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Reliance Cotton Spinning Mills Limited Unconsolidated Financial Statements

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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 to the Shareholders

The Directors of the Company are pleased to present un-audited financial statements of the Company for the nine month ended March 31, 2019.

Financial Highlights

	March 31,	
	2019	2018
	Rupees in thousand	
Sales & services	3,922,668	3,099,082
Gross profit	591,809	440,136
Profit before taxation	314,937	232,368
Taxation:	(6,791)	(17,109)
Profit after taxation	<u>308,146</u>	<u>215,258</u>

During the period under review, your company achieved sales of Rs. 3,923 million compared to Rs. 3,099 million during corresponding period of last year, an increase of 26.58%. The gross profit as a percentage of sales increased to 15.09% from 14.20% during last year. Whereas, the company earned profit after tax of Rs.308 million as against Rs.215 million during last year's corresponding period.

Earnings per share

The company's earnings per share (EPS) were at Rs.29.94 as compared to Rs. 20.92 for the same period of last year.

Future outlook

Your company's operations have shown considerable improvement during first nine months of the year and similar trend of profitable growth is expected to continue in the remaining period of this financial year. The management is focused on continuous improvement in operational and financial performance of your company to enhance shareholder value.

The directors appreciate the hard work and commendable services rendered by staff and workers of the company.

For and on behalf of Board

Lahore
April 29, 2019

(Shahid Abdullah)
Director

(Shayan Abdullah)
Chief Executive Officer

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 مارچ 2019ء کو ختم ہونے والی نو ماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں		تفصیل
31 مارچ 2018ء	31 مارچ 2019ء	
3,099,082	3,922,668	فروخت اور خدمات
440,136	591,809	مجموعی منافع
232,368	314,937	ٹیکس سے پہلے منافع
(17,109)	(6,791)	ٹیکسیشن
215,258	308,146	ٹیکس کے بعد منافع

آپ کی کمپنی نے گزشتہ سال کی اسی مدت میں 3,099 ملین روپے کے مقابلے میں گزشتہ مدت کے دوران 3,923 ملین روپے کی فروخت حاصل کی جو 26.58 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 14.20 فیصد سے بڑھ کر 15.09 فیصد ہو گیا۔ جبکہ کمپنی نے گزشتہ سال اسی مدت میں درج 215 ملین روپے کے مقابلے میں موجودہ نو ماہی کے دوران 308 ملین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی موجودہ فی شیئر آمدنی (EPS) 29.94 روپے ہے جو کہ پچھلے سال کے اسی عرصہ میں 20.92 روپے تھی۔

مستقبل کا نقطہ نظر

آپ کی کمپنی کی آپریشنل اور مالی کارکردگی نے مالی سال کی پہلی نو ماہی میں نمایاں بہتری ظاہر کی ہے اور انتظامیہ مستقبل قریب میں بھی اسی طرح کے رجحان کے جاری رہنے کے لئے پُر امید ہے۔ انتظامیہ نے کمپنی کی آپریشنل اور مالی کارکردگی میں مسلسل بہتری کے ذریعے حصص داران کی قدر کو زیادہ سے زیادہ کرنے پر توجہ مرکوز کی ہے۔

اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)

ڈائریکٹر

(شایان عبداللہ)

