ستمبر 2022ء



## **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 2022.

	2022	2021
	Rupees in '000'	
Sales	11,386,469	7,681,902
Profit from operations	3,180,003	1,475,154
Finance Cost	(236,661)	(194,979)
Taxation	(171,010)	(80,662)
Profit after taxation	2,772,332	1,199,514
Other comprehensive (loss)	(2,493)	(2,010)
Add: Un- appropriated profit brought forward	3,289,526	2,143,482
<b><u>Subsequent Effects</u></b>		
Final cash dividend for the year	(77,190)	(51,460)
	<b>5,982,175</b>	<b>3,289,526</b>

## **Earnings per share**

The earnings per share (EPS) of current year is Rs. 269.37 as compare to Rs. 116.55 for the last year.

## **Financial Performance**

During the year under review, your Company recorded sales of Rs. 11.386 billion as compared to Rs. 7.68 billion during last year; showing a considerable increase of 48.25%. The gross profit as a percentage of sales increased from last year's 22.90% to 32.55% during the year. Whereas, profit after tax increased from last year's 15.6% to 24.35% of sales during the financial year.

The Company earned profit after tax of Rs. 2.8 billion during the year compared to Rs. 1.2 billion posted in the corresponding year; an increase of 131%.



## **Dividend**

The Board of Directors of the company is pleased to recommend a final cash dividend @ 75% for the year ended June 30, 2022 (2021: 50%).

## **Future Outlook:**

In last five years, your company has been able to grow at an impressive cumulative annual growth rate of over 33% and shareholder returns have improved significantly during the same period.

However, Pakistan's economy is now facing numerous challenges resulting in expected slowdown of economic growth in near future. The foremost challenges include global demand cut back, steep rupee devaluation, cotton crop damage due to recent floods coupled with sharp increase in commodity prices, high inflation and higher rates of borrowing in the country.

All these factors listed above have already started affecting growth and profitability of textile companies competing in both domestic and international markets. We expect the government to take timely policy decisions to arrest this situation and mitigate the considerable downside risks to the economy.

Despite these challenging circumstances ahead, the management remains focused on maintaining our long-term competitive advantage through continual product diversification and cost leadership.

## **Related Parties:**

All transactions with related parties were carried out on an arm's length basis which were in line with transfer pricing methods and the policy for related parties approved by the Board. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. The internal audit function ensures that all Related Party transactions are done on an arm's length basis. After review by the audit committee the transactions are placed before the Board for their consideration and approval. During the year, the company carried out transactions with its related parties. Details of these transactions are disclosed in note 36 to unconsolidated financial statements

## **Health, Safety and Environment (HSE)**

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

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

## **Cash Flow Strategy**

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



## Corporate Social Responsibility

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

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

## Composition of the Board and their Meetings:

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

### Total Number of Directors

(a) Male	06
(b) Female	01

### Composition:

(a) Independent Directors	02 (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	3
Mr. Shahid Abdullah	Non- Executive Director	4
Mr. Amer Abdullah	Non- Executive Director	3
Mr. Yousuf Abdullah	Non- Executive Director	4
Mr. Nabeel Abdullah	Non- Executive Director	4
Mr. Asif Elahi	Independent Director	4
Mrs. Madiha Saeed Nagra	Independent Director	4

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

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



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

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

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

- Risk Management Committee. The committee has recently been formed and shall convene its first meeting from financial year 2022- 23. The committee comprises of following members:

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

**Statement on Corporate and Financial Reporting Frame Work:**

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

1. The Financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
2. The company has maintained proper books of account;
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure thereof has been adequately disclosed and explained;
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously through internal audit function. On-going review will continue in future for further improvements in controls;
6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts;
7. There is no significant doubt about the Company's ability to continue as going concern;
8. There has been no material departure from best practices of Corporate Governance;



9. The company has maintained Employees Provident Fund for staff, the members of Provident Fund are not eligible for gratuity fund. The value of investment of Provident Fund as on June 30, 2022 is Rs.29.8 million;
10. Code of conduct has been communicated and acknowledged by each Director and employee of the Company;
11. To Following trade in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief financial Officer, Company Secretary, their spouses and minor children:

Gifted by Mr. Amer Abdullah to Tayyab Abdullah	155,092 shares
Gifted by Mr. Amer Abdullah to Mustafa Abdullah	155,116 shares
Gifted by Mr. Amer Abdullah to Ai Abdullah	30,418 shares
Gifted by Mrs. Ambareen Amer to Ali Abdullah	124,605 shares
Gifted by Mr. Yousuf Abdullah to Ismael Abdullah	170,000 shares
Gifted by Mr. Yousuf Abdullah to Salman Abdullah	170,000 shares

12. As required by the Code, we have included the following information in this Report;
  - Statement of Compliance with the Code of Corporate Governance and this report was found to be in order after review by the auditors;
  - Statement of pattern of shareholdings in accordance with section 227(f) of the Companies Act, 2017;
  - Statement of shares held by associated undertakings and related parties;
  - Key operating and financial statistics for the last 6 years.

### **Remuneration of Directors:**

The remuneration of Directors is determined by the Company in the Board of Directors' Meeting. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. The company does not pay remuneration to non-executive directors and independent directors, however they are paid a fee to attend meetings. Remuneration package of Chief Executive and other executive directors is disclosed in Note No.35 to the financial statements.

### **Performance Evaluation of Directors on the Board**

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

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

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7A-K, Main Boulevard, Gulberg II, Lahore (Pakistan)  
Phone: +92 42 35750410, Fax: +92 42 35758783  
World Fax: +1 917 5913166



## Reliance Cotton Spinning Mills Ltd.

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

### Auditors:

The present Auditors M/s 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 2023.

### 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

A handwritten signature in black ink, appearing to read "Shahid Abdullah".

Shahid Abdullah  
Director

A handwritten signature in black ink, appearing to read "Shayan Abdullah".

Shayan Abdullah  
Chief Executive

Lahore  
September 26, 2022



## Reliance Cotton Spinning Mills Ltd.

ڈائریکٹرز کی حصص داران رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2022 کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشوارے میں اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔  
مالیاتی جھلکیاں

روپے ہزاروں "000" میں

تفصیل	2022 روپے	2021 روپے
فروخت	11,386,469	7,681,902
آپریٹنگ منافع	3,180,003	1,475,154
مالی لاگت	(236,661)	(194,979)
ٹیکس	(171,010)	(80,662)
ٹیکس کے بعد منافع	2,772,332	1,199,514
دیگر مجموعی نفع ( نقصان)	(2,493)	(2,010)
اضافہ: غیر تصرفاتی منافع جو آگے گیا	3,289,526	2,143,482
بعد کے واقعات		
سال کے لئے حتمی نفع منافع منقسمہ	(77,190)	(51,460)
	5,982,175	3,289,526

نی حصص آمدنی

کمپنی کی موجودہ سال کی فی شیئر آمدنی (EPS) 269.37 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 116.55 روپے تھی۔

مالی کارکردگی

کمپنی نے گزشتہ سال کی اسی مدت میں 7.68 بلین روپے کے مقابلے میں 11.386 بلین روپے کی فروخت حاصل کی جو 48.25 فیصد کا قابل ذکر اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے 22.90 فیصد سے بڑھ کر رواں سال کے دوران 32.55 فیصد ہوا۔ جبکہ ٹیکس کے بعد منافع گزشتہ سال کے 15.6 فیصد سے بڑھ کر رواں سال کے دوران 24.35 فیصد ہوا۔ کمپنی نے ٹیکس کے بعد منافع گزشتہ سال کے دوران 2.8 بلین روپے کے مقابلے میں موجودہ سال کے دوران 1.2 بلین روپے کمایا، جو کہ 131 فیصد کا اضافہ ہے۔

منافع منقسمہ

کمپنی کی مجلس نصاب 30 جون 2022 کو ختم ہونے والے سال کے لئے حتمی نفع منقسمہ بشرط 75 فیصد (2021: 50%) سفارش کرتے ہوئے خوشی محسوس کرتی ہے۔

مستقبل کا نقطہ نظر

پچھلے پانچ سالوں میں، آپ کی کمپنی متاثر کن 33% سے زائد مجموعی سالانہ شرح نمو حاصل کرنے میں کامیاب رہی ہے اسی مدت کے دوران شیئر ہولڈرز کے منافع میں نمایاں بہتری آئی ہے۔ تاہم، پاکستان کی معیشت کو اب بہت سے چیلنجز کا سامنا ہے جس کے نتیجے میں مستقبل قریب میں معاشی نمو کی توقع ست روئی کا سامنا ہے۔ سب سے اہم چیلنجوں میں عالمی طلب میں کمی، روپے کی قدر میں تیزی سے کمی، حالیہ سیلاب کی وجہ سے کپاس کی فصل کو نقصان اور اجناس کی قیمتوں میں تیزی سے اضافہ، ہنگامی اور ملک میں قرض لینے کی ممنوعہ شرحیں شامل ہیں۔ مذکورہ بالا تمام عوامل نے پہلے ہی ملکی اور بین الاقوامی مارکیٹوں میں مقابلہ کرنے والی ٹیکنالوجی کمپنیوں کی ترقی اور منافع کو متاثر کرنا شروع کر دیا ہے۔ ہم حکومت سے توقع کرتے ہیں کہ وہ اس صورتحال کو روکنے کے لیے بروقت پالیسی فیصلے اور معیشت کو روک تھامی منحنی خطرات کو کم کرے گی۔



## Reliance Cotton Spinning Mills Ltd.

آگے کے ان مشکل حالات کے باوجود انتظامیہ مسلسل مصنوعات کی تنوع اور لاگت کی قیادت کے ذریعے ہمارے طویل مدتی مسابقتی فائدہ کو برقرار رکھنے پر مرکوز ہے۔

### متعلقہ پارٹنرز

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر کئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹیوں کے لئے ٹرانسفر پرائنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشنز کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمیٹی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنکشن یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشنز قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمیٹی کے بغور جائزہ کے بعد، ان کے غور و خوض اور منظوری کے لئے ٹرانزیکشنز بورڈ کے روبرو پیش کی گئی ہیں۔ سال کے دوران، کمیٹی نے اپنی متعلقہ پارٹیوں کے ساتھ ٹرانزیکشنز سرانجام دی ہیں۔ ان ٹرانزیکشنز کی تفصیلات غیر منجمد مالی حسابات کے نوٹ 36 میں منکشف ہیں۔

### صحت، تحفظ اور ماحول (HSE)

کمیٹی اپنے تمام ملازمین اور کیوٹیز جس میں ہم کام کرتے ہیں کی ہمہ وقت حفاظت کو یقینی بنانے کے لئے تمام ممکنہ اقدامات کرتی ہے۔ ماحول کا تحفظ کمیٹی کے HSE ایجنڈا کی سب سے بڑی ترجیح ہوتی ہے۔ کمیٹی اس بات کو یقینی بناتی ہے کہ اس کے پیداواری طریقے ماحول دوست اور موثر ہیں۔ ہم پیداواری سہولیات اور اپنے دفاتر دونوں جگہوں پر بجلی بچانے کے لئے مسلسل کوشاں رہتے ہیں۔ آپ کی کمیٹی نے OEKO-TEX سرٹیفیکٹ (ماحول - دوستانہ کپاس) رکھنے کے علاوہ BCI سرٹیفیکیشن (Better Cotton Initiative) بھی حاصل کیا ہے۔

### نقد فلو کی حکمت عملی

آپ کی کمیٹی نے ایک موثر نقد فلو کی حکمت عملی اپنائی ہے۔ اس جامع حکمت عملی نے ہمیشہ آپ کی کمیٹی کو اپنے مالی معاہدوں کو مناسب طریقہ سے حل کرنے کا اختیار دیا ہے اور اس کے راستے میں آنے والی ہر مشکل کو پورا کرنے کی امید لائی 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 موثر مالی انتظامات کرتی ہے۔

### کارپوریٹ سماجی ذمہ داری

ملک کے ایک معروف گروپ کا ایک حصہ ہونے کی حیثیت سے ہم ملک کے انسانوں کی خدمت میں یقین رکھتے ہیں اور یقینی بناتے ہیں کہ ہماری CSR کی ہر ایک سرگرمی کو حقیقی معنوں میں عوام کے لئے فائدہ مند ہے، سال کے دوران کئی سرگرمیوں کا انعقاد کیا گیا ہے۔ ہم اپنے ملازمین کی ان سرگرمیوں میں اپنا وقت وقف کرنے اور فعال طور پر شرکت کرنے کا شکر یہ ادا اور حوصلہ افزائی کرتے ہیں۔ کمیٹی نے صحت، تعلیم اور معاشرتی بہبود کے منصوبوں کے لئے فراخ دلی سے عطیہ دیا، جس کی تفصیل مالی حسابات کے نوٹ نمبر 28 میں بیان کی گئی ہے۔

### بورڈ کی تشکیل اور ان کے اجلاس

بورڈ کی تشکیل مندرجہ اور ان 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

86 (a) مرد

01 (b) خاتون



## Reliance Cotton Spinning Mills Ltd.

تفصیل

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

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

نام	کننگری	اجلاسوں کی تعداد
جناب شایان عبداللہ	ایگزیکٹو ڈائریکٹر	3
جناب شاہد عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	3
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب نیمل عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب آصف الہی	آزاد ڈائریکٹر	4
محترمہ مدیحہ سعید ناگرہ	آزاد ڈائریکٹر	4

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

آڈٹ کمیٹی

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

نام	کننگری	اجلاسوں کی تعداد
جناب آصف الہی	چیئر مین (آزاد)	4
جناب شاہد عبداللہ	رکن	4
جناب نیمل عبداللہ	رکن	4

ہیومن ریسورس اینڈ ریلیشنز کمیٹی

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



## Reliance Cotton Spinning Mills Ltd.

نام	کیتگری
جناب آصف الہی	چیزمین (آزاد)
جناب یوسف عبداللہ	رکن
جناب شایان عبداللہ	رکن

### رکن مینجمنٹ کمیٹی

مالی سال 2022-23 سے اپنی پہلی میٹنگ بلائے گی اور کمیٹی حال ہی میں تشکیل دی گئی ہے۔ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے:

جناب شاہد عبداللہ	چیزمین
جناب شایان عبداللہ	ممبر
جناب جواد فیصل	ممبر

### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

بورڈ آف ڈائریکٹرز کا تدارک سے کمیٹی کی اسٹریٹجک سمت کا جائزہ لیتا ہے۔ چیف ایگزیکٹو کی طرف سے کاروباری منصوبوں اور اہداف کو متحرک 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 ایکٹیوٹیوں 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 بنا تا جا رہی رکھے گا۔
- 6- ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں تمام ادائیگیاں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کر دی جائیں گی یا جہاں قرض کے ذمہ داری کا اعتراف نہیں کیا گیا ان کا مالی حسابات میں انکشاف کیا گیا ہے؛
- 7- کمیٹی کے دواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 8- کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- 9- کمیٹی نے عملہ کے لئے ایسپلائز پر آڈیٹ فنڈ قائم کیا ہے، پراویڈنٹ فنڈ کے سہرانہ گریجویٹ فنڈ کے اہل نہیں ہیں۔ 30 جون 2022 کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 29.8 ملین روپے ہے۔
- 10- کوڈ آف کنڈکٹ کو کمیٹی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطلع کیا گیا ہے۔
- 11- ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمیٹی سیکرٹری، ان کے شریک حیات اور نالغ بچوں کے ذریعے کمیٹی کے حصص میں کوئی تجارت نہیں کی گئی ہے۔

جناب عامر عبداللہ کی طرف سے طیب عبداللہ کو تحفہ	155,092 شیئرز
جناب عامر عبداللہ کی طرف سے مصطفیٰ عبداللہ کو تحفہ	155,116 شیئرز



## Reliance Cotton Spinning Mills Ltd.

30,418 شیئرز	جناب عامر عبداللہ کی طرف سے عبداللہ کو تحفے میں دیے گئے۔
124,605 شیئرز	مسز عمرین عامر کی جانب سے علی عبداللہ کو تحفے میں دیے گئے۔
170,000 شیئرز	جناب یوسف عبداللہ کی طرف سے اسحاق علی عبداللہ کو تحفے میں
170,000 شیئرز	جناب یوسف عبداللہ کی طرف سے سلمان عبداللہ کو تحفہ

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

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

### ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز کے اجلاس میں کمپنی کی طرف سے ڈائریکٹرز کے معاوضے کا تعین کیا جاتا ہے۔ 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 آڈیٹرز 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 بیکنج مالی حسابات کے نوٹ نمبر 35 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 ایک آزاد ڈائریکٹر سیت 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 کی کارکردگی کی تشخیص کے سلسلے میں جواب دینے کے ذریعے بورڈ کی مجموعی کارکردگی کو بڑھاتے ہیں۔ ڈائریکٹرز کے ریٹرنز کے بعد ارکان کے درمیان ایک تفصیلی بحث کی جاتی ہے۔ بحث کے دوران، بورڈ اپنی ذمہ داریوں کو پورا کرنے، اپنی قیادت کو درکارا 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۔ ریٹرنسز (TORs) کی شرائط کے تحت مخصوص کردار اور ذمہ داریوں کے ساتھ کمپنیوں 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۔



## Reliance Cotton Spinning Mills Ltd.

محاسب کا تقرر

موجودہ محاسب میسرز شیونگ جمید چودھری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر خود کو دوبارہ تقرر کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی کی تجویز کے مطابق، بورڈ نے 30 جون 2023 کو ختم ہونے والے سال کے لئے کمپنی کے محاسب کی حیثیت سے ان کی تقرر کی منظوری دے دی ہے۔

اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبد اللہ)  
ڈائریکٹر

(شایان عبد اللہ)  
چیف ایگزیکٹو

لاہور

تاریخ: 26 ستمبر 2022

# SIX YEARS AT A GLANCE

Particulars	UOM	2022	2021	2020	2019	2018	2017
Sales	Rs. (000)	11,386,469	7,681,902	5,986,720	5,379,009	4,398,017	3,570,713
Gross profit	Rs. (000)	3,706,632	1,758,725	927,898	816,922	633,457	390,272
Net profit before taxation	Rs. (000)	2,943,342	1,280,176	335,162	417,198	343,867	208,000
Net profit after taxation	Rs. (000)	2,772,332	1,199,514	274,182	390,682	316,081	191,000
Share capital	Rs. (000)	102,920	102,920	102,920	102,920	102,920	102,920
Shareholders' equity	Rs. (000)	6,287,039	3,570,669	2,359,883	2,169,189	1,872,373	1,509,379
Fixed assets - net	Rs. (000)	3,240,429	2,161,161	2,051,140	1,987,544	1,460,765	1,410,954
Total assets	Rs. (000)	10,945,951	6,718,829	6,413,531	5,350,050	3,951,353	3,038,003
Cash dividend	%	75.00	50.00	-	80.00	65.00	15.00

## RATIOS:

### Profitability Ratios

Gross profit	%	32.55	22.89	15.50	15.19	14.40	10.93
Profit before tax	%	25.85	16.66	5.60	7.76	7.82	5.83
Profit after tax	%	24.35	15.61	4.58	7.26	7.19	5.35

### Return to Shareholders

Return on equity before tax	%	46.82	35.85	14.20	19.23	18.37	13.78
Return on equity after tax	%	44.10	33.59	11.62	18.01	16.88	12.64
Basic earning per share after tax	Rs.	269.37	116.55	26.24	37.96	30.71	18.54

### Activity

Sale to fixed assets	Times	3.51	3.55	2.92	2.71	3.01	2.53
Sale to total assets	Times	1.04	1.14	0.93	1.01	1.11	1.18

### Liquidity Ratios

Current ratio		2.61 : 1	2.15 : 1	1.36 : 1	1.26 : 1	1.33 : 1	1.17 : 1
Debt to equity ratio	Times	0.30	0.30	0.36	0.25	0.10	0.05
Total liability to equity ratio	Times	0.74	0.88	1.72	1.47	1.11	0.93

Breakup value per share	Rs. Per share	610.87	346.94	229.29	210.76	181.93	146.67
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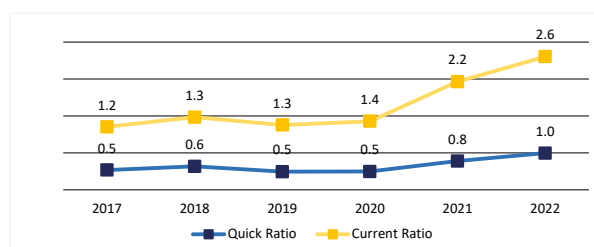
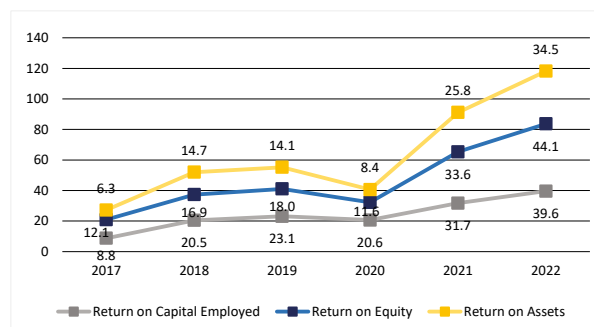
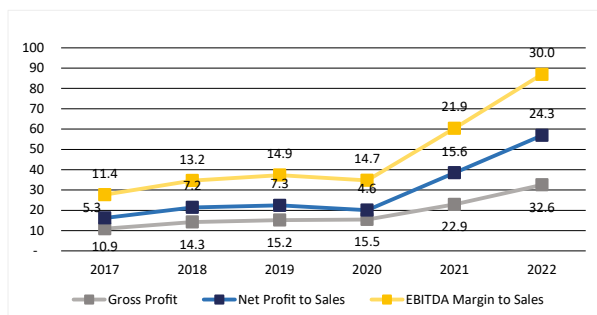
# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Profitability Ratios

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

## Liquidity Ratios

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

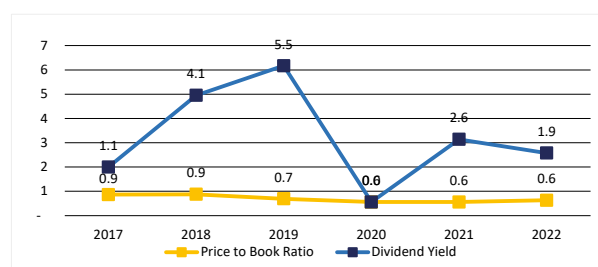
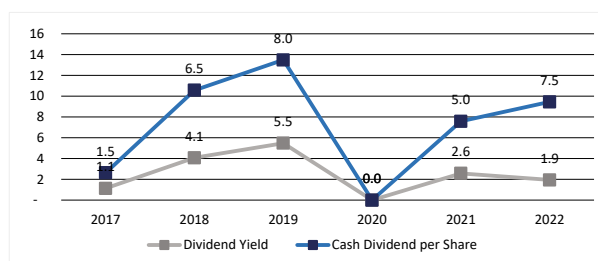
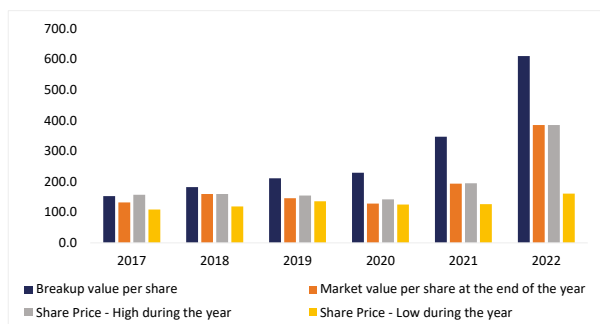


	UOM	2017	2018	2019	2020	2021	2022
<b>Profitability Ratios</b>							
Gross Profit	Percentage	10.9	14.3	15.2	15.5	22.9	32.6
Net Profit to Sales	Percentage	5.3	7.2	7.3	4.6	15.6	24.3
EBITDA Margin to Sales	Percentage	11.4	13.2	14.9	14.7	21.9	30.0
Return on Capital Employed	Percentage	8.8	20.5	23.1	20.6	31.7	39.6
Return on Equity	Percentage	12.1	16.9	18.0	11.6	33.6	44.1
Return on Assets	Percentage	6.3	14.7	14.1	8.4	25.8	34.5
<b>Liquidity Ratios</b>							
Current Ratio	Times	1.2	1.3	1.3	1.4	2.2	2.6
Quick Ratio	Times	0.5	0.6	0.5	0.5	0.8	1.0

# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Share Price Sensitivity Analysis

Share price in the stock market moves due to various factors such as company performance, general market sentiment, economic events and interest rates, etc. Being a responsible and law-compliant Company, RCSML circulates price sensitive information to stock exchanges in accordance with the requirements of listing regulations in a timely manner. During the year 2022, RCSML's share price touched the peak of Rupees 385.6 while the lowest recorded price as Rupees 161.0 with a closing price of Rupees 385.6 at the end of the year.



