

CONTENTS

Reliance Cotton Spinning Mills Limited Unconsolidated Financial Statements

Company Profile	03
Directors' Report (English/Urdu)	04
Statement of Financial Position	06
Statement of Profit or Loss	07
Statement of Comprehensive Income	08
Statement of Cash Flows	09
Statement of Changes In Equity	10
Notes to the Financial Statements	11

Company Profile

Board of Directors

Mr. Amer Abdullah	Chairman
Mr. Shayan Abdullah	Chief Executive
Mr. Shahid Abdullah	Director
Mr. Yousuf Abdullah	Director
Mr. Nabeel Abdullah	Director
Mr. Abdul Sattar	Director
Mr. Asif Elahi	Independent Director

Audit Committee

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

Human Resource & Remuneration Committee

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

Chief Financial Officer

Mr. Jawwad Faisal

Company Secretary

Mr. Nauman Iqbal

Auditors

Deloitte Yousuf Adil,
Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor

Hassan & Hassan, Advocates

Bankers of the Company

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

Share Registrar

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

Geographical Presence:

Registered Office

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

Mills

Feroze Wattoan,
District, Sheikhpura, Punjab.

Company Website

www.sapphire.com.pk/rcsml

Directors' Report

The Directors of the Company are pleased to present un-audited Financial statements of the Company for the quarter ended September 30, 2018.

Financial Highlights

	September 30,	
	2018	2017
	Rupees in thousand	
Sales & services	1,245,625	989,471
Gross profit	213,881	140,682
Profit before taxation	145,389	80,144
Taxation:	(10,688)	(9,730)
Profit after taxation	<u>134,701</u>	<u>70,414</u>

During the first quarter of the financial year, your company achieved sales of Rs. 1.245 billion compared to Rs. 989.471 million during corresponding period of last year, an increase of 25.89%. The gross profit as a percentage of sales increased to 17.17% from 14.22% during last year. Whereas, the company earned profit after tax of Rs. 134.701 million as against Rs. 70.414 million during last year's corresponding period.

Earnings per share

The company's earnings per share (EPS) were at Rs. 13.09 as compared to Rs. 6.84 for the same period of last year.

Future outlook

Operational and financial performance of your company has shown significant improvement in first quarter of the financial year and the management is making every effort to maximize shareholder value in future as well.

Pakistan's textile exports face tough challenges in global competition due to significant increase in cost of doing business in the country. We expect that the government will extend immediate support to improve cost competitiveness of the industry through reduction in energy costs, continuation of additional duty drawback scheme and release of tax refunds.

The directors appreciate sincere contribution and the hard work by staff and workers of the company.

For and on behalf of Board

Lahore
October 29, 2018

Shahid Abdullah
Director

Shayan Abdullah
Chief Executive Officer

ڈائریکٹرز رپورٹ

ہم 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

مالیاتی جھلکیاں

تفصیل	30 ستمبر 2018ء	30 ستمبر 2017ء
فروخت اور خدمات	1,245,625	989,471
مجموعی منافع	213,881	140,682
ٹیکس سے پہلے منافع	145,389	80,144
ٹیکس	(10,688)	(9,730)
ٹیکس کے بعد منافع	134,701	70,414

آپ کی کمپنی نے گزشتہ سال کی اسی مدت میں 989,471 ملین روپے کے مقابلے مالی سال کی پہلی سہ ماہی کے دوران 1,245 ملین روپے کی فروخت حاصل کی جو 25.89 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 14.22 فیصد کے مقابلے 17.17 فیصد تک بہتر ہوا۔ جبکہ، کمپنی نے گزشتہ سال اسی مدت میں درج 70,414 ملین روپے کے مقابلے موجودہ سہ ماہی کے دوران 134,701 ملین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی موجودہ سہ ماہی کی فی شیئر آمدنی (EPS) 13.09 روپے ہے جو کہ پچھلے سال کی اسی سہ ماہی کی 6.84 روپے تھی۔

مستقبل کا نقطہ نظر

آپ کی کمپنی کی آپریشنل اور مالی کارکردگی نے مالی سال کی پہلی سہ ماہی میں نمایاں بہتری ظاہر کی ہے اور انتظامیہ مستقبل میں بھی حصص داران کی قدر کو زیادہ سے زیادہ کرنے کی ہر کوشش کر رہی ہے۔ پاکستان کی ٹیکسٹائل برآمدات ملک میں کاروبار کرنے کے اخراجات میں نمایاں اضافہ کے باعث عالمی مقابلہ میں سخت مشکلات کا سامنا کر رہی ہے۔ امید کرتے ہیں کہ حکومت بجلی کی قیمتوں میں کمی، ڈیوٹی ڈراء بیک اسکیم کا تسلسل اور ٹیکس ریفرنڈم کی واگزار کی ذریعے انڈسٹری کی مسابقت کو بہتر بنانے کے لئے فوری تعاون کو توسیع دے گی۔

