# CONTENTS

# COMPANY PROFILE

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | | |
| CHAIRMAN | : | MR. MOHAMMAD ABDULLAH |
| CHIEF EXECUTIVE | : | MR. SHAYAN ABDULLAH |
| DIRECTOR | : | MR. AMER ABDULLAH<br>MR. YOUSUF ABDULLAH<br>MR. NABEEL ABDULLAH<br>MR. MOHAMMAD YOUNUS<br>MR. MOHAMMAD YAMIN |
| AUDIT COMMITTEE | | |
| CHAIRMAN | : | MR. AMER ABDULLAH |
| MEMBER | : | MR. YOUSUF ABDULLAH |
| MEMBER | : | MR. NABEEL ABDULLAH |
| HUMAN RESOURSE & REMUNERATION COMMITTEE | | |
| CHAIRMAN | : | MR. MOHAMMAD YOUNUS |
| MEMBER | : | MR. SHAYAN ABDULLAH |
| MEMBER | : | MR. MOHAMMAD YAMIN |
| CHIEF FINANCIAL OFFICE | : | MR. NAVEED-UL-ISLAM |
| SECRETARY | : | MR. UMAR RAHI |
| AUDITORS | : | M. YOUSUF ADIL SALEEM & COMPANY<br>CHARTERED ACCOUNTANTS |
| MANAGEMENT CONSULTANT | : | M. YOUSUF ADIL SALEEM & COMPANY<br>CHARTERED ACCOUNTANTS |
| TAX CONSULTANTS | : | M. YOUSUF ADIL SALEEM & COMPANY<br>CHARTERED ACCOUNTANTS |
| LEGAL ADVISOR | : | HASSAN & HASSAN ADVOCATES |
| BANKERS | : | HABIB BANK LIMITED<br>MCB BANK LIMITED<br>HABIB METROPOLITAN BANK LIMITED |
| SHARE REGISTRAR | | HAMEED MAJEED ASSOCIATES (PVT) LTD |
| REGISTERED OFFICE | : | 312, COTTON EXCHANGE BUILDING,<br>I.I.CHUNDRIGAR ROAD,<br>KARACHI. |
| MILLS | : | FEROZE WATTOAN<br>TEHSIL AND DISTRICT<br>SHEIKHUPURA |

# VISION

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

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

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

# MISSION

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 24th Annual General Meeting of RELIANCE COTTON SPINNING MILLS LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Tuesday the 29th day of October, 2013 at 05:30 p.m. to transact the following business:

ORDINARY BUSINESS:

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

By Order of the Board

Karachi.
Dated :07th October, 2013

**(MOHAMMAD UMER RAHI)**
Secretary

**NOTES**

1. Closure of share transfer books:

   Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 23rd October, 2013 to 29th October, 2013 (both days inclusive). Transfers received in order, by Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 22nd October, 2013 will be considered in time for the payment of dividend.
2. Participation in the annual general meeting:

   A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.
3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 312, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.
4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

   A. For attending the meeting:

   i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.

   ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

   B. For appointing proxies:

   i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

   ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.

   iii) Attested copies of CNIC or the passport.

   iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

   v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2013 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. As per the directions to all Listed Companies by SECP vide Letter No.SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.

# DIRECTORS' REPORT

The Directors of your Company are pleased to present before you 24th annual report together with audited financial statements of the Company for the year ended June 30, 2013.

**PERFORMANCE OF THE COMPANY**

The performance of the Company remained satisfactory. The salient features of the operational results are as under:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000') | |
| Sales | 3,853,608 | 2,557,935 |
| Gross profit | 637,167 | 367,916 |
| Profit before tax | 350,982 | 104,472 |
| Profit after tax | 308,875 | 71,803 |
| Earnings per share (Rupees) | 30.01 | 6.98 |

**REVIEW OF OPERATIONS**

Year under review witnessed increase in sale of Rs. 1,295.673 million as against previous year. Gross profit as a percentage of sales increased from 14.38% of last year to 16.53% in current year. Finance cost as a percentage of sales decreased to 4.16% as against 5.50% of the last year.

**APPROPRIATION OF PROFITS**

Your directors are pleased to propose the following appropriations for the period under review:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000') | |
| Net profit after taxation | 308,875 | 71,803 |
| Un-appropriated profit brought forward | 1,016,987 | 958,049 |
| Profit available for appropriation: | 1,325,862 | 1,029,852 |
| Appropriations: | | |
| Proposed cash dividend @ 20% (2012: 12.5%) | 20,584 | 12,865 |
| Un-appropriated profit carried forward | 1,305,278 | 1,016,987 |

**DIVEDEND**

The Board of Directors are pleased to recommend final cash dividend of 20% i.e. Rs. 2.00 (Rupees two only) per share to be paid to the shareholders.

**EARNING PER SHARE**

The earning per share on June 30, 2013 is Rs. 30.01 as compared to Rs. 6.98 for previous year.

**FUTURE OUTLOOK**

The management of your company is of the view that the coming year will be a challenging year. Cotton prices are on the rise and yarn prices have not increased proportionately. At the same time, the hike in power tariffs and load shedding of gas and electricity will also impact the profitability of the company. However, the management is working hard to overcome these challenges.

**ENVIRONMENT, HEALTH, SAFETY AND SOCIAL ACTIONS**

The Company maintains working conditions which are safe and without risk to the health of all employees and public at large the management has maintained safe environment in all its operations through out the year.

# DIRECTORS' REPORT

**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 confirm that:

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

2. The company has maintained proper books of accounts.

3. Appropriate accounting policies have been consistently applied in 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 preparation of financial statements.

5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further.

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 financial statements.

7. There is no doubt about the company's ability to continue as a going concern.

8. There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.

9. The Board in compliance to the Code of Corporate Governance has established an Audit Committee and the following directors are its members:

| | |
|---|---|
| Mr. Amer Abdullah | Chairman |
| Mr. Yousuf Abdullah | Member |
| Mr. Nabeel Abdullah | Member |

10. The Board in compliance to the Code of Corporate Governance has formed a Human Resource and Remuneration Committee of which following directors are its members:

| | |
|---|---|
| Mr. Mohammad Younus | Chairman |
| Mr. Shayan Abdullah | Member |
| Mr. Mohammad Yamin | Member |

11. Operating and financial data and key ratios of six years are annexed.

12. The company operates an un-funded gratuity scheme for its employees and provision has been made in the financial statements accordingly.

13. Except as stated hereunder no trades in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

| | |
|---|---|
| Mrs. Shamshad Begum purchased | 11,376 shares |
| Mr. Yousuf Abdullah purchased | 38,688 shares |
| Mr. Amer Abdullah purchased | 38,750 shares |

# DIRECTORS' REPORT

14. During the year =12= meetings of the Board of Directors were held. Attendance by each Director is as follows:

| | |
|---|---|
| Mr. Mohammad Abdullah | =8= |
| Mr. Amer Abdullah | =7= |
| Mr. Yousuf Abdullah | =6= |
| Mr. Shayan Abdullah | =7= |
| Mr. Nabeel Abdullah | =6= |
| Mr. Mohammad Younus | =6= |
| Mr. Mohammad Yamin | =8= |

15. During the year =5= meetings of the Audit Committee were held. Attendance by each Director is as follows:

| | |
|---|---|
| Mr. Amer Abdullah | =5= |
| Mr. Yousuf Abdullah | =4= |
| Mr. Nabeel Abdullah | =3= |

16. During the year four meetings of the HR &R Committee were held. Attendance by all members.

17. 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.

**PATTERN OF SHAREHOLDING:**

The pattern of share holding of the company as at June 30, 2013 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

**AUDITORS:**

The present Auditors, M. Yousuf Adil Saleem & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment for the year 2013-2014. Audit Committee and Board of Directors have also recommended their appointment as Auditor for the year ending June 30, 2014.

**ACKNOWLEDGEMENTS:**

The Management would like to place on record its appreciation for the support of the Shareholders, Bankers, Suppliers and the dedication and hard work of the Staff and Workers.

For and on behalf of the Board of Directors

Karachi
Dated: October 07, 2013

**Shayan Abdullah**
Chief Executive

# SIX YEARS' KEY OPERATING AND FINANCIAL DATA

| | Rupees in million | YEARS 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Sales | | 3,853.608 | 2,557.935 | 2,613.864 | 1,753.876 | 1,544.923 | 1,252.956 |
| Gross Profit | | 637.167 | 367.916 | 737.760 | 394.982 | 312.516 | 249.853 |
| Profit Before Tax | | 350.982 | 104.472 | 503.164 | 162.560 | 164.967 | 85.094 |
| Profit After Tax | | 308.875 | 71.803 | 476.540 | 137.703 | 143.869 | 71.560 |
| Share Capital | | 102.920 | 102.920 | 102.920 | 102.920 | 102.920 | 102.920 |
| Shareholder's Equity | | 1,636.344 | 1,297.736 | 1,214.390 | 786.809 | 635.409 | 504.908 |
| Fixed Assets | | 1,201.244 | 966.777 | 751.621 | 589.377 | 470.702 | 493.470 |
| Total Assets | | 3,281.305 | 2,601.956 | 2,400.897 | 1,741.224 | 1,495.111 | 1,202.107 |
| **DIVIDEND** | | | | | | | |
| Cash | % | 20.00 | 12.50 | 25.00 | 20.00 | 15.00 | 10.00 |
| **RATIOS:** | | | | | | | |
| **Profitability** | % | | | | | | |
| Gross Profit | | 16.53 | 14.38 | 28.22 | 22.52 | 20.23 | 19.94 |
| Profit Before Tax | | 9.11 | 4.08 | 19.25 | 9.27 | 10.68 | 6.79 |
| Profit After Tax | | 8.02 | 2.81 | 18.23 | 7.85 | 9.31 | 5.71 |
| **Return To Shareholders** | | | | | | | |
| R.O.E-Before Tax | | 21.45 | 8.05 | 41.43 | 20.66 | 25.96 | 16.85 |
| R.O.E-After Tax | | 18.88 | 5.53 | 39.24 | 17.50 | 22.64 | 14.17 |
| EPS | Rupees | 30.01 | 6.98 | 46.30 | 13.38 | 13.98 | 6.95 |
| **Activity** | Times | | | | | | |
| Sales To Total Assets | | 1.17 | 0.98 | 1.09 | 1.01 | 1.04 | 1.04 |
| Sales To Fixed Assets | | 3.21 | 2.65 | 3.48 | 2.98 | 3.28 | 2.54 |
| **Liquidity / Leverage** | | | | | | | |
| Current Ratio | | 1.08 | 1.04 | 1.23 | 1.14 | 1.09 | 1.04 |
| Debt Equity Ratio | | 0.06 | 0.00 | 0.08 | 0.10 | 0.01 | 0.16 |
| Total Liabilities To Equity | | 1.01 | 1.00 | 0.98 | 1.21 | 1.33 | 1.38 |
| Break up Value of Shares | Rupees | 159.00 | 126.09 | 117.99 | 76.45 | 61.74 | 49.06 |

# REVIEW REPORT TO THE MEMBERS
## ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors (the Board) of **Reliance Cotton Spinning Mills Limited** (the Company) to comply with the relevant Listing Regulations of the Karachi Stock Exchange and Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Director the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement on internal controls 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.