چیف ایگزیکٹو آفیسر

لاہور تاریخ: 29 اپریل 2019ء

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

		Un-Audited	Audited
		March 31, 2019	June 30, 2018
	Note	Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,837,573,540	1,460,765,061
Long term investments	5	89,069,645	89,069,645
Long term deposits		8,987,690	8,987,690
		1,935,630,875	1,558,822,396
CURRENT ASSETS			
Stores, spare parts and loose tools		29,889,169	49,466,734
Stock in trade		2,058,853,489	1,242,826,867
Trade debts		818,560,965	665,550,377
Loans and advances		53,156,303	64,191,180
Deposit and short term prepayments		3,972,282	2,255,778
Other receivables		46,801,189	48,129,947
Tax refunds due from the Government		290,927,599	233,635,886
Short term investments		49,042,053	78,692,660
Cash and bank balances		6,378,366	7,780,802
		3,357,581,415	2,392,530,231
		5,293,212,290	3,951,352,627
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital:			
12,000,000 (June 30, 2018: 12,000,000) ordinary shares of Rs.10 each.		120,000,000	120,000,000
Issued, subscribed and paid up capital:			
10,292,000 (June 30, 2018: 10,292,000) ordinary shares of Rs.10 each.		102,920,000	102,920,000
Reserves		2,012,201,606	1,769,452,558
		2,115,121,606	1,872,372,558
NON-CURRENT LIABILITIES			
Long term financing	6	554,393,315	185,732,252
Employee retirement benefits		41,658,931	92,932,343
		596,052,246	278,664,595
CURRENT LIABILITIES			
Trade and other payables		344,917,144	314,624,738
Due to associated parties	7	43,192,000	-
Unclaimed dividend		504,999	410,117
Mark-up accrued		40,352,189	22,471,434
Current portion of long term financing	6	8,657,311	7,318,748
Short term borrowings	8	2,137,615,837	1,427,713,150
Provision for taxation		6,798,958	27,777,287
		2,582,038,438	1,800,315,474
CONTINGENCIES AND COMMITMENTS	9	5,293,212,290	3,951,352,627

The annexed notes from 1 to 17 form an integral parts of these unconsolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Note	Nine months ended		Three months ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		-----Rupees-----		.....Rupees.....	
Sales - net	10	3,922,668,114	3,099,082,372	1,357,549,509	1,059,714,191
Cost of sales	11	(3,330,858,930)	(2,658,946,474)	(1,177,445,608)	(900,581,925)
Gross profit		591,809,184	440,135,898	180,103,901	159,132,266
Distribution cost		(68,046,324)	(67,983,349)	(22,232,083)	(21,143,639)
Administrative expenses		(44,342,419)	(39,404,008)	(10,372,480)	(12,734,143)
Other income		15,153,592	7,704,673	3,011,330	1,942,610
Other operating expenses		(27,864,511)	(39,670,921)	(4,065,610)	(12,652,226)
		(125,099,662)	(139,353,605)	(33,658,843)	(44,587,398)
Operating profit before finance cost		466,709,522	300,782,293	146,445,058	114,544,868
Finance cost		(151,772,970)	(68,414,715)	(62,820,020)	(28,622,816)
Profit before taxation		314,936,552	232,367,578	83,625,038	85,922,052
Provision for taxation		(6,791,048)	(17,109,186)	(6,378,454)	4,186,662
Profit for the period		308,145,504	215,258,392	77,246,584	90,108,714
Earnings per share - basic and diluted		29.94	20.92	7.51	8.76

The annexed notes from 1 to 17 form an integral parts of these unconsolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine months ended		Three months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	-----Rupees-----		-----Rupees-----	
Profit for the period	308,145,504	215,258,392	77,246,584	90,108,714
Other comprehensive income:				
Items that may be reclassified subsequently to statement of profit or loss				
Unrealised loss/gain on remeasurement of short term investments - available for sale	(5,765,615)	8,318,873	189,135	22,191,173
Realised gain/(loss) on disposal of available for sale investments	7,267,159	(6,678,464)	-	(9,278,550)
Other comprehensive gain for the period	1,501,544	1,640,409	189,135	12,912,623
Total comprehensive income for the period	309,647,048	216,898,801	77,435,719	103,021,337