اعتراف

ڈائریکٹرز کمپنی کے عملے اور کارکنوں کی سخت محنت اور قابل ستائش خدمات کو سراہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

(شامین عبداللہ)

ڈائریکٹر

(شامین عبداللہ)

چیف ایگزیکٹو

لاہور تاریخ: 29 اکتوبر 2018

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2018

	Note	Un-Audited September 30, 2018	Audited June 30, 2018
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,467,825,990	1,460,765,061
Long term investments	5	89,069,645	89,069,645
Long term deposits		8,987,690	8,987,690
		1,565,883,325	1,558,822,396
CURRENT ASSETS			
Stores and spare parts		30,126,602	49,466,734
Stock-in-trade		1,511,077,219	1,242,826,867
Trade debts		879,717,341	665,550,377
Loans and advances		103,913,389	64,191,180
Short term deposits and prepayments		1,697,651	2,255,778
Other receivables		46,118,019	48,129,947
Tax refunds due from the Government		247,869,368	233,635,886
Short term investments		73,435,890	78,692,660
Cash and bank balances		21,937,960	7,780,802
		2,915,893,439	2,392,530,231
		4,481,776,764	3,951,352,627
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2018: 12,000,000) ordinary shares of Rs. 10 each		120,000,000	120,000,000
Issued, subscribed and paid up capital		102,920,000	102,920,000
Reserves		1,900,657,939	1,769,452,558
		2,003,577,939	1,872,372,558
NON-CURRENT LIABILITIES			
Long term financing	6	209,257,564	185,732,252
Employee retirement benefits		66,700,625	92,932,343
		275,958,189	278,664,595
CURRENT LIABILITIES			
Trade and other payables		305,995,068	314,624,738
Unclaimed dividend		410,117	410,117
Markup accrued		23,694,972	22,471,434
Short term borrowings	7	1,826,040,050	1,427,713,150
Current portion of long term financing		7,635,436	7,318,748
Provision for taxation		38,464,993	27,777,287
		2,202,240,636	1,800,315,474
CONTINGENCIES AND COMMITMENTS		4,481,776,764	3,951,352,627

The annexed notes from 1 to 12 form an integral part of these unconsolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Unconsolidated Condensed Interim Statement of Profit or Loss

For the Quarter ended September 30, 2018

		Un-Audited Quarter ended September 30, 2018	Un-Audited Quarter ended September 30, 2017
Note		-----Rupees-----	
Sales - net		1,245,624,981	989,470,526
Cost of sales	9	(1,031,744,144)	(848,788,632)
Gross profit		213,880,837	140,681,894
Distribution cost		(18,041,426)	(23,051,303)
Administrative expenses		(13,819,049)	(11,444,677)
Other operating expenses		(7,935,751)	(4,807,786)
		(39,796,226)	(39,303,766)
Other income		2,380,754	694,873
Operating profit before finance cost		176,465,365	102,073,001
Finance cost		(31,076,754)	(21,928,722)
Profit before taxation		145,388,611	80,144,279
Provision for taxation		(10,687,706)	(9,730,403)
Profit for the year		134,700,905	70,413,876
Earnings per share - basic and diluted		13.09	6.84

The annexed notes from 1 to 12 form an integral part of these unconsolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter ended September 30, 2018

	Un-Audited Quarter ended September 30, 2018	Un-Audited Quarter ended September 30, 2017
	-----Rupees-----	
Profit for the quarter	134,700,905	70,413,876
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Unrealized loss on remeasurment of short term investments- available for sale	(2,685,328)	(8,957,570)
Realized loss on disposal of available for sale investments	(810,197)	-
	(3,495,524)	(8,957,570)
Total comprehensive income for the quarter	131,205,381	61,456,306

The annexed notes from 1 to 12 form an integral part of these unconsolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Unconsolidated Condensed Interim Statement of Cash Flows