Further, Listing Regulations of Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

**M. Yousuf Adil Saleem & Co.**
Chartered Accountants
Engagement Partner:
Talat Javed
Lahore
October 07, 2013

# STATEMENT OF COMPLIANCE
## WITH THE CODE OF CORPORATE GOVERNANCE

Name of company : Reliance Cotton Spinning Mills Limited year ending June 30, 2013.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Category | Names |
|---|---|
| Independent Directors | Nil |
| Executive Directors | Mr. Shayan Abdullah |
| Non-Executive Directors | Mr. Mohammad Abdullah |
| | Mr. Amer Abdullah |
| | Mr. Yousuf Abdullah |
| | Mr. Nabeel Abdullah |
| | Mr. Mohammad Younus |
| | Mr. Mohammad Yamin |

The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company in February 2014.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors is a member of a stock exchange.

4. During the year no casual vacancies occurred in the board of directors.

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

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.

7. All the power of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met at least once in every quarter. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of directors’ training program and rest of the Directors to be trained within specified time.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

# STATEMENT OF COMPLIANCE
## WITH THE CODE OF CORPORATE GOVERNANCE

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: 07th October, 2013

**SHAYAN ABDULLAH**
CHIEF EXECUTIVE

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of RELIANCE COTTON SPINNING MILLS LIMITED (the company) as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,

   (ii) the expenditure incurred during the year was for the purpose of Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and

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

**M. Yousuf Adil Saleem & Co.**
Chartered Accountants
Engagement Partner:
Talat Javed
Lahore
October 07, 2013

# BALANCE SHEET

As at June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ...................... Rupees ...................... | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 4 | **1,201,243,703** | 966,777,021 |
| Long term investments | 5 | **438,944,127** | 332,052,454 |
| Long term loans | 6 | **136,000** | 418,000 |
| Long term deposits | | **8,858,230** | 8,858,230 |
| | | **1,649,182,060** | 1,308,105,705 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | 7 | **30,848,492** | 27,518,693 |
| Stock-in-trade | 8 | **1,080,605,587** | 924,963,661 |
| Trade debts | 9 | **377,973,930** | 251,950,928 |
| Loans and advances | 10 | **3,887,792** | 1,923,764 |
| Deposit and short term prepayments | 11 | **986,140** | 371,218 |
| Other receivables | 12 | **7,485,384** | 5,127,146 |
| Advance income tax | | **49,217,138** | 37,744,543 |
| Tax refunds due from the Government | 13 | **69,758,320** | 39,218,641 |
| Cash and bank balances | 14 | **11,360,581** | 5,031,306 |
| | | **1,632,123,364** | 1,293,849,900 |
| | | **3,281,305,424** | 2,601,955,605 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized capital | | | |
| 12,000,000 (2012: 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 |
| General reserve | | **130,000,000** | 130,000,000 |
| Un-appropriated profit | | **1,403,424,202** | 1,064,816,311 |
| | | **1,636,344,202** | 1,297,736,311 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 16 | **66,666,667** | - |
| Deferred liabilities | | | |
| - employee benefits - unfunded | 17 | **37,478,851** | 37,305,052 |
| - deferred tax liability | 18 | **32,299,419** | 19,229,902 |
| | | **136,444,937** | 56,534,954 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 19 | **241,395,567** | 177,327,949 |
| Mark-up accrued | 20 | **13,899,589** | 16,474,191 |
| Short term borrowings | 21 | **1,190,849,919** | 1,027,326,011 |
| Current portion of long term financing | 16 | **33,333,333** | - |
| Provision for taxation | | **29,037,877** | 26,556,189 |
| | | **1,508,516,285** | 1,247,684,340 |
| **CONTINGENCIES AND COMMITMENTS** | 22 | | |
| | | **3,281,305,424** | 2,601,955,605 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

| | | |
|---|---|---|
| Karachi:<br>October 07, 2013 | **Shayan Abdullah**<br>**Chief Executive Officer** | **Yousuf Abdullah**<br>**Director** |

# PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ........................ Rupees | ........................ |
| Sales | 23 | **3,853,607,717** | 2,557,935,105 |
| Cost of sales | 24 | **3,216,440,612** | 2,190,019,412 |
| **Gross profit** | | **637,167,105** | 367,915,693 |
| Other income | 25 | **2,753,602** | 1,871,005 |
| | | **639,920,707** | 369,786,698 |
| Distribution cost | 26 | **132,388,767** | 126,613,679 |
| Administrative expenses | 27 | **39,075,484** | 36,325,250 |
| Other operating expenses | 28 | **28,481,397** | 16,621,764 |
| Finance cost | 29 | **160,492,602** | 140,676,982 |
| | | **360,438,250** | 320,237,675 |
| | | **279,482,457** | 49,549,023 |
| Share of profit of associates | | **71,499,476** | 54,922,976 |
| **Profit before taxation** | | **350,981,933** | 104,471,999 |
| Provision for taxation | 30 | **42,107,394** | 32,668,673 |
| **Profit for the year** | | **308,874,539** | 71,803,326 |
| **Earnings per share - basic and diluted** | 31 | **30.01** | 6.98 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

| | | |
|---|---|---|
| Karachi:<br>October 07, 2013 | **Shayan Abdullah**<br>**Chief Executive Officer** | **Yousuf Abdullah**<br>**Director** |

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| | ...............Rupees............... | |
| **Profit for the year** | **308,874,539** | 71,803,326 |
| **Other comprehensive income:** | | |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Share in associates' unrealized gain / (loss) on available for sale investments - net | **40,491,467** | (5,024,415) |
| Share in associate's unrealized gain / (loss) on hedging instruments | **135,831** | (166,490) |
| Other comprehensive income / (loss) for the year | **40,627,298** | (5,190,905) |
| **Total comprehensive income for the year** | **349,501,837** | 66,612,421 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi:
October 07, 2013

**Shayan Abdullah**
**Chief Executive Officer**

**Yousuf Abdullah**
**Director**

# CASH FLOW STATEMENT

For the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ................ Rupees ................ | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 350,981,933 | 104,471,999 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | | 102,684,111 | 76,844,304 |
| Provision for employee benefits | | 12,507,894 | 11,907,163 |
| Bad debts written off | | - | 1,000,000 |
| Provision for doubtful debts | | 2,872,147 | - |
| Gain on disposal of property, plant and equipment | | (176,360) | - |
| Finance cost | | 160,492,602 | 140,676,982 |
| Share of profit of associates | | (71,499,476) | (54,922,976) |
| | | 557,862,851 | 279,977,472 |
| **Working capital changes** | | | |
| (Increase) / decrease in current assets | | | |
| Stores, spare parts and loose tools | | (3,329,799) | (12,836,951) |
| Stock-in-trade | | (155,641,926) | 70,386,256 |
| Trade debts | | (128,895,149) | (46,301,399) |
| Loans and advances | | (1,964,028) | 7,619,040 |
| Deposit and short term prepayments | | (614,922) | (76,983) |
| Other receivables | | (2,358,238) | (628,362) |
| Increase in trade and other payables | | 64,048,167 | 34,007,806 |
| | | (228,755,895) | 52,169,408 |
| **Cash generated from operations** | | 329,106,956 | 332,146,880 |
| Dividends paid | | (12,845,549) | (25,709,918) |
| Employee benefits paid | | (12,334,095) | (4,768,501) |
| Finance cost paid | | (163,067,204) | (144,802,430) |
| Sales tax paid | | (20,349,986) | (8,481,816) |
| Income taxes paid | | (48,218,477) | (32,968,285) |
| | | (256,815,311) | (216,730,950) |
| **Net cash flow from operating activities** | | 72,291,645 | 115,415,930 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure on property, plant and equipment | | (337,284,433) | (292,000,312) |
| Proceeds from disposal of property, plant and equipment | | 310,000 | - |
| Proceeds from / (payment) of long term loans | | 282,000 | (206,000) |
| Long term deposits paid | | - | (5,066,000) |
| Dividend received | | 7,206,155 | 2,858,600 |
| **Net cash used in investing activities** | | (329,486,278) | (294,413,712) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long term financing | | 100,000,000 | - |
| Repayment of long term financing | | - | (100,000,000) |
| Short term borrowings - net | | 163,523,908 | 174,837,721 |
| **Net cash from financing activities** | | 263,523,908 | 74,837,721 |
| **Net increase / (decrease) in cash and cash equivalents** | | 6,329,275 | (104,160,061) |
| **Cash and cash equivalents at beginning of year** | | 5,031,306 | 109,191,367 |
| **Cash and cash equivalents at the end of year** | 14 | 11,360,581 | 5,031,306 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi:
October 07, 2013

**Shayan Abdullah**
**Chief Executive Officer**

**Yousuf Abdullah**
**Director**

# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2013

| | Share capital | Revenue reserves | | Total |
|---|---|---|---|---|
| | | General reserve | Un-appropriated profit | |
| | ………..………………………… Rupees ………..………………………… | | | |
| **Balance as at July 01, 2011** | 102,920,000 | 130,000,000 | 981,462,431 | 1,214,382,431 |
| **Comprehensive income:** | | | | |
| Profit for the year ended June 30, 2012 | - | - | 71,803,326 | 71,803,326 |
| Other comprehensive income | - | - | (5,190,905) | (5,190,905) |
| **Total comprehensive income** | - | - | 66,612,421 | 66,612,421 |
| Effects of items directly recognized in equity by associates | - | - | 42,471,459 | 42,471,459 |
| Transactions with owners: | | | | |
| Final dividend for the year ended June 30, 2011 @ Rs. 2.5 per share | - | - | (25,730,000) | (25,730,000) |
| **Balance as at June 30, 2012** | 102,920,000 | 130,000,000 | 1,064,816,311 | 1,297,736,311 |
| **Comprehensive income:** | | | | |
| Profit for the year ended June 30, 2013 | - | - | **308,874,539** | **308,874,539** |
| Other comprehensive income | - | - | **40,627,298** | **40,627,298** |
| **Total comprehensive income** | - | - | **349,501,837** | **349,501,837** |
| Effects of items directly recognized in equity by associates | - | - | **1,971,054** | **1,971,054** |
| Transactions with owners: | | | | |
| Final dividend for the year ended June 30, 2012 @ Rs. 1.25 per share | - | - | **(12,865,000)** | **(12,865,000)** |
| **Balance as at June 30, 2013** | **102,920,000** | **130,000,000** | **1,403,424,202** | **1,636,344,202** |

The annexed notes from 1 to 42 form an integral part of these financial statements.

| | | |
|---|---|---|
| Karachi: | **Shayan Abdullah** | **Yousuf Abdullah** |
| October 07, 2013 | **Chief Executive Officer** | **Director** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

## 1 LEGAL STATUS AND OPERATIONS

1.1 Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi. The Company is currently listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The mill is located at District Sheikhupura in the Province of Punjab.