UOM	2017	2018	2019	2020	2021	2022
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## Investor Ratios

Earning per Share	Rs. Per share	18.6	30.7	38.0	26.6	116.5	269.4
Price Earning Ratio	Times	7.1	5.2	3.8	4.8	1.7	1.4
Price to Book Ratio	Times	0.9	0.9	0.7	0.6	0.6	0.6
Dividend Yield	Percentage	1.1	4.1	5.5	0.0	2.6	1.9
Cash Dividend per Share	Rs. Per share	1.5	6.5	8.0	0.0	5.0	7.5
Dividend Payout Ratio	Percentage	8.1	21.2	21.1	0.0	4.3	2.8
Dividend Cover Ratio	Times	12.4	4.7	4.7	0.0	23.3	35.9
Breakup Value per Share	Rs. Per share	153.0	181.9	210.8	229.3	347.0	610.9
Market Value per Share at the End of the Year	Rs. Per share	131.9	159.6	146.0	128.0	193.7	385.6
Share Price - High During the Year	Rs. Per share	157.4	159.6	154.9	142.0	194.5	385.6
Share Price - Low During the Year	Rs. Per share	109.0	119.0	135.5	125.0	126.5	161.0

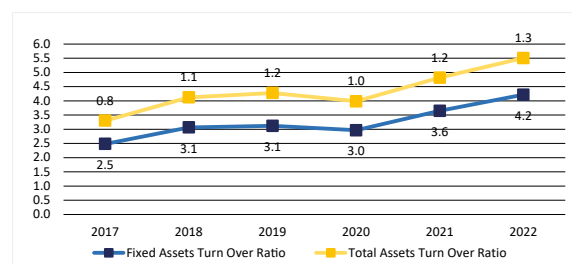
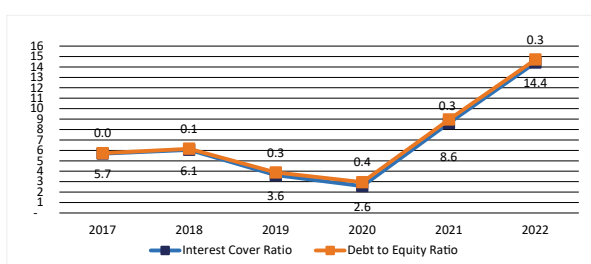
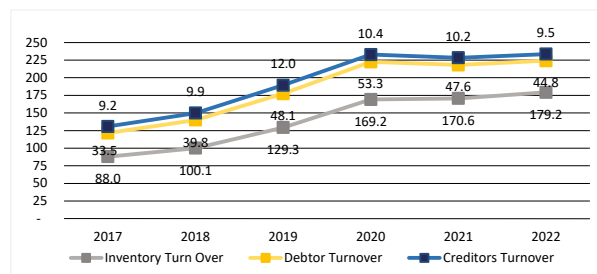
# FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

## Capital Structure

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

## Cash Operating Cycle / Activity

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



## UOM 2017 2018 2019 2020 2021 2022

### Capital Structure Ratios

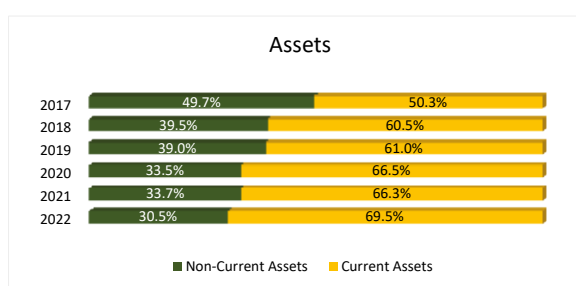
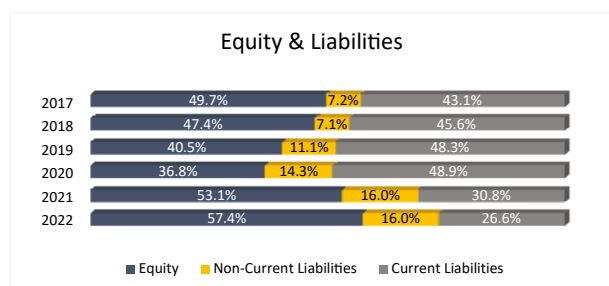
Financial Leverage Ratio	Times	0.7	0.9	1.2	1.4	0.6	0.5
Weighted Average Cost of Capital	Percentage	5.9	5.6	10.0	12.0	7.7	10.9
Debt to Equity Ratio	Times	0.0	0.1	0.3	0.4	0.3	0.3
Interest Cover Ratio	Times	5.7	6.1	3.6	2.6	8.6	14.4

### Activity / Turnover Ratio

Inventory Turn Over	Days	88.0	100.1	129.3	169.2	170.6	179.2
Inventory Turn Over Ratio	Times	4.1	3.7	2.8	2.2	2.1	2.0
Debtor Turnover	Days	33.5	39.8	48.1	53.3	47.6	44.8
Debtors Turn Over Ratio	Times	10.9	9.2	7.6	6.9	7.7	8.1
Creditors Turnover	Days	9.2	9.9	12.0	10.4	10.2	9.5
Creditors Turnover Ratio	Times	39.5	36.8	30.5	34.9	35.9	38.6
Fixed Assets Turn Over Ratio	Times	2.5	3.1	3.1	3.0	3.6	4.2
Total Assets Turn Over Ratio	Times	0.8	1.1	1.2	1.0	1.2	1.3
Operating Cycle	Days	112.3	130.0	165.4	212.0	208.0	214.6

# SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Financial Position

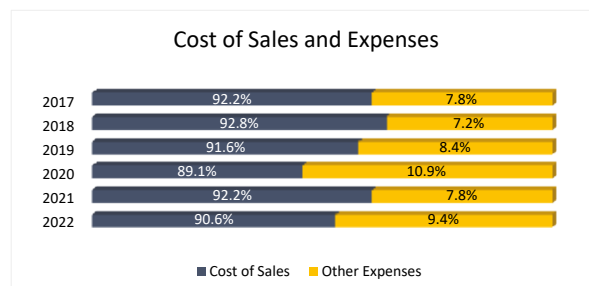
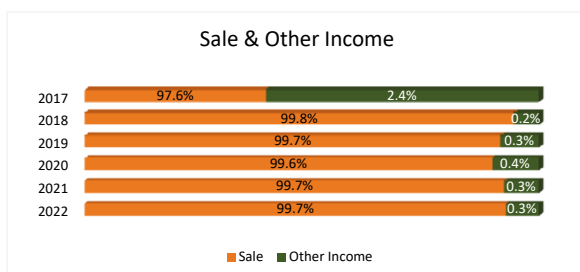


	2022	2021	2020	2019	2018	2017
Rupees in '000'						
Total Equity	6,287,039	3,570,669	2,359,883	2,169,188	1,872,373	1,509,379
Total non-current liabilities	1,746,345	1,076,888	916,281	595,886	278,665	220,150
Total current liabilities	2,912,567	2,071,273	3,137,366	2,584,976	1,800,315	1,308,473
<b>Total equity &amp; liabilities</b>	<b>10,945,951</b>	<b>6,718,829</b>	<b>6,413,531</b>	<b>5,350,050</b>	<b>3,951,353</b>	<b>3,038,003</b>
Total non-current assets	3,341,086	2,263,919	2,149,198	2,085,601	1,558,822	1,508,847
Total current assets	7,604,865	4,454,910	4,264,333	3,264,449	2,392,530	1,529,156
<b>Total assets</b>	<b>10,945,951</b>	<b>6,718,829</b>	<b>6,413,531</b>	<b>5,350,050</b>	<b>3,951,353</b>	<b>3,038,003</b>

	Variance in %					
Total Equity	76.07	51.31	8.79	15.85	24.05	8.84
Total non-current liabilities	62.17	17.53	53.77	113.84	26.58	16.34
Total current liabilities	40.62	(33.98)	21.37	43.58	37.59	(6.13)
<b>Total equity &amp; liabilities</b>	<b>62.91</b>	<b>4.76</b>	<b>19.88</b>	<b>35.40</b>	<b>30.06</b>	<b>2.29</b>
Total non-current assets	47.58	5.34	3.05	33.79	3.31	(3.52)
Total current assets	70.71	4.47	30.63	36.44	56.46	8.76
<b>Total assets</b>	<b>62.91</b>	<b>4.76</b>	<b>19.88</b>	<b>35.40</b>	<b>30.06</b>	<b>2.29</b>

# SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Statement of Profit or Loss



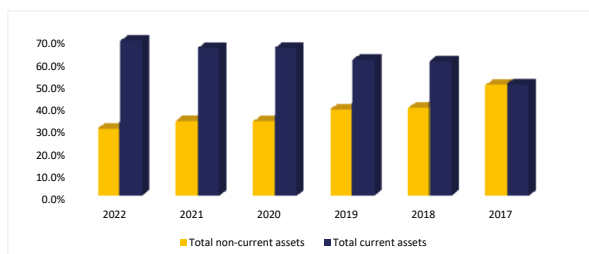
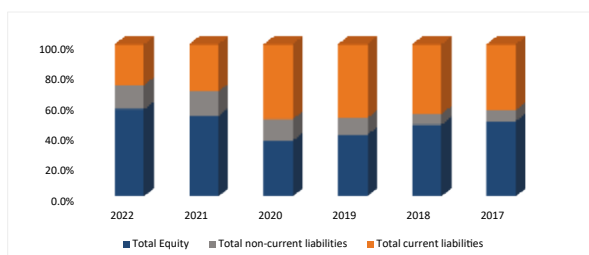
	2022	2021	2020	2019	2018	2017
Rupees in '000'						
<b>Statement of Profit or Loss</b>						
Net Sales	11,386,469	7,681,902	5,986,720	5,379,009	4,398,017	3,570,713
Cost of sales	7,679,838	5,923,177	5,058,822	4,562,087	3,764,560	3,180,442
Gross profit	3,706,632	1,758,725	927,898	816,922	633,457	390,272
Distribution cost	212,137	150,287	127,926	108,444	94,854	87,787
Administrative expenses	123,621	92,406	84,433	67,696	55,231	53,927
Other operating expenses	223,829	64,106	64,365	20,562	46,576	56,936
Other operating income	32,958	23,229	24,744	18,107	9,681	88,122
Profit from operations	3,180,003	1,475,154	675,919	638,327	446,477	279,742
Finance cost	236,661	194,979	340,756	221,129	96,152	71,743
Profit before taxation	2,943,342	1,280,176	335,162	417,198	350,324	208,000
Provision for taxation	171,010	80,662	60,981	26,515	27,787	17,000
Profit after taxation	2,772,332	1,199,514	274,182	390,682	322,538	191,000

	Variance in %					
Net Sales	48.22	28.32	11.30	22.31	23.17	10.85
Cost of sales	29.66	17.09	10.89	21.19	18.57	10.17
Gross profit	110.76	89.54	13.58	28.96	62.31	16.70
Distribution cost	41.15	17.48	17.96	14.33	8.05	20.97
Administrative expenses	33.78	9.44	24.72	22.57	2.42	21.91
Other operating expenses	249.16	(0.40)	213.03	(55.85)	(18.20)	(17.96)
Other operating income	41.88	(6.12)	36.66	87.03	(89.01)	21.66
Profit from operations	115.57	118.24	5.89	42.97	59.60	26.79
Finance cost	21.38	(42.78)	54.10	129.98	34.02	(35.16)
Profit before taxation	129.92	281.96	(19.66)	19.09	68.43	89.09
Provision for taxation	112.01	32.28	129.98	(4.58)	63.45	(10.53)
Profit after taxation	131.12	337.49	(29.82)	21.13	68.87	109.89

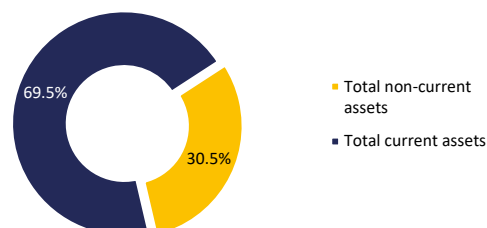
# SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Financial Position

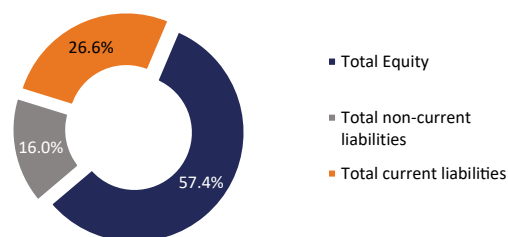
Total assets comprise of current and non-current assets. At 30 June 2022, non-current assets are 30.5% of total assets while current assets are 69.5%. On the other side, share capital and reserves are 57.4% of the total equity and liabilities while non-current liabilities and current liabilities are 16.0% and 26.6% 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 (2022)



VERTICAL ANALYSIS-TOTAL EQUITY & LIABILITIES (2022)



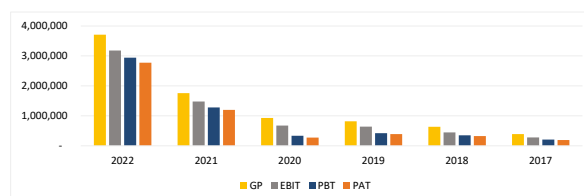
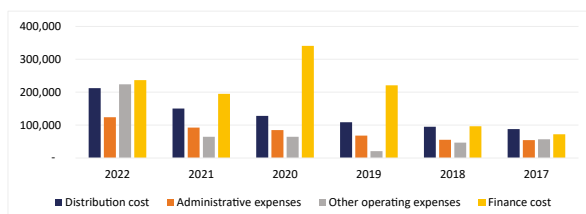
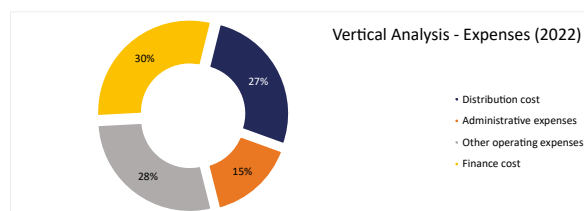
	2022		2021		2020		2019		2018		2017	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%

Total Equity	6,287,039	57.44	3,570,669	53.14	2,359,883	36.80	2,169,188	40.55	1,872,373	47.39	1,509,379	49.68
Total Non-Current Liabilities	1,746,345	15.95	1,076,888	16.03	916,281	14.29	595,886	11.14	278,665	7.05	220,150	7.25
Total Current Liabilities	2,912,567	26.61	2,071,273	30.83	3,137,366	48.92	2,584,976	48.32	1,800,315	45.56	1,308,473	43.07
<b>Total equity and liabilities</b>	<b>10,945,951</b>	<b>100.00</b>	<b>6,718,829</b>	<b>100.00</b>	<b>6,413,531</b>	<b>100.00</b>	<b>5,350,050</b>	<b>100.00</b>	<b>3,951,353</b>	<b>100.00</b>	<b>3,038,003</b>	<b>100.00</b>
Total Non-Current Assets	3,341,086	30.52	2,263,919	33.70	2,149,198	33.51	2,085,601	38.98	1,558,822	39.45	1,508,847	49.67
Total Current Assets	7,604,865	69.48	4,454,910	66.30	4,264,333	66.49	3,264,449	61.02	2,392,530	60.55	1,529,156	50.33
<b>Total assets</b>	<b>10,945,951</b>	<b>100.00</b>	<b>6,718,829</b>	<b>100.00</b>	<b>6,413,531</b>	<b>100.00</b>	<b>5,350,050</b>	<b>100.00</b>	<b>3,951,353</b>	<b>100.00</b>	<b>3,038,003</b>	<b>100.00</b>

# SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

## Statement of Profit or Loss

During the year, Company has recorded sales amounting to Rs. 11.4 billion as compared to Rs. 7.7 from last year showing an escalation of 48.2%. Gross profit has reached to 32.6% as compared to 22.9% from last year whereas, profit after tax increased to 24.4% from 15.6%.

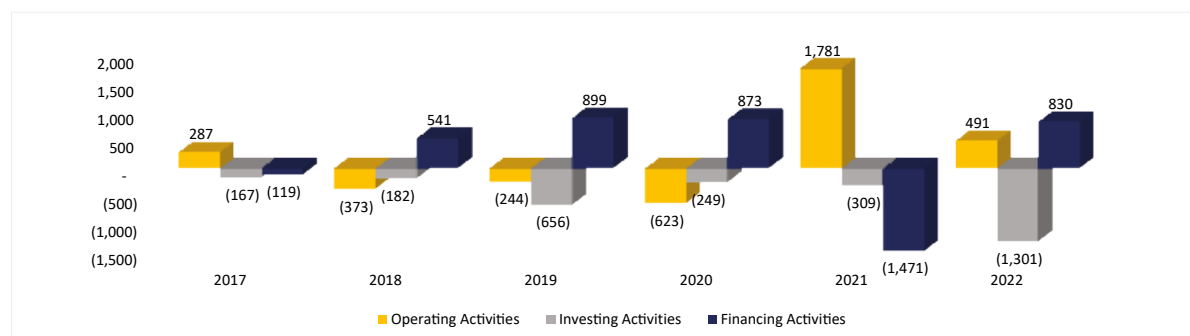


2022		2021		2020		2019		2018		2017	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%

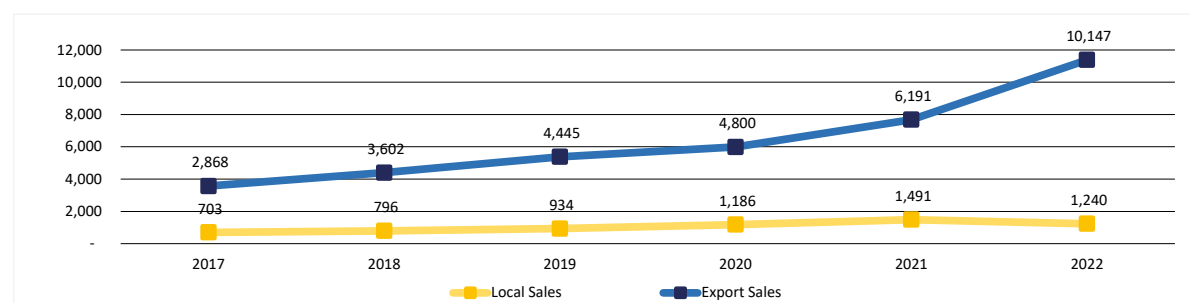
### Statement of profit or loss

Net Turnover	11,386,469	100.00	7,681,902	100.00	5,986,720	100.00	5,379,009	100.00	4,398,017	100.00	3,570,713	100.00
Cost of sales	7,679,838	67.45	5,923,177	77.11	5,058,822	84.50	4,562,087	84.81	3,764,560	85.60	3,180,442	89.07
Gross profit	3,706,632	32.55	1,758,725	22.89	927,898	15.50	816,922	15.19	633,457	14.40	390,272	10.93
Distribution cost	212,137	1.86	150,287	1.96	127,926	2.14	108,444	2.02	94,854	2.16	87,787	2.46
Administrative expenses	123,621	1.09	92,406	1.20	84,433	1.41	67,696	1.26	55,231	1.26	53,927	1.51
Other operating expenses	223,829	1.97	64,106	0.83	64,365	1.08	20,562	0.38	46,576	1.06	56,936	1.59
Other income	32,958	0.29	23,229	0.30	24,744	0.41	18,107	0.34	9,681	0.22	88,122	2.47
Earnings before interest & tax	3,180,003	27.93	1,475,154	19.20	675,919	11.29	638,327	11.87	446,477	10.15	279,742	7.83
Finance cost	236,661	2.08	194,979	2.54	340,756	5.69	221,129	4.11	96,152	2.19	71,743	2.01
Profit before taxation	2,943,342	25.85	1,280,176	16.66	335,162	5.60	417,198	7.76	350,324	7.97	208,000	5.83
Provision for taxation	171,010	1.50	80,662	1.05	60,981	1.02	26,515	0.49	27,787	0.63	17,000	0.48
Profit after taxation	2,772,332	24.35	1,199,514	15.61	274,182	4.58	390,682	7.26	322,538	7.33	191,000	5.35

## SIX YEARS ANALYSIS OF CASH FLOWS WITH GRAPHICAL PRESENTATION



	UOM	2017	2018	2019	2020	2021	2022
<b>Cash Flow</b>							
Operating Activities	Rs. In Million	287	(373)	(244)	(623)	1,781	491
Investing Activities	Rs. In Million	(167)	(182)	(656)	(249)	(309)	(1,301)
Financing Activities	Rs. In Million	(119)	541	899	873	(1,471)	830



	UOM	2017	2018	2019	2020	2021	2022
<b>Local and export sales</b>							
Local Sales	Rs. In Million	703	796	934	1,186	1,491	1,240
Export Sales	Rs. In Million	2,868	3,602	4,445	4,800	6,191	10,147
Total Sales	Rs. In Million	3,571	4,398	5,379	5,987	7,682	11,386

**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, 2022 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, 2022.