For the Quarter ended September 30, 2018

	Un-Audited Quarter ended September 30, 2018	Un-Audited Quarter ended September 30, 2017
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	145,388,611	80,144,279
Adjustments for:		
Depreciation on property, plant and equipment	35,184,755	33,832,583
Provision for employee benefits	4,500,000	6,360,000
Rebate Income	(79,928)	(10,706,017)
Finance cost	31,076,754	21,928,722
Dividend income on short and long term investment	1,685,648	-
	217,755,840	131,559,567
Working capital changes		
Decrease / (Increase) in current assets		
Stores and spare parts	19,340,132	2,815,239
Stock-in-trade	(268,250,352)	15,076,707
Trade debts	(214,166,964)	(146,103,609)
Loans and advances	(34,894,732)	(37,821,043)
Short term deposits and prepayments	558,127	(562,029)
Other receivables	2,091,856	666,890
Increase / (decrease) in current liabilities		
Trade and other payables	(8,629,670)	(71,770,377)
	(503,951,603)	(237,698,222)
Cash (used in) / generated from operations	(286,195,763)	(106,138,655)
Employee benefits paid	(30,731,718)	(1,335,856)
Finance cost paid	(29,853,215)	(26,645,013)
Sales tax (paid) / refunded	(14,233,482)	19,513,479
Income taxes paid	(4,827,477)	(6,071,245)
Rebate income received	-	3,316,689
	(79,645,892)	(11,221,946)
Net cash (used in) / generated from operating activities	(365,841,655)	(117,360,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(42,245,684)	(9,874,909)
Short term investments - net	1,761,245	(3,867,645)
Dividend received	(1,685,648)	-
Net cash used in investing activities	(42,170,087)	(13,742,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	23,842,000	-
Short term borrowings - net	398,326,900	158,906,160
Net cash from / (used in) financing activities	422,168,900	158,906,160
Net (decrease) / increase in cash and cash equivalents	14,157,158	27,803,005
Cash and cash equivalents at beginning of the year	7,780,802	22,711,121
Cash and cash equivalents at the end of the year	21,937,960	50,514,126

The annexed notes from 1 to 12 form an integral part of these unconsolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Unconsolidated Condensed Interim Statement of Changes In Equity

For the Quarter ended September 30, 2018

	Revenue reserves		Unrealized loss on remeasurement of investments available for sale-net	Total reserves	Total
	Share capital	Un-appropriated profit			
----- Rupees -----					
Balance as at July 01, 2017	102,920,000	1,350,806,706	130,000,000	(9,370,227)	1,471,436,479
Total comprehensive income:					
Profit for the quarter ended September 30, 2017	-	70,413,876	-	70,413,876	70,413,876
Other comprehensive income	-	-	(8,957,570)	(8,957,570)	(8,957,570)
Total comprehensive income	-	70,413,876	-	61,456,306	61,456,306
Balance as at September 30, 2017	102,920,000	1,421,220,582	130,000,000	(18,327,797)	1,635,812,785
Transactions with owners:					
Final dividend for the year ended June 30, 2017 @ Rs. 1.5 per share	-	(15,438,000)	-	(15,438,000)	(15,438,000)
	102,920,000	1,405,782,582	130,000,000	(18,327,797)	1,620,374,785
Profit for the nine months ended June 30, 2017	-	245,666,663	-	245,666,663	245,666,663
Other comprehensive income	-	(830,822)	-	6,331,110	6,331,110
Total comprehensive income	-	244,835,841	-	251,997,773	251,997,773
Balance as at June 30, 2018	102,920,000	1,650,618,423	130,000,000	(11,165,865)	1,769,452,558
Profit for the quarter ended September 30, 2018					
Other comprehensive income	-	134,700,905	-	134,700,905	134,700,905
Total comprehensive income	-	-	(3,495,524)	(3,495,524)	(3,495,524)
	-	134,700,905	-	131,205,381	131,205,381
Balance as at September 30, 2018	102,920,000	1,785,319,328	130,000,000	(14,661,389)	2,003,577,939

The annexed notes from 1 to 12 form an integral part of these unconsolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited) For the Quarter ended September 30, 2018

1 LEGAL STATUS AND OPERATIONS

- 1.1** Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan stock exchange limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi and mills are located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.
- 1.2** These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.
- 1.3** These are the standalone financial statements of the company in which investments in subsidiary and associates are accounted for on at cost. Condensed consolidated interim financial statements are prepared separately.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Separate financial statements

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

Consequent to preparation of consolidated financial statements by consolidating its subsidiary RCSM Company (Private) Limited, the Company has prepared its separate financial statements for the first time for the year ended June 30, 2018. The Company has chosen to present all equity investments at cost as fully explained in note 5.

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

3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1** The accounting policies and methods of computation adopted for preparation of these unconsolidated condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements for the year ended June 30, 2018.
- 3.2** The preparation of this unconsolidated condensed interim financial statements in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3** The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual published audited financial statements as at and for the year ended June 30, 2018.
- 3.4** Certain amendments to approved accounting standards have been published and are mandatorily effective for the accounting period beginning on or after July 1, 2018, none of these amendments are expected to have a significant effect on these unconsolidated condensed interim financial statements.