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

## 2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

### 2.2 Standards, interpretation and amendment adopted during the year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

#### 2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2012:

- The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

#### 2.2.2 New accounting standards, amendments to published standards and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | |
|---|---|
| **Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information** | **Effective from accounting period beginning on or after January 01, 2013** |

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

| | |
|---|---|
| **Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment** | **Effective from accounting period beginning on or after January 01, 2013** |

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

| | |
|---|---|
| **Amendments to IAS 19 - Employee Benefits** | **Effective from accounting period beginning on or after January 01, 2013** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

It eliminates the corridor approach and recognizes all actuarial gains and losses in other comprehensive income as they occur, immediately recognizes all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ asset. Unrecognized loss of Rs. 7.012 million will be retrospectively adjusted in next year.

| | |
|---|---|
| **Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction** | **Effective from accounting period beginning on or after January 01, 2013** |

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

| | |
|---|---|
| **Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities** | **Effective from accounting period beginning on or after January 01, 2014** |

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

| | |
|---|---|
| **Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities** | **Effective from accounting period beginning on or after January 01, 2013** |

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

| | |
|---|---|
| **Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities** | **Effective from accounting period beginning on or after January 01, 2013** |

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

| | |
|---|---|
| **IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine** | **Effective from accounting period beginning on or after January 01, 2013** |

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

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

| | |
|---|---|
| - IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| - IFRS 9 | Financial Instruments |
| - IFRS 10 | Consolidated Financial Statements |
| - IFRS 11 | Joint Arrangements |
| - IFRS 12 | Disclosure of Interests in Other Entities |
| - IFRS 13 | Fair Value Measurement |
| - IAS 27 (Revised 2011) | Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11 |
| - IAS 28 (Revised 2011) | Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11 |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

**2.3 Significant Estimates**

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

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

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

**Changes in accounting estimate**

During the current year, the depreciation rate of computer have been revised from 10% to 30%. Since the related effect on the depreciation expense of current and future periods is immaterial hence it has not been disclosed.

**Employee benefits**

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

**Property, plant and equipment**

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

**Taxation**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Convention

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

- financial instruments at fair value

- recognition of certain employee benefits at present value

- investments in associates at equity method

**PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS**

**3.1 Property, plant and equipment**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

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

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

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

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

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

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

**3.2 Investments in associates**

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

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

**3.3 Stores, spare parts and loose tools**

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

**3.4 Stock-in-trade**

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

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

Stock in transit are valued at invoice value plus other charges incurred thereon upto the balance sheet date.

Waste stock are valued at net realizable value.

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

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

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

**3.5 Impairment**

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized for that asset. Reversal of impairment loss is recognized as income.

**3.6 Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Financial instruments are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

**3.7 Off setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.8 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

**3.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

**3.10 Trade and other payables**

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

**3.11 Financial instruments - hedge arrangements**

In certain cases, the Company uses forward foreign exchange contracts (cash flow hedge arrangements) to hedge its risk associated primarily with foreign currency fluctuations.

These contracts (except those having immaterial financial impact) are included in the balance sheet at fair value and any resultant unrealized gain or loss is recognized in the statement of changes in equity, on realization of same is transferred to profit and loss account. The fair value of forward foreign exchange contracts are included in "Other receivables" in case of favorable contracts and "Trade and other payables" in case of unfavorable contracts. The fair values of forward foreign exchange contracts are calculated by reference to current forward foreign exchange rates with similar maturity profiles.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

**3.12 Impairment of Financial Assets**

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

**3.13 Employee benefits**

**Defined benefit plan**

The Company operates un-funded gratuity scheme for all its employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income account.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

The most recent valuation was carried out as at June 30, 2013 using the "Projected Unit Credit Method". Actuarial gains / losses are recognized in accordance with the limits set-out by IAS - 19 ("Employee Benefits").

Cumulative net unrecognized actuarial gains and losses at the end of previous period which exceeds 10% of the present value of the Company's gratuity is amortized over the average expected remaining working lives of the employees.

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

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

**3.14 Provisions**

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

**3.15 Borrowings**

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

**3.16 Revenue recognition**

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

Revenue from local sales is recognized when goods are dispatched to customers, export sales are recognized on shipment of goods.

Export rebate is recognized on accrual basis at the time of making the export sales.

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

**3.17 Borrowing costs**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

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

**3.18 Taxation**

**Current**

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

**Deferred**

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

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

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

**3.19 Foreign currencies**

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

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

**3.20 Dividend distribution**

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

**3.21 Related party transactions**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

4 PROPERTY, PLANT AND EQUIPMENT

4.1 At June 30, 2013

| Particulars | Cost: As at July 01, 2012 | Cost: Additions | Cost: Transfers | Cost: Disposals | Cost: As at June 30, 2013 | Depreciation: As at July 01, 2012 | Depreciation: Charge for the year | Depreciation: Disposals | Depreciation: As at June 30, 2013 | Book value: As at June 30, 2013 | Annual depreciation rate % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | | |
| **Operating fixed assets** | | | | | | | | | | | |
| Freehold land | 13,251,424 | - | - | - | 13,251,424 | - | - | - | - | 13,251,424 | - |
| Buildings on freehold land: | | | | | | | | | | | |
| Residential | 94,346,479 | - | 27,032,769 | - | 121,379,248 | 24,653,775 | 3,654,201 | - | 28,307,976 | 93,071,272 | 5 |
| Factory | 415,613,113 | - | 50,665,475 | - | 466,278,588 | 101,275,401 | 33,568,068 | - | 134,843,469 | 331,435,119 | 10 |
| Plant and machinery | 1,069,844,730 | - | 103,887,279 | - | 1,173,732,009 | 549,596,070 | 58,565,749 | - | 608,161,819 | 565,570,190 | 10 |
| Furniture and fittings | 1,345,627 | - | - | - | 1,345,627 | 878,531 | 46,710 | - | 925,241 | 420,386 | 10 |
| Vehicles | 21,223,730 | 2,795,860 | - | 489,403 | 23,530,187 | 9,574,206 | 2,612,463 | 355,763 | 11,830,906 | 11,699,281 | 20 |
| Office equipment | 962,499 | - | - | - | 962,499 | 531,685 | 43,081 | - | 574,766 | 387,733 | 10 |
| Electric installation | 53,775,534 | - | 7,514,298 | - | 61,289,832 | 18,155,839 | 3,875,066 | - | 22,030,905 | 39,258,927 | 10 |
| Electric equipment | 195,500 | - | - | - | 195,500 | 170,878 | 2,462 | - | 173,340 | 22,160 | 10 |
| Computers | 2,138,133 | 553,595 | - | - | 2,691,728 | 1,216,254 | 316,311 | - | 1,532,565 | 1,159,163 | 30 |
| | 1,672,696,769 | 3,349,455 | 189,099,821 | 489,403 | 1,864,656,642 | 706,052,639 | 102,684,111 | 355,763 | 808,380,987 | 1,056,275,655 | |
| **Capital work-in-progress** | | | | | | | | | | | |
| Building - civil work | - | 175,579,028 | (77,698,244) | - | 97,880,784 | - | - | - | - | 97,880,784 | |
| Plant and machinery | 132,891 | 138,841,652 | (103,887,279) | - | 35,087,264 | - | - | - | - | 35,087,264 | |
| Electric installation | - | 19,514,298 | (7,514,298) | - | 12,000,000 | - | - | - | - | 12,000,000 | |
| | 132,891 | 333,934,978 | (189,099,821) | - | 144,968,048 | - | - | - | - | 144,968,048 | |
| **Total** | 1,672,829,660 | 337,284,433 | - | 489,403 | 2,009,624,690 | 706,052,639 | 102,684,111 | - | 808,380,987 | 1,201,243,703 | |

**4.1.1** Depreciation charge for the year has been charged to cost of sales.

**4.1.2 Disposal of property, plant and equipment**

| Particulars | | Cost | Accumulated depreciation | Book value | Sales proceeds | Gain | Mode of disposal | Particulars of buyer |
|---|---|---|---|---|---|---|---|---|
| | | Rupees | | | | | | |
| **Vehicle** | | | | | | | | |
| LEE-07-9314 | **2013** | 489,403 | 355,763 | 133,640 | 310,000 | 176,360 | Negotiation | Erage Mahmood, Lahore |
| | **2012** | - | - | - | - | - | | |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