The annexed notes from 1 to 17 form an integral parts of these unconsolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Note	Nine months ended March 31, 2019 Rupees	Nine months ended March 31, 2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		314,936,552	232,367,578
Adjustments for:			
Depreciation of property, plant and equipment		115,905,945	104,218,219
Provision for employee benefits		13,500,000	19,077,000
Loss on sale of short term investments available for sale		11,646,327	10,030,315
Gain on disposal of property, plant and equipment		(2,915,409)	(735,986)
Dividend income from associates		(9,736,725)	(3,523,700)
Finance cost		151,772,970	68,414,715
		<u>595,109,660</u>	<u>429,848,141</u>
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		19,577,565	(15,028,566)
Stock in trade		(816,026,622)	(775,711,906)
Trade debts		(153,010,588)	(197,080,167)
Loans and advances		(27,013,102)	(57,174,716)
Deposits and short term prepayments		(1,716,504)	(1,637,412)
Other receivables		1,328,758	(18,450,474)
(Increase) / decrease in current liabilities			
Trade and other payables		30,292,406	72,022,440
		<u>(946,568,087)</u>	<u>(993,060,801)</u>
Cash used in operations		<u>(351,458,427)</u>	<u>(563,212,660)</u>
Dividend paid		(66,803,118)	(15,385,125)
Employee benefits paid		(64,773,412)	(10,973,105)
Finance cost paid		(133,892,215)	(62,341,027)
Sales tax (paid) / refunded		(24,660,580)	5,469,585
Income taxes paid		(22,352,532)	(30,839,412)
		<u>(312,481,857)</u>	<u>(114,069,084)</u>
A. Net cash used in operating activities		<u>(663,940,284)</u>	<u>(677,281,744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(498,126,615)	(145,572,346)
Proceeds from disposal of property, plant and equipment		8,327,600	1,805,269
Investment in a subsidiary		-	(100,000)
Short term investments made		(21,522,340)	(59,128,985)
Proceeds from sale of short term investments		41,028,165	56,444,626
Dividend received		9,736,725	3,523,700
B. Net cash used in investing activities		<u>(460,556,465)</u>	<u>(143,027,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained-net	13	369,999,626	118,151,000
Short term borrowings - net	13	709,902,687	691,693,160
Loan obtained from related parties	13	43,192,000	-
C. Net cash generated from financing activities		<u>1,123,094,313</u>	<u>809,844,160</u>
Net Increase/ (decrease) in cash and cash equivalents (A+B+C)		<u>(1,402,436)</u>	<u>(10,465,320)</u>
Cash and cash equivalents at the beginning of period		<u>7,780,802</u>	<u>22,711,121</u>
Cash and cash equivalents at the end of period		<u>6,378,366</u>	<u>12,245,801</u>

The annexed notes from 1 to 17 form an integral parts of these unconsolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (Un-audited) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Revenue reserves			Unrealised loss on remeasurement of investments classified as available for sale - net	Sub total	Total
	Share capital	General reserve	Un-appropriated profit			
..... Rupees						
Balance as at Jul 01, 2017	102,920,000	130,000,000	1,350,806,706	(9,370,227)	1,471,436,479	1,574,356,479
Comprehensive income						
Profit for the nine months ended March 31, 2018	-	-	215,258,392	-	215,258,392	215,258,392
Other comprehensive income	-	-	-	1,640,409	1,640,409	1,640,409
Total comprehensive income	-	-	215,258,392	1,640,409	216,898,801	216,898,801
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 March 31, 2018	102,920,000	130,000,000	1,550,627,098	(7,729,818)	1,672,897,280	1,775,817,280
Comprehensive income						
Profit for the three months ended June 30, 2018	-	-	100,822,147	-	100,822,147	100,822,147
Other comprehensive income	-	-	(830,822)	(3,436,047)	(4,266,869)	(4,266,869)
Total comprehensive income	-	-	99,991,325	(3,436,047)	96,555,278	96,555,278
Balance as at June 30, 2018	102,920,000	130,000,000	1,650,618,423	(11,165,865)	1,769,452,558	1,872,372,558
Comprehensive income:						
Profit for the nine months ended March 31, 2019	-	-	308,145,504	-	308,145,504	308,145,504
Other comprehensive income	-	-	-	1,501,544	1,501,544	1,501,544
Total comprehensive income	-	-	308,145,504	1,501,544	309,647,048	309,647,048
Transactions with owners:						
Final dividend for the year ended June 30, 2018 @ Rs.6.5 per share	-	-	(66,898,000)	-	(66,898,000)	(66,898,000)
Balance as at March 31, 2019	102,920,000	130,000,000	1,891,865,927	(9,664,321)	2,012,201,606	2,115,121,606

The annexed notes from 1 to 17 form an integral parts of these unconsolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the Nine Months ended March 31, 2019

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 the 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.