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

			Un-audited September 30, 2018 Rupees	Audited June 30, 2018 Rupees
4	PROPERTY, PLANT AND EQUIPMENT	Note		
	Operating assets	4.1	1,443,366,876	1,460,246,900
	Capital work in progress	4.2	24,459,114	518,161
			<u>1,467,825,990</u>	<u>1,460,765,061</u>
4.1	Operating assets			
	Opening book value		1,460,246,900	1,403,202,577
	Additions during the period / year			
	Freehold land		-	2,368,000
	Residential building		-	11,535,105
	Electric installation		-	1,149,425
	Electric equipment		-	213,450
	Computers		121,500	89,000
			121,500	15,354,980
	Transfer from capital work in progress			
	Factory building		-	25,765,916
	Plant and machinery		18,183,231	148,760,672
	Vehicles		-	11,801,714
			18,183,231	186,328,302
	Book value of assets disposed off during the period / year		-	(2,649,149)
	Depreciation charged during the period / year		(35,184,755)	(141,989,810)
	Closing book value		<u>1,443,366,876</u>	<u>1,460,246,900</u>
4.2	Capital work in progress			
	Plant and machinery		24,459,114	518,161
			<u>24,459,114</u>	<u>518,161</u>
5	LONG TERM INVESTMENTS			
	Investment in subsidiary - at cost:			
	Un-quoted:			
	RCSM Company (Private) Limited		100,000	100,000
	Investments in associates - at cost:			
	Quoted:			
	Sapphire Fibres Limited		41,956,482	41,956,482
	Sapphire Textile Mills Limited		8,114,578	8,114,578
	SFL Limited		2,439,475	2,439,475
	Un-quoted:			
	Sapphire Finishing Mills Limited		16,509,160	16,509,160
	Sapphire Holding Limited		524,950	524,950
	Sapphire Power Generation Limited		19,425,000	19,425,000
			<u>89,069,645</u>	<u>89,069,645</u>
6	LONG TERM FINANCING			
	As at the beginning of the period / year		193,051,000	74,900,000
	Availed during the period / year		23,842,000	118,151,000
	As at the end of the period / year		216,893,000	193,051,000
	Less: Current maturity of long term financing		(7,635,436)	(7,318,748)
			<u>209,257,564</u>	<u>185,732,252</u>

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

- 6.1** These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 500 million. During the year, the Company further obtained Rs.23.842 million (2018: Rs. 118.51 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 667 million over all present and future plant and machinery of the Company. These loans are repayable in 16 equal semi-annual installments over 10 years including 2 years grace period. These loans carry mark up at the (SBP rate) + 0.5%. Installment under these arrangements are detailed below along with date of last payment:

	Note	Un-Audited September 30, 2018 Rupees	Audited June 30, 2018 Rupees
7	SHORT TERM BORROWINGS		
From banking companies - secured			
Running finance		954,017,125	887,713,150
Other short term finance		870,000,000	540,000,000
Temporary bank overdraft		2,022,925	-
		1,826,040,050	1,427,713,150
8	CONTINGENCIES AND COMMITMENTS		
8.1	Contingencies		
Guarantees have been issued by banks on behalf of the Company in the normal course of business		168,990,298	168,990,298
Post dated cheques issued		163,067,041	147,531,396
		332,057,339	316,521,694
8.2	Claims of Input Sales Tax		
There has been no material change in the status of contingencies pointed in the financial statements for the year ended June 30, 2018.			
8.3	Commitments		
Irrevocable letters of credit for import of:			
-Machinery		344,300,730	294,675,883
-Stores and spare parts		-	4,430,999
-Raw material		180,728,895	88,464,191
		525,029,625	387,571,073
9	COST OF SALES	Un-audited September 30, 2018 Rupees	Un-audited September 30, 2017 Rupees
Stocks - opening		148,317,698	82,330,887
Cost of goods manufactured	9.1	1,086,544,467	868,608,317
Yarn purchase		-	2,076,429
		1,234,862,165	953,015,633
Stocks - closing		(203,118,021)	(104,227,001)
		1,031,744,144	848,788,632
9.1	Cost of goods manufactured		
Work in process - opening		140,912,165	143,725,269
Raw material consumed		832,917,567	631,401,531
Overheads		262,957,462	228,939,267
		1,095,875,029	860,340,798
Work in process - closing		(150,242,727)	(135,457,750)
		1,086,544,467	868,608,317

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

10 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, subsidiary and other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business enters into transactions with various related parties.

The transactions with related parties during the period generally consist of sales and purchases.

Nature and description of related party transactions during the period along with monetary values are as follows:

Nature of Relationship	Nature of Transaction	Quarter ended	
		September 30, 2018	September 30, 2017
	Rupees.....	
Associated companies	Sales of finished goods, raw material / stores and spare parts	182,275,280	139,325,395
	Purchases of;		
	- finished goods, raw material / stores and spare parts	11,359,167	22,547,379
	- electricity	27,706,713	5,671,704
	Services rendered	-	55,974
	Services obtained	10,000	753,250
	Dividend received	1,505,888	-
	Shared expenses paid	1,762,643	1,903,655
	Shared expenses received	1,329,687	1,079,524

Transactions with related parties are carried out at agreed terms in the normal course of business.

11 DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial statements has been approved by the Board of Directors of the Company and authorized for issue on October 29, 2018 .