**4.2 At June 30, 2012**

| Particulars | Cost: As at July 01, 2012 | Cost: Additions | Cost: Transfers | Cost: Disposals | Cost: As at June 30, 2012 | Depreciation: As at July 01, 2012 | Depreciation: Charge for the year | Depreciation: Disposals | Depreciation: As at June 30, 2012 | Book value: As at June 30, 2012 | Annual depreciation rate % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | | |
| **Operating fixed assets** | | | | | | | | | | | |
| Freehold land | 10,806,424 | 2,445,000 | - | - | 13,251,424 | - | - | - | - | 13,251,424 | - |
| Buildings on freehold land: | | | | | | | | | | | |
| Residential | 79,848,247 | - | 14,498,232 | - | 94,346,479 | 21,604,396 | 3,049,379 | - | 24,653,775 | 69,692,704 | 5 |
| Factory | 248,884,815 | - | 166,728,298 | - | 415,613,113 | 81,782,023 | 19,493,378 | - | 101,275,401 | 314,337,712 | 10 |
| Plant and machinery | 912,625,972 | - | 157,218,758 | - | 1,069,844,730 | 500,172,743 | 49,423,327 | - | 549,596,070 | 520,248,660 | 10 |
| Furniture and fittings | 1,345,627 | - | - | - | 1,345,627 | 826,631 | 51,900 | - | 878,531 | 467,096 | 10 |
| Vehicles | 18,083,574 | - | 3,140,156 | - | 21,223,730 | 6,899,657 | 2,674,549 | - | 9,574,206 | 11,649,524 | 20 |
| Office equipment | 916,099 | 46,400 | - | - | 962,499 | 485,106 | 46,579 | - | 531,685 | 430,814 | 10 |
| Electric installation | 32,842,068 | 20,933,466 | - | - | 53,775,534 | 16,155,814 | 2,000,025 | - | 18,155,839 | 35,619,695 | 10 |
| Electric equipment | 195,500 | - | - | - | 195,500 | 168,142 | 2,736 | - | 170,878 | 24,622 | 10 |
| Computers | 2,138,133 | - | - | - | 2,138,133 | 1,113,823 | 102,431 | - | 1,216,254 | 921,879 | 10 |
| | 1,307,686,459 | 23,424,866 | 341,585,444 | - | 1,672,696,769 | 629,208,335 | 76,844,304 | - | 706,052,639 | 966,644,130 | |
| **Capital work-in-progress** | | | | | | | | | | | |
| Building - civil work | 59,280,247 | 121,946,283 | (181,226,530) | | - | - | - | | - | - | |
| Plant and machinery | 12,490,642 | 144,861,007 | (157,218,758) | | 132,891 | - | - | | - | 132,891 | |
| Vehicles | 1,372,000 | 1,768,156 | (3,140,156) | | - | - | - | | - | - | |
| | 73,142,889 | 268,575,446 | (341,585,444) | | 132,891 | - | - | | - | 132,891 | |
| **Total** | 1,380,829,348 | 292,000,312 | - | | 1,672,829,660 | 629,208,335 | 76,844,304 | | 706,052,639 | 966,777,021 | |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| **5** | **LONG TERM INVESTMENTS** | | | |
| | **Investments in associates - at equity method:** | | | |
| | **Quoted:** | | | |
| | Sapphire Fibres Limited | 5.2 | 271,198,039 | 199,886,270 |
| | Sapphire Textile Mills Limited | 5.3 | 57,934,410 | 42,483,804 |
| | SFL Limited | 5.4 | 46,372,275 | - |
| | **Un quoted:** | | | |
| | Sapphire Finishing Mills Limited | 5.5 | 40,390,735 | 33,689,863 |
| | SFL Limited | 5.4 | - | 38,312,992 |
| | Sapphire Holding Limited | 5.5 | 23,048,668 | 17,679,525 |
| | | | 438,944,127 | 332,052,454 |

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

**5.2 Investment in Sapphire Fibres Limited**

| | 2013 | 2012 |
|---|---|---|
| 393,697 (2012: 393,697) ordinary shares of Rs. 10 each - cost | 41,956,482 | 41,956,482 |
| Share of post acquisition profit items directly recognized in equity | 233,965,921 | 159,898,273 |
| Dividend received | (4,724,364) | (1,968,485) |
| | 271,198,039 | 199,886,270 |

The financial year of Sapphire Fibres Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Fibres Limited as of June 30, 2013 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Fibres Limited is set out below:

| | 2013 | 2012 |
|---|---|---|
| Total assets | 36,481,215,764 | 34,904,012,179 |
| Total liabilities | 20,125,053,506 | 22,716,277,766 |
| Net assets | 16,356,162,258 | 12,187,734,413 |
| Sales | 30,759,727,973 | 27,451,684,418 |
| Profit for the year | 2,680,651,542 | 1,803,308,113 |
| Market value per share | 169.08 | 123.48 |
| Percentage of ownership | 1.99% | 1.99% |

**5.3 Investment in Sapphire Textile Mills Limited**

| | 2013 | 2012 |
|---|---|---|
| 100,223 (2012: 100,223) ordinary shares of Rs. 10 each - cost | 8,114,578 | 8,114,578 |
| Share of post acquisition profit and items directly recognized in equity | 51,523,623 | 34,870,341 |
| Dividend received | (1,703,791) | (501,115) |
| | 57,934,410 | 42,483,804 |

The financial year of Sapphire Textile Mills Limited ends on June 30. The latest un-audited consolidated financial results of Sapphire Textile Mills Limited as of June 30, 2013 have been used for the purpose of application of equity method. Summarized consolidated financial information of Sapphire Textile Mills Limited is set out below:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| | ------------ Rupees ------------ | |
| Total assets | **19,047,160,748** | 14,248,714,284 |
| Total liabilities | **7,438,006,121** | 5,735,288,699 |
| Net assets | **11,609,154,627** | 8,513,425,585 |
| Sales | **25,296,639,461** | 21,592,423,719 |
| Profit for the year | **2,128,772,892** | 1,123,515,800 |
| Market value per share | **285.00** | 140.00 |
| Percentage of ownership | **0.50%** | 0.50% |

**5.4 Investment in SFL Limited**

| | 2013 | 2012 |
|---|---|---|
| 401,570 (2012: 401,570) ordinary shares of Rs. 10 each - cost | **2,439,475** | 2,439,475 |
| Share of post acquisition profit | **43,932,800** | 35,873,517 |
| | **46,372,275** | 38,312,992 |

The financial year of SFL Limited ends on June 30. The latest unaudited consolidated financial results of SFL Limited as of June 30, 2013 have been used for the purpose of application of equity method. Summarized financial information of SFL Limited is set out below:

| | 2013 | 2012 |
|---|---|---|
| Total assets | **1,915,819,827** | 1,917,033,661 |
| Total liabilities | **878,967** | 148,531 |
| Net assets | **1,914,940,860** | 1,916,885,130 |
| Sales | **-** | - |
| (Loss) / profit for the year | **(1,944,270)** | 264,105,186 |
| Market / breakup value per share | **41.62** | 95.41 |
| Percentage of ownership | **1.99%** | 1.99% |

**5.5 Investment in Sapphire Finishing Mills Limited**

| | 2013 | 2012 |
|---|---|---|
| 1,556,000 (2012: 1,556,000) ordinary shares of Rs. 10 each - cost | **16,509,160** | 16,509,160 |
| Share of post acquisition profit and items directly recognized in equity | **24,659,575** | 17,569,703 |
| Dividend received | **(778,000)** | (389,000) |
| | **40,390,735** | **33,689,863** |

The financial year of Sapphire Finishing Mills Limited ends on June 30. Financial results of Sapphire Finishing Mills Limited as of June 30, 2013 are used for the purpose of application of equity method, which are based on the un-audited management accounts. Summarized financial information of Sapphire Finishing Mills Limited is set out below:

| | 2013 | 2012 |
|---|---|---|
| Total assets | **7,336,159,459** | 5,987,561,253 |
| Total liabilities | **4,948,018,286** | 3,995,615,641 |
| Net assets | **2,388,141,173** | 1,991,945,612 |
| Sales | **14,181,868,848** | 11,249,147,277 |
| Profit for the year | **446,096,443** | 456,093,203 |
| Breakup value per share | **25.96** | 21.65 |
| Percentage of ownership | **1.70%** | 1.70% |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| **5.5** | **Investment in Sapphire Holding Limited** | | | |
| | 100,223 (2012: 100,223) ordinary shares of Rs. 10 each - cost | | **524,950** | 524,950 |
| | Share of post acquisition profit | | **22,523,718** | 17,154,575 |
| | | | **23,048,668** | 17,679,525 |

The financial year of Sapphire Holding Limited ends on June 30. The latest unaudited consolidated financial results of Sapphire Holding Limited as of June 30, 2013 have been used for the purpose of application of equity method. Summarized financial information of Sapphire Holding Limited is set out below:

| | | 2013 | 2012 |
|---|---|---|---|
| | Total assets | **3,687,181,415** | 3,692,024,575 |
| | Total liabilities | **147,856,244** | 147,555,359 |
| | Net assets | **3,539,325,171** | 3,544,469,216 |
| | Sales | **-** | - |
| | (Loss) / profit for the year | **(5,144,045)** | 407,398,150 |
| | Breakup value per share | **176.15** | 176.40 |
| | Percentage of ownership | **0.50%** | 0.50% |

| | | | 2013 | 2012 |
|---|---|---|---|---|
| **6** | **LONG TERM LOANS** | | | |
| | **Considered good:** | | | |
| | Executive - secured | 6.1 | **418,000** | 700,000 |
| | Other employees - secured | | **-** | 26,000 |
| | | | **418,000** | 726,000 |
| | Less: Current portion | | | |
| | Executive | | **282,000** | 282,000 |
| | Other employees | | **-** | 26,000 |
| | | 10 | **282,000** | 308,000 |
| | | | **136,000** | 418,000 |
| **6.1** | **Reconciliation of carrying amount of loan to executives** | | | |
| | At the beginning of year | | **700,000** | 260,000 |
| | Add: Disbursement | | **-** | 700,000 |
| | Less: Repayments made by executives | | **282,000** | 260,000 |
| | At the end of year | | **418,000** | **700,000** |

**6.1.1** These represent interest free loans to executive employee for construction of house and is secured against post employment benefits. Loan is payable in monthly installments and would be adjusted against salary. The maximum balance outstanding at the end of any month during the year was Rs. 0.677 million (2012: Rs. 0.7 million).

| | | | 2013 | 2012 |
|---|---|---|---|---|
| **7** | **STORES, SPARE PARTS AND LOOSE TOOLS** | | | |
| | Stores | 7.1 | **8,323,257** | 10,736,030 |
| | Spare parts | 7.2 | **22,500,115** | 16,765,511 |
| | Loose tools | | **25,120** | 17,152 |
| | | | **30,848,492** | 27,518,693 |

**7.1** These include stores in transit amounting to Rs. Nil (2012: Rs. 3.402 million).

**7.2** These include spare parts in transit amounting to Rs. 8.031 million (2012: Rs. Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------- Rupees | ------------- |
| 8 | **STOCK-IN-TRADE** | | | |
| | Raw material | 8.1 | 816,390,572 | 742,541,465 |
| | Work-in-process | | 78,014,316 | 90,743,089 |
| | Finished goods | | | |
| | Manufactured yarn | | 169,364,407 | 82,917,112 |
| | Purchased yarn | | 3,560,555 | 6,163,113 |
| | | 8.2 | 172,924,962 | 89,080,225 |
| | Waste | | 13,275,737 | 2,598,882 |
| | | | 1,080,605,587 | 924,963,661 |