LAHORE; **28 SEP 2022**  
UDIN: CR2022101045WX1Qply3

*Shinewing Hameed Chaudhri & Co.*  
SHINEWING HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS  
Audit Engagement Partner: Osman Hameed Chaudhri

**Principal Office:**

HM House  
7-Bank Square, Lahore.  
Tel: +92 42 37235084-87  
Email: lhr@hccpk.com

**Other Offices:**

Karachi, Islamabad & Multan





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

Name of Company RELIANCE COTTON SPINNING MILLS LIMITED year ended June 30, 2022.

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. Asif Elahi Mrs. Madiha Saeed Nagra
Executive Director	Mr. Shayan Abdullah
Non-Executive Directors	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of total seven (7) Directors of the Company, six (6) Directors meet the requirements of Training Program. Three (3) Directors have already attained certification under directors training program and three (3) Directors meet the requirements of the exemption under regulation.



## Reliance Cotton Spinning Mills Ltd.


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. Asif Elahi (Chairman)
      - Mr. Shahid Abdullah (Member)
      - Mr. Nabeel Abdullah (Member)
    - b) HR and Remuneration Committee
      - Mr. Asif Elahi (Chairman)
      - Mr. Yousuf Abdullah (Member)
      - Mr. Shayan Abdullah (Member)
    - c) Risk Management Committee (\*)
      - Mr. Shahid Abdullah (Chairman)
      - Mr. Shayan Abdullah (Member)
      - Mr. Jawwad Faisal (Member)
- (\*) The committee has recently been formed and shall convene its first meeting from financial year 2022- 23.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
  14. The frequency of meetings of the committee were as per following:
    - a) Audit Committee [Quarterly]
    - b) HR and Remuneration Committee [yearly]
  15. The Board has set up an effective Internal Audit Function 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.




## Reliance Cotton Spinning Mills Ltd.

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

For and on behalf of the Board

  
SHAHID ABDULLAH  
CHAIRMAN

  
SHAYAN ABDULLAH  
CHIEF EXECUTIVE

Lahore  
September 26, 2022

**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, 2022, 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 a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of 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, 2022 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><b>Capitalisation of property, plant and equipment</b></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.625.611 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"> <li>- Determining which costs meet the criteria for capitalisation as per International Accounting Standard - IAS - 16;</li> <li>- Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence;</li> <li>- Capitalisation of borrowing costs and related implications;</li> <li>- The estimation of economic useful lives and residual values assigned to property, plant and equipment; and</li> <li>- Impairment testing; assessing whether there are any indicators of impairment present.</li> </ul> <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"> <li>- 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;</li> <li>- 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;</li> <li>- assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework;</li> <li>- checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and</li> <li>- assessed whether the disclosures were made in accordance with the applicable financial reporting framework.</li> </ul>

S. No.	Description	How the matter was addressed in our audit
2.	<p><b>Revenue recognition</b></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"> <li>- assessed the design, implementation and operating effectiveness of the key internal controls involved in revenue recognition;</li> <li>- performed testing of revenue transactions on a sample basis with underlying documentation including dispatch documents and sales invoices;</li> <li>- 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;</li> <li>- performed audit procedures to analyse variation in the price and quantity sold during the year;</li> <li>- performed recalculations of discounts as per the Company's policy on test basis;</li> <li>- understood and evaluated the accounting policy with respect to revenue recognition; and</li> <li>- assessed the adequacy of disclosures made in the financial statements related to revenue.</li> </ul>

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

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

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

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

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

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:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of 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;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

### **Other Matter**

The financial statements for the Company for the year ended June 30, 2021 were audited by another firm of chartered accountants who expressed unmodified opinion on those financial statements on September 23, 2021.

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

Lahore: September 28, 2022  
UDIN: AR202210104J2Mq19iaD


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



**Reliance Cotton Spinning Mills Limited**  
**Statement Of Financial Position**  
**As at June 30, 2022**

	Note	2022	2021
--- Rupees ---			
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	4	3,240,429,126	2,161,161,215
Long term investments	5	91,569,645	91,569,645
Long term advances and deposits		9,087,690	11,187,690
		<u>3,341,086,461</u>	<u>2,263,918,550</u>
<b>Current assets</b>			
Stores, spare parts and loose tools	6	67,383,004	88,495,394
Stock-in-trade	7	4,706,207,204	2,837,241,214
Trade debts	8	1,782,516,207	1,014,788,632
Loans and advances	9	115,133,605	32,729,124
Short term deposits and prepayments	10	1,048,065	3,390,846
Short term investments	11	53,461,960	55,470,065
Other receivables	12	178,868,742	121,906,986
Tax refunds due from Government	13	672,751,973	292,131,521
Cash and bank balances	14	27,494,124	8,756,563
		<u>7,604,864,884</u>	<u>4,454,910,345</u>
<b>Total assets</b>		<u><u>10,945,951,345</u></u>	<u><u>6,718,828,895</u></u>
<b>Equity and Liabilities</b>			
<b>Share capital and reserves</b>			
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		124,754,734	126,762,838
Unappropriated profit		6,059,364,729	3,340,985,754
<b>Total equity</b>		<u>6,287,039,463</u>	<u>3,570,668,592</u>
<b>Non current liabilities</b>			
Long term liabilities	16	1,633,494,492	1,004,448,376
Deferred income - Government grant	17	-	428,511
Staff retirement benefit - gratuity	18	92,326,481	72,010,728
Deferred taxation	19	20,523,741	-
		<u>1,746,344,714</u>	<u>1,076,887,615</u>
<b>Current liabilities</b>			
Trade and other payables	20	1,367,013,885	914,894,090
Contract liabilities		68,893,983	21,175,650
Accrued mark-up / interest	21	43,655,577	29,571,786
Short term borrowings	22	1,043,240,168	814,941,320
Current portion of long term liabilities	23	210,608,139	183,656,275
Unclaimed dividend		844,398	617,737
Provision for taxation		178,311,018	106,415,830
		<u>2,912,567,168</u>	<u>2,071,272,688</u>
<b>Total liabilities</b>		<u>4,658,911,882</u>	<u>3,148,160,303</u>
<b>Contingencies and commitments</b>	24		
<b>Total equity and liabilities</b>		<u><u>10,945,951,345</u></u>	<u><u>6,718,828,895</u></u>

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

  
Chief Executive Officer


  
 Director

  
Chief Financial Officer

**Reliance Cotton Spinning Mills Limited**  
**Statement Of Profit Or Loss**  
**For the Year Ended June 30, 2022**

	Note	2022 --- Rupees ---	2021
Sales	25	11,386,469,405	7,681,902,021
Cost of sales	26	(7,679,837,539)	(5,923,177,432)
<b>Gross profit</b>		<b>3,706,631,866</b>	<b>1,758,724,589</b>
Distribution cost	27	(212,136,733)	(150,287,415)
Administrative expenses	28	(123,621,306)	(92,406,353)
Other income	29	32,958,269	23,229,193
Other expenses	30	(223,829,259)	(64,105,641)
<b>Profit from operations</b>		<b>3,180,002,837</b>	<b>1,475,154,373</b>
Finance cost	31	(236,661,308)	(194,978,709)
<b>Profit before taxation</b>		<b>2,943,341,529</b>	<b>1,280,175,664</b>
Taxation	32	(171,009,929)	(80,662,126)
<b>Profit after taxation</b>		<b>2,772,331,600</b>	<b>1,199,513,538</b>
<b>Earnings per share - basic and diluted</b>	33	<b>269.37</b>	<b>116.55</b>

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

  
 Chief Executive Officer

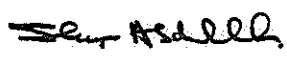
  
 Director

  
 Chief Financial Officer

**Reliance Cotton Spinning Mills Limited**  
**Statement Of Other Comprehensive Income**  
**For the Year Ended June 30, 2022**

	2022	2021
	--- Rupees ---	
Profit after taxation	2,772,331,600	1,199,513,538
<b>Other comprehensive (loss) / income</b>		
<b>Items that will not be reclassified to statement of profit or loss subsequently</b>		
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income	(2,008,104)	13,281,778
Loss on re-measurement of staff retirement benefit obligation	(3,661,570)	(2,009,990)
Impact of deferred tax	1,168,945	-
	(4,500,729)	11,271,788
<b>Total comprehensive income for the year</b>	<b>2,767,830,871</b>	<b>1,210,785,326</b>

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

  
 Chief Executive Officer


  
 Director

  
 Chief Financial Officer

**Reliance Cotton Spinning Mills Limited**  
**Statement Of Cash Flows**  
**For the Year Ended June 30, 2022**

Note	2022	2021
	--- Rupees ---	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,943,341,529	1,280,175,664
Adjustments for non-cash and other items:		
Depreciation	237,810,939	205,683,853
Amortisation of government grant	(2,973,489)	(4,416,938)
Staff retirement benefit - gratuity	28,989,200	26,125,152
Provision for workers' profit participation fund	148,524,276	63,132,291
Provision for workers' welfare fund	60,068,194	-
Provision for GIDC	-	31,137,629
Provision for expected credit loss in trade debtors	3,520,000	16,654,563
Provision for doubtful sales tax refunds	13,510,939	-
Gain on disposal of operating fixed assets	(3,420,023)	(391,000)
Unwinding of interest of GIDC	4,541,356	(8,740,372)
Dividend income	(12,304,299)	(8,601,708)
Finance cost	232,119,952	176,992,844
	3,653,728,574	1,777,751,978
<b>Working capital changes</b>		
Decrease / (increase) in current assets:		
- stores, spare parts and loose tools	21,112,390	(38,989,941)
- stock-in-trade	(1,868,965,990)	(137,722,069)
- trade debts	(771,247,575)	(44,723,892)
- loans and advances	(82,404,481)	(29,364,536)
- short term deposit and prepayments	2,342,781	(3,169,355)
- other receivables	9,663,913	(9,970,853)
	(2,689,498,962)	(263,940,646)
Increase in current liabilities:		
- trade and other payables	309,421,997	487,398,842
- contract liabilities	47,718,333	13,004,734
	357,140,330	500,403,576
<b>Net working capital changes</b>	1,321,369,942	2,014,214,908
Staff retirement benefits paid	(12,335,017)	(18,709,574)
Finance cost paid	(218,036,161)	(208,461,262)
Taxes paid / refunds	(538,872,545)	10,819,300
Rebate income received	693,430	108,039
Workers' profit participation fund paid	(63,679,920)	(14,644,640)
Long term advances and deposits - net	2,100,000	(2,200,000)
	(830,130,213)	(233,088,137)
<b>Net cash generated from operating activities</b>	491,239,729	1,781,126,771
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,325,981,804)	(316,738,731)
Proceeds from disposal of operating fixed assets	12,322,977	1,425,000
Long term investment	-	(2,500,000)
Short term investment	-	(850)
Dividend income received	12,304,299	8,601,708
<b>Net cash used in investing activities</b>	(1,301,354,528)	(309,212,871)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances - obtained	793,176,357	286,109,905
- repaid	(140,151,866)	(51,596,789)
Dividend paid	(51,233,339)	4,378
Short term borrowings - net	228,298,848	(1,705,717,905)
<b>Net cash generated from / (used in) financing activities</b>	830,090,000	(1,471,200,411)
<b>Net increase in cash and cash equivalents</b>	19,975,201	713,489
<b>Cash and cash equivalents - at beginning of the year</b>	6,984,450	6,270,961
<b>Cash and cash equivalents - at end of the year</b>	26,959,651	6,984,450

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

  
**Chief Executive Officer**

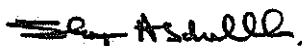
  
**SHC**

**Director**

  
**Chief Financial Officer**

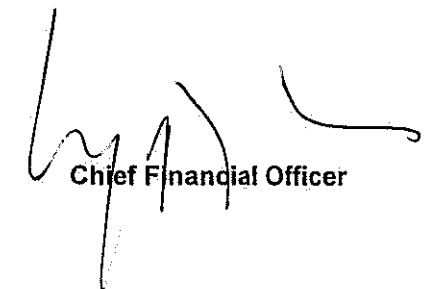
Reliance Cotton Spinning Mills Limited  
Statement Of Changes In Equity  
For the Year Ended June 30, 2022

	Reserves				Total	
	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	Revenue		Revenue		
issued, subscribed and paid-up capital		General	Sub-total	Unappropriated profit		
	----- R u p e e s -----					
Balance as at July 01, 2020	102,920,000	(16,518,940)	130,000,000	113,481,060	2,143,482,206	2,359,883,266
Total comprehensive income for the year ended June 30, 2021						
Profit for the year	-	-	-	-	1,199,513,538	1,199,513,538
Other comprehensive income	-	13,281,778	-	13,281,778	(2,009,990)	11,271,788
Balance as at June 30, 2021	102,920,000	(3,237,162)	130,000,000	126,762,838	3,340,985,754	3,570,668,592
Total comprehensive income for the year ended June 30, 2022						
Profit for the year	-	-	-	-	2,772,331,600	2,772,331,600
Other comprehensive loss	-	(2,008,104)	-	(2,008,104)	(2,492,625)	(4,500,729)
Transactions with owners						
Final cash dividend for the year ended June 30, 2021 @ Rs.5 per share	-	-	-	-	(51,460,000)	(51,460,000)
Balance as at June 30, 2022	102,920,000	(5,245,266)	130,000,000	124,754,734	6,059,364,729	6,287,039,463

  
Chief Executive Officer

**SHC**

  
Director

  
Chief Financial Officer

# Reliance Cotton Spinning Mills Limited

## Notes to the Financial Statements

### For the Year Ended June 30, 2022

#### 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.

<b>Karachi</b>	<b>Purpose</b>
312, Cotton Exchange Building, I.I Chundrigar Road	Registered office
<b>Lahore</b>	
1st Floor, Tricon Corporate Centre, 73-E, Main Jail Road, Gulberg II,	Head office
<b>Sheikhupura</b>	
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.

##### 2.4 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

##### 2.4.1 Standards, amendments to approved accounting standards effective in current year and are relevant

New and amended standards mandatory for the first time for the financial year beginning July 1, 2021:

Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020 and April 1, 2021. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Board has extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors. The amendment has no impact on the Company's financial statements.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory in Pakistan for the financial year beginning on July 1, 2021 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2021 and have not been early adopted by the Company:

##### **IAS 37 Onerous contracts**

**Effective: January 01, 2022**

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

##### **IAS 16 Proceeds before an asset's intended use**

**Effective: January 01, 2022**

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

##### **IAS 1 Disclosure of accounting policies**

**Effective: January 01, 2023**

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

The Company has assessed that the impact of these amendments is not expected to be significant.

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

## **2.5 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 18.

### **(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. SIGNIFICANT ACCOUNTING POLICIES**

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 month the assets are available for use while no depreciation is charged in the month 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.

### 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.

#### 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:

<u>Particulars</u>	<u>Mode of valuation</u>
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.

### 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.

**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, 2022 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.

#### **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.

### **3.14 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
- 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.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Note	2022	2021
		--- Rupees ---	
Operating fixed assets	4.1	2,484,217,013	2,105,320,345
Capital work-in-progress	4.3	756,212,113	55,840,870
		<u>3,240,429,126</u>	<u>2,161,161,215</u>

4.1 Operating fixed assets

	Freehold land	Residential buildings and others on freehold land	Factory buildings on freehold land	Plant and machinery	Electric Installations	Equipment		Computer hardware	Vehicles	Furniture and fixtures	Total
						Office	Electric				
R u p e e s											
<b>At July 1, 2020</b>											
Cost	65,109,754	132,914,353	852,442,356	2,464,403,804	167,104,495	5,484,005	408,950	3,680,953	84,248,878	3,024,347	3,778,821,895
Accumulated depreciation	-	57,552,157	448,263,977	1,114,522,755	70,480,240	2,241,929	226,898	3,191,550	34,372,377	1,747,477	1,732,599,360
<b>Net book value</b>	<b>65,109,754</b>	<b>75,362,196</b>	<b>404,178,379</b>	<b>1,349,881,049</b>	<b>96,624,255</b>	<b>3,242,076</b>	<b>182,052</b>	<b>489,403</b>	<b>49,876,501</b>	<b>1,276,870</b>	<b>2,046,222,535</b>
<b>Year ended June 30, 2021</b>											
Opening net book value	65,109,754	75,362,196	404,178,379	1,349,881,049	96,624,255	3,242,076	182,052	489,403	49,876,501	1,276,870	2,046,222,535
Additions	-	-	5,518,253	255,847,377	-	104,274	-	218,759	4,127,000	-	265,815,663
Disposals:											
- cost	-	-	-	-	-	-	-	-	1,410,000	-	1,410,000
- accumulated depreciation	-	-	-	-	-	-	-	-	(376,000)	-	(376,000)
	-	-	-	-	-	-	-	-	1,034,000	-	1,034,000
Depreciation charge	-	3,768,110	40,723,543	140,654,654	9,662,426	334,635	18,205	206,980	10,187,615	127,685	205,663,853
<b>Closing net book value</b>	<b>65,109,754</b>	<b>71,594,086</b>	<b>368,973,089</b>	<b>1,465,073,772</b>	<b>86,961,829</b>	<b>3,011,715</b>	<b>163,847</b>	<b>501,182</b>	<b>42,781,886</b>	<b>1,149,185</b>	<b>2,105,320,345</b>
<b>At June 30, 2021</b>											
Cost	65,109,754	132,914,353	857,960,609	2,720,251,181	167,104,495	5,588,279	408,950	3,899,712	86,965,878	3,024,347	4,043,227,558
Accumulated depreciation	-	61,320,267	488,987,520	1,255,177,409	80,142,666	2,576,564	245,103	3,398,530	44,183,992	1,875,162	1,937,907,213
<b>Net book value</b>	<b>65,109,754</b>	<b>71,594,086</b>	<b>368,973,089</b>	<b>1,465,073,772</b>	<b>86,961,829</b>	<b>3,011,715</b>	<b>163,847</b>	<b>501,182</b>	<b>42,781,886</b>	<b>1,149,185</b>	<b>2,105,320,345</b>
<b>Year ended June 30, 2022</b>											
Opening net book value	65,109,754	71,594,086	368,973,089	1,465,073,772	86,961,829	3,011,715	163,847	501,182	42,781,886	1,149,185	2,105,320,345
Additions	-	14,708,434	4,940,697	575,248,430	-	-	-	-	30,713,000	-	625,610,561
Disposals:											
- cost	-	-	-	63,148,880	-	-	-	89,000	6,088,330	-	69,326,210
- accumulated depreciation	-	-	-	(55,708,477)	-	-	-	(66,963)	(4,647,816)	-	(60,423,256)
	-	-	-	7,440,403	-	-	-	22,037	1,440,514	-	8,902,954
Depreciation charge	-	4,253,841	37,359,133	175,064,515	8,696,183	301,172	16,385	147,015	11,857,776	114,919	237,810,939
<b>Closing net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>
<b>At June 30, 2022</b>											
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
<b>Net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>
Depreciation rate (% - per annum)		5	10	10	10	10	10	30	20	10	

## 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

## 4.2 Depreciation charge has been allocated as follows:

	2022	2021
	--- Rupees ---	
Cost of goods manufactured	231,992,757	200,651,679
Administrative expenses	5,818,182	5,032,174
	<u>237,810,939</u>	<u>205,683,853</u>

## 4.3 Capital work-in-progress

Buildings 81,893,953 22,943,767

Plant and machinery {including in transit aggregating Rs.96.860 million (June 30, 2021: Rs.3.762 million)} 552,706,333 5,307,499

## Advance payments against:

- factory / office building	22,505,003	5,328,104
- Plant and machinery	93,241,824	22,261,500
- vehicles	5,865,000	-
	<u>121,611,827</u>	<u>27,589,604</u>
	<u>756,212,113</u>	<u>55,840,870</u>

4.3.1 These include machinery costing Rs.28.100 million purchased from Sapphire Fibres Limited (a related party) and Rs.46.638 million paid as advance to Ignite Power (Pvt.) Limited (a related party) for installation of solar power project.

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

	July 1, 2021	Additions during the year	Transferred to operating fixed assets	June 30, 2022
	----- Rupees -----			
Building	22,943,767	78,599,317	19,649,131	81,893,953
Plant and Machinery	5,307,499	1,122,647,264	575,248,430	552,706,333
	<u>28,251,266</u>	<u>1,201,246,581</u>	<u>594,897,561</u>	<u>634,600,286</u>
Advance payments against:				
Factory / office building	5,328,104	17,176,899	-	22,505,003
Plant and Machinery	22,261,500	70,980,324	-	93,241,824
Vehicles	-	36,578,000	30,713,000	5,865,000
	<u>27,589,604</u>	<u>124,735,223</u>	<u>30,713,000</u>	<u>121,611,827</u>

## 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							
2 Cone winder machines	20,569,394	18,487,504	2,081,890	3,197,266	1,115,386	Negotiation	M/s. Ideal Trading Company
C 51 Cards, 01 C 60 Cards Condensor A21	19,794,132	16,679,117	3,115,015	4,000,000	884,985	--do--	M/s. Hanif's Trading Corporation
1 - Unilag, 3 Comber Model E-716, 2 draw Fram	12,667,690	12,009,028	658,662	625,000	(33,662)	--do--	-----do-----
Loptex Sorter	7,524,324	6,145,002	1,379,322	1,548,678	169,356	--do--	-----do-----
	60,555,530	53,320,651	7,234,879	9,370,944	2,136,065		
Vehicles							
Honda Civic	2,566,210	1,925,260	640,950	970,000	329,050	--do--	Mr.Majid Hussain
Various assets having net book value upto Rs.500,000 each							
	6,204,470	5,177,345	1,027,125	1,982,033	954,908	--do--	Various parties
June 30, 2022	69,326,210	60,423,256	8,902,954	12,322,977	3,420,023		
June 30, 2021	1,410,000	376,000	1,034,000	1,425,000	391,000		

## 5. LONG TERM INVESTMENTS

	Note	2022	2021
--- Rupees ---			
Subsidiary Company - at cost	5.1	2,600,000	2,600,000
Associated Companies - at cost	5.2	88,969,645	88,969,645
		<u>91,569,645</u>	<u>91,569,645</u>

5.1 Subsidiary Company - unquoted  
RCSM Company (Private) Limited

260,000 ordinary shares of Rs.10 each

Equity held: 100%

5.1.1

2,600,000

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.