12 GENERAL

Figures have been rounded off to the nearest rupee.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

CONTENTS

Reliance Cotton Spinning Mills Limited Consolidated Financial Statements

Directors' Report (English/Urdu)	16
Statement of Financial Position	18
Statement of Profit or Loss	19
Statement of Comprehensive Income	20
Statement of Cash Flows	21
Statement of Changes In Equity	22
Notes to the Financial Statements	23

Directors' Report

On behalf of Board of Directors of Holding Company of RCSM Company (Pvt.) Limited, it is our pleasure to present Directors' Report with Un-Audited Consolidated Financial statement of the Company for the quarter ended September 30, 2018

RCSM Company (Pvt.) Limited

RCSM Company (Pvt.) Limited was incorporated in Pakistan as private limited by shares wholly owned by Reliance Cotton Spinning Mills Limited under Companies Ordinance, 1984 (now Companies Act, 2017) on November 08, 2017. The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other company but not to act as an investment company.

For and on behalf of Board

Lahore
October 29, 2018

Shahid Abdullah
Director

Shayan Abdullah
Chief Executive Officer

ڈائریکٹرز رپورٹ

RCSM کمپنی (پرائیویٹ) لمیٹڈ کی ہولڈنگ کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم 30 ستمبر 2018ء کو ختم ہونے والی سہ ماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مجموعی مالیاتی گوشواروں کے ہمراہ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ:

RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984 (ایمپنیز ایکٹ 2017) کے تحت 08 نومبر 2017 کو ریلیئنس کاٹن سپننگ ملز لمیٹڈ کے مکمل ملکیتی شیئرز سے نجی لمیٹڈ کمپنی کے طور پر پاکستان میں قائم ہوئی۔ ذیلی کمپنی کی اصل سرگرمی کسی دیگر کمپنی میں شیئرز لینا یا حزیدنا اور رکھنا ہے لیکن ایک سرمایہ کاری کمپنی کے طور پر کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

(شاید عبداللہ)
ڈائریکٹر

(شایان عبداللہ)
چیف ایگزیکٹو

لاہور تاریخ: 29 اکتوبر 2018

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2018

		Un-Audited September 30, 2018	Audited June 30, 2018
	Note	-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,467,825,990	1,460,765,061
Long term investments	5	732,440,879	718,327,402
Long term deposits		8,987,690	8,987,690
		2,209,254,559	2,188,080,153
CURRENT ASSETS			
Stores and spare parts		30,126,602	49,466,734
Stock-in-trade		1,511,077,219	1,242,826,867
Trade debts		879,717,341	665,550,377
Loans and advances		103,913,389	64,191,180
Short term deposits and prepayments		1,697,651	2,255,778
Other receivables		46,118,019	48,129,947
Tax refunds due from the Government		247,869,368	233,635,886
Short term investments		73,435,890	78,692,660
Cash and bank balances		22,037,960	7,880,802
		2,915,993,439	2,392,630,231
		5,125,247,998	4,580,710,384
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2018: 12,000,000) ordinary shares of Rs. 10 each		120,000,000	120,000,000
Issued, subscribed and paid up capital		102,920,000	102,920,000
Reserves		2,466,034,967	2,322,673,005
		2,568,954,967	2,425,593,005
NON-CURRENT LIABILITIES			
Long term financing	6	209,257,564	185,732,252
Deffered liabilities		144,700,771	168,983,093
		353,958,335	354,715,345
CURRENT LIABILITIES			
Trade and other payables		306,089,128	314,711,298
Unclaimed dividend		410,117	410,117
Markup accrued		23,694,972	22,471,434
Short term borrowings	7	1,826,040,050	1,427,713,150
Current portion of long term financing		7,635,436	7,318,748
Provision for taxation		38,464,993	27,777,287
		2,202,334,696	1,800,402,034
CONTINGENCIES AND COMMITMENTS			
		5,125,247,998	4,580,710,384

The annexed notes from 1 to 12 form an integral part of these consolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Consolidated Condensed Interim Statement of Profit or Loss

For the Quarter ended September 30, 2018

	Un-Audited Quarter ended September 30, 2018	Un-Audited Quarter ended September 30, 2017
Note	-----Rupees-----	
Sales - net	1,245,624,981	989,470,526
Cost of sales	9 (1,031,744,144)	(848,788,632)
Gross profit	213,880,837	140,681,894
Distribution cost	(18,041,426)	(23,051,303)
Administrative expenses	(13,826,550)	(11,444,677)
Other operating expenses	(7,935,751)	(4,807,786)
	(39,803,727)	(39,303,766)
Other income	874,867	694,873
Operating profit before finance cost	174,951,977	102,073,001
Finance cost	(31,076,754)	(21,928,722)
Share of profit from associates	21,996,137	13,814,564
Profit before taxation	165,871,360	93,958,843
Provision for taxation	(12,637,102)	(17,085,320)
Profit for the quarter	153,234,258	76,873,523
Earnings per share - basic and diluted	14.89	7.47