**8.1** Raw material include stock in transit of Rs. 22.347 million (2012: Rs. 53.604 million).

**8.2** Finished goods include stock in transit of Rs. 94.953 million (2012: Rs. 27.591 million)

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| 9 | **TRADE DEBTS** | | | |
| | **Considered good:** | | | |
| | Foreign | | | |
| | Secured | 9.1 | 80,527,071 | 43,608,316 |
| | Unsecured | | 11,545,002 | 16,392,005 |
| | | | 92,072,073 | 60,000,321 |
| | Local | | | |
| | Secured | 9.1 | 12,995,365 | 10,624,420 |
| | Unsecured | 9.2 | 272,906,492 | 181,326,187 |
| | | 9.3 | 285,901,857 | 191,950,607 |
| | | | 377,973,930 | 251,950,928 |
| | **Considered doubtful:** | | | |
| | Local - others, unsecured | | 18,572,147 | 15,700,000 |
| | Less: Provision for doubtful debts | 9.4 | (18,572,147) | (15,700,000) |
| | | | - | - |
| | | | 377,973,930 | 251,950,928 |

**9.3** Local trade debts includes Rs. 208.428 million (2012: Rs. 111.574 million) receivable against indirect export sales.

| | Up to 1 month | 1 to 6 months | Over 6 months | | |
|---|---|---|---|---|---|
| | ----------------------- | Rupees | ----------------------- | | |
| Sapphire Textile Mills Limited | 28,794,482 | - | 16,613 | 28,811,095 | 7,581,914 |
| Sapphire Fibres Limited | 8,643,431 | 30,206,812 | 237,283 | 39,087,526 | 81,263,909 |
| Diamond Fabrics Limited | 13,356,354 | - | - | 13,356,354 | 17,408,264 |
| | 50,794,267 | 30,206,812 | 253,896 | 81,254,975 | 106,254,087 |

**9.4 Movement in provision for doubtful debts**

| | 2013 | 2012 |
|---|---|---|
| Balance at 1 July | 15,700,000 | 15,700,000 |
| Charge for the period | 2,872,147 | - |
| Balance at 30 June | 18,572,147 | 15,700,000 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| **10** | **LOANS AND ADVANCES** | | | |
| | **Considered good:** | | | |
| | Current portion of long term loans | 6 | 282,000 | 308,000 |
| | Loans to employees | 10.1 | 448,000 | 448,000 |
| | Advances to suppliers | | 2,970,957 | 1,167,764 |
| | Advances against letters of credit | | 186,835 | - |
| | | | 3,887,792 | 1,923,764 |

**10.1** These are interest free loans and are secured against post employment benefits.

| | | 2013 | 2012 |
|---|---|---|---|
| **11** | **DEPOSIT AND SHORT TERM PREPAYMENTS** | | |
| | Bank guarantee margin | 23,809 | 23,809 |
| | Prepayments | 962,331 | 347,409 |
| | | 986,140 | 371,218 |
| **12** | **OTHER RECEIVABLES** | | |
| | Export rebate receivable | 6,766,376 | 4,246,252 |
| | Sundry receivables | 719,008 | 880,894 |
| | | 7,485,384 | 5,127,146 |
| **13** | **TAX REFUNDS DUE FROM THE GOVERNMENT** | | |
| | Sales tax refundable | 48,024,343 | 27,674,357 |
| | Income tax refundable | 21,733,977 | 11,544,284 |
| | | 69,758,320 | 39,218,641 |
| **14** | **CASH AND BANK BALANCES** | | |
| | Cash-in-hand | 3,358,354 | 186,958 |
| | Cash at banks on current accounts | 8,002,227 | 4,844,348 |
| | | 11,360,581 | 5,031,306 |
| **15** | **ISSUED, SUBSCRIBED AND PAID UP CAPITAL** | | |
| | 10,292,000 (2012:10,292,000) ordinary shares of Rs. 10 each fully paid in cash. | 102,920,000 | 102,920,000 |

**15.1** Ordinary shares of the Company held by associated companies as at the balance sheet date:

| | 2013 | 2012 |
|---|---|---|
| | ..............Number of shares.............. | |
| Reliance Textiles Limited | 1,098,118 | 1,098,118 |
| Diamond Fabrics Limited | 1,662,000 | 1,662,000 |
| Neelum Textile Mills (Private) Limited | 365,515 | 365,515 |
| Sapphire Textile Mills Limited | 317,682 | 317,862 |
| Sapphire Fibres Limited | 158,691 | 159,921 |
| Sapphire Agencies (Private) Limited | 2,318,899 | 2,314,399 |
| Amer Cotton Mills (Private) Limited | 1,584,800 | 1,584,800 |
| Galaxy Agencies (Private) Limited | 108,217 | 108,217 |
| Sapphire Power Generation Limited | 20,539 | 20,539 |
| Nadeem Enterprises (Private) Limited | 87,104 | 87,104 |
| Crystal Enterprises (Private) Limited | 27,696 | 27,696 |
| Salman Ismail (SMC Private) Limited | 1,500 | 1,500 |
| Yousuf Agencies (Private) Limited | 3,223 | 3,223 |
| | 7,753,984 | 7,750,894 |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

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

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees | ------------ |
| **16** | **LONG TERM FINANCING** | | | |
| | **From banking companies - secured** | | | |
| | Long term loan | 16.1 | **100,000,000** | 100,000,000 |
| | Less: Payment made during the year | | **-** | 100,000,000 |
| | Current portion | | **33,333,333** | - |
| | | | **66,666,667** | - |

**16.1** This facility was obatined from United Bank Limited during the period and carries mark up at the rate of 3 months KIBOR+0.5% payable on quarterly basis.The loan is secured against hypothecation charge of Rs. 134 million on all present and future fixed assets excluding land and builiding of the Company. It is repayable in twelve equal quarterly instalments commencing from September 2013.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **17** | **EMPLOYEE BENEFITS - UNFUNDED** | | **37,478,851** | 37,305,052 |

The most recent valuation of defined benefit obligations was carried out as at June 30, 2013 using the "Projected Unit Credit Method".

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **17.1** | **Movement in the present value of defined benefit obligation** | | | |
| | Present value of obligation at July 01 | | **36,056,420** | 30,420,434 |
| | Current service cost | | **7,820,559** | 7,648,302 |
| | Interest cost | | **4,687,335** | 4,258,861 |
| | Liability transferred from other group company | | **634,500** | - |
| | Benefit paid during the year | | **(12,968,595)** | (4,768,501) |
| | Actuarial loss / (gain) on obligation | | **8,260,903** | (1,502,676) |
| | Present value of obligation at June 30 | | **44,491,122** | 36,056,420 |
| **17.2** | **Movement in net liability recognized in the balance sheet** | | | |
| | At the beginning of year | | **37,305,052** | 30,166,390 |
| | Cost for the year | 17.4 | **12,507,894** | 11,907,163 |
| | Liability transferred from other group company | | **634,500** | - |
| | Payments during the year | | **(12,968,595)** | (4,768,501) |
| | At the end of year | | **37,478,851** | 37,305,052 |
| **17.3** | **The amount recognised in the balance sheet** | | | |
| | Present value of defined benefit obligations | | **44,491,122** | 36,056,420 |
| | Unrecognized actuarial (losses)/gains | | **(7,012,271)** | 1,248,632 |
| | Liability recognized in the balance sheet | | **37,478,851** | 37,305,052 |
| **17.4** | **Charge for the year** | | | |
| | Current service cost | | **7,820,559** | 7,648,302 |
| | Interest cost | | **4,687,335** | 4,258,861 |
| | Expense recognized in the profit and loss account | | **12,507,894** | 11,907,163 |
| **17.5** | **Changes in acturial gains/losses** | | | |
| | Unrecognised acturial gains / (losses) as at July 01 | | **1,248,632** | (254,044) |
| | Acturial (losses) /gains arising during the year | | **(8,260,903)** | 1,502,676 |
| | Unrecognised actuarial (losses)/ gains as at June 30 | | **(7,012,271)** | 1,248,632 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | 2013 | 2012 |
|---|---|---|---|
| 17.6 | **Principal actuarial assumptions:** | | |
| | Principal actuarial assumptions used are as follows: - | | |
| | Discount rate - per annum | **10.5%** | 13% |
| | Expected rate of growth per annum in future salaries | **9.5%** | 12% |
| | Average expected remaining working life time of employees | **6 years** | 6 years |

**17.7 History of present value of deferred employee benefits**

| | Present value of defined obligations at the end of the year | Experience adjustment arising on plan liabilities gains / (losses) |
|---|---|---|
| | ................... Rupees ..................... | |
| 2009 | 22,016,690 | (55,000) |
| 2010 | 25,613,095 | (980,255) |
| 2011 | 30,420,434 | 1,053,208 |
| 2012 | 36,056,420 | 1,502,676 |
| 2013 | 44,491,122 | (8,260,903) |

**17.8** Estimated contribution for the year ending June 30, 2014 is Rs. 14.164 million.

**18 DEFERRED TAX LIABILITY**

Deferred tax provision has been recognized only in respect of share of profit of associates considering that other temporary differences will not have any tax impact in foreseeable future, as the income of the Company is being assessed under the final tax regime and the management is confident that the Company will continue to be taxed under final tax regime in foreseeable future.

| 19 TRADE AND OTHER PAYABLES | Note | 2013 | 2012 |
|---|---|---|---|
| | | ------------- Rupees | ------------- |
| Creditors | 19.1 | **65,069,095** | 58,635,375 |
| Accrued liabilities | 19.2 | **88,191,157** | 67,777,937 |
| Fuel price adjustment | | **21,005,959** | 11,547,603 |
| Workers' welfare fund | | **16,576,551** | 10,872,827 |
| Infrastructure fee | | **23,028,839** | 19,730,151 |
| Advances from customers | | **7,643,301** | 2,778,251 |
| Workers' profit participation fund | 19.3 | **15,009,799** | 2,715,630 |
| Electricity duty | | **3,615,434** | 2,034,194 |
| Equalisation surcharge | | **1,034,797** | 1,034,797 |
| Unclaimed dividend | | **220,635** | 201,184 |
| | | **241,395,567** | 177,327,949 |

**19.1** Creditors include Rs. 15.428 million (2012: Rs. 2.039 million) due to associated companies. Creditors also include Rs. 16.482 million (2012: Rs. Nil) payable against foreign currency bills payable.