## 5.2 Associated Companies

2022

2021

--- Rupees ---

## Quoted

## Sapphire Fibres Limited

393,697 ordinary shares of Rs.10 each

Equity held: 1.905%

Fair value: Rs.423.224 million

(June 30, 2021: Rs.311.020 million)

41,956,482

41,956,482

## Sapphire Textile Mills Limited

100,223 ordinary shares of Rs.10 each

Equity held: 0.462%

Fair value: Rs.110.496 million

(June 30, 2021: Rs.87.445 million)

8,114,578

8,114,578

## Un quoted

## SFL Limited (note 5.2.1)

401,570 ordinary shares of Rs.10 each

Equity held: 1.998%

2,439,475

2,439,475

## Sapphire Finishing Mills Limited

1,556,000 ordinary shares of Rs.10 each

Equity held: 1.69%

16,509,160

16,509,160

		2022	2021
		--- Rupees ---	
<b>Sapphire Holding Limited</b>			
100,223 ordinary shares of Rs.10 each		524,950	524,950
Equity held: 0.5%			
<b>Sapphire Power Generation Limited</b>			
555,000 ordinary shares of Rs. 10 each		19,425,000	19,425,000
Equity interest held 3.46%			
		<b>88,969,645</b>	<b>88,969,645</b>
5.2.1	SFL Limited is in process of voluntary delisting from Pakistan Stock Exchange and has made an offer to buy back shares at an agreed price of Rs.160 per share.		
5.2.2	As these are the unconsolidated financial statements of the company, investments in associates have been carried at cost and equity method has been applied in the consolidated financial statements of the company.		
5.2.3	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.		
6.	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>	2022	2021
		--- Rupees ---	
	Note		
	Stores	11,482,681	7,845,702
	Spare parts	21,542,450	34,300,140
	Loose tools	40,800	24,000
	Items in transit	34,317,073	46,325,552
		<b>67,383,004</b>	<b>88,495,394</b>
7.	<b>STOCK-IN-TRADE</b>		
	Raw materials:		
	- at mills	3,560,945,774	1,793,227,469
	- in transit	435,749,233	457,048,189
		<b>3,996,695,007</b>	<b>2,250,275,658</b>
	Work-in-process	309,372,499	223,211,729
	Finished goods		
	- at mills	345,981,922	357,481,301
	- at third party premises	34,555,013	-
		<b>380,536,935</b>	<b>357,481,301</b>
	Waste	19,602,763	6,272,526
		<b>4,706,207,204</b>	<b>2,837,241,214</b>
8.	<b>TRADE DEBTS</b>		
	<b>Considered good</b>		
	Unsecured - local	8.1	1,316,235,087
	Secured - foreign debts		974,044,108
			<b>528,025,448</b>
		<b>1,844,260,535</b>	<b>1,073,012,960</b>
	Less: provision for expected credit loss	8.4	61,744,328
			58,224,328
		<b>1,782,516,207</b>	<b>1,014,788,632</b>
8.1	<b>These include the following amounts due from related parties:</b>		
	Amer Cotton Mills (Pvt.) Limited	-	144,861
	Diamond Fabrics Limited	212,663	3,488,111
	Sapphire Fibers Limited	163,710,932	51,786,807
	Sapphire Power Generation Limited	17,294	10,951
	Sapphire Textile Mills Limited	9,720,062	2,804,676
		<b>173,660,951</b>	<b>58,235,406</b>

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

	Related parties		Others	
	2022	2021	2022	2021
	-----Rupees-----			
Not past due	1,016,120	-	520,807,354	61,907,043
Past due 1-30 days	99,134,253	2,974,550	538,882,230	148,317,061
Past due 31-60 days	70,456,051	431,028	449,093,841	355,469,284
Past due 61-90 days	2,958,943	7,789,725	129,746,018	247,364,556
Past due 91-365 days	69,264	46,980,085	17,327,449	178,428,929
Past due one year	26,320	60,018	14,742,692	23,290,681
	<u>173,660,951</u>	<u>58,235,406</u>	<u>1,670,599,584</u>	<u>1,014,777,554</u>

8.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.424.164 million (2021: Rs.58.235 million).

8.4 Provision for expected credit loss

	Note	2022	2021
		--- R u p e e s ---	
Balance at the beginning of the year		58,224,328	41,569,765
Charged during the year		3,520,000	16,654,563
Balance at the end of the year		<u>61,744,328</u>	<u>58,224,328</u>

9. LOANS AND ADVANCES

Current portion of long term loans to employees		1,100,000	-
Advances to supplier and contractors		114,033,605	32,729,124
		<u>115,133,605</u>	<u>32,729,124</u>

10. SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits		-	3,120,505
Bank guarantee margin		833,473	241,172
Prepayments		214,592	29,169
		<u>1,048,065</u>	<u>3,390,846</u>

11. SHORT TERM INVESTMENTS

Equity instruments	11.1	<u>53,461,960</u>	<u>55,470,065</u>
--------------------	------	-------------------	-------------------

**11.1 Equity Instruments - at FVTOCI**  
(Investment in quoted securities)

2022 No. of shares / certificates	2021	Name of the investee company	Market value		Cost	
			2022	2021	2022	2021
----- Rupees -----						
14,000	14,000	Attock Cement Pakistan Limited	931,000	2,517,480	1,870,481	1,870,481
14,200	14,200	D.G.Khan Cement Company Limited	887,500	1,674,464	1,659,557	1,659,557
25,740	25,740	Engro Corporation Limited	6,617,497	7,583,261	7,296,579	7,296,579
55,000	55,000	Engro Fertilizers Limited	4,875,200	3,864,850	3,317,315	3,317,315
156,683	156,683	Engro Polymer & Chemicals Limited	12,476,667	7,401,705	4,881,318	4,881,318
19,000	19,000	The Hub Power Company Limited	1,295,230	1,513,730	2,428,134	2,428,134
5,900	5,900	ICI Pakistan Limited	4,274,845	5,125,920	6,980,061	6,980,061
290,000	290,000	K-Electric Limited	881,600	1,212,200	1,879,537	1,879,537
3,350	3,350	Lucky Cement Limited	1,537,784	2,892,524	2,167,609	2,167,609
847	847	Mari Petroleum Company Limited	1,473,560	1,291,158	1,054,594	1,054,594
36,179	31,460	Meezan Bank Limited	4,087,503	3,630,799	2,431,357	2,431,357
30,000	30,000	Oil & Gas Development Company Limited	2,360,100	2,850,900	4,574,621	4,574,621
2,400	2,400	Packages Limited	967,264	1,308,480	2,037,824	2,037,824
15,264	15,264	Pakistan Petroleum Limited	1,030,473	1,325,373	1,530,272	1,530,272
17,744	17,744	Pakistan State Oil Company Limited	3,049,129	3,979,092	3,969,942	3,969,942
66,000	66,000	Sui Northern Gas Pipeline Limited	2,257,860	3,206,280	8,184,950	8,184,950
52,000	52,000	Sui Southern Gas Company Limited	471,120	691,600	1,931,748	1,931,748
12,100	6,050	Systems Limited	3,991,306	3,389,331	492,468	492,468
58	45	The Searle Company Limited	6,323	10,918	18,860	18,860
			<b>53,461,961</b>	<b>55,470,065</b>	<b>58,707,227</b>	<b>58,707,227</b>
Adjustment arising from re-measurement to fair value					(5,245,266)	(3,237,162)
Market value					<b>53,461,961</b>	<b>55,470,065</b>

**12. OTHER RECEIVABLES**

	2022	2021
--- Rupees ---		
Advance income tax	168,447,782	101,128,683
Export rebate & duty drawbacks	3,120,718	3,814,148
Deposits with the High Court	6,993,302	6,993,302
Claims receivable	306,940	9,970,853
	<b>178,868,742</b>	<b>121,906,986</b>

**13. TAX REFUNDS DUE FROM GOVERNMENT**

Sales tax	504,218,090	126,978,977
Less: provision for doubtful tax refunds	38,068,467	24,557,528
	466,149,623	102,421,449
Income tax	206,602,350	189,710,072
	<b>672,751,973</b>	<b>292,131,521</b>

**14. CASH AND BANK BALANCES**

	Note	2022 --- Rupees ---	2021
Cash-in-hand		1,304,000	708,500
Cash at bank			
- at current account	14.1	25,457,473	7,541,790
- at dividend account		732,651	506,273
		26,190,124	8,048,063
		<u>27,494,124</u>	<u>8,756,563</u>

14.1 This include US\$ 60,658.

**15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

	2022 ----- Numbers -----	2021	2022 --- Rupees ---	2021	
	<u>10,292,000</u>	<u>10,292,000</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>102,920,000</u>	<u>102,920,000</u>

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

15.2 6,734,108 (June 30, 2021: 6,709,970) ordinary shares of Rs.10 each are held by the related parties as at year-end.

**16. LONG TERM LIABILITIES - Secured**

	Note	2022 --- Rupees ---	2021
Long term finances	16.1	1,754,174,918	1,102,718,295
Provision for Gas infrastructure Development Cess	16.2	89,927,713	85,386,356
		1,844,102,631	1,188,104,651
Less: current portion grouped under current liabilities		(210,608,139)	(183,656,275)
		<u>1,633,494,492</u>	<u>1,004,448,376</u>

**16.1 Long term finances**  
(from banking companies)

- Faysal Bank Limited	16.1.1	154,503,000	154,503,000
- Habib Bank Limited	16.1.2	227,389,661	295,240,666
- MCB Bank Limited	16.1.3	634,872,257	652,974,629
- Mezaan Bank Limited	16.1.4	737,410,000	-
		<u>1,754,174,918</u>	<u>1,102,718,295</u>

16.1.1 The Company has arranged long term finance facilities amounting to Rs.175 million from Faysal Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.154.503 million in six tranches of different amounts during the preceding year. Each tranche is repayable in 32 equal quarterly installments commencing from different months of financial year 2022. These finances carry mark-up at the rates ranging from 3.00% to 4.00% (2021: 3.00% to 3.33%) per annum and are secured against first charge of Rs.233.33 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 amounted Rs.250 million and Rs.138 million from Habib Bank Limited under the state bank of Pakistan (SBP) scheme for imported plant and machinery and for refinance for payment of wages and salaries respectively. These finance facilities have different repayment terms and carry mark-up at the rates ranged from 1.00% to 2.85% per annum, payable on quarterly basis. This facility secured against pari pasu charge over present and future plant and machinery of the Company for Rs.641.333 million.

As the above loan of Rs.138 million is below market rate of interest it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as a government grant.

**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.652.974 million in 20 tranches of different amount during the preceding year and Rs.51.225 million in 2 tranches of different amounts during the current year. Each tranche is repayable in 16 equal quarterly installments commencing from different months of financial year 2022. These finances carry mark-up at the rates ranged from 2.50% to 10.82% (2021 : 2.50% to 11.84%) per annum and are secured against 1st joint parri passu charge of 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 Musharka Facility) amounting Rs.1,400 million from Meezan Bank Limited (Islamic) to 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 amount during the current year. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranged from 3.50% to 4.00% per annum and are secured against 1st parri passu charge with 25 % margin overall present and future plant and machinery of the Company.

<b>16.2</b>	<b>Movement in Gas Infrastructure Development Cess payable</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			<b>....Rupees.....</b>	
	Balance of provision for GIDC	<b>16.2.1</b>	<b>85,386,356</b>	62,989,099
	Effect of discounting		-	(13,921,859)
	Provision during the year		-	31,137,629
	Unwinding of interest		<b>4,541,356</b>	5,181,487
			<b>89,927,713</b>	<b>85,386,356</b>

**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 DEFERRED INCOME - GOVERNMENT GRANT	2022	2021
	--- Rupees ---	
Government grant on loan at below market rate of interest - net	841,007	3,814,496
Less: current portion grouped under current liabilities	(841,007)	(3,385,985)
	<u>-</u>	<u>428,511</u>

17.1 As fully detailed in note 16.1.2 to these financial statements, the Company has recorded Rs.8.231 million as Government grant on loan at below-market rate of interest, as per the requirements of IAS-20 'Accounting for government grant and disclosure of government assistance'.

17.2 The Company has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the year, Rs.2.973 million has been recognized in the statement of profit or loss.

#### 18. STAFF RETIREMENT BENEFIT - Gratuity

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

Amount recognized in the statement of financial position	2022	2021
	--- Rupees ---	
Net liability at the beginning of the year	72,010,728	62,585,160
Charge to statement of profit or loss	28,989,200	26,125,152
Remeasurement recognized in statement of other comprehensive income	3,661,570	2,009,990
Payments made during the year	(12,335,017)	(18,709,574)
Net liability at the end of the year	<u>92,326,481</u>	<u>72,010,728</u>
<b>Movement in the present value of defined benefit obligation</b>		
Balance at beginning of the year	72,010,728	62,585,160
Current service cost	22,240,270	21,600,570
Interest cost	6,748,930	4,524,582
Benefits paid	(12,335,017)	(18,709,574)
Remeasurements on obligation	3,661,570	2,009,990
Balance at end of the year	<u>92,326,481</u>	<u>72,010,728</u>
<b>Expense recognized in Statement of profit or loss</b>		
Current service cost	22,240,270	21,600,570
Interest cost	6,748,930	4,524,582
	<u>28,989,200</u>	<u>26,125,152</u>
<b>Remeasurements recognized in statement of other comprehensive income</b>		
Experience adjustment	<u>3,661,570</u>	<u>2,009,990</u>

Actuarial assumptions used	2022	2021
Discount rate	13.25%	10.25%
Expected rate of increase in future estimates	12.50%	9.25%
Average age of employees	13 years	13 years
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
	.....Rupees.....		
Discount rate	1.00%	<u>81,934,058</u>	<u>104,034,512</u>
Increase in future salaries	1.00%	<u>104,037,068</u>	<u>81,935,064</u>

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, 2023 amounts to Rs.40.294 million.

The weighted average duration of defined benefit obligation is 12 years.

**Historical information**

	2022	2021	2020	2019	2018
	..... Rupees .....				
Present value of defined benefit obligation	<u>92,326,481</u>	<u>72,010,728</u>	<u>62,585,160</u>	<u>48,699,241</u>	<u>92,932,343</u>
Experience adjustment on obligation / actuarial (loss) / gain	<u>(3,661,570)</u>	<u>(2,009,990)</u>	<u>(2,324,570)</u>	<u>(116,423)</u>	<u>13,753,511</u>

**19. DEFERRED TAXTION - Net**

2022 2021

.....Rupees.....

The balance of deferred tax is in respect of following major temporary differences

Taxable temporary differences arising in respect of :

- accelerated tax depreciation allowance	<u>30,910,022</u>	-
	<u>30,910,022</u>	-

Deductible temporary differences arising in respect of :

- staff retirement benefit - gratuity	<u>4,990,801</u>	-
- provision for doubtful tax refunds	<u>2,057,829</u>	-
- provision for impairment in trade debts	<u>3,337,651</u>	-
	<u>10,386,281</u>	-
	<u>20,523,741</u>	-

- 19.1 The Company's income of the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001. However, deferred tax liability / (asset) is recognized as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

20. TRADE AND OTHER PAYABLES	Note	2022 ..... Rupees .....	2021
Trade creditors	20.1	239,460,111	161,837,363
Accrued expenses		371,487,696	267,776,107
Bills payable	20.2	390,704,691	322,664,060
Sindh government infrastructure fee	20.3	155,927,910	96,098,284
Workers' profit participation fund	20.4	148,524,276	63,132,291
Workers' welfare fund		60,068,194	-
Current portion of Government grant	17	841,007	3,385,985
		<b>1,367,013,885</b>	<b>914,894,090</b>

- 20.1 These balances include the following amounts due to related parties:

Amer Cotton Mills (Pvt.) Limited	16,842,326	133,360
Sapphire Fibers Limited	26,800,373	5,774,827
Sapphire Textile Mills Limited	241,018	122,029
Sapphire Power Generation Limited	-	252,720
	<b>43,883,717</b>	<b>6,282,936</b>

- 20.2 These are secured against import documents.

- 20.3 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.

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, 2022, the Company has provided bank guarantees aggregating Rs.174.707 million (2021: Rs.100.720 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.

20.4 Workers' profit participation fund

	Note	2022	2021
		--- Rupees ---	
Balance at beginning of the year		63,132,291	14,430,628
Add: interest on funds utilized by the Company		547,629	214,012
		<u>63,679,920</u>	<u>14,644,640</u>
Less: payments made during the year		63,679,920	14,644,640
		-	-
Add: allocation for the year		148,524,276	63,132,291
Balance at end of the year		<u>148,524,276</u>	<u>63,132,291</u>

21. ACCRUED MARK-UP / INTEREST

Mark-up / interest accrued on:

- long term finances		18,454,770	7,489,406
- short term borrowings		25,200,807	22,082,380
		<u>43,655,577</u>	<u>29,571,786</u>

22. SHORT TERM BORROWINGS

Short term loans	22.1	745,000,000	360,000,000
Running / cash finances - secured	22.1	297,705,695	453,169,206
Temporary bank overdraft - unsecured		534,473	1,772,114
		<u>1,043,240,168</u>	<u>814,941,320</u>

22.1

The Company has obtained short term finance facilities under mark-up arrangements aggregate to Rs.5,723 million (2021: Rs.7,318 million). These finance facilities, during the year, carried mark-up at the rates ranged from 7.44% to 15.31% (2021: 2.50% to 9.33%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.14,829 million (2021: Rs.13,828 million) over current assets of the 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.6,000 million (2021: Rs.1,925 million) out of which the amount remained unutilized at the year-end was Rs.4,329 million (2021: Rs.778 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 April 30, 2023.

23. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2022	2021
		--- Rupees ---	
Current portion of long term finances	16	143,935,040	140,514,858
Current portion of Gas Infrastructure Development Cess payable	16	66,673,099	43,141,417
		<u>210,608,139</u>	<u>183,656,275</u>

**24. CONTINGENCIES AND COMMITMENTS**

**24.1 Contingencies**

**24.1.1 Outstanding bank guarantees**

Guarantees aggregating Rs.286.662 million (2021: Rs.223.990 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

**24.1.2** 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, 2022 the value of these cheques amounted to Rs 550.659 million (2021: Rs.447.543 million).

**24.1.3** The Company has claimed an input tax credit of Rs.38.068 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.

**24.2 Commitments**

2022 2021

--- R u p e e s ---

Commitments in respect of :

- letters of credit for capital expenditure	<u>653,562,710</u>	<u>537,740,658</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>203,360,516</u>	<u>385,234,801</u>
- capital expenditure other than letters of credit	<u>145,465,316</u>	<u>34,638,687</u>
- foreign & local bills discounted	<u>136,793,710</u>	<u>-</u>

**25. SALES - Net**

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

Types of goods and services	Note	2022	2021
		--- R u p e e s ---	
<b>Local sales</b>			
- yarn		2,229,678,993	2,077,274,663
- waste		151,506,318	53,953,162
- raw materials		62,584,359	123,010,519
- local steam income		11,697,894	5,678,478
- processing income		182,725	248,924
		<b>2,455,650,289</b>	<b>2,260,165,746</b>
<b>Export Sales</b>			
- yarn	25.1	10,013,382,942	6,050,551,248
- waste		133,532,610	140,216,004
		<b>10,146,915,552</b>	<b>6,190,767,252</b>
		<b>12,602,565,841</b>	<b>8,450,932,998</b>
Less: sales tax		<b>1,216,096,436</b>	<b>769,030,977</b>
		<b>11,386,469,405</b>	<b>7,681,902,021</b>

25.1 This includes indirect export of Rs.6,759 million (2021: Rs.4,250.986 million).

25.2 Waste sales include sale of comber noil.

25.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.72.795 million (2021: loss of Rs.25.560 million) has been included in export sales.

**26. COST OF SALES**

	Note	2022 --- Rupees ---	2021
Finished goods at beginning of the year		363,753,827	432,548,884
Cost of goods manufactured	26.1	7,639,060,576	5,751,372,209
Yarn / fabric purchased during the year		41,488,320	13,706,969
Cost of raw materials sold		35,674,514	89,303,197
		7,716,223,410	5,854,382,375
		8,079,977,237	6,286,931,259
Finished goods at end of the year		(400,139,698)	(363,753,827)
		7,679,837,539	5,923,177,432

**26.1 Cost of goods manufactured**

Work-in-process at beginning of the year		223,211,728	204,534,246
Raw materials consumed	26.2	5,686,622,075	4,150,333,578
Salaries, wages and benefits	26.3	621,917,127	469,873,322
Packing stores consumed		122,926,881	101,496,368
General stores consumed		182,711,847	146,040,159
Processing charges		247,592,779	239,438,795
Depreciation	4.2	231,992,757	200,651,679
Fuel and power		561,592,770	428,775,309
Repair and maintenance		33,044,158	10,523,810
Insurance		20,550,610	11,043,255
Travelling and conveyance		8,699,440	6,354,705
Other manufacturing expense		7,570,903	5,518,711
		7,948,433,075	5,974,583,937
Work-in-process at end of the year		(309,372,499)	(223,211,728)
		7,639,060,576	5,751,372,209

**26.2 Raw materials consumed**

Stocks at beginning of the year		1,793,227,469	1,954,060,805
Purchases		7,454,340,380	3,989,500,242
		9,247,567,849	5,943,561,047
Stocks at end of the year		(3,560,945,774)	(1,793,227,469)
		5,686,622,075	4,150,333,578

26.3 Salaries, wages and benefits include Rs.28.989 million (2021: Rs.26.125 million) in respect of staff retirement benefit - gratuity and Rs.3.790 million (2021: Rs.3.455 million) contribution in respect of staff provident fund.

27. DISTRIBUTION COST

	Note	2022	2021
--- Rupees ---			
Salaries and other benefits	27.1	18,150,507	15,382,563
Travelling, conveyance and entertainment		9,159,273	7,783,726
Insurance charges - exports		512,820	293,159
Telephone & Postage		1,173,705	1,710,353
Printing and stationery		525,261	727,620
Commission:			
- local		8,380,884	10,493,164
- export		34,197,351	20,434,839
		42,578,235	30,928,003
Freight and forwarding:			
- local		10,659,136	10,030,559
- export		119,821,990	60,993,664
		130,481,126	71,024,223
Export development surcharge		6,035,806	5,783,205
Provision for expected credit loss in trade debts		3,520,000	16,654,563
		212,136,733	150,287,415

27.1 Salaries and other benefits include Rs.0.812 million (2021: Rs.0.693 million) in respect of contribution to staff provident fund.

28. ADMINISTRATIVE EXPENSES

	Note	2022	2021
--- Rupees ---			
Directors' remuneration		19,800,000	14,400,000
Director's meeting fee		256,000	114,000
Salaries and other benefits	28.1	48,307,015	41,707,654
Postage		2,055,045	775,266
Fee and subscription		3,518,225	2,880,813
Legal and professional charges		7,433,283	2,909,398
Entertainment		2,019,233	373,672
Travelling and conveyance		13,073,356	1,617,485
Printing and stationery		1,276,429	933,827
Advertisement		84,469	72,611
Repair and maintenance		231,886	3,753,360
Utility charges		1,989,388	860,820
Charity and donations	28.2	17,580,760	16,890,000
Depreciation	4.2	5,818,182	5,032,174
Insurance expense		87,779	-
Others		90,256	85,273
		123,621,306	92,406,353

28.1 Salaries and other benefits include Rs.1.089 million (2021: Rs.1.291 million) in respect of contribution to staff provident fund.