The annexed notes from 1 to 12 form an integral part of these consolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter ended September 30, 2018

	Un-Audited Quarter ended	Un-Audited Quarter ended
	September 30, 2018	September 30, 2017
	-----Rupees-----	
Profit for the quarter	153,234,258	76,873,523
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Share in associates' unrealized loss on available for sale investments - net	(7,945,185)	(60,328,162)
Unrealized loss on remeasurement of short term investment	(2,685,327)	(8,957,570)
Realised (loss) on sale of available for investments	(810,197)	-
	(3,495,524)	(8,957,570)
Share in associate's unrealized (loss)/gain on hedging instruments	(75,590)	67,255
	(11,516,299)	(69,218,477)
Total comprehensive income for the quarter	141,717,959	7,655,046

The annexed notes from 1 to 12 form an integral part of these consolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Consolidated Condensed Interim Statement of Cash Flows

For the Quarter ended September 30, 2018

	Un-Audited Quarter ended September 30, 2018	Un-Audited Quarter ended September 30, 2017
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	165,871,360	93,958,843
Adjustments for:		
Depreciation on property, plant and equipment	35,184,755	33,832,583
Provision for employee benefits	4,500,000	6,360,000
Rebate Income	(79,928)	(10,706,017)
Finance cost	31,076,754	21,928,722
Share of profit from associates	(21,996,137)	(13,814,564)
Dividend income on short and long term investment	179,760	-
	214,736,564	131,559,567
Working capital changes		
Decrease / (Increase) in current assets		
Stores and spare parts	19,340,132	2,815,239
Stock-in-trade	(268,250,352)	15,076,707
Trade debts	(214,166,964)	(146,103,609)
Loans and advances	(34,894,732)	(37,821,043)
Short term deposits and prepayments	558,127	(562,029)
Other receivables	2,091,856	666,890
Increase / (decrease) in current liabilities		
Trade and other payables	(8,622,170)	(71,770,377)
	(503,944,103)	(237,698,222)
Cash (used in) / generated from operations	(289,207,539)	(106,138,655)
Employee benefits paid	(30,731,718)	(1,335,856)
Finance cost paid	(29,853,215)	(26,645,013)
Sales tax (paid) / refunded	(14,233,482)	19,513,479
Income taxes paid	(4,827,477)	(6,071,245)
Rebate income received	-	3,316,689
	(79,645,892)	(11,221,946)
Net cash (used in) / generated from operating activities	(368,853,431)	(117,360,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(42,245,684)	(9,874,909)
Short term investments - net	1,761,245	(3,867,645)
Dividend received	1,326,128	-
Net cash used in investing activities	(39,158,311)	(13,742,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	23,842,000	-
Short term borrowings - net	398,326,900	158,906,160
Net cash from / (used in) financing activities	422,168,900	158,906,160
Net (decrease) / increase in cash and cash equivalents	14,157,158	27,803,005
Cash and cash equivalents at beginning of the year	7,880,802	22,711,121
Cash and cash equivalents at the end of the year	22,037,960	50,514,126

The annexed notes from 1 to 12 form an integral part of these consolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Consolidated Condensed Interim Statement of Changes In Equity

For the Quarter ended September 30, 2018

	Share capital	Un-appropriated profit	Revenue reserves		Capital reserve					Total
			General reserve	Unrealized gain/(loss) on re-measurement of available for sale investments - net	Share in associates' unrealized gain on available for sale investments - net	Share in associate's unrealized gain / (loss) on hedging instruments	Share in associate's re-measure- ment of post retirement benefits obligation	Share of items directly recognized in equity by associates	Sub-total	
..... Rupees										
Balance as at June 30, 2017	102,920,000	1,785,964,745	130,000,000	(9,370,227)	137,685,026	3,219	(1,792,820)	9,841,956	2,052,331,899	2,155,251,899
Profit for the quarer ended September 30, 2017	-	76,873,523	-	-	-	-	-	-	76,873,523	76,873,523
Other comprehensive income	-	-	-	(8,957,570)	(60,328,162)	67,255	-	-	(69,218,477)	(69,218,477)
Total comprehensive income	-	76,873,523	-	(8,957,570)	(60,328,162)	67,255	-	-	7,655,046	7,655,046
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	-	(16,681)	(16,681)	(16,681)
Balance as at September 30, 2017	102,920,000	1,862,838,268	130,000,000	(18,327,797)	77,356,864	70,474	(1,792,820)	9,825,275	2,059,970,264	2,162,890,264
Comprehensive income:										
Profit for the nine months ended June 30, 2018	-	281,132,872	-	-	-	-	-	-	281,132,872	281,132,872
Other comprehensive income	-	(830,822)	-	7,161,932	(7,720,653)	211,503	(236,597)	-	(1,414,637)	(1,414,637)
Total comprehensive income	-	280,302,050	-	7,161,932	(7,720,653)	211,503	(236,597)	-	279,718,235	279,718,235
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	-	(1,577,494)	(1,577,494)	(1,577,494)
Transactions with owners:										
Final dividend for the year ended June 30, 2017 @ Rs.1.5 per share	-	(15,438,000)	-	-	-	-	-	-	(15,438,000)	(15,438,000)
Balance as at June 30, 2018	102,920,000	2,127,702,318	130,000,000	(11,165,865)	69,636,211	281,977	(2,029,417)	8,247,781	2,322,673,005	2,425,593,005
Profit for the quarer ended September 30, 2018	-	153,234,258	-	-	-	-	-	-	153,234,258	153,234,258
Other comprehensive income	-	-	-	(3,495,524)	(7,945,185)	(75,590)	-	-	(11,516,299)	(11,516,299)
Total comprehensive income	-	153,234,258	-	(3,495,524)	(7,945,185)	(75,590)	-	-	141,717,959	141,717,959
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	-	1,644,003	1,644,003	1,644,003
Balance as at September 30, 2018	102,920,000	2,280,936,576	130,000,000	(14,661,389)	61,691,026	206,387	(2,029,417)	9,891,784	2,466,034,967	2,568,954,967