**19.2** Accrued liabilities includes Rs. 7.069 million (2012: Rs. 9.188 million) due to associated company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| **19.3** | **Workers' profit participation fund** | | | |
| | At the beginning of the year | | **2,715,630** | 23,223,360 |
| | Interest on funds utilized in the Company's business | 19.4 | **154,071** | 1,693,258 |
| | Provision for the year | | **15,009,799** | 2,715,630 |
| | | | **17,879,500** | 27,632,248 |
| | Payments made during the year | | **(2,869,701)** | (24,916,618) |
| | At the end of the year | | **15,009,799** | 2,715,630 |

**19.4** Interest on workers' profit participation fund has been provided at the rates ranging from 12.50% to 14.50% (2012: 14.5% to 18.75%) per annum.

| | | 2013 | 2012 |
|---|---|---|---|
| **20** | **MARK-UP ACCRUED** | | |
| | Mark-up accrued on: | | |
| | Long term financing | **2,528,110** | - |
| | Short term borrowings | **11,371,479** | 16,474,191 |
| | | **13,899,589** | 16,474,191 |
| **21** | **SHORT TERM BORROWINGS** | | |
| | **From banking companies-secured** | | |
| | Running finance | **233,628,626** | 301,424,752 |
| | Foreign currency import finance | **-** | 65,886,259 |
| | Other short term finance | **957,017,000** | 660,015,000 |
| | Temporay bank overdraft | **204,293** | - |
| | | **1,190,849,919** | 1,027,326,011 |

**21.1** The short term borrowing facilities amounting to Rs. 1,658 million (2012: Rs. 2,706 million) remained unutilized at the year end.

**21.2** These facilities have been obtained from various banks under mark-up arrangements against aggregate sanctioned limit of Rs. 2,849 million (2012: Rs. 3,733 million). These facilities carry mark-up at the rates ranging from 1.73 % to 13.47 % (2012: 1.46% to 15.04% ) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.

**21.3** Facilities available for opening letters of credit and guarantees aggregate to Rs. 2,016 million (2012: Rs. 1,122 million) of which facilities amounting to Rs. 1,999 million (2012: Rs. 1,006 million) were remained unutilized at the year end. These facilities are secured against lien on shipping documents and current assets.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

| | | 2013 | 2012 |
|---|---|---|---|
| **22** | **CONTINGENCIES AND COMMITMENTS** | ------------ Rupees ------------ | |
| **22.1** | **CONTINGENCIES** | | |
| | Guarantees have been issued by banks on behalf of the Company in the normal course of business. | **22,428,843** | 20,727,529 |
| | Post dated cheques in favour of Commissioner Inland Revenue and Collector of Customs. | **105,803,446** | 107,783,423 |
| | | **128,232,289** | 128,510,952 |

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

| | | 2013 | 2012 |
|---|---|---|---|
| **22.2** | **COMMITMENTS** | | |
| | Letters of credit for import of: | | |
| | - stores and spare parts | **4,879,795** | 4,711,112 |
| | - raw material | **33,038,720** | 9,144,936 |
| | - plant and machinery | **80,526,906** | 67,523,194 |
| | Contracts for capital expenditure | **72,666,632** | - |
| | | **191,112,053** | 81,379,242 |

**23 SALES**

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Export | Local | Total | Export | Local | Total |
| | ............ Rupees ............ | | | | | |
| Yarn | **1,865,627,352** | **539,094,376** | **2,404,721,728** | 1,440,256,849 | 306,321,780 | 1,746,578,629 |
| Yarn (under SPO) | **1,318,756,438** | **-** | **1,318,756,438** | 741,277,617 | - | 741,277,617 |
| Waste | **10,310,254** | **114,946,441** | **125,256,695** | - | 49,575,863 | 49,575,863 |
| Waste (under SPO) | **-** | **-** | **-** | 16,716,245 | - | 16,716,245 |
| | **3,194,694,044** | **654,040,817** | **3,848,734,861** | 2,198,250,711 | 355,897,643 | 2,554,148,354 |
| Processing fee | **-** | **1,570,375** | **1,570,375** | - | 99,923 | 99,923 |
| Export rebate | **3,302,481** | **-** | **3,302,481** | 3,686,828 | - | 3,686,828 |
| | **3,197,996,525** | **655,611,192** | **3,853,607,717** | 2,201,937,539 | 355,997,566 | 2,557,935,105 |

**23.1** Export sales includes foreign currency exchange gain amounting to Rs. 7.032 million (2012: Rs. 12.446 million) realized on export proceeds.

**23.2** Local yarn and local waste sales inclusive of sales tax amounts to Rs. 544.850 million (2012: Rs. 306.402 million), local waste inclusive of sales tax amounts to Rs. 115.805 million (2012: Rs. 49.591 million) and processing fee inlcusive of sales tax amounts to Rs. 1.597 million (2012: Nil).

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| 24 | **COST OF SALES** | | | |
| | Raw material consumed | 24.1 | **2,445,674,500** | 1,567,277,843 |
| | Packing material consumed | | **56,683,958** | 37,756,907 |
| | Store and spare parts consumed | | **82,183,326** | 47,378,584 |
| | Salaries, wages and other benefits | 24.2 | **239,066,948** | 163,406,772 |
| | Fuel and power | | **290,600,902** | 216,113,405 |
| | Insurance | | **10,747,413** | 9,197,766 |
| | Repair and maintenance | | **22,687,586** | 6,562,283 |
| | Travelling and conveyance | | **5,600,473** | 5,657,578 |
| | Processing charges | | **20,446,803** | 12,215,128 |
| | Other manufacturing overheads | | **1,889,321** | 2,189,438 |
| | Depreciation | 4.1.1 | **102,684,110** | 76,844,304 |
| | | | **3,278,265,340** | 2,144,600,008 |
| | Work-in-process | | | |
| | At beginning of year | | **90,743,089** | 66,872,889 |
| | At end of year | | **(78,014,316)** | (90,743,089) |
| | | | **12,728,773** | (23,870,200) |
| | Cost of goods manufactured | | **3,290,994,113** | 2,120,729,808 |
| | Finished goods | | | |
| | At beginning of year | | **91,679,107** | 157,846,436 |
| | Yarn purchased | | **19,968,091** | 3,122,275 |
| | At end of year | | **(186,200,699)** | (91,679,107) |
| | | | **(74,553,501)** | 69,289,604 |
| | Cost of goods sold | | **3,216,440,612** | 2,190,019,412 |
| 24.1 | **Raw material consumed** | | | |
| | At beginning of year | | **688,937,660** | 719,074,277 |
| | Add: Purchases - net | 24.1.1 | **2,550,780,446** | 1,537,141,226 |
| | | | **3,239,718,106** | 2,256,215,503 |
| | Less: At end of year | | **(794,043,606)** | (688,937,660) |
| | | | **2,445,674,500** | 1,567,277,843 |

**24.1.1** Purchases are adjusted by Rs. 208.897 million, inclusive of sales tax Rs. 209.846 million (2012: Rs. 95.582 million inclusive of sales tax Rs. 95.605 million) on account of raw material sold.

**24.2** Salaries, wages and other benefits include Rs. 9.001 million (2012: Rs. 8.001 million) in respect of employee benefits - gratuity.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| 25 | **OTHER INCOME** | | | |
| | **Income from assets other than financial assets** | | | |
| | Gain on disposal of property, plant and equipment | | **176,360** | - |
| | Scrap sales - net off sales tax | 25.1 | **2,577,242** | 1,871,005 |
| | | | **2,753,602** | 1,871,005 |

**25.1** Scrap sales inclusive of sales tax amounts to Rs. 3 million (2012: Rs. 2.201 million).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| **26** | **DISTRIBUTION COST** | | | |
| | Salaries and other benefits | 26.1 | **11,811,229** | 10,387,741 |
| | Postage and telephone | | **408,299** | 212,175 |
| | Traveling and conveyance | | **3,993,513** | 3,052,809 |
| | Printing, stationery and others | | **198,639** | 320,561 |
| | Entertainment | | **1,592,313** | 1,152,305 |
| | Commission | | | |
| | - Local | | **2,337,237** | 922,858 |
| | - Export | | **47,437,042** | 54,914,540 |
| | Freight and forwarding | | | |
| | - Local | | **4,074,564** | 2,410,693 |
| | - Export | | **55,621,708** | 48,860,502 |
| | Export development surcharge | | **2,988,130** | 3,579,874 |
| | Insurance charges - export | | **1,926,093** | 799,621 |
| | | | **132,388,767** | 126,613,679 |

**26.1** Salaries and other benefits include Rs. 2.107 million (2012: Rs. 1.171 million) in respect of employee benefits - gratuity.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **27** | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries and other benefits | 27.1 | **21,401,216** | 24,483,494 |
| | Postage and telephone | | **1,476,993** | 1,963,228 |
| | Fees and subscription | | **517,380** | 494,952 |
| | Printing and stationery | | **438,657** | 367,915 |
| | Traveling and conveyance | | **2,020,939** | 1,723,330 |
| | Repair and maintenance | | **3,580,481** | 2,701,167 |
| | Legal and professional charges | | **1,932,843** | 2,058,897 |
| | Advertisement | | **84,375** | 33,750 |
| | Entertainment | | **894,630** | 801,025 |
| | Donation | 27.2 | **4,564,559** | 300,000 |
| | Utility charges | | **716,925** | 715,945 |
| | Others | | **1,446,486** | 681,547 |
| | | | **39,075,484** | 36,325,250 |

**27.1** Salaries and other benefits include Rs. 1.401 million (2012: Rs. 2.195 million) in respect of employee benefits - gratuity.

**27.2** Donations of Rs. 4 million (2012: Nil) is paid to Abdullah Foundation, 212 Cotton Exchange Building, I.I. Chundrigar Road, Karachi, a Trust. Mr. Muhammad Abdullah, Mr. Amer Abdullah, Mr. Yousuf Abdullah, Mr. Shayan Abdullah and Mr. Mohammad Yamin, directors of the Company, are trustees of this trust.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **28** | **OTHER OPERATING EXPENSES** | | | |
| | Auditors' remuneration | 28.1 | **826,209** | 824,986 |
| | Foreign exchange loss | | **2,011,597** | 10,033,198 |
| | Provision for doubtful debts | | **2,057,921** | - |
| | Bad debts written off | | **-** | 1,000,000 |
| | Provision for bad debts | | **2,872,147** | - |
| | Workers' profit participation fund | | **15,009,799** | 2,715,630 |
| | Workers' welfare fund | | **5,703,724** | 2,047,950 |
| | | | **28,481,397** | 16,621,764 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ------------ Rupees ------------ | |
| 28.1 | **Auditors' remuneration** | | | |
| | Annual audit | | **550,000** | 550,000 |
| | Half-yearly review | | **125,000** | 125,000 |
| | Compliance report on Code of Corporate Governance | | **50,000** | 50,000 |
| | Other certification | | **25,000** | 25,000 |
| | Out-of-pocket expenses | | **76,209** | 74,986 |
| | | | **826,209** | 824,986 |
| 29 | **FINANCE COST** | | | |
| | Mark-up on: | | | |
| | Long term financing | | **4,947,014** | 70,562 |
| | Short term borrowings | | **139,317,456** | 130,104,476 |
| | Interest on workers' profit participation fund | | **154,071** | 1,693,238 |
| | Bank charges and commission | | **16,074,061** | 8,808,706 |
| | | | **160,492,602** | 140,676,982 |
| 30 | **PROVISION FOR TAXATION** | | | |
| | Current | | | |
| | -for the year | 30.1 | **29,037,877** | 26,556,189 |
| | -for prior year | | **-** | 4,128,618 |
| | | | **29,037,877** | 30,684,807 |
| | Deferred - for the year | | **13,069,517** | 1,983,866 |
| | | | **42,107,394** | 32,668,673 |

**30.1** The Company falls under the ambit of final tax regime under the Income Tax Ordinance, 2001, provision for income tax is made accordingly. Assessments for the tax year 2012 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001.