**28.2 Donations exceeding 10% of the total donations of the Company**

**Donations with directors' interest**

These include donations amounted Rs.10 million (2021: Rs.16.500 million) 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.3 million made to Progressive education Network and Rs.2.5 million to Understanding China Forum, respectively.

**29. OTHER INCOME**

	Note	2022	2021
		--- Rupees ---	
<b>Income from financial assets</b>			
Dividend income from:			
- related parties		5,440,315	5,550,000
- others		6,863,984	3,051,708
		12,304,299	8,601,708
Amortisation of deferred income - government grant		2,973,489	4,416,938
		15,277,788	13,018,646
<b>Income from assets other than financial assets</b>			
Gain on disposal of operating fixed assets	4.4	3,420,023	391,000
Exchange gain on foreign currency loans		-	2,115,761
Scrap sales [Net of sales tax aggregating Rs.2.541 million (2021: Rs.1.489 million)]		14,260,458	7,703,786
		17,680,481	10,210,547
		32,958,269	23,229,193
<b>30. OTHER EXPENSES</b>			
Workers' profit participation fund	20.4	148,524,276	63,132,291
Workers' welfare fund	20	60,068,194	-
Provision for doubtful tax refunds		13,510,939	-
Auditors' remuneration	30.1	1,725,850	973,350
		223,829,259	64,105,641
<b>30.1 Auditors' remuneration:</b>			
- statutory audit		656,250	656,250
- half yearly review		138,600	138,600
- code of corporate governance review		57,750	57,750
- special audit		600,000	-
- certifications and others		155,000	52,500
- out-of-pocket expenses		118,250	68,250
		1,725,850	973,350
<b>31. FINANCE COST</b>			
Mark-up / interest on long term finances		40,517,653	24,195,072
Mark-up / interest on short term borrowings		177,359,308	152,583,760
Interest on workers' profit participation fund	20.4	547,629	214,012
Unwinding effect of long term liabilities	16.2	4,541,356	5,181,487
Unwinding effect of govt grant		2,973,489	5,188,427
Bank and other financial charges		10,721,873	7,615,951
		236,661,308	194,978,709

32. TAXATION	Note	2022	2021
		--- Rupees ---	
<b>Current</b>			
- for the year	32.1	151,284,390	79,389,202
- for prior year		(1,967,147)	1,272,923
<b>Deferred tax</b>			
		21,692,686	-
		<u>171,009,929</u>	<u>80,662,126</u>

32.1 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. Further current year's provision include super tax at the rate of 10% of income under section 4C levied through Finance Act, 2022 applicable for tax year 2022.

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

33. EARNINGS PER SHARE	2022	2021
	--- Rupees ---	
<b>33.1 Basic earnings per share</b>		
Net profit for the period / year	<u>2,772,331,600</u>	<u>1,199,513,538</u>
	----- Number of shares -----	
Weighted average ordinary shares in issues	<u>10,292,000</u>	<u>10,292,000</u>
	----- Rupees -----	
Earnings per share	<u>269.37</u>	<u>116.55</u>

**33.2 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, 2022 and June 30, 2021 which would have any effect on the earnings per share if the option to convert is exercised.

34. CASH AND CASH EQUIVALENTS	2022	2021
	--- Rupees ---	
Cash and bank balances	27,494,124	8,756,563
Bank overdraft	(534,473)	(1,772,114)
	<u>26,959,651</u>	<u>6,984,450</u>

**35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

Particulars	Chief Executive		Executives	
	2022	2021	2022	2021
	----- Rupees -----			
Managerial remuneration	19,800,000	9,648,000	58,369,575	31,101,125
Contribution to provident fund trust	-	-	2,923,347	2,590,724
Medical	-	-	701,884	622,022
Leave encashment / bonus	-	4,752,000	9,512,252	26,045,861
	<u>19,800,000</u>	<u>14,400,000</u>	<u>71,507,058</u>	<u>60,359,732</u>
Number of persons	<u>1</u>	<u>1</u>	<u>18</u>	<u>12</u>

35.1 Certain executives are provided with Company maintained vehicles.

35.2 During the year, meeting fees of Rs.256 thousand (2021: Rs.114 thousand) was paid to two non-executive director.

**36. 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	1.905%
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	1.998%
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

Significant transactions with the related parties	2022	2021
	--- Rupees ---	
<b>i) Subsidiary Companies</b>		
Investment made	-	2,500,000
<b>ii) Associated Companies</b>		
Sales of:		
- raw material / yarn / fabric / stores	964,423,719	711,715,983
Purchases:		
- raw material / yarn / fabric / stores	163,963,664	54,289,945
Expenses charged by	12,257,190	9,987,234
Expenses charged to	-	5,502,878
Loans repaid	-	21,420,000
Purchase of fixed assets	28,100,000	-
Advance for purchase of fixed assets	46,637,601	-
Dividend:		
- received	5,440,315	5,550,000
- paid	33,549,850	20,400

	2022	2021
	--- R u p e e s ---	
<b>iii) Director and their related parties</b>		
Loans repaid	-	15,705,000
Donation	10,000,000	16,500,000
<b>iv) Key management personnel</b>		
Salary and other employment benefits	32,847,829	25,115,451
<b>v) Retirement Fund</b>		
Contribution towards provident fund	11,385,506	10,880,824

### 37. FINANCIAL RISK MANAGEMENT

#### 37.1 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.

#### (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.37.4, the financial assets exposed to credit risk aggregated to Rs.1,942.234 million as at June 30, 2022 (2021: Rs.1,168.044 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% (June 30, 2021: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2022	2021
	--- R u p e e s ---	
Long term deposits	9,087,690	11,187,690
Trade debts	1,844,260,535	1,073,012,960
Loans and advances	1,100,000	-
Short term deposits	833,473	3,361,677
Short term investments	53,461,960	55,470,065
Other receivables	7,300,242	16,964,155
Bank balances	26,190,124	8,048,063
	<u>1,942,234,024</u>	<u>1,168,044,610</u>

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:

	2022	2021
	--- Rupees ---	
Domestic	1,316,235,087	974,044,108
Export	528,025,448	98,968,852
	1,844,260,535	1,073,012,960

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.

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	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	JCR-VIS
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+	AA+	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, 2022					
Long term liabilities	1,844,102,631	2,021,675,811	164,235,100	1,034,807,086	822,633,625
Trade and other payables	1,001,652,498	1,001,652,498	1,001,652,498	-	-
Accrued mark-up / interest	43,655,577	43,655,577	43,655,577	-	-
Short term borrowings	1,042,705,695	1,149,486,460	1,149,486,460	-	-
Unclaimed dividend	844,398	844,398	844,398	-	-
	<u>3,932,960,799</u>	<u>4,217,314,744</u>	<u>2,359,874,033</u>	<u>1,034,807,086</u>	<u>822,633,625</u>
----- Rupees -----					
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
June 30, 2021					
Long term finances	1,102,718,295	1,224,123,611	160,002,932	609,750,117	454,370,562
Trade and other payables	752,277,530	752,277,530	752,277,530	-	-
Accrued mark-up / interest	29,571,786	29,571,786	29,571,786	-	-
Short term borrowings	813,169,206	814,941,320	814,941,320	-	-
Unclaimed dividend	617,737	617,737	617,737	-	-
	<u>2,698,354,554</u>	<u>2,821,531,984</u>	<u>1,757,411,305</u>	<u>609,750,117</u>	<u>454,370,562</u>

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 Frank. The company's exposure to foreign currency risk for U.S. Dollar, Euro, Japanese Yen (JPY), and Swiss Frank (CHF) is as follow :

For the year ended June 30, 2022	Rupees	U.S.\$	Euro	JPY	CHF
Bills payables	390,704,691	1,299,420	570,216	-	-
Trade debts	(528,025,448)	(2,569,467)	-	-	-
Bank balances	(12,465,233)	(60,658)	-	-	-
<b>Net balance sheet exposure</b>	<b>(149,785,990)</b>	<b>(1,330,705)</b>	<b>570,216</b>	<b>-</b>	<b>-</b>
Outstanding letters of credit	856,923,226	2,076,000	809,902	2,535,000	1,116,651
	<b>707,137,236</b>	<b>745,295</b>	<b>1,380,118</b>	<b>2,535,000</b>	<b>1,116,651</b>
For the year ended June 30, 2021	Rupees	U.S.\$	Euro	JPY	CHF
Trade debts	(98,968,862)	(627,179)	-	-	-
<b>Net balance sheet exposure</b>	<b>(98,968,862)</b>	<b>(627,179)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Outstanding letters of credit	922,976,469	2,453,891	970,117	-	2,045,000
	<b>824,007,607</b>	<b>1,826,712</b>	<b>970,117</b>	<b>-</b>	<b>2,045,000</b>

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
US Dollar to Rupee	178.68	160.63	206 / 205.50	158.30 / 157.80
Euro to Rupee	200.56	179.03	215.75 / 215.23	188.71 / 188.12
Swiss Frank to Rupee	190.00	190.27	215.96 / 215.43	171.86 / 171.32
Japanese Yen to Rupee	1.66	1.55	1.5083 / 1.5047	1.4324 / 1.4279

At June 30, 2022, 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.

Effect on profit for the year	2022	2021
	.....Rupees.....	
US Dollar to Rupee	(27,412,514)	(9,896,885)
Euro to Rupee	12,302,410	-
	<b>(15,110,104)</b>	<b>(9,896,885)</b>

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:

	2022	2021	2022	2021
	--- Effective rate ---		--- Carrying amount ---	
	%	%	--- Rupees ---	
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	1 to 10.82	1 to 4	<u>1,754,174,918</u>	<u>1,102,718,295</u>
<b>Variable rate instruments</b>				
Short term borrowings	7.44 to 15.31	2.50 to 9.33	<u>1,042,705,695</u>	<u>813,169,206</u>

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.

### (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.53.462 million (2021: Rs.55.470 million) are exposed to price risk due to changes in market price.

At June 30, 2022, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the period / year would have higher / (lower) by Rs.5.346 million (2021: Rs.5.547 million).

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

## 37.2 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.53.461 million (2021: Rs.55.470 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.

**37.3 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.

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.

	2022	2021
	--- Rupees ---	
Total borrowings	2,797,415,086	1,917,659,615
Less: cash and bank balances	27,494,124	8,756,563
Net debt	<u>2,769,920,962</u>	<u>1,908,903,052</u>
Total equity	6,287,039,463	3,570,668,592
Total capital	<u>9,056,960,425</u>	<u>5,479,571,644</u>
Gearing ratio	<u>31%</u>	<u>35%</u>

## 37.4 Financial instruments by category

	As at June 30, 2022			As at June 30, 2021		
	Amortised cost	At fair value through OCI	Total	Amortised cost	At fair value through OCI	Total
<b>Financial assets as per statement of financial position</b>	----- Rupees -----			----- Rupees -----		
Long term advances and deposits	9,087,690	-	9,087,690	11,187,690	-	11,187,690
Trade debts	1,844,260,535	-	1,844,260,535	1,073,012,960	-	1,073,012,960
Short term deposits	833,473	-	833,473	3,361,677	-	3,361,677
Loans and advances	1,100,000	-	-	-	-	-
Short term investments	-	53,461,961	53,461,961	-	55,470,065	55,470,065
Other receivables	7,300,242	-	7,300,242	16,964,155	-	16,964,155
Cash and bank balances	27,494,124	-	27,494,124	8,756,563	-	8,756,563
	<b>1,890,076,064</b>	<b>53,461,961</b>	<b>1,942,438,025</b>	<b>1,113,283,045</b>	<b>55,470,065</b>	<b>1,168,753,110</b>

	Financial liabilities measured at amortised cost	
	2022	2021
<b>Financial liabilities as per statement of financial position</b>	---- Rupees ----	
Long term liabilities and accrued mark-up	1,862,557,401	1,195,594,057
Trade and other payables	1,127,553,774	753,056,727
Unclaimed dividend	844,398	617,737
Short term borrowings and accrued mark-up	1,068,440,975	837,023,700
	<b>4,059,396,548</b>	<b>2,786,292,221</b>

## 38. CAPACITY AND PRODUCTION

2022

2021

## 38.1 Spinning units

Number of spindles installed	57,600	46,944
Number of spindles worked	46,915	43,463
Number of shifts worked per day	3	3
Total number of days worked	365	366
Installed capacity after conversion into 20's count	Lbs. 36,500,000	31,029,984
Actual production after conversion into 20's count	Lbs. 31,134,134	27,050,525

38.1.1 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.

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

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Dividend
	----- Rupees -----			
Balance as at July 01, 2021	1,102,718,295	814,941,320	29,571,786	617,737
Changes from financing activities				
Finances obtained	793,176,357	-	-	-
Finances / finance cost repaid	(140,151,866)	228,298,848	(218,036,161)	-
Dividends paid	-	-	-	(51,233,339)
Dividend declared	-	-	-	51,460,000
Total changes from financing cash flows	653,024,491	228,298,848	(218,036,161)	226,661
Deferred grant	(1,567,868)	-	-	-
Finance cost	-	-	232,119,952	-
Balance as at June 30, 2022	<u>1,754,174,918</u>	<u>1,043,240,168</u>	<u>43,655,577</u>	<u>844,398</u>

	Liabilities			
	Long term finances	Short term borrowings	Accrued mark-up / interest	Dividend
	----- Rupees -----			
Balance as at July 01, 2020	873,050,628	2,518,887,111	61,040,204	613,360
Changes from financing activities				
Finances obtained	286,109,905	-	-	-
Finances / finance cost repaid	(51,596,789)	(1,705,717,905)	(208,765,213)	-
Dividends paid	-	-	-	4,377
Dividend declared	-	-	-	-
Bank overdraft	-	1,772,114	-	-
Total changes from financing cash flows	234,513,116	(1,703,945,791)	(208,765,213)	4,377
Deferred grant	(4,845,449)	-	-	-
Finance cost	-	-	177,296,796	-
Other changes	-	-	-	-
Balance as at June 30, 2021	<u>1,102,718,295</u>	<u>814,941,320</u>	<u>29,571,787</u>	<u>617,737</u>

**40. PROVIDENT FUND RELATED DISCLOSURES**

The following information is based on unaudited financial statements of the Fund for the year ended June 30, 2022 and audited financial statements for June 30, 2021:

	2022	2021
	--- Rupees ---	
Size of the Fund - Total Assets	<u>29,815,425</u>	<u>26,431,794</u>
Cost of investments made	<u>29,264,316</u>	<u>26,056,306</u>
Percentage of investments made (%)	<u>98.15</u>	<u>98.58</u>
Fair value of investments	<u>29,815,425</u>	<u>26,431,794</u>

40.1 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.

**41. NUMBER OF EMPLOYEES**

	2022	2021
Average number of employees during the year	<u>1,167</u>	<u>1,145</u>
Number of employees	<u>1,218</u>	<u>1,163</u>

**42. 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.


**43. EVENT AFTER THE REPORTING PERIOD**

The Board of Directors, in their meeting held on September 26, 2022, has proposed a final cash dividend of 75% (i.e. Rs.7.5 per share) amounting to Rs.77.190 million for the year ended June 30, 2022, for approval of the members at the Annual General Meeting to be held on October 26, 2022.

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, 2023.

**44. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 26, 2022 by the Board of Directors of the Company.

  
Chief Executive Officer

  
SHC Director

  
Chief Financial Officer



## 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, 2022. 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

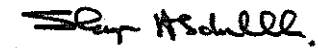
Reliance Cotton Spinning Mills Limited ("the Holding Company") and its wholly owned subsidiary RCSM Company (Private) Limited collectively referred to as 'the Group' was incorporated in Pakistan under the Companies Ordinance, 1984. The Holding Company is listed on Pakistan Stock Exchange Limited (formerly 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 26, 2022



ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 30 جون 2022ء کو ختم ہونے والے سال کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM (پرائیویٹ) لمیٹڈ کے اشتمال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ:

RCSM کمپنی (پرائیویٹ) لمیٹڈ (ہولڈنگ کمپنی) اور اس کی مکمل ملکیتی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ جو مجموعی طور ایک "گروپ" کہلاتا ہے کمپنیز آرڈیننس، 1984 کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کمپنی 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 کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984 کے تحت 08 نومبر 2017 کو ریلائنس کاٹن سپننگ ملز لمیٹڈ کی مکمل ملکیتی شیئرز کے ذریعے ایک پبلک لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔

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

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)  
ڈائریکٹر

(شایان عبداللہ)  
چیف ایگزیکٹو

لاہور

تاریخ: 26 ستمبر 2022

**Independent Auditor's Report  
To the Members of  
Reliance Cotton Spinning Mills Limited**

**Report on the Audit of Consolidated 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, 2022, 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 a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2022, 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:

**Principal Office:**  
HM House  
7-Bank Square, Lahore.  
Tel: +92 42 37235084-87  
Email: ihr@hccpk.com

**Other Offices:**  
Karachi, Islamabad & Multan

S. No.	Description	How the matter was addressed in our audit
1.	<p><b>Capitalisation of property, plant and equipment</b></p> <p>Refer note 4 to the 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.625.611 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"> <li>- Determining which costs meet the criteria for capitalisation as per International Accounting Standard - IAS - 16;</li> <li>- Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence;</li> <li>- Capitalisation of borrowing costs and related implications;</li> <li>- The estimation of economic useful lives and residual values assigned to property, plant and equipment; and</li> <li>- Impairment testing; assessing whether there are any indicators of impairment present.</li> </ul> <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"> <li>- 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;</li> <li>- 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;</li> <li>- assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework;</li> <li>- checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and</li> <li>- assessed whether the disclosures were made in accordance with the applicable financial reporting framework.</li> </ul>

S. No.	Description	How the matter was addressed in our audit
2.	<p><b>Revenue recognition</b></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"> <li>- assessed the design, implementation and operating effectiveness of the key internal controls involved in revenue recognition;</li> <li>- performed testing of revenue transactions on a sample basis with underlying documentation including dispatch documents and sales invoices;</li> <li>- 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;</li> <li>- performed audit procedures to analyse variation in the price and quantity sold during the year;</li> <li>- performed recalculations of discounts as per the Company's policy on test basis;</li> <li>- understood and evaluated the accounting policy with respect to revenue recognition; and</li> <li>- assessed the adequacy of disclosures made in the financial statements related to revenue.</li> </ul>

**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 up to 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.

#### **Other Matter**

The financial statements for the Group for the year ended June 30, 2021 were audited by another firm of chartered accountants who expressed unmodified opinion on those consolidated financial statements on September 23, 2021.

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

LAHORE; September 28, 2022  
UDIN: AR202210104nKGtTBrYW

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

**Reliance Cotton Spinning Mills Limited**  
**Consolidated Statement Of Financial Position**  
**As at June 30, 2022**

	Note	2022	2021
--- Rupees ---			
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	4	3,240,429,126	2,161,161,215
Long term investments	5	1,320,571,480	1,065,257,214
Long term advances and deposits		9,087,690	11,187,690
		<u>4,570,088,296</u>	<u>3,237,606,119</u>
<b>Current assets</b>			
Stores, spare parts and loose tools	6	67,383,004	88,495,394
Stock-in-trade	7	4,706,207,204	2,837,241,214
Trade debts	8	1,782,516,207	1,014,788,632
Loans and advances	9	115,133,605	32,729,124
Short term deposits and prepayments	10	1,048,065	3,390,846
Short term investments	11	55,954,543	57,774,461
Other receivables	12	178,868,742	121,906,986
Tax refunds due from Government	13	672,751,973	292,131,521
Cash and bank balances	14	27,546,250	8,920,138
		<u>7,607,409,593</u>	<u>4,457,378,316</u>
<b>Total assets</b>		<u><u>12,177,497,889</u></u>	<u><u>7,694,984,435</u></u>
<b>Equity and Liabilities</b>			
<b>Share capital and reserves</b>			
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		60,973,010	109,844,368
Unappropriated profit		7,214,445,036	4,222,246,418
<b>Total equity</b>		<u>7,378,338,046</u>	<u>4,435,010,786</u>
<b>Non current liabilities</b>			
Long term liabilities	16	1,633,494,492	1,004,448,375
Deferred income - Government grant	17	-	428,511
Staff retirement benefit - gratuity	18	92,326,481	72,010,728
Deferred taxation	19	160,651,702	111,648,440
		<u>1,886,472,675</u>	<u>1,188,536,054</u>
<b>Current liabilities</b>			
Trade and other payables	20	1,367,133,885	915,058,995
Contract liabilities		68,893,983	21,175,650
Accrued mark-up / interest	21	43,655,577	29,571,786
Short term borrowings	22	1,043,240,168	814,941,320
Current portion of long term liabilities	23	210,608,139	183,656,276
Unclaimed dividend		844,398	617,737
Provision for taxation		178,311,018	106,415,831
		<u>2,912,687,168</u>	<u>2,071,437,595</u>
<b>Total liabilities</b>		<u>4,799,159,843</u>	<u>3,259,973,649</u>
<b>Contingencies and commitments</b>	24		
<b>Total equity and liabilities</b>		<u><u>12,177,497,889</u></u>	<u><u>7,694,984,435</u></u>

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

  
Chief Executive Officer

  
SHQ Director

  
Chief Financial Officer

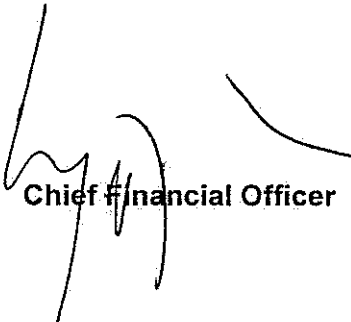
**Reliance Cotton Spinning Mills Limited  
Consolidated Statement Of Profit Or Loss  
For the Year Ended June 30, 2022**

	Note	2022 --- Rupees ---	2021
Sales	25	11,386,469,405	7,681,902,021
Cost of sales	26	(7,679,837,539)	(5,923,177,432)
<b>Gross profit</b>		<b>3,706,631,866</b>	<b>1,758,724,589</b>
Distribution cost	27	(212,136,733)	(150,287,415)
Administrative expenses	28	(123,621,306)	(92,406,353)
Other income	29	27,740,463	17,682,098
Other expenses	30	(223,895,803)	(64,216,916)
<b>Profit from operations</b>		<b>3,174,718,487</b>	<b>1,469,496,003</b>
Finance cost	31	(236,661,308)	(194,978,710)
		<b>2,938,057,179</b>	<b>1,274,517,293</b>
Share of profit from Associated Companies		307,528,627	157,936,666
<b>Profit before taxation</b>		<b>3,245,585,806</b>	<b>1,432,453,959</b>
Taxation	32	(199,523,771)	(101,756,204)
<b>Profit after taxation</b>		<b>3,046,062,035</b>	<b>1,330,697,755</b>
<b>Earnings per share - basic and diluted</b>	33	<b>295.96</b>	<b>129.29</b>