The annexed notes from 1 to 12 form an integral part of these consolidated condensed interim financial statements.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (un-audited) For the Quarter ended September 30, 2018

1 THE GROUP AND ITS LEGAL STATUS AND OPERATIONS

The Group comprises of:

1.1 Reliance Cotton Spinning Mills Limited -the Holding Company

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

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

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

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

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

2 BASIS OF PREPARATION

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

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

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

2.2 This condensed consolidated interim financial statements does not include all of the information required for the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2018.

3 ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and methods of computation adopted for preparation of this condensed interim consolidated financial statements are the same as those applied in preparation of the annual audited financial statement for the year ended June 30, 2018.

3.2 The preparation of this condensed interim consolidated financial statements in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual published audited financial statements as at and for the year ended June 30, 2018.

3.4 Certain amendments to approved accounting standards have been published and are mandatorily effective for the accounting period beginning on or after July 1, 2018, none of these amendments are expected to have a significant effect on this condensed interim consolidated financial statements.

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

			Un-audited September 30, 2018 Rupees	Audited June 30, 2018 Rupees
4	PROPERTY, PLANT AND EQUIPMENT	Note		
	Operating assets	4.1	1,443,366,876	1,460,246,900
	Capital work in progress	4.2	24,459,114	518,161
			1,467,825,990	1,460,765,061
4.1	Operating assets			
	Opening book value		1,460,246,900	1,403,202,577
	Additions during the period / year			
	Freehold land		-	2,368,000
	Residential building		-	11,535,105
	Electric installation		-	1,149,425
	Electric equipment		-	213,450
	Computers		121,500	89,000
			121,500	15,354,980
	Transfer from capital work in progress			
	Factory building		-	25,765,916
	Plant and machinery		18,183,231	148,760,672
	Vehicles		-	11,801,714
			18,183,231	186,328,302
	Book value of assets disposed off during the period / year		-	(2,649,149)
	Depreciation charged during the period / year		(35,184,755)	(141,989,810)
	Closing book value		1,443,366,876	1,460,246,900
4.2	Capital work in progress			
	Plant and machinery		24,459,114	518,161
			24,459,114	518,161
5	LONG TERM INVESTMENTS			
	Investments in associates - at equity method:			
	Quoted:			
	Sapphire Fibres Limited	5.2	427,343,521	418,447,167
	Sapphire Textile Mills Limited	5.3	86,536,277	82,983,620
	SFL Limited	5.4	58,631,676	58,084,718
	Un quoted:			
	Sapphire Finishing Mills Limited	5.5	78,429,576	76,483,467
	Sapphire Holding Limited	5.6	33,411,096	32,902,293
	Sapphire Power Generation Limited	5.7	48,088,733	49,426,137
			732,440,879	718,327,402
5.1	The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.			