**30.2** Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

**30.3** There is a dispute between the Company and tax department on applicability of tax rate on export sales in the tax years 2003, 2004 and 2005. The Company contends that the rate applicable is 1% on export proceeds whereas the tax department takes it at 1.25% in the tax year 2003 and 2004 whereas for tax year 2005 it was taken at 1.5%. For these years there are two set of appeals on two different angles.

First one is on refusal of the tax department to pass refund order under section 170(4) as claimed by the Company as a result of application of aforementioned difference in tax rates. Appeals on this matter at Commissioner Inland Revenue (Appeals) were decided against tax department. Inland Revenue Appellate Tribunal also maintained the decision of Commissioner Inland Revenue (Appeals) against the appeals filed by tax department.

The second one is against the Order passed under section 122(5A) of the Ordinance for the same years whereby the tax department has framed amendment of assessment disallowing the eligibility of tax rate adopted by the Company in the tax returns filed. Appeals on this matter at Commissioner Inland Revenue (Appeals) were decided against the Company. The Company filed appeals against combined appeals order of Commissioner Inland Revenue (Appeals), before Inland Revenue Appellate Tribunal which are decided in favor of the Company.

Tax department appeals are pending for hearing at Honorable Sindh High Court, Sindh therefore, no corresponding adjustments have been incorporated in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

## 31 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earning per share which is based on:

| | 2013 | 2012 |
|---|---|---|
| Profit attributable to ordinary shareholders **(Rupees)** | 308,874,539 | 71,803,326 |
| Weighted average number of ordinary shares outstanding during the year ( **Numbers)** | 10,292,000 | 10,292,000 |
| **Earnings per share - (Rupees)** | 30.01 | 6.98 |

## 32 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

| | Chief Executive Officer | | Executives | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Rupees | | Rupees | |
| Managerial remuneration | 3,216,000 | 3,216,000 | 15,656,674 | 14,125,349 |
| House rent | 1,447,200 | 1,447,200 | 7,861,503 | 7,172,406 |
| Utilities | 136,800 | 136,800 | 647,993 | 582,855 |
| Conveyance | - | - | 18,000 | 18,000 |
| Medical expenses | - | - | 382,088 | 223,571 |
| Bonus/Leave encashment | - | - | 4,532,153 | 4,532,976 |
| | 4,800,000 | 4,800,000 | 29,098,411 | 26,655,157 |
| **Number of persons** | 1 | 1 | 11 | 12 |

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

**32.2** No meeting fee was paid to the directors and chief executive officer of the Company.

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

## 33 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:-

| **Relationship** | **Nature of transaction** | 2013 | 2012 |
|---|---|---|---|
| | | Rupees | |
| Associated companies | | | |
| | **Sales:** | | |
| | Yarn / raw material / stores, spare parts | 701,856,126 | 539,965,222 |
| | **Purchase:** | | |
| | Yarn /raw material /stores, spare parts | 22,011,027 | 7,283,533 |
| | Property plant and equipment | 1,690,000 | 28,726,111 |
| | Electricity | 105,551,864 | 74,284,237 |
| | **Services:** | | |
| | Rendered | 1,323,375 | 99,923 |
| | Obtained | 2,410,252 | 399,897 |
| | **Dividend:** | | |
| | Paid | 9,687,230 | 19,378,486 |
| | Received | 7,206,155 | 2,858,600 |
| | **Shared expenses paid** | 4,272,377 | 3,335,795 |
| Employee benefits | Contribution for the year | 12,507,894 | 11,907,163 |
| | | Numbers | |
| Associated Company | Bonus share received | - | 7,873 |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

**33.1** All transactions with related parties have been carried out on commercial terms and conditions.

**34 FINANCIAL RISK MANAGEMENT**

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

**34.1 Credit risk and concentration of credit risk**

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

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

The Company does not hold collateral as security.

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

**Counterparties**

The Company conducts the following major types of transactions with counterparties:

**Trade debts**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

**Bank and investments**

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

**34.1.1 Exposure to credit risk**

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

Based on age analysis, relationship with customers and past experience the management does not expect any

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Long term loans | **418,000** | 726,000 |
| Long term deposits | **8,858,230** | 8,858,230 |
| Trade debts | **377,973,930** | 251,950,928 |
| Loans and advances | **448,000** | 448,000 |
| Deposits | **23,809** | 23,809 |
| Other receivables | **719,008** | 880,894 |
| Bank balances | **8,002,227** | 4,844,348 |
| | **396,443,204** | 267,732,209 |

Geographically there is no concentration of credit risk.

The aging of trade receivables at the reporting date is:

| | Gross 2013 | Impairment 2013 | Gross 2012 | Impairment 2012 |
|---|---|---|---|---|
| | Rupees | | | |
| Past due | | | | |
| Upto 1 month | **136,202,124** | **-** | 64,267,133 | - |
| 1 month to 6 months | **87,377,981** | **-** | 10,315,732 | - |
| Over 6 months | **4,788,442** | **-** | 3,461,611 | - |
| Over 6 months - impaired | **18,572,147** | **18,572,147** | 15,700,000 | 15,700,000 |
| | **246,940,694** | **18,572,147** | 93,744,476 | 15,700,000 |

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

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Balance at 1 July | **15,700,000** | 15,700,000 |
| Charge for the period | **2,872,147** | - |
| Balance at 30 June | **18,572,147** | 15,700,000 |

party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

**34.2 Liquidity risk management**

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 21.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

# NOTES TO THE FINANCIAL STATEMENTS

**34.2.1 Liquidity and interest risk table**

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

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

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash Flows | Six months or less | Six to twelve months | One to two years | Two years or above |
| | ........ Rupees ........ | | | | | |
| **Non-derivative Financial liabilities** | | | | | | |
| Long term financing | **100,000,000** | 102,450,832 | 17,531,666 | 17,099,166 | 34,198,332 | 33,621,668 |
| Employee benefits - unfunded | **37,478,851** | 37,478,851 | - | - | - | 37,478,851 |
| Trade and other payable | **175,521,643** | 175,521,643 | 175,521,643 | - | - | - |
| Mark up accrued | **13,899,589** | 13,899,589 | 13,899,589 | - | - | - |
| Short term borrowings | **1,190,849,919** | 1,311,155,533 | 675,628,702 | 635,526,831 | - | - |
| | **1,517,750,002** | 1,640,506,448 | 882,581,600 | 652,625,997 | 34,198,332 | 71,100,519 |

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash Flows | Six months or less | Six to twelve months | One to two years | Two years or above |
| | ........ Rupees ........ | | | | | |
| **Non-derivative Financial liabilities** | | | | | | |
| Long term financing | - | - | - | - | - | - |
| Employee benefits - unfunded | 37,305,052 | 37,305,052 | - | - | - | 37,305,052 |
| Trade and other payable | 139,196,896 | 139,196,896 | 139,196,896 | - | - | - |
| Mark up accrued | 16,474,191 | 16,474,191 | 16,474,191 | - | - | - |
| Short term borrowings | 1,027,326,011 | 1,138,123,122 | 587,527,746 | 550,595,376 | - | - |
| | 1,220,302,150 | 1,331,099,261 | 743,198,833 | 550,595,376 | - | 37,305,052 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

**34.3 Market risk**

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

**34.3.1 Foreign currency risk management**

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

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

The potential currency exposures are discussed below;

**Transactional exposure in respect of non functional currency monetary items**

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

**Transactional exposure in respect of non functional currency expenditure and revenues**

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

**Exposure to currency risk**

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | USD | EURO | USD | EURO |
| Trade debts | **931,904** | **-** | 637,111 | - |
| Trade creditors | **(112,254)** | **(41,760)** | - | - |
| Short term borrowings | - | - | (699,430) | - |
| | **819,650** | **(41,760)** | (62,319) | - |

Commitments outstanding at year end amounted to Rs. 118.445 million (2012: Rs. 81.379 million) relating to letter of credits for import of stores, spare parts, raw material and plant & machinery.

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date mid spot rate | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | ------------- Rupees ------------- | | ------------- Rupees ------------- | |
| **USD 1** | **95.20** | 91.12 | **98.80** | 93.80 |
| **EURO 1** | **125.51** | 121.24 | **129.11** | 119.52 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

**Sensitivity analysis**

A 5 percent strengthening of the Pak Rupee against the USD & EURO at June 30, 2013 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2012.

| | 2013 | 2012 |
|---|---|---|
| | ------------- Rupees ------------- | |
| (Increase) / Decrease in profit and loss account | **(4,318,653)** | (292,276) |

A 5 percent weakening of the Pak Rupee against the USD & EURO at June 30, 2013 would have equal but opposite effect on profit or loss by the amount shown above on the basis that all other variables remain constant.

**34.4 Interest rate risk**

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

**Profile**

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

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | ……………….. % | ……………….. | ------------- Rupees ------------- | |
| **Financial liabilities** | | | | |
| Long term financing | **9.81 to 10.03** | - | **100,000,000** | - |
| Short term borrowings | **1.73 to 13.47** | 1.46 to 15.04 | **1,190,849,919** | 1,027,326,011 |
| | | | **1,290,849,919** | 1,027,326,011 |

**Fair value sensitivity analysis for floating rate instruments**

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

| | Increase / (Decrease) in | Effect on profit before tax |
|---|---|---|
| **2013** | **%** | **Rupees** |
| Long term financing | **1.00%** | **1,000,000** |
| Short term borrowings | | **11,908,499** |
| | | **12,908,499** |
| **2012** | | |
| Long term financing | 1.00% | - |
| Short term borrowings | | 10,273,260 |
| | | 10,273,260 |

**34.5 Equity Price Risk Management**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments

**34.6 Fair value hierarchy**

Financial instruments at fair value are measured at three level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

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

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

As all the investments of the Company are in associates and recorded on equity method, so these investments do not fall under the levels given above.