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

  
Chief Executive Officer

  
**SHC** Director

  
Chief Financial Officer

**Reliance Cotton Spinning Mills Limited**  
**Consolidated Statement Of Other Comprehensive Income**  
**For the Year Ended June 30, 2022**

	2022	2021
	--- Rupees ---	
<b>Profit after taxation</b>	<b>3,046,062,035</b>	<b>1,330,697,755</b>
<b>Other comprehensive (loss) / income</b>		
<b>Items that will not be reclassified to statement of profit or loss subsequently</b>		
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income	(2,008,104)	13,283,453
Share of fair value (loss) / gain on remeasurement of investment at fair value through other comprehensive income by Associates	(46,905,788)	27,471,093
	(48,913,892)	40,754,546
Loss on re-measurement of staff retirement benefit obligation	(3,661,570)	(2,009,990)
Share of gain on remeasurement of staff retirement benefit obligation of Associates	63,626	53,745
Impact of deferred tax	1,168,945	-
	(2,428,999)	(1,956,245)
	(51,342,891)	38,798,301
<b>Items that will be reclassified to statement of profit or loss subsequently</b>		
<b>Forward foreign exchange contracts</b>		
Share of unrealised gain on remeasurement of forward foreign currency contract of Associates	42,534	96,989
Other comprehensive (loss) / income for the year	(51,300,357)	38,895,290
<b>Total comprehensive income for the year</b>	<b>2,994,761,678</b>	<b>1,369,593,045</b>

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

  
 Chief Executive Officer

 SHC

  
 Director

  
 Chief Financial Officer

**Reliance Cotton Spinning Mills Limited**  
**Consolidated Statement Of Cash Flows**  
**For the Year Ended June 30, 2022**

Note	2022	2021
	--- Rupees ---	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,938,057,179	1,432,453,959
Adjustments for non-cash and other items:		
Depreciation	237,810,939	205,683,853
Amortisation of government grant	(2,973,489)	(4,416,938)
Staff retirement benefit - gratuity	28,989,200	26,125,152
Provision for workers' profit participation fund	148,524,276	63,132,291
Provision for workers' welfare fund	60,068,194	-
Provision for doubtful tax refunds	13,510,939	-
Remeasurement gain on investment at FVPL	(1,075)	(1,675)
Provision for GIDC	-	31,137,629
Provision for expected credit loss in trade debtors	3,520,000	16,654,563
Gain on disposal of operating fixed assets	(3,420,023)	(391,000)
Unwinding of interest of GIDC	4,541,356	(8,740,372)
Dividend income	(7,085,418)	(3,052,939)
Finance cost	232,119,952	176,992,844
Share of Profit from Associates	-	(157,936,666)
	<u>3,653,662,030</u>	<u>1,777,640,701</u>
<b>Working capital changes</b>		
Decrease / (increase) in current assets:		
- stores, spare parts and loose tools	21,112,390	(38,989,941)
- stock-in-trade	(1,868,965,990)	(137,722,069)
- trade debts	(771,247,575)	(44,723,892)
- loans and advances	(82,404,481)	(29,364,536)
- short term deposit and prepayments	2,342,781	(3,169,355)
- other receivables	9,663,913	(9,970,853)
	<u>(2,689,498,962)</u>	<u>(263,940,646)</u>
Increase in current liabilities:		
- trade and other payables	309,378,762	487,419,149
- contract liabilities	47,718,333	13,004,734
	<u>357,097,095</u>	<u>500,423,883</u>
<b>Net working capital changes</b>	<u>1,321,260,163</u>	<u>2,014,123,938</u>
Staff retirement benefits paid	(12,335,017)	(18,709,574)
Finance cost paid	(218,036,161)	(208,461,262)
Taxes paid / refunds	(538,906,867)	10,819,115
Rebate income received	693,430	108,039
Workers' profit participation fund paid	(63,679,920)	(14,644,640)
Long term advances and deposits - net	2,100,000	(2,200,000)
	<u>(830,164,535)</u>	<u>(233,088,322)</u>
<b>Net cash generated from operating activities</b>	<u>491,095,628</u>	<u>1,781,035,616</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,325,981,804)	(316,738,731)
Proceeds from disposal of operating fixed assets	12,322,977	1,425,000
Long term investment	-	-
Short term investment	(188,783)	(2,301,896)
Dividend income received	12,525,733	8,602,939
<b>Net cash used in investing activities</b>	<u>(1,301,321,877)</u>	<u>(309,012,686)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances - obtained	793,176,358	286,109,905
- repaid	(140,151,866)	(51,596,789)
Dividend paid	(51,233,339)	4,378
Short term borrowings - net	228,298,848	(1,705,717,905)
<b>Net cash generated from / (used in) financing activities</b>	<u>830,090,001</u>	<u>(1,471,200,411)</u>
<b>Net increase in cash and cash equivalents</b>	<u>19,863,752</u>	<u>822,519</u>
<b>Cash and cash equivalents - at beginning of the year</b>	<u>7,148,025</u>	<u>6,325,506</u>
<b>Cash and cash equivalents - at end of the year</b>	<u>27,011,777</u>	<u>7,148,025</u>

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

  
Chief Executive Officer

  
**SHC** Director

  
Chief Financial Officer

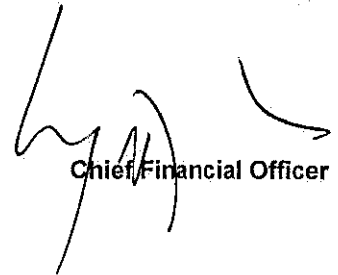
Reliance Cotton Spinning Mills Limited  
Consolidated Statement Of Changes In Equity  
For the Year Ended June 30, 2022

	Issued, subscribed and paid-up capital	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	On hedging instruments	Reserves		Unappropriated profit	Total
				General	Sub-total		
----- R u p e e s -----							
Balance as at July 01, 2020	102,920,000	(49,731,802)	370,962	118,353,673	68,992,833	2,894,504,338	3,066,417,171
Total comprehensive income for the year ended June 30, 2021							
Profit for the year	-	-	-	-	-	1,330,697,755	1,330,697,755
Other comprehensive income	-	40,754,546	96,989	-	40,851,535	(1,956,245)	38,895,290
	-	40,754,546	96,989	-	40,851,535	1,328,741,510	1,369,593,045
Share of decrease in reserves of associated companies under equity method	-	-	-	-	-	(999,430)	(999,430)
Balance as at June 30, 2021	102,920,000	(8,977,256)	467,951	118,353,673	109,844,368	4,222,246,418	4,435,010,786
Total comprehensive income for the year ended June 30, 2022							
Profit for the year	-	-	-	-	-	3,046,062,035	3,046,062,035
Other comprehensive loss	-	(48,913,892)	42,534	-	(48,871,358)	(2,428,999)	(51,300,357)
	-	(48,913,892)	42,534	-	(48,871,358)	3,043,633,036	2,994,761,678
Share of decrease in reserves of associated companies under equity method	-	-	-	-	-	25,582	25,582
Transactions with owners							
Final cash dividend for the year ended June 30, 2021 @ Rs.5 per share	-	-	-	-	-	(51,460,000)	(51,460,000)
Balance as at June 30, 2022	102,920,000	(57,891,148)	510,485	118,353,673	60,973,010	7,214,445,036	7,378,338,046

  
Chief Executive Officer

**SHC**

  
Director

  
Chief Financial Officer

# Reliance Cotton Spinning Mills Limited

## Notes to the Consolidated Financial Statements

### For the Year Ended June 30, 2022

#### 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.

## 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 affect 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 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

### 2.6.1 Standards, amendments to approved accounting standards effective in current year and are relevant

New and amended standards mandatory for the first time for the financial year beginning July 1, 2021:

Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020 and April 1, 2021. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Board has extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors. The amendment has no impact on the Group's Consolidated financial statements.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory in Pakistan for the financial year beginning on July 1, 2021 are considered not to be relevant or to have any significant effect on the Group's Consolidated financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2021 and have not been early adopted by the Group:

### **IAS 37 Onerous contracts**

**Effective: January 01, 2022**

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

### **IAS 16 Proceeds before an asset's intended use**

**Effective: January 01, 2022**

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

### **IAS 1 Disclosure of accounting policies**

**Effective: January 01, 2023**

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Group's financial statements.

The Group has assessed that the impact of these amendments is not expected to be significant.

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

## 2.7 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.

### (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. SIGNIFICANT ACCOUNTING POLICIES

The principal 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 month the assets are available for use while no depreciation is charged in the month 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 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.

- ***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 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.

**3.6 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:

<u>Particulars</u>	<u>Mode of valuation</u>
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.

**3.7 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.

**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, 2022 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.

**3.14 Taxation**

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

**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 consolidated 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 consolidated statement of profit or loss, except in the case of items credited or charged to consolidated statement of other comprehensive income / equity in which case it is included in consolidated 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.

**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.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Note	2022	2021
--- R u p e e s ---			
Operating fixed assets	4.1	2,484,217,013	2,105,320,345
Capital work-in-progress	4.3	756,212,113	55,840,870
		<u>3,240,429,126</u>	<u>2,161,161,215</u>

4.1 Operating fixed assets

	Freehold land	Residential buildings and others on freehold land	Factory buildings on freehold land	Plant and machinery	Electric installations	Equipment		Computer hardware	Vehicles	Furniture and fixtures	Total
						Office	Electric				
----- Rupees -----											
<b>At July 1, 2020</b>											
Cost	65,109,754	132,914,353	852,442,356	2,464,403,804	167,104,495	5,484,005	408,950	3,680,953	84,248,878	3,024,347	3,778,821,895
Accumulated depreciation	-	57,552,157	448,263,977	1,114,522,755	70,480,240	2,241,929	226,898	3,191,550	34,372,377	1,747,477	1,732,599,360
<b>Net book value</b>	<b>65,109,754</b>	<b>75,362,196</b>	<b>404,178,379</b>	<b>1,349,881,049</b>	<b>96,624,255</b>	<b>3,242,076</b>	<b>182,052</b>	<b>489,403</b>	<b>49,876,501</b>	<b>1,276,870</b>	<b>2,046,222,535</b>
<b>Year ended June 30, 2021</b>											
Opening net book value	65,109,754	75,362,196	404,178,379	1,349,881,049	96,624,255	3,242,076	182,052	489,403	49,876,501	1,276,870	2,046,222,535
Additions	-	-	5,518,253	255,847,377	-	104,274	-	218,759	4,127,000	-	265,815,663
Disposals:											
- cost	-	-	-	-	-	-	-	-	1,410,000	-	1,410,000
- accumulated depreciation	-	-	-	-	-	-	-	-	(376,000)	-	(376,000)
	-	-	-	-	-	-	-	-	1,034,000	-	1,034,000
Depreciation charge	-	3,768,110	40,723,543	140,654,654	9,662,426	334,635	18,205	206,980	10,187,615	127,685	205,683,853
<b>Closing net book value</b>	<b>65,109,754</b>	<b>71,594,086</b>	<b>368,973,089</b>	<b>1,465,073,772</b>	<b>86,961,829</b>	<b>3,011,715</b>	<b>163,847</b>	<b>501,182</b>	<b>42,781,886</b>	<b>1,149,185</b>	<b>2,105,320,345</b>
<b>At June 30, 2021</b>											
Cost	65,109,754	132,914,353	857,960,609	2,720,251,181	167,104,495	5,586,279	408,950	3,899,712	86,965,878	3,024,347	4,043,227,558
Accumulated depreciation	-	61,320,267	488,987,520	1,255,177,409	80,142,666	2,576,564	245,103	3,398,530	44,183,992	1,875,162	1,937,907,213
<b>Net book value</b>	<b>65,109,754</b>	<b>71,594,086</b>	<b>368,973,089</b>	<b>1,465,073,772</b>	<b>86,961,829</b>	<b>3,011,715</b>	<b>163,847</b>	<b>501,182</b>	<b>42,781,886</b>	<b>1,149,185</b>	<b>2,105,320,345</b>
<b>Year ended June 30, 2022</b>											
Opening net book value	65,109,754	71,594,086	368,973,089	1,465,073,772	86,961,829	3,011,715	163,847	501,182	42,781,886	1,149,185	2,105,320,345
Additions	-	14,708,434	4,940,697	575,248,430	-	-	-	-	30,713,000	-	625,610,561
Disposals:											
- cost	-	-	-	63,148,880	-	-	-	89,000	6,088,330	-	69,326,210
- accumulated depreciation	-	-	-	(55,708,477)	-	-	-	(66,963)	(4,647,816)	-	(60,423,256)
	-	-	-	7,440,403	-	-	-	22,037	1,440,514	-	8,902,954
Depreciation charge	-	4,253,841	37,359,133	175,064,515	8,696,183	301,172	16,385	147,015	11,857,776	114,919	237,810,939
<b>Closing net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>
<b>At June 30, 2022</b>											
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
<b>Net book value</b>	<b>65,109,754</b>	<b>82,048,679</b>	<b>336,554,653</b>	<b>1,857,817,284</b>	<b>78,265,646</b>	<b>2,710,543</b>	<b>147,462</b>	<b>332,130</b>	<b>60,196,596</b>	<b>1,034,266</b>	<b>2,484,217,013</b>
<b>Depreciation rate (% - per annum)</b>		<b>5</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>30</b>	<b>20</b>	<b>10</b>	

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

4.2 Depreciation charge has been allocated as follows:

	2022	2021
Note	--- Rupees ---	
Cost of goods manufactured	231,992,757	200,651,679
Administrative expenses	5,818,182	5,032,174
	<b>237,810,939</b>	<b>205,683,853</b>

4.3 Capital work-in-progress

Buildings 81,893,953 22,943,767

Plant and machinery (including in transit aggregating Rs.96.860 million (June 30, 2021: Rs.3.762 million)) 552,706,333 5,307,499

Advance payments against:

- factory / office building

- Plant and machinery

- vehicles

4.3.1

22,505,003	5,328,104
93,241,824	22,261,500
5,865,000	-
<b>121,611,827</b>	<b>27,589,604</b>
<b>756,212,113</b>	<b>55,840,870</b>

4.3.1 These include machinery costing Rs.28.100 million purchased from Sapphire Fibres Limited (a related party) and Rs.46.638 million paid as advance to Ignite Power (Pvt.) Limited (a related party) for installation of solar power project.

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

	July 1, 2021	Additions during the year	Transferred to operating fixed assets	June 30, 2022
----- Rupees -----				
Building	22,943,767	78,599,317	19,649,131	81,893,953
Plant and Machinery	5,307,499	1,122,647,264	575,248,430	552,706,333
	<b>28,251,266</b>	<b>1,201,246,581</b>	<b>594,897,561</b>	<b>634,600,286</b>
<b>Advance payments against:</b>				
Factory / office building	5,328,104	17,176,899	-	22,505,003
Plant and Machinery	22,261,500	70,980,324	-	93,241,824
Vehicles	-	36,578,000	30,713,000	5,865,000
	<b>27,589,604</b>	<b>124,735,223</b>	<b>30,713,000</b>	<b>121,611,827</b>

## 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							
Two Cone winder machines	20,569,384	18,487,504	2,081,880	3,197,266	1,115,386	Negotiation	M/s. Ideal Trading Company
C 51 Cards , 01 C 60 Cards Condensor A21	19,794,132	16,679,117	3,115,015	4,000,000	884,985	--do--	M/s. Hani's Trading Corporation
1 - Unilap, 3 Comber Model E-716 , 2 draw Fram	12,667,690	12,009,028	658,662	625,000	(33,662)	--do--	-----do-----
Loptex Sorter	7,524,324	6,145,002	1,379,322	1,548,678	169,356	--do--	-----do-----
	60,555,530	53,320,651	7,234,879	9,370,944	2,136,065		
Vehicles							
Honda Civic	2,566,210	1,925,260	640,950	970,000	329,050	--do--	Mr.Majid Hussain
Various assets having net book value upto Rs.500,000 each							
	6,204,470	5,177,345	1,027,125	1,982,033	954,908	--do--	Various parties
June 30, 2022	69,326,210	60,423,256	8,902,954	12,322,977	3,420,023		
June 30, 2021	1,410,000	376,000	1,034,000	1,425,000	391,000		

## 5. LONG TERM INVESTMENTS

	Note	2022	2021
		--- Rupees ---	
Associated Companies - equity method	5.1	1,320,571,480	1,065,257,214
<b>5.1 Associated Companies</b>			
<b>Quoted</b>			
Sapphire Fibres Limited	5.2.1	667,230,823	557,655,068
Sapphire Textile Mills Limited	5.2.2	185,929,252	141,173,457
<b>Un quoted</b>			
SFL Limited	5.2.3	133,536,834	98,004,906
Sapphire Finishing Mills Limited	5.2.4	212,582,801	169,302,390
Sapphire Holding Limited	5.2.5	65,894,734	51,026,273
Sapphire Power Generation Limited	5.2.6	55,397,036	48,095,120
		1,320,571,480	1,065,257,214

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, 2022. Financial statements have been amended to reflect adjustments made by the entity using the equity method.

	SFL		STML		SFLL		SFML		SHL		SPGL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Rupees</b>												
<b>Summarised Statement of Financial Position</b>												
Non current assets	31,243,074,613	30,594,593,172	83,370,880,772	71,286,576,128	6,683,115,826	4,886,445,621	13,939,376,203	10,507,477,722	14,139,118,496	10,964,018,736	1,682,947,163	1,432,456,174
Current assets	42,553,343,534	34,255,795,664	66,200,326,555	44,774,915,613	54,109,038	49,039,275	21,135,116,995	14,643,425,031	148,970,497	127,996,875	138,095,131	134,830,966
	73,796,418,147	64,850,388,836	149,571,207,327	116,061,491,741	6,737,224,864	4,935,484,896	35,074,492,198	25,150,902,753	14,288,088,993	11,092,015,611	1,821,042,294	1,567,287,140
Non current liabilities and current liabilities	32,423,275,751	29,691,826,355	96,439,464,650	74,698,370,410	56,076,824	32,079,078	22,505,329,132	15,140,735,710	1,077,228,058	862,048,058	221,591,215	178,660,654
NCI Share	6,338,808,434	5,877,689,063	12,893,807,201	10,811,024,647	-	-	-	-	-	-	-	-
	38,762,084,185	35,569,515,418	109,333,271,851	85,509,395,057	56,076,824	32,079,078	22,505,329,132	15,140,735,710	1,077,228,058	862,048,058	221,591,215	178,660,654
<b>Net assets</b>	<b>35,034,333,962</b>	<b>29,280,873,418</b>	<b>40,237,935,476</b>	<b>30,552,096,684</b>	<b>6,681,148,040</b>	<b>4,903,405,818</b>	<b>12,569,163,066</b>	<b>10,010,167,043</b>	<b>13,210,860,935</b>	<b>10,229,967,553</b>	<b>1,599,451,079</b>	<b>1,388,626,486</b>
<b>Reconciliation to carrying amount</b>												
Opening net assets	29,280,873,418	24,711,845,133	30,552,096,684	22,415,130,852	4,903,405,818	4,103,472,364	10,010,167,043	8,179,794,215	10,230,067,553	8,684,500,412	1,388,626,484	1,396,774,497
Profit for the year	7,525,528,605	3,808,878,435	11,576,522,891	6,850,946,508	1,885,548,174	706,861,668	2,770,827,506	1,663,137,582	3,374,375,792	1,496,232,847	269,422,331	116,088,778
Other comprehensive (loss) / income	(1,566,518,994)	760,548,327	(1,565,359,052)	1,286,952,667	(107,831,274)	93,414,665	(211,831,483)	167,235,246	(393,671,291)	250,184,587	(58,625,889)	36,004,412
Other adjustments	1,169,683	(398,477)	21,813	(933,343)	25,322	(342,879)	-	-	188,881	(18,893)	28,153	1,187
Dividend paid during the year	(206,718,750)	-	(325,346,860)	-	-	-	-	-	-	(200,831,400)	-	(160,242,390)
<b>Closing net assets</b>	<b>35,034,333,962</b>	<b>29,280,873,418</b>	<b>40,237,935,476</b>	<b>30,552,096,684</b>	<b>6,681,148,040</b>	<b>4,903,405,818</b>	<b>12,569,163,066</b>	<b>10,010,167,043</b>	<b>13,210,860,935</b>	<b>10,230,067,553</b>	<b>1,599,451,079</b>	<b>1,388,626,484</b>
Group's share (percentage)	1.9045%	1.9045%	0.462%	0.462%	2.00%	2.00%	1.69%	1.69%	0.50%	0.50%	3.46%	3.46%
<b>Carrying amount of investment (Rupees)</b>	<b>667,230,823</b>	<b>557,655,068</b>	<b>185,929,252</b>	<b>141,173,457</b>	<b>133,536,834</b>	<b>98,004,906</b>	<b>212,582,801</b>	<b>169,302,390</b>	<b>65,894,734</b>	<b>51,026,273</b>	<b>55,397,036</b>	<b>48,095,120</b>
<b>Summarised Statement of profit or loss</b>												
Revenue	65,729,421,620	39,732,449,120	90,646,435,432	58,162,790,748	6,257,155	4,974,085	34,253,229,257	21,798,961,333	10,756,199	6,528,229	-	-
Profit before tax	9,244,912,472	5,019,912,465	16,768,101,945	9,637,501,624	1,910,846,511	718,721,533	3,321,208,149	1,935,045,770	4,146,851,260	1,646,106,661	310,336,238	148,611,704
Profit after tax	8,400,011,404	4,616,008,541	15,007,680,445	8,989,722,814	1,885,548,174	706,861,668	2,770,827,506	1,663,137,582	3,374,375,792	1,496,232,847	269,422,331	116,088,778
Other comprehensive income / (loss)	(1,566,518,994)	760,548,327	(1,565,359,052)	-	(107,831,274)	93,414,665	(211,831,483)	167,235,246	(393,671,291)	-	(58,625,889)	36,004,412
<b>Total comprehensive income / (loss)</b>	<b>6,833,492,410</b>	<b>5,376,556,868</b>	<b>13,442,321,393</b>	<b>-</b>	<b>1,777,716,900</b>	<b>800,276,323</b>	<b>2,558,996,023</b>	<b>1,830,372,828</b>	<b>2,980,704,501</b>	<b>1,496,232,847</b>	<b>210,796,442</b>	<b>152,093,190</b>

- 5.2.1 Investment in SFL represents 393,697 fully paid ordinary shares of Rs.10 each representing 1.905% (2021: 1.905%) of SFL's issued, subscribed and paid-up capital as at June 30, 2022. 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% (2021: 0.462%) of STML's issued, subscribed and paid-up capital as at June 30, 2022. 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 2.00% (2021: 2.00%) of SFLL's issued, subscribed and paid-up capital as at June 30, 2022. 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% (2021: 1.69%) of SFML's issued, subscribed and paid-up capital as at June 30, 2022. 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% (2021: 0.5%) of SHL's issued, subscribed and paid-up capital as at June 30, 2022. 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% (2021: 3.46%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2022. 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.