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

	Un-audited September 30, 2018 Rupees	Audited June 30 2018 Rupees
5.2 Investment in Sapphire Fibres Limited		
393,697 (June 30, 2018: 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	385,387,039	377,081,231
Dividend received	-	(590,546)
	427,343,521	418,447,167
5.3 Investment in Sapphire Textile Mills Limited		
100,223 (June 30, 2018: 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	78,421,699	74,869,042
Dividend received	-	-
	86,536,277	82,983,620
5.4 Investment in SFL Limited		
401,570 (June 30, 2018: 401,570) ordinary shares of Rs. 10 each - cost	2,439,475	2,439,475
Share of post acquisition profit	57,698,089	55,946,421
Dividend received	(1,505,888)	(301,178)
	58,631,676	58,084,718
5.5 Investment in Sapphire Finishing Mills Limited		
1,556,000 (June 30, 2018: 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	61,920,416	59,974,307
Dividend received	-	-
	78,429,576	76,483,467
5.6 Investment in Sapphire Holding Limited		
100,223 (June 30, 2018: 100,223) ordinary shares of Rs. 10 each - cost	524,950	524,950
Share of post acquisition profit	32,886,146	32,377,343
Dividend received	-	-
	33,411,096	32,902,293
5.7 Investment in Sapphire Power Generation Limited		
555,000 (June 30, 2018: 555,000) ordinary shares of Rs. 10 each - cost	19,425,000	19,425,000
Share of post acquisition profit	28,663,733	30,001,137
	48,088,733	49,426,137

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

	September 30, 2018 Rupees	June 30, 2018 Rupees
6 LONG TERM FINANCING		
As at the beginning of the period / year	193,051,000	74,900,000
Availed during the period / year	23,842,000	118,151,000
As at the end of the period / year	216,893,000	193,051,000
Less: Current maturity of long term financing	(7,535,436)	(7,318,748)
	<u>209,257,564</u>	<u>185,732,252</u>
6.1	<p>These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 500 million. During the year, the Company further obtained Rs.23.842 million (2018: Rs. 118.51 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 667 million over all present and future plant and machinery of the Company. These loans are repayable in 16 equal semi-annual installments over 10 years including 2 years grace period. These loans carry mark up at the (SBP rate) + 0.5%. Installment under these arrangements are detailed below along with date of last payment:</p>	
	Un-Audited September 30, 2018 Rupees	Audited June 30, 2018 Rupees
7 SHORT TERM BORROWINGS		
From banking companies - secured		
Running finance	954,017,125	887,713,150
Other short term finance	870,000,000	540,000,000
Temporary bank overdraft	2,022,925	-
	<u>1,826,040,050</u>	<u>1,427,713,150</u>
8 CONTINGENCIES AND COMMITMENTS		
8.1 Contingencies		
Guarantees have been issued by banks on behalf of the Company in the normal course of business	168,990,298	168,990,298
Post dated cheques issued	163,067,041	147,531,396
	<u>332,057,339</u>	<u>316,521,694</u>
8.2 Claims of Input Sales Tax		
There has been no material change in the status of contingencies pointed in the financial statements for the year ended June , 30 2018.		
8.3 Commitments		
Irrevocable letters of credit for import of:		
- Machinery	344,300,730	294,675,883
- Stores and spare parts	-	4,430,999
- Raw material	180,728,895	88,464,191
	<u>525,029,625</u>	<u>387,571,073</u>

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (un-audited)
For the Quarter ended September 30, 2018

		Un-audited Quarter ended September 30, 2018 Rupees	Un-audited Quarter ended September 30, 2017 Rupees
9 COST OF SALES			
Stocks - opening		148,317,698	82,330,887
Cost of goods manufactured	9.1	1,086,544,467	868,608,317
Yarn purchase		-	2,076,429
		1,234,862,165	953,015,633
Stocks - closing		(203,118,021)	(104,227,001)
		1,031,744,144	848,788,632
9.1 Cost of goods manufactured			
Work in process - opening		140,912,165	143,725,269
Raw material consumed		832,917,567	631,401,531
Overheads		262,957,462	228,939,267
		1,095,875,029	860,340,798
Work in process - closing		(150,242,727)	(135,457,750)
		1,086,544,467	868,608,317

10 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, subsidiary and other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business enters into transactions with various related parties.

The transactions with related parties during the period generally consist of sales and purchases.

Nature and description of related party transactions during the period along with monetary values are as follows:

Nature of Relationship	Nature of Transaction	Quarter ended	
		September 30, 2018	September 30, 2017
	Rupees.....	
Associated companies	Sales of finished goods, raw material / stores and spare parts	182,275,280	139,325,395
	Purchases of;		
	- finished goods, raw material / stores and spare parts	11,359,167	22,547,379
	- electricity	27,706,713	5,671,704
	Services rendered	-	55,974
	Services obtained	10,000	753,250
	Dividend received	1,505,888	-
	Shared expenses paid	1,762,643	1,903,655
	Shared expenses received	1,329,687	1,079,524

Transactions with related parties are carried out at agreed terms in the normal course of business.

11 DATE OF AUTHORIZATION FOR ISSUE

This Consolidated condensed interim financial statement has been approved by the Board of Directors of the Company and authorized for issue on October 29, 2018 .

12 GENERAL

Figures have been rounded off to the nearest rupee.

Lahore :
Dated : October 29, 2018

Shayan Abdullah
Chief Executive

Jawwad Faisal
Chief Financial Officer

Shahid Abdullah
Director