**35 FINANCIAL INSTRUMENTS BY CATEGORY**

| | 2013 | 2012 |
|---|---|---|
| | ------------- Rupees ------------- | |
| **Financial Assets** | | |
| **Loans and receivables at amortised cost** | | |
| Long term loans | **418,000** | 726,000 |
| Long term deposits | **8,858,230** | 8,858,230 |
| Trade debts | **377,973,930** | 251,950,928 |
| Loans and advances | **448,000** | 448,000 |
| Deposits | **962,331** | 347,409 |
| Other receivables | **719,008** | 880,894 |
| Cash and bank balances | **11,360,581** | 5,031,306 |
| | **400,740,080** | 268,242,767 |
| **Investment in associates** | | |
| Long term investments | **438,944,127** | 332,052,454 |
| | **839,684,207** | 600,295,221 |
| **Financial Liabilities** | | |
| **Financial liabilities at amortised cost** | | |
| Long term financing | **100,000,000** | - |
| Employee benefits - unfunded | **37,478,851** | 37,305,052 |
| Trade and other payable | **179,137,077** | 141,231,090 |
| Mark up accrued | **13,899,589** | 16,474,191 |
| Short term borrowings | **1,190,849,919** | 1,027,326,011 |
| | **1,521,365,436** | 1,222,336,344 |

**36 NUMBER OF EMPLOYEES**

| | 2013 | 2012 |
|---|---|---|
| | ------------- Numbers ------------- | |
| Average number of employees during the year | **1484** | 1065 |
| Number of employees as at June 30 | **1591** | 1251 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

**37 PLANT CAPACITY AND ACTUAL PRODUCTION**

| | 2013 | 2012 |
|---|---|---|
| **Production capacity** | | |
| Total number of spindles installed | **34,848** | 34,848 |
| Number of MVS units installed (in equivalent number of spindles) | **920** | 920 |
| Installed capacity after conversion into 20's count (Lbs.) | **25,149,564** | 25,149,564 |
| **Actual production** | | |
| Number of spindles / MVS worked | **32,420** | 30,824 |
| Number of shifts per day | **3** | 3 |
| Total days worked | **364** | 365 |
| Actual production of yarn after conversion into 20's count (Lbs.) | **20,303,617** | 19,929,594 |

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

**38 CAPITAL DISCLOSURE**

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

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

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

| | 2013 | 2012 |
|---|---|---|
| | ------------- Rupees | ------------- |
| Borrowings | **1,290,849,919** | 1,027,326,011 |
| Total equity | **1,636,344,202** | 1,297,736,311 |
| Total capital employed | **2,927,194,121** | 2,325,062,322 |
| Gearing ratio | **44.10%** | 44.18% |

**39 EVENT AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on October 07,2013 has proposed to pay cash dividend for the year ended June 30, 2013 of Rs.20,584,000 @ Rs. 2.00 (2012: Rs. 12,865,000 @ Rs. 1.25) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been recognized in these financial statements.

**40 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 07,2013 by the Board of Directors of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

**41 RE-CLASSIFICATION AND RE-ARRANGEMENTS**

Corresponding figures have been re-arranged and re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-classification are as follows:

| From | | Cost | Accumulated depreciation |
|---|---|---|---|
| | | ------------- Rupees | ------------- |
| Office equipments | Computer | 2,138,133 | 1,216,254 |

**42 GENERAL**

Figures have been rounded off to the nearest Rupee.

Karachi:
October 07, 2013

**Shayan Abdullah**
**Chief Executive Officer**

**Yousuf Abdullah**
**Director**

# PATTERN OF SHAREHOLDING

As at June 30, 2013

| NUMBER OF SHAREHOLDERS | FROM | TO | TOTAL SHARES HELD |
|---|---|---|---|
| 434 | 1 | 100 | 7,717 |
| 75 | 101 | 500 | 29,200 |
| 29 | 501 | 1,000 | 25,989 |
| 25 | 1,001 | 5,000 | 64,798 |
| 7 | 5,001 | 10,000 | 54,609 |
| 2 | 10,001 | 15,000 | 26,397 |
| 2 | 15,001 | 20,000 | 33,340 |
| 2 | 20,001 | 25,000 | 45,539 |
| 3 | 25,001 | 30,000 | 78,575 |
| 4 | 35,001 | 40,000 | 153,085 |
| 1 | 40,001 | 45,000 | 43,188 |
| 1 | 45,001 | 50,000 | 45,927 |
| 2 | 60,001 | 65,000 | 128,298 |
| 1 | 65,001 | 70,000 | 68,988 |
| 1 | 70,001 | 75,000 | 72,350 |
| 1 | 85,001 | 90,000 | 87,104 |
| 1 | 105,001 | 110,000 | 108,217 |
| 1 | 130,001 | 135,000 | 134,890 |
| 1 | 155,001 | 160,000 | 158,691 |
| 1 | 220,001 | 225,000 | 224,428 |
| 1 | 275,001 | 280,000 | 275,699 |
| 1 | 300,001 | 305,000 | 302,630 |
| 1 | 310,001 | 315,000 | 310,697 |
| 1 | 315,001 | 320,000 | 317,682 |
| 1 | 365,001 | 370,000 | 365,515 |
| 1 | 465,001 | 470,000 | 465,638 |
| 1 | 565,001 | 570,000 | 566,700 |
| 1 | 825,001 | 830,000 | 829,200 |
| 1 | 830,001 | 835,000 | 832,800 |
| 1 | 930,001 | 935,000 | 934,026 |
| 1 | 1,015,001 | 1,020,000 | 1,018,100 |
| 1 | 1,095,001 | 1,100,000 | 1,097,110 |
| 1 | 1,380,001 | 1,385,000 | 1,384,873 |
| 607 | 10,292,000 | | |

* Note: There is no shareholding in the slab not mentioned

# PATTERN OF SHAREHOLDING

As at June 30, 2013

| Particulars | No. of Shares Held | Percentage |
|---|---|---|
| Directors, CEO, spouses and Minor Children | 914,999 | 8.8904 |
| Associated Companies, Undertakings and Related Parties | 7,753,984 | 75.3399 |
| NIT & ICP | 465,638 | 4.5243 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions | 3,825 | 0.0372 |
| Insurance Companies | 16,940 | 0.1646 |
| Modarabas Companies & Mutual Funds | 500 | 0.0049 |
| General Public (Local) | 1,096,594 | 10.6548 |
| Joint Stock Companies | 1,388 | 0.0135 |
| Others Companies | 38,132 | 0.3705 |
| | **10,292,000** | **100.0000** |

# PATTERN OF SHAREHOLDING

As at June 30, 2013

| | | |
|---|---|---|
| **A)** | **ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES** | **NO. OF SHARES** |
| | Reliance Textile Limited | 1,098,118 |
| | Diamond Fabrics Limited | 1,662,000 |
| | Neelum Textile Mills (Pvt.) Limited | 365,515 |
| | Sapphire Textile Mills Limited | 317,682 |
| | Sapphire Fibres Limited | 158,691 |
| | Sapphire Agencies (Pvt.) Limited | 2,318,899 |
| | Amer Cotton Mills (Private) Limited | 1,584,800 |
| | Galaxy Agencies (Private) Limited | 108,217 |
| | Sapphire Power Generation Limited | 20,539 |
| | Nadeem Enterprise (Private) Limited | 87,104 |
| | Crystal Enterprises (Private) Limited | 27,696 |
| | Salman Ismail (SMC-PRIVATE) Limited | 1,500 |
| | Yousuf Agencies (Private) Limited | 3,223 |
| **B)** | **NIT & ICP** | |
| | National Bank of Pakistan Trustee Department | 465,638 |
| **C)** | **DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN** | |
| | **DIRECTORS & THEIR SPOUSES** | |
| | Mr. Mohammad Abdullah | 45,927 |
| | Mr. Mohammad Younus | 3,652 |
| | Mr. Yousuf Abdullah | 353,885 |
| | Mr. Amer Abdullah | 314,449 |
| | Mr. Mohammad Yamin | 610 |
| | Mr. Nabeel Abdullah | 500 |
| | Mrs. Ambareen Amer | 80,350 |
| | Mrs. Shamshad Begum | 89,723 |
| | Mrs. Usma Yousuf | 25,403 |
| | **CHIEF EXECUTIVE OFFICER & HIS SPOUSES** | |
| | Mr. Shayan Abdullah | 500 |
| **D)** | **BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS** | |
| | **BANKS** | |
| | National Bank of Pakistan | 225 |
| | **DEVELOPMENT FINANCIAL INSTITUTIONS** | |
| | Bankers Equity Limited | 3,500 |
| | National Development Finance Corporation | 100 |
| | **INSURANCE COMPANIES** | |
| | State Life Insurance Company of Pakistan | 16,940 |
| | **MODARABAS** | |
| | First Punjab Modaraba | 500 |
| **E)** | **SHAREHOLDERS HOLDING 05% OR MORE** | |
| | Diamond Fabrics Limited | 1,662,000 |
| | Reliance Textile Limited | 1,098,118 |
| | Amer Cotton Mills (Private) Limited | 1,584,800 |
| | Sapphire Agencies (Pvt.) Limited | 2,318,899 |
| **F)** | **TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER,** | |
| | **Shares purchased by Mrs. Shamshad Begum** | 11,376 |
| | **Shares purchased by Mr. Yousuf Abdullah** | 38,688 |
| | **Shares purchased by Mr. Amer Abdullah** | 38,750 |

**PROXY FORM**

**RELIANCE COTTON SPINNING MILLS LIMITED**

I/we_______________________________________________________________________________

of_________________________________________________________________________________

a member(s) of **RELIANCE COTTON SPINNING MILLS LIMITED** and a holder of___________Ordinary Shares,

do hereby appoint__________________________________________________________________

of_________________________________________________________________________________

or failing him/her_________________________________________________________________

of_________________________________________________________________________________

a member of **RELIANCE COTTON SPINNING MILLS LIMITED**, vide Registered Folio No.________________ as my/our Proxy to act on my/our behalf at the 24th Annual General Meeting of the Company to be held on Tuesday the 29th day of October, 2013 at 05:30 p.m. at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi and/or any adjournment thereof.

Signed this________ day of _____________, 2013

Signature __________________________________

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

**NOTICE**

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

Witness :

| | |
|---|---|
| Name | Name |
| Address | Address |
| CNIC No. | CNIC No. |