6. STORES, SPARE PARTS AND  
LOOSE TOOLS

	2022	2021
	--- Rupees ---	
Stores	11,482,681	7,845,702
Spare parts	21,542,450	34,300,140
Loose tools	40,800	24,000
Items in transit	34,317,073	46,325,552
	<b>67,383,004</b>	<b>88,495,394</b>

7. STOCK-IN-TRADE

Raw materials:		
- at mills	3,560,945,774	1,793,227,469
- in transit	435,749,233	457,048,189
	<b>3,996,695,007</b>	<b>2,250,275,658</b>
Work-in-process	309,372,499	223,211,729
Finished goods		
- at mills	345,981,922	357,481,301
- at third party premises	34,555,013	-
	<b>380,536,935</b>	<b>357,481,301</b>
Waste	19,602,763	6,272,526
	<b>4,706,207,204</b>	<b>2,837,241,214</b>

8. TRADE DEBTS	Note	2022	2021
		--- Rupees ---	
<b>Considered good</b>			
Unsecured - local	8.1	1,316,235,087	974,044,108
Secured - foreign debts		528,025,448	98,968,852
		<u>1,844,260,535</u>	<u>1,073,012,960</u>
Less: provision for expected credit loss	8.4	61,744,328	58,224,328
		<u>1,782,516,207</u>	<u>1,014,788,632</u>

8.1 These include the following amounts due from related parties:

Amer Cotton Mills (Pvt.) Limited	-	144,861
Diamond Fabrics Limited	212,663	3,488,111
Sapphire Fibers Limited	163,710,932	51,786,807
Sapphire Power Generation Limited	17,294	10,951
Sapphire Textile Mills Limited	9,720,062	2,804,676
	<u>173,660,951</u>	<u>58,235,406</u>

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

	Related parties		Others	
	2022	2021	2022	2021
	----- Rupees -----			
Not past due	1,016,120	-	520,807,354	61,907,043
Past due 1-30 days	99,134,253	2,974,550	538,882,230	148,317,061
Past due 31-60 days	70,456,051	431,028	449,093,841	355,469,284
Past due 61-90 days	2,958,943	7,789,725	129,746,018	247,364,556
Past due 91-365 days	69,264	46,980,085	17,327,449	178,428,929
Past due one year	26,320	60,018	14,742,692	23,290,681
	<u>173,660,951</u>	<u>58,235,406</u>	<u>1,670,599,584</u>	<u>1,014,777,554</u>

8.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.424.164 million (2021: Rs.58.235 million).

8.4 Provision for expected credit loss	2022	2021
	--- Rupees ---	
Balance at the beginning of the year	58,224,328	41,569,765
Charged during the year	3,520,000	16,654,563
Balance at the end of the year	<u>61,744,328</u>	<u>58,224,328</u>

9. LOANS AND ADVANCES

	Note	2022	2021
--- Rupees ---			
Current portion of long term loans to employees		1,100,000	-
Advances to supplier and contractors		114,033,605	32,729,124
		<b>115,133,605</b>	<b>32,729,124</b>

10. SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits		-	3,120,505
Bank guarantee margin		833,473	241,172
Prepayments		214,592	29,169
		<b>1,048,065</b>	<b>3,390,846</b>

11. SHORT TERM INVESTMENTS

Equity instruments			
- at FVTOCI	11.1	53,461,961	55,470,065
- at FVTPL	11.2	2,492,583	2,302,721
		<b>55,954,543</b>	<b>57,774,461</b>

11.1 Equity Instruments - at FVTOCI  
(Investment in quoted securities)

2022	2021	Name of the investee company	Market value		Cost	
			2022	2021	2022	2021
No. of shares / certificates			----- Rupees -----			
14,000	14,000	Attock Cement Pakistan Limited	931,000	2,517,480	1,870,481	1,870,481
14,200	14,200	D.G.Khan Cement Company Limited	887,500	1,674,464	1,659,557	1,659,557
25,740	25,740	Engro Corporation Limited	6,617,497	7,583,261	7,296,579	7,296,579
55,000	55,000	Engro Fertilizers Limited	4,875,200	3,864,850	3,317,315	3,317,315
156,683	156,683	Engro Polymer & Chemicals Limited	12,476,667	7,401,705	4,881,318	4,881,318
19,000	19,000	The Hub Power Company Limited	1,295,230	1,513,730	2,428,134	2,428,134
5,900	5,900	ICI Pakistan Limited	4,274,845	5,125,920	6,980,061	6,980,061
290,000	290,000	K-Electric Limited	881,600	1,212,200	1,879,537	1,879,537
3,350	3,350	Lucky Cement Limited	1,537,784	2,892,524	2,167,609	2,167,609
847	847	Mari Petroleum Company Limited	1,473,560	1,291,158	1,054,594	1,054,594
36,179	31,460	Meezan Bank Limited	4,087,503	3,630,799	2,431,357	2,431,357
30,000	30,000	Oil & Gas Development Company Limited	2,360,100	2,850,900	4,574,621	4,574,621
2,400	2,400	Packages Limited	957,264	1,308,480	2,037,824	2,037,824
15,264	15,264	Pakistan Petroleum Limited	1,030,473	1,325,373	1,530,272	1,530,272
17,744	17,744	Pakistan State Oil Company Limited	3,049,129	3,979,092	3,969,942	3,969,942
66,000	66,000	Sui Northern Gas Pipeline Limited	2,257,860	3,206,280	8,184,950	8,184,950
52,000	52,000	Sui Southern Gas Company Limited	471,120	691,600	1,931,748	1,931,748
12,100	6,050	Systems Limited	3,991,306	3,389,331	492,468	492,468
58	45	The Searle Company Limited	6,323	10,918	18,860	18,860
			<b>53,461,961</b>	<b>55,470,065</b>	<b>58,707,227</b>	<b>58,707,227</b>
		Adjustment arising from re-measurement to fair value			<b>(5,245,266)</b>	<b>(3,237,162)</b>
		Market value			<b>53,461,961</b>	<b>55,470,065</b>

11.2. Equity Instruments - at FVTPL

2022	2021	Name of the investee company	2022	2021	2022	2021
Number of units	Market		Cost	2021	Cost	2021
			----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----
	42,420	Pakistan Income Bond	-	2,302,721	-	2,301,046
49,389	-	Pakistan Cash Management Fund	2,492,583	-	2,492,583	-
			<u>2,492,583</u>	<u>2,302,721</u>	<u>2,492,583</u>	<u>2,301,046</u>

Add: Adjustment arising from re-measurement to fair value

- 1,675

2,492,583 2,302,721

12. OTHER RECEIVABLES

	Note	2022	2021
		--- Rupees ---	--- Rupees ---
Advance income tax		168,447,782	101,128,683
Export rebate & duty drawbacks		3,120,718	3,814,148
Deposits with the High Court		6,993,302	6,993,302
Claims receivable		306,940	9,970,853
		<u>178,868,742</u>	<u>121,906,986</u>

13. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax	504,218,090	126,978,977
Less: provision for doubtful tax refunds	38,068,467	24,557,528
	466,149,623	102,421,449
Income tax	206,602,350	189,710,072
	<u>672,751,973</u>	<u>292,131,521</u>

14. CASH AND BANK BALANCES

Cash-in-hand		1,304,000	708,500
Cash at bank			
- at current account	14.1	25,509,599	7,705,365
- at dividend account		732,651	506,273
		26,242,250	8,211,638
		<u>27,546,250</u>	<u>8,920,138</u>

14.1 This include US\$ 60,658.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2022	2021	2022	2021
----- Numbers -----	----- Numbers -----	--- Rupees ---	--- Rupees ---
<u>10,292,000</u>	<u>10,292,000</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>102,920,000</u> <u>102,920,000</u>

- 15.1 Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.
- 15.2 6,709,970 (June 30, 2021: 6,709,970) ordinary shares of Rs.10 each are held by the related parties as at year-end.

16. LONG TERM LIABILITIES - Secured	Note	2022 --- Rupees ---	2021
Long term finances	16.1	1,754,174,918	1,102,718,294
Provision for Gas infrastructure Development Cess	16.2	89,927,713	85,386,356
		<u>1,844,102,631</u>	<u>1,188,104,650</u>
Less: current portion grouped under current liabilities		(210,608,139)	(183,656,275)
		<u>1,633,494,492</u>	<u>1,004,448,375</u>
<b>16.1 Long term finances</b> (from banking companies)			
- Faysal Bank Limited	16.1.1	154,503,000	154,503,000
- Habib Bank Limited	16.1.2	227,389,661	295,240,666
- MCB Bank Limited	16.1.3	634,872,257	652,974,628
- Mezaan Bank Limited	16.1.4	737,410,000	-
		<u>1,754,174,918</u>	<u>1,102,718,294</u>

- 16.1.1 The Parent Company has arranged long term finance facilities amounting to Rs.175 million from Faysal Bank Limited (Islamic) to retire imports documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.154.503 million in six tranches of different amounts during the preceding year. Each tranche is repayable in 32 equal quarterly installments commencing from different months of financial year 2022. These finances carry mark-up at the rates ranging from 3.00% to 4.00% (2021: 3.00% to 3.33%) per annum and are secured against first charge of Rs.233.33 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 and Rs.138 million from Habib Bank Limited under the state bank of Pakistan (SBP) scheme for imported plant and machinery and for refinance payment of wages and salaries respectively. These finance facilities have different repayment terms and carry mark-up at the rates ranged from 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 Group for Rs.641.333 million. As the above loan is below market rate of interest it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as a government grant.
- 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.652.974 million in 20 tranches of different amount during the preceding year and Rs.51.225 million in 2 tranches of different amounts during the current year. Each tranche is repayable in 16 equal quarterly installments commencing from different months of financial year 2022. These finances carry mark-up at the rates ranged from 2.50% to 10.82% (2021 : 2.50% to 11.84%) per annum and are secured against 1st joint pari passu charge of 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 amount during the current year. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranged from 3.50% to 4.00% per annum and are secured against 1st parri passu charge with 25% margin overall present and future plant and machinery of the Parent Company.

16.2	Movement in Gas Infrastructure Development Cess payable	Note	2022 ....Rupees.....	2021
	Balance of provision for GIDC	16.2.1	85,386,356	62,989,099
	Effect of discounting		-	(13,921,859)
	Provision during the year		-	31,137,629
	Unwinding of interest		4,541,356	5,181,487
			<u>89,927,713</u>	<u>85,386,356</u>

16.2.1 The Honorable 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 Honorable 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	DEFERRED INCOME - GOVERNMENT GRANT	2022 - - - R u p e e s - - -	2021
	Government grant on loan at below market rate of interest - net	841,007	3,814,496
	Less: current portion grouped under current liabilities	(841,007)	(3,385,985)
		<u>-</u>	<u>428,511</u>

17.1 As fully detailed in note 16.1.2 to these financial statements, the Group has recorded Rs.8.231 million as Government grant on loan at below-market rate of interest, as per the requirements of IAS-20 'Accounting for government grant and disclosure of government assistance'.

17.2 The Group has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the year, Rs.2.973 million has been recognized in the consolidated statement of profit or loss.

18. 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:

Amount recognized in the statement of financial position	2022	2021
	--- Rupees ---	
Net liability at the beginning of the year	72,010,728	62,585,160
Charge to statement of profit or loss	28,989,200	26,125,152
Remeasurement recognized in statement of other comprehensive income	3,661,570	2,009,990
Payments made during the year	(12,335,017)	(18,709,574)
Net liability at the end of the year	<u>92,326,481</u>	<u>72,010,728</u>
<b>Movement in the present value of defined benefit obligation</b>		
Balance at beginning of the year	72,010,728	62,585,160
Current service cost	22,240,270	21,600,570
Interest cost	6,748,930	4,524,582
Benefits paid	(12,335,017)	(18,709,574)
Remeasurements on obligation	3,661,570	2,009,990
Balance at end of the year	<u>92,326,481</u>	<u>72,010,728</u>
<b>Expense recognized in Statement of profit or loss</b>		
Current service cost	22,240,270	21,600,570
Interest cost	6,748,930	4,524,582
	<u>28,989,200</u>	<u>26,125,152</u>
<b>Remeasurements recognized in statement of other comprehensive income</b>		
Experience adjustment	<u>3,661,570</u>	<u>2,009,990</u>
<b>Actuarial assumptions used</b>		
	2022	2021
Discount rate	13.25%	10.25%
Expected rate of increase in future estimates	12.50%	9.25%
Average age of employees	13 years	13 years
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
	.....Rupees.....		
Discount rate	1.00%	<u>81,934,058</u>	<u>104,034,512</u>
Increase in future salaries	1.00%	<u>104,037,068</u>	<u>81,935,064</u>

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.



20. TRADE AND OTHER PAYABLES	Note	2022	2021
		..... Rupees .....	
Trade creditors	20.1	239,580,111	162,002,268
Accrued expenses		371,487,696	267,776,107
Bills payable	20.2	390,704,691	322,664,060
Sindh government infrastructure fee	20.3	155,927,910	96,098,284
Workers' profit participation fund	20.4	148,524,276	63,132,291
Workers' welfare fund		60,068,194	-
Current portion of Government grant	17	841,007	3,385,985
		<u>1,367,133,885</u>	<u>915,058,995</u>

20.1 These balances include the following amounts due to related parties:

Amer Cotton Mills (Pvt.) Limited	16,842,326	133,360
Sapphire Fibers Limited	26,800,373	5,774,827
Sapphire Textile Mills Limited	241,018	122,029
Sapphire Power Generation Limited	-	252,720
	<u>43,883,717</u>	<u>6,282,936</u>

20.2 These are secured against import documents.

20.3 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 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, 2022, the Parent Company has provided bank guarantees aggregating Rs.174.707 million (2021: Rs.100.720 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.

20.4 Workers' profit participation fund	2022	2021
	--- Rupees ---	
Balance at beginning of the year	63,132,291	14,430,628
Add: interest on funds utilized by the Company	547,629	214,012
	<u>63,679,920</u>	<u>14,644,640</u>
Less: payments made during the year	63,679,920	14,644,640
	<u>-</u>	<u>-</u>
Add: allocation for the year	148,524,276	63,132,291
Balance at end of the year	<u>148,524,276</u>	<u>63,132,291</u>

21. ACCRUED MARK-UP / INTEREST	Note	2022	2021
		--- Rupees ---	
Mark-up / interest accrued on:			
- long term finances		18,454,770	7,489,406
- short term borrowings		25,200,807	22,082,380
		<u>43,655,577</u>	<u>29,571,786</u>
<b>22. SHORT TERM BORROWINGS</b>			
Short term loans	22.1	745,000,000	360,000,000
Running / cash finances - secured	22.1	297,705,695	453,169,206
Temporary bank overdraft - unsecured		534,473	1,772,114
		<u>1,043,240,168</u>	<u>814,941,320</u>

22.1 The Parent Company has obtained short term finance facilities under mark-up arrangements aggregate to Rs.5,723 million (2021: Rs.7,318 million). These finance facilities, during the year, carried mark-up at the rates ranged from 7.44% to 15.31% (2021: 2.50% to 9.33%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.14,829 million (2021: Rs.13,828 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.6,000 million (2021: Rs.1,925 million) out of which the amount remained unutilized at the year-end was Rs.4,329 million (2021: Rs.778 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.

Abovementioned facilities are expiring on various dates upto April 30, 2023.

23. CURRENT PORTION OF LONG TERM LIABILITIES	Note	2022	2021
		--- Rupees ---	
Current portion of long term finances	16	143,935,040	140,514,859
Current portion of Gas Infrastructure Development Cess payable	16	66,673,099	43,141,417
		<u>210,608,139</u>	<u>183,656,276</u>

**24. CONTINGENCIES AND COMMITMENTS**

**24.1 Contingencies**

**24.1.1 Outstanding bank guarantees**

Guarantees aggregating Rs.286.662 million (2021: Rs.223.990 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

24.1.2 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, 2022 the value of these cheques amounted to Rs 550.659 million (2021: Rs.447.543 million).

24.1.3 The Holding Company has claimed an input tax credit of Rs.38.068 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 Honorable Lahore High Court dated July 07, 2015. The management expects a favourable outcome in this case.

24.2 Commitments

2022 2021  
--- Rupees ---

Commitments in respect of :

- letters of credit for capital expenditure	<u>653,562,710</u>	<u>537,740,658</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>203,360,516</u>	<u>385,234,801</u>
- capital expenditure other than letters of credit	<u>145,465,316</u>	<u>34,638,687</u>
- foreign & local bills discounted	<u>136,793,710</u>	<u>-</u>

25. SALES - Net

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

Types of goods and services	Note	2022 --- Rupees ---	2021
<b>Local sales</b>			
- yarn		2,229,678,993	2,077,274,663
- waste		151,506,318	53,953,162
- raw materials		62,584,359	123,010,519
- local steam income		11,697,894	5,678,478
- processing income		182,725	248,924
		<u>2,455,650,289</u>	<u>2,260,165,746</u>
<b>Export Sales</b>			
- yarn	25.1	10,013,382,942	6,050,551,248
- waste		133,532,610	140,216,004
		<u>10,146,915,552</u>	<u>6,190,767,252</u>
		<u>12,602,565,841</u>	<u>8,450,932,998</u>
Less: sales tax		<u>1,216,096,436</u>	<u>769,030,977</u>
		<u>11,386,469,405</u>	<u>7,681,902,021</u>

25.1 This includes indirect export of Rs.6,759 million (2021: Rs.4,250.986 million).

25.2 Waste sales include sale of comber noil.

25.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.72.795 million (2021: loss of Rs.25.560 million) has been included in export sales.

26. COST OF SALES

2022 2021  
--- Rupees ---

	Note	2022 --- Rupees ---	2021
Finished goods at beginning of the year		363,753,827	432,548,884
Cost of goods manufactured	26.1	7,639,060,576	5,751,372,209
Yarn / fabric purchased during the year		41,488,320	13,706,969
Cost of raw materials sold		35,674,514	89,303,197
		<u>7,716,223,410</u>	<u>5,854,382,375</u>
		<u>8,079,977,237</u>	<u>6,286,931,259</u>
Finished goods at end of the year		<u>(400,139,698)</u>	<u>(363,753,827)</u>
		<u>7,679,837,539</u>	<u>5,923,177,432</u>

26.1 Cost of goods manufactured	Note	2022	2021
		--- Rupees ---	
Work-in-process at beginning of the year		223,211,728	204,534,246
Raw materials consumed	26.2	5,686,622,075	4,150,333,578
Salaries, wages and benefits	26.3	621,917,127	469,873,322
Packing stores consumed		122,926,881	101,496,368
General stores consumed		182,711,847	146,040,159
Processing charges		247,592,779	239,438,795
Depreciation	4.2	231,992,757	200,651,679
Fuel and power		561,592,770	428,775,309
Repair and maintenance		33,044,158	10,523,810
Insurance		20,550,610	11,043,255
Travelling and conveyance		8,699,440	6,354,705
Other manufacturing expense		7,570,903	5,518,711
		<u>7,948,433,075</u>	<u>5,974,583,937</u>
Work-in-process at end of the year		<u>(309,372,499)</u>	<u>(223,211,728)</u>
		<u>7,639,060,576</u>	<u>5,751,372,209</u>
<b>26.2 Raw materials consumed</b>			
Stocks at beginning of the year		1,793,227,469	1,954,060,805
Purchases		7,454,340,380	3,989,500,242
		<u>9,247,567,849</u>	<u>5,943,561,047</u>
Stocks at end of the year		<u>(3,560,945,774)</u>	<u>(1,793,227,469)</u>
		<u>5,686,622,075</u>	<u>4,150,333,578</u>
<b>26.3</b>			
Salaries, wages and benefits include Rs.28.989 million (2021: Rs.26.125 million) in respect of staff retirement benefit - gratuity and Rs.3.790 million (2021: Rs.3.455 million) contribution in respect of staff provident fund.			
<b>27. DISTRIBUTION COST</b>		<b>2022</b>	<b>2021</b>
		--- Rupees ---	
	Note		
Salaries and other benefits	27.1	18,150,507	15,382,563
Travelling, conveyance and entertainment		9,159,273	7,783,726
Insurance charges - exports		512,820	293,159
Telephone & Postage		1,173,705	1,710,353
Printing and stationery		525,261	727,620
Commission:			
- local		8,380,884	10,493,164
- export		34,197,351	20,434,839
		42,578,235	30,928,003
Freight and forwarding:			
- local		10,659,136	10,030,559
- export		119,821,990	60,993,664
		130,481,126	71,024,223
Export development surcharge		6,035,806	5,783,205
Provision for expected credit loss in trade debts		3,520,000	16,654,563
		<u>212,136,733</u>	<u>150,287,415</u>

27.1 Salaries and other benefits include Rs.0.812 million (2021: Rs.0.693 million) in respect of contribution to staff provident fund.

28.	ADMINISTRATIVE EXPENSES	Note	2022	2021
			--- Rupees ---	
	Directors' remuneration		19,800,000	14,400,000
	Director's meeting fee		256,000	114,000
	Salaries and other benefits	28.1	48,307,015	41,707,654
	Postage		2,055,045	775,266
	Fee and subscription		3,518,225	2,880,813
	Legal and professional charges		7,433,283	2,909,398
	Entertainment		2,019,233	373,672
	Travelling and conveyance		13,073,356	1,617,485
	Printing and stationery		1,276,429	933,827
	Advertisement		84,469	72,611
	Repair and maintenance		231,886	3,753,360
	Utility charges		1,989,388	860,820
	Charity and donations	28.2	17,580,760	16,890,000
	Depreciation	4.2	5,818,182	5,032,174
	Insurance expense		87,779	-
	Others		90,256	85,273
			<b>123,621,306</b>	<b>92,406,353</b>

28.1 Salaries and other benefits include Rs.1.089 million (2021: Rs.1.291 million) in respect of contribution to staff provident fund.

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

**Donations with directors' interest**

These include donations amounted Rs.10 million (2021: Rs.16.500 million) 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.3 million made to Progressive education Network and Rs.2.5 million to Understanding China Forum, respectively.

29.	OTHER INCOME	Note	2022	2021
			--- Rupees ---	
<b>Income from financial assets</b>				
	Dividend income		7,085,418	3,052,939
	Amortisation of deferred income - government grant		2,973,489	4,416,938
			<b>10,058,907</b>	<b>7,469,877</b>
<b>Income from assets other than financial assets</b>				
	Gain on disposal of operating fixed assets	4.4	3,420,023	391,000
	Exchange gain on foreign currency loans		-	2,115,761
	Scrap sales [Net of sales tax aggregating Rs.2.541 million (2021: Rs.1.489 million)]		14,260,458	7,703,786
	Miscellaneous Income		1,075	1,675
			<b>17,681,556</b>	<b>10,212,221</b>
			<b>27,740,463</b>	<b>17,682,098</b>

30. OTHER EXPENSES	Note	2022	2021
		--- Rupees ---	
Workers' profit participation fund	20.4	148,524,276	63,132,291
Workers' welfare fund	20	60,068,194	-
Provision for doubtful tax refunds		13,510,939	-
Auditors' remuneration	30.1	1,725,850	973,350
Other Expense		66,544	111,275
		<u>223,895,803</u>	<u>64,216,916</u>
<b>30.1 Auditors' remuneration:</b>			
- statutory audit		656,250	656,250
- half yearly review		138,600	138,600
- code of corporate governance review		57,750	57,750
- special audit		600,000	-
- certifications and others		155,000	52,500
- out-of-pocket expenses		118,250	68,250
		<u>1,725,850</u>	<u>973,350</u>
<b>31. FINANCE COST</b>			
Mark-up / interest on long term finances		40,517,653	24,195,073
Mark-up / interest on short term borrowings		177,359,308	152,583,760
Interest on workers' profit participation fund	20.4	547,629	214,012
Unwinding effect of long term liabilities	16.2	4,541,356	5,181,487
Unwinding effect of govt grant		2,973,489	5,188,427
Bank and other financial charges		10,721,873	7,615,951
		<u>236,661,308</u>	<u>194,978,710</u>
<b>32. TAXATION</b>			
<b>Current</b>			
- for the year	32.1	151,318,711	79,389,387
- for prior year		(1,967,147)	1,272,923
<b>Deferred tax</b>		50,172,207	21,093,894
		<u>199,523,771</u>	<u>101,756,204</u>
<b>32.1</b>	The Group 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.		
<b>32.2</b>	Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.		
<b>33. EARNINGS PER SHARE</b>		2022	2021
		--- Rupees ---	
<b>33.1 Basic earnings per share</b>			
Net profit for the year		<u>3,046,062,035</u>	<u>1,330,697,755</u>
		----- Number of shares -----	
Weighted average ordinary shares in issues		<u>10,292,000</u>	<u>10,292,000</u>
		----- Rupees -----	
Earnings per share		<u>295.96</u>	<u>129.29</u>

**33.2 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, 2022 and June 30, 2021 which would have any effect on the earnings per share if the option to convert is exercised.

34. CASH AND CASH EQUIVALENTS	2022	2021
	--- Rupees ---	
Cash and bank balances	27,546,250	8,920,138
Bank overdraft	(534,473)	(1,772,114)
	<u>27,011,777</u>	<u>7,148,025</u>

**35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

Particulars	Chief Executive		Executives	
	2022	2021	2022	2021
	-----Rupees-----			
Managerial remuneration	19,800,000	9,648,000	58,369,575	31,101,125
Contribution to provident fund trust	-	-	2,923,347	2,590,724
Medical	-	-	701,884	622,022
Leave encashment / bonus	-	4,752,000	9,512,252	26,045,861
	<u>19,800,000</u>	<u>14,400,000</u>	<u>71,507,058</u>	<u>60,359,732</u>
Number of persons	<u>1</u>	<u>1</u>	<u>18</u>	<u>12</u>

35.1 Certain executives are provided with Group maintained vehicles.

35.2 During the year, meeting fees of Rs.256 thousand (2021: Rs.114 thousand) was paid to two non-executive director.

**36. 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 Parent 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
Sapphire Textile Mills Limited	Common directorship	0.462%
Sapphire Fibres Limited	Common directorship	1.905%
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	1.998%
Amir Cotton Mills (Private) Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Amer Tex (Private) Limited	Common directorship	-
Crystal Enterprises (Private) Limited	Common directorship	-

Name of the related party	Basis of relationship	Percentage of shareholding
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.

**Significant transactions with the related parties**

	2022	2021
	--- Rupees ---	
<b>ii) Associated Companies</b>		
Sales of:		
- raw material / yarn / fabric / stores	964,423,719	711,715,983
Purchases:		
- raw material / yarn / fabric / stores	163,963,664	54,289,945
Expenses charged by	12,257,190	9,987,234
Expenses charged to	-	5,502,878
Loans repaid	-	21,420,000
Purchase of fixed assets	28,100,000	-
Advance for purchase of fixed assets	46,637,601	-
Dividend:		
- received	5,440,315	5,550,000
- paid	33,549,850	20,400
<b>iii) Director and their related parties</b>		
Loans repaid	-	15,705,000
Donation	10,000,000	16,500,000
<b>iv) Key management personnel</b>		
Salary and other employment benefits	32,847,829	25,115,451
<b>v) Retirement Fund</b>		
Contribution towards provident fund	11,385,506	10,880,824

**37. FINANCIAL RISK MANAGEMENT****37.1 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.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note.37.4, the financial assets exposed to credit risk aggregated to Rs.1,942.234 million as at June 30, 2022 (2021: Rs.1,168.044 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% (June 30, 2021: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2022	2021
	--- Rupees ---	
Long term deposits	9,087,690	11,187,690
Trade debts	1,844,260,535	1,073,012,960
Loans and advances	1,100,000	-
Short term deposits	833,473	3,361,677
Short term investments	55,954,543	57,774,461
Other receivables	7,300,242	16,964,155
Bank balances	26,242,250	8,211,638
	<u>1,944,778,733</u>	<u>1,170,512,581</u>

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:

	2022	2021
	--- Rupees ---	
Domestic	1,316,235,087	974,044,108
Export	528,025,448	98,968,852
	<u>1,844,260,535</u>	<u>1,073,012,960</u>

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.

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	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	JCR-VIS
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+	AA+	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, 2022					
Long term liabilities	1,844,102,631	2,021,675,812	164,235,101	1,034,807,086	822,633,625
Trade and other payables	1,001,772,498	1,001,772,498	1,001,772,498	-	-
Accrued mark-up / interest	43,655,577	43,655,577	43,655,577	-	-
Short term borrowings	1,042,705,695	1,149,486,460	1,149,486,460	-	-
Unclaimed dividend	844,398	844,398	844,398	-	-
	<u>3,933,080,799</u>	<u>4,217,434,745</u>	<u>2,359,994,034</u>	<u>1,034,807,086</u>	<u>822,633,625</u>
----- Rupees -----					
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
June 30, 2021					
Long term finances	1,102,718,295	1,224,123,611	160,002,932	609,750,117	454,370,562
Trade and other payables	752,442,435	752,442,435	752,442,435	-	-
Accrued mark-up / interest	29,571,786	29,571,786	29,571,786	-	-
Short term borrowings	813,169,206	814,941,320	814,941,320	-	-
Unclaimed dividend	617,737	617,737	617,737	-	-
	<u>2,698,519,459</u>	<u>2,821,696,889</u>	<u>1,757,576,210</u>	<u>609,750,117</u>	<u>454,370,562</u>

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 Frank. The company's exposure to foreign currency risk for U.S. Dollar, Euro, Japanese Yen (JPY), and Swiss Frank (CHF) is as follow :

For the year ended June 30, 2022	Rupees	U.S.\$	Euro	JPY	CHF
Bills payables	390,704,691	1,299,420	570,216	-	-
Trade debts	(528,025,448)	(2,569,467)	-	-	-
Bank balances	(12,465,233)	(60,658)	-	-	-
<b>Net balance sheet exposure</b>	<b>(149,785,990)</b>	<b>(1,330,705)</b>	<b>570,216</b>	<b>-</b>	<b>-</b>
Outstanding letters of credit	856,923,226	2,076,000	809,903	2,535,000	1,116,651
	<b>707,137,236</b>	<b>745,295</b>	<b>1,380,119</b>	<b>2,535,000</b>	<b>1,116,651</b>
For the year ended June 30, 2021	Rupees	U.S.\$	Euro	JPY	CHF
Trade debts	(98,968,862)	(627,179)	-	-	-
Net balance sheet exposure	(98,968,862)	(627,179)	-	-	-
Outstanding letters of credit	922,976,469	2,453,891	970,117	-	2,045,000
	<b>824,007,607</b>	<b>1,826,712</b>	<b>970,117</b>	<b>-</b>	<b>2,045,000</b>

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
US Dollar to Rupee	178.68	160.63	206 / 205.50	158.30 / 157.80
Euro to Rupee	200.56	179.03	215.75 / 215.23	188.71 / 188.12
Swiss Frank to Rupee	190.00	190.27	215.96 / 215.43	171.86 / 171.32
Japanese Yen to Rupee	1.66	1.55	1.5083 / 1.5047	1.4324 / 1.4279

At June 30, 2022, 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 higher / (lower) by the amount shown below mainly as a result of net foreign exchange (loss) / gain on translation of financial assets and liabilities.

Effect on profit for the year	2022	2021
	.....Rupees.....	
US Dollar to Rupee	(27,412,514)	(9,896,885)
Euro to Rupee	12,302,410	-
	<b>(15,110,104)</b>	<b>(9,896,885)</b>

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

(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:

	2022	2021	2022	2021
	--- Effective rate ---		--- Carrying amount ---	
	%	%	--- Rupees ---	
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	1 to 10.82	1 to 4	<u>1,754,174,918</u>	<u>1,102,718,294</u>
<b>Variable rate instruments</b>				
Short term borrowings	7.44 to 15.31	2.50 to 9.33	<u>1,042,705,695</u>	<u>813,169,206</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through consolidated 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.

**(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.53.462 million (2021: Rs.55.470 million) are exposed to price risk due to changes in market price.

At June 30, 2022, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the period / year would have higher / (lower) by Rs.5.346 million (2021: Rs.5.547 million).

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

**37.2 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.53.461 million (2021: Rs.55.470 million). The carrying values of other financial assets and liabilities reflected in the Consolidated 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.

### 37.3 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.

	2022	2021
	--- Rupees ---	
Total borrowings	2,797,415,086	1,917,659,614
Less: cash and bank balances	27,546,250	8,920,138
Net debt	<u>2,769,868,836</u>	<u>1,908,739,476</u>
Total equity	7,378,338,046	4,435,010,786
Total capital	<u>10,148,206,882</u>	<u>6,343,750,262</u>
Gearing ratio	<u>27%</u>	<u>30%</u>

37.4 Financial instruments by category

	As at June 30, 2022			As at June 30, 2021		
	Amortised cost	At fair value through OCI	Total	Amortised cost	At fair value through OCI	Total
Financial assets as per statement of financial position	----- Rupees -----			----- Rupees -----		
Long term advances and deposits	9,087,690	-	9,087,690	11,187,690	-	11,187,690
Trade debts	1,844,260,535	-	1,844,260,535	1,073,012,960	-	1,073,012,960
Short term deposits	833,473	-	833,473	3,361,677	-	3,361,677
Loans and advances	1,100,000	-	-	-	-	-
Short term investments	-	53,461,961	53,461,961	-	55,470,065	55,470,065
Other receivables	7,300,242	-	7,300,242	16,964,155	-	16,964,155
Cash and bank balances	27,546,250	-	27,546,250	8,920,138	-	8,920,138
	<b>1,890,128,190</b>	<b>53,461,961</b>	<b>1,942,490,151</b>	<b>1,113,446,620</b>	<b>55,470,065</b>	<b>1,168,916,685</b>

	Financial liabilities measured at amortised cost	
	2022	2021
Financial liabilities as per statement of financial position	---- Rupees ----	
Long term liabilities and accrued mark-up	1,862,557,401	1,195,594,056
Trade and other payables	1,127,553,774	753,056,727
Unclaimed dividend	844,398	617,737
Short term borrowings and accrued mark-up	1,068,440,975	837,023,700
	<b>4,059,396,548</b>	<b>2,786,292,220</b>

38. CAPACITY AND PRODUCTION

38.1 Spinning units

	2022	2021
Number of spindles installed	57,600	46,944
Number of spindles worked	46,915	43,463
Number of shifts worked per day	3	3
Total number of days worked	365	365
Installed capacity after conversion into 20's count	Lbs. 36,500,000	31,029,984
Actual production after conversion into 20's count	Lbs. 31,134,134	27,050,525

38.1.1 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.

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

	Liabilities			
	Long term liabilities	Short term borrowings	Accrued mark-up / interest	Dividend
	----- Rupees -----			
Balance as at July 01, 2021	1,102,718,294	814,941,320	29,571,786	617,737
Changes from financing activities				
Finances obtained	793,176,358	-	-	-
Finances / finance cost repaid	(140,151,866)	228,298,848	(218,036,161)	-
Dividends paid	-	-	-	(51,233,339)
Dividend declared	-	-	-	51,460,000
Total changes from financing cash flows	653,024,492	228,298,848	(218,036,161)	226,661
Deferred grant	(1,567,868)	-	-	-
Finance cost	-	-	232,119,952	-
Balance as at June 30, 2022	<u>1,754,174,918</u>	<u>1,043,240,168</u>	<u>43,655,577</u>	<u>844,398</u>

	Liabilities			
	Long term finances	Short term borrowings	Accrued mark-up / interest	Dividend
	----- Rupees -----			
Balance as at July 01, 2020	873,050,628	2,518,887,111	61,040,204	613,360
Changes from financing activities				
Finances obtained	286,109,905	-	-	-
Finances / finance cost repaid	(51,596,789)	(1,705,717,905)	(208,765,213)	-
Dividends paid	-	-	-	4,377
Dividend declared	-	-	-	-
Bank overdraft	-	1,772,114	-	-
Total changes from financing cash flows	234,513,116	(1,703,945,791)	(208,765,213)	4,377
Deferred grant	(4,845,449)	-	-	-
Finance cost	-	-	177,296,796	-
Other changes	-	-	-	-
Balance as at June 30, 2021	<u>1,102,718,295</u>	<u>814,941,320</u>	<u>29,571,787</u>	<u>617,737</u>

40. PROVIDENT FUND RELATED DISCLOSURES - Parent Company

The following information is based on unaudited financial statements of the Fund for the year ended June 30, 2022 and audited financial statements for June 30, 2021:

	2022	2021
	--- Rupees ---	
Size of the Fund - Total Assets	<u>29,815,425</u>	<u>26,431,794</u>
Cost of investments made	<u>29,264,316</u>	<u>26,056,306</u>
Percentage of investments made (%)	<u>98.15</u>	<u>98.58</u>
Fair value of investments	<u>29,815,425</u>	<u>26,431,794</u>

40.1 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.

41. NUMBER OF EMPLOYEES

	2022	2021
Average number of employees during the year	<u>1,167</u>	<u>1,145</u>
Number of employees	<u>1,218</u>	<u>1,163</u>

42. 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.


43. EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Parent Company, in their meeting held on September 26, 2022, has proposed a final cash dividend of 75% (i.e. Rs.7.5 per share) amounting to Rs.77.190 million for the year ended June 30, 2022, for approval of the members at the Annual General Meeting to be held on October 26, 2022.

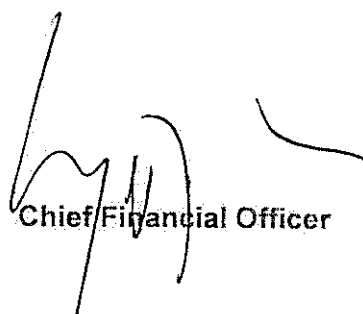
These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in the year ending June 30, 2023.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **26 SEP 2022** by the Board of Directors of the Company.

  
Chief Executive Officer

  
**SHS** Director

  
Chief Financial Officer

# PATTERN OF SHAREHOLDING

As at 30 June 2022

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
308	1	100	6,594
76	101	500	27,972
23	501	1,000	20,622
25	1,001	5,000	67,233
5	5,001	10,000	36,112
3	10,001	15,000	33,897
4	15,001	20,000	71,440
1	20,001	25,000	20,539
2	25,001	30,000	55,711
4	35,001	40,000	153,085
1	40,001	45,000	43,188
1	50,001	55,000	50,776
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	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	153,768
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
1	555,001	560,000	557,621
4	595,001	600,000	2,392,801
1	635,001	640,000	636,156
4	645,001	650,000	2,594,972
<b>482</b>			<b>10,292,000</b>

# CATEGORIES OF SHAREHOLDERS

As at 30 June 2022

Particulars	No. of Shares Held	Percentage %
Director's, CEO, Their Spouse and Minor Children	870,087	8.4540
Associated Companies, Undertakings and Related Parties	6,734,108	65.4305
NIT & ICP	465,638	4.5243
Banks, Development Finance Institutions, Non- Banking Financial Institutions	325	0.0032
Insurance Companies	16,940	0.1646
Modarabas Companies & Mutual Funds	500	0.0049
General Public (Local)	2,143,762	20.8294
Joint Stock Companies	1,144	0.0111
Other Companies	59,496	0.5781
	10,292,000	100.0000

# PATTERN OF SHAREHOLDING

As at 30 June 2022

<b>A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	<b>NO OF SHARES</b>
Amer Cotton Mills (Private) Limited	18,100
Amer Tex (Pvt.) Limited	10,667
ATMZ Company (Private) Limited	1,246,944
Channel Holdings (Private) Limited	1,246,944
Crystal Enterprises (Private) Limited	28,798
Resource Corporation (Private) Limited	1,246,944
Salman Ismail (SMC-PRIVATE) Limited	1,500
Sapphire Fibers Limited	153,768
Sapphire Power Generation Limited	20,539
Sapphire Textile Mills Limited	315,963
SFL Limited	557,621
Sapphire Holding Limited	636,156
Synergy Holdings (Private) Limited	1,246,941
Yousuf Agencies (Private) Limited	3,223
<b>B) NIT &amp; ICP</b>	
CDC - Trustee National Investment (Unit) Trust	465,638
<b>C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN</b>	
<b>DIRECTORS &amp; THEIR SPOUSES</b>	
Mr. Shahid Abdullah	117,777
Mr. Yousuf Abdullah	248,710
Mr. Amer Abdullah	38,950
Mr. Nabeel Abdullah	570
Mr. Asif Elahi	500
Mrs. Shireen Shahid	98,506
Mrs. Ambareen Amer	116,233
Mrs. Usma Yousuf	28,013
Mrs. Madiha Saeed Nagra	100
<b>CHIEF EXECUTIVE OFFICER &amp; HIS SPOUSE</b>	
Mr. Shayan Abdullah	220,728

# PATTERN OF SHAREHOLDING

As at 30 June 2022

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

### BANKS, DFI & NBFII

National Bank of Pakistan	225
National Development Finance Corporation	100

### INSURANCE COMPANIES

State Life Insurance Company of Pakistan	16,940
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### MODARABA COMPANIES

First Punjab Modaraba	500
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## E) SHAREHOLDERS HOLDING 5% OR MORE

ATMZ Company (Private) Limited	1,246,944
Channel Holdings (Private) Limited	1,246,944
Resource Corporation (Private) Limited	1,246,944
Synergy Holdings (Private) Limited	1,246,941
SFL Limited	557,621
Sapphire Holding Limited	636,156

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















Mr. Amer Abdullah Gifted shares to his Son Mr. Tayyab Abdullah	155,092
Mr. Amer Abdullah Gifted shares to his Son Mr. Mustafa Abdullah	155,116
Mr. Amer Abdullah Gifted shares to his Son Mr. Ali Abdullah	30,418
Mr. Yousuf Abdullah Gifted shares to his Son Mr. Ismael Abdullah	170,000
Mr. Yousuf Abdullah Gifted shares to his Son Mr. Salman Abdullah	170,000
Mrs. Ambareen Amer Gifted shares to her Son Mr. Ali Abdullah	124,605



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# FORM OF PROXY Reliance Cotton Spinning Mills Limited

For the year ended 30 June 2022

I/we \_\_\_\_\_ of \_\_\_\_\_  
a member(s) of Reliance Cotton Spinning Mills Limited and a holder of \_\_\_\_\_  
Ordinary Shares, do hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
who is also a member of Reliance Cotton Spinning Mills Limited, vide Registered Folio No. \_\_\_\_\_  
as my/ our Proxy to act on my/ our behalf at Annual General Meeting of the Company to be held virtually on Wednesday  
the 26th October, 2022 at 4:00 pm through video conference and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

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

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

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

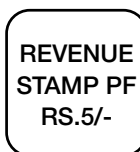
Email: \_\_\_\_\_

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 common seal and signed by its authorized person.
3. Power of Attorney or other authority (if any) under which this proxy form is signed, a certified copy of that Power of Attorney must be deposited along with this form.
4. This proxy form duly completed must be deposited at the Registered Office of the Company at least 48 hours before the time of holding the meeting.
5. In case of CDC account holder:
  - i) The proxy form shall be witnessed by two persons whose names, addresses CNIC numbers shall be mentioned on the form.
  - ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
  - iv) In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

## Witness:

Name _____
Address _____
CNIC No. _____

Name _____
Address _____
CNIC No. _____

فارم برائے قائم مقام / متبادل

## ریلائنس کاٹن اسپننگ ملز لمیٹڈ

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

ریلائنس کاٹن اسپننگ ملز لمیٹڈ کے ممبر کی حیثیت سے \_\_\_\_\_ شہر کی تحویل رکھتا / رکھتی ہوں۔ میں / ہم \_\_\_\_\_ کو یا \_\_\_\_\_ ان کی عدم حاضری کی صورت میں \_\_\_\_\_ کو جس / جن کا تعلق \_\_\_\_\_ سے ہے، کو \_\_\_\_\_

26 اکتوبر 2022ء شام 4:00 بجے بڑی ہال، کاٹن 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۔

ریویونیوٹکٹ

پانچ روپے

اس دستاویز پر مورخہ \_\_\_\_\_ 2022 کو دستخط ہوئے۔

شہر ہولڈر کے دستخط \_\_\_\_\_

شہر ہولڈر کا فوئیو نمبر: \_\_\_\_\_

اور / یا CDC \_\_\_\_\_

شریک ہونے والے کا CNIC نمبر \_\_\_\_\_

اور سب اکاؤنٹ نمبر \_\_\_\_\_

پراکسی کے دستخط \_\_\_\_\_

شہر ہولڈر کا فوئیو نمبر: \_\_\_\_\_

اور / یا CDC \_\_\_\_\_

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 نکٹ نالگیا جائے۔
- 2۔ بینک یا کمپنی کی صورت میں پراکسی فارم پر authorized person کے دستخط کے ساتھ کمپنی کی مشین کاپی لازم ہوگی۔
- 3۔ پاور آف اٹارنی یا دیگر authority کی صورت میں پراکسی فارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔
- 4۔ دستخط شدہ پراکسی فارم کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔

### سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں

- (i) پراکسی فارم پر دو افراد تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر فارم پر موجود ہونا چاہئے۔
- (ii) Beneficial owners کے CNIC یا پاسپورٹ کی اسکن شدہ کاپی پراکسی فارم کے ساتھ جمع کرانے ہوں گے۔
- (iii) پراکسی مینٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔
- (iv) کارپوریٹ اثبوتی کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution/power of attorney کے دستخط بھی جمع کروانے جائیں گے (اگر یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1) دستخط: \_\_\_\_\_

(2) دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

پتہ: \_\_\_\_\_

CNIC یا پاسپورٹ نمبر \_\_\_\_\_

CNIC یا پاسپورٹ نمبر \_\_\_\_\_



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