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 for interim financial reporting. 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 associates are accounted for at cost 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.

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 these unconsolidated condensed interim financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan 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 accounting and reporting 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.

3.5 Changes in accounting standards

The following change in accounting standards has taken place effective from July 01, 2018:

(a) IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction contracts,

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the Nine Months ended March 31, 2019

IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended March 31, 2018 or June 30, 2018.

(b) IFRS 9 - Financial instruments

Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for the nine month ended March 31, 2019, through SRO 229 (I)/2019 dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these unconsolidated condensed interim financial statements.

			Un-audited March 31, 2019 Rupees	Audited June 30, 2018 Rupees
4	PROPERTY, PLANT AND EQUIPMENT	Note		
	Operating assets	4.1	1,661,622,413	1,460,246,900
	Capital work in progress	4.2	175,951,127	518,161
			<u>1,837,573,540</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		283,000	89,000
			283,000	15,354,980
	Transfer from capital work in progress			
	Factory building		1,460,364	25,765,916
	Plant and machinery		319,046,675	148,760,672
	Vehicles		1,903,610	11,801,714
			322,410,649	186,328,302
	Book value of assets disposed off during the period / year		(5,412,191)	(2,649,149)
	Depreciation charged during the period / year		(115,905,945)	(141,989,810)
	Closing book value		<u>1,661,622,413</u>	<u>1,460,246,900</u>
4.2	Capital work in progress			
	Plant and machinery		143,026,127	518,161
	Vehicles		32,925,000	-
			<u>175,951,127</u>	<u>518,161</u>

**Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the Nine Months ended March 31, 2019**

		Un-audited March 31, 2019 Rupees	Audited June 30, 2018 Rupees
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	<u>373,659,000</u>	<u>118,151,000</u>
	As at the end of the period / year	566,710,000	193,051,000
	Less: Payment during the period/ year	(3,659,374)	-
	Less: Current maturity of long term financing	<u>(8,657,311)</u>	<u>(7,318,748)</u>
		<u>554,393,315</u>	<u>185,732,252</u>
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. 750 million. During the period, the Company further obtained Rs.373.659 million (2018: Rs. 118.51 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 1000 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.		
		Un-audited March 31, 2019 Rupees	Audited June 30, 2018 Rupees
7	DUE TO ASSOCIATED PARTIES		
		Note	
	Loan From Directors	7.1	15,705,000
	Loan From Associated Companies	7.2	27,487,000
			<u>43,192,000</u>
7.1	"During the period ended March 31, 2019, company has received loan from directors aggregating to Rs.15,705,000. These loans are interest free and are repayable on demand."		
7.2	During the period ended March 31, 2019, company has received loan from associated undertakings aggregating to Rs. 27,487,000. These loans are interest free and are repayable on demand.		

**Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the Nine Months ended March 31, 2019**

	Note	Un-audited March 31, 2019 Rupees	Audited June 30, 2018 Rupees
7.2.1 Name of Associated Companies			
Reliance Textiles (Pvt.) Limited		6,067,000	-
Sapphire Agencies (Pvt) Limited		12,810,000	-
Neelum Textile Mills (Pvt) Limited		7,540,000	-
Galaxy Agencies (Pvt) Limited		590,000	-
Nadeem Enterprises (Pvt) Limited		480,000	-
		27,487,000	-
8 SHORT TERM BORROWINGS			
From banking companies - secured			
Running finance		1,207,615,837	887,713,150
Other short term finance	8.1	930,000,000	540,000,000
		2,137,615,837	1,427,713,150
8.1	These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned limit of Rs. 4,700 million (2018: Rs. 3,530 million). These facilities carry mark-up at the rates ranging from 6.33% to 11.80% (2018: 1.15% to 7.75%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.		
9 CONTINGENCIES AND COMMITMENTS			
9.1 Contingencies			
Guarantees have been issued by banks on behalf of the Company in the normal course of business		173,990,298	168,990,298
Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs		180,021,807	147,531,396
		354,012,105	316,521,694
9.2 Claims of Input Sales Tax			
The Company has challenged before the Honourable Sindh High Court the disallowance of input sales tax claim of Rs. 13.985 million by the Federal Board of Revenue (FBR) vide notice dated June 20, 2015. The Company has reasonable grounds to claim the said input tax.			
9.3 Commitments			
Irrevocable letters of credit for import of:			
- Machinery		181,343,466	294,675,883
- Stores and spare parts		18,888,679	4,430,999
- Raw material		350,679,156	88,464,191
		550,911,301	387,571,073

**Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the Nine Months ended March 31, 2019**

	Nine months ended		Three months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	.....Rupees.....		.....Rupees.....	
10 SALES - NET				
Local				
Yarn	706,235,710	568,578,130	258,378,314	199,899,650
Waste	44,741,818	44,203,949	14,106,779	13,532,497
	750,977,528	612,782,079	272,485,093	213,432,147
Export				
Yarn	600,708,431	1,653,488,650	239,714,452	607,937,396
Yarn (indirect export)	2,490,347,781	739,145,264	811,127,664	206,369,593
Waste	78,875,434	60,825,501	33,703,374	22,924,460
	3,169,931,646	2,453,459,415	1,084,545,490	837,231,449
	3,920,909,174	3,066,241,494	1,357,030,583	1,050,663,596
Processing services	1,679,012	3,017,657	518,926	602,628
Export rebate	79,928	29,823,221	-	8,447,967
	3,922,668,114	3,099,082,372	1,357,549,509	1,059,714,191

10.1 Sales tax on local sales and indirect export sales is Rs. 0.526 million (Mar 31, 2018 Rs. 0.416 million)

	Nine months ended		Three months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	.....Rupees.....		.....Rupees.....	
11 COST OF SALES				
Raw material consumed	2,699,196,091	2,003,512,910	956,197,849	674,303,208
Packing material consumed	50,880,791	45,354,428	16,387,591	15,774,719
Store and spare parts consumed	63,328,383	62,862,562	23,660,861	24,614,604
Salaries, wages and benefits	264,900,872	250,362,310	90,109,211	82,790,742
Fuel and power	273,454,525	246,766,959	76,075,852	90,560,347
Insurance	4,792,111	4,803,889	1,329,953	1,592,671
Repairs and maintenance	5,732,088	3,537,520	1,710,049	1,283,443
Travelling and conveyance	4,716,138	3,439,172	1,455,785	1,139,230
Other manufacturing overheads	2,394,287	1,771,557	966,820	553,701
Depreciation	115,871,308	104,218,219	44,880,204	36,255,066
	3,485,266,594	2,726,629,526	1,212,774,175	928,867,731
Work in process				
At the beginning of period	140,912,165	143,725,269	184,434,730	141,395,349
At the end of period	(241,664,727)	(153,830,204)	(241,664,727)	(153,830,204)
	(100,752,562)	(10,104,935)	(57,229,997)	(12,434,855)
Cost of goods manufactured	3,384,514,032	2,716,524,591	1,155,544,178	916,432,876
Finished goods				
At the beginning of period	148,317,698	82,330,887	225,764,902	127,279,355
Yarn purchased	7,436,986	27,069,547	5,546,314	23,848,245
At the end of period	(209,409,786)	(166,978,551)	(209,409,786)	(166,978,551)
	(53,655,102)	(57,578,117)	21,901,430	(15,850,951)
	3,330,858,930	2,658,946,474	1,177,445,608	900,581,925

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the Nine Months ended March 31, 2019

12 TRANSACTIONS WITH RELATED PARTIES

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

		Nine months ended	
		March 31, 2019	March 31, 2018
		.....Rupees.....	
Nature of Relationship	Nature of Transaction		
Subsidiary	Payment against issue of shares	-	100,000
Associated companies			
	Sales of finished goods, raw material / stores and spare parts	598,461,356	447,948,467
	Purchases of;		
	- finished goods, raw material / stores and spare parts	48,077,975	50,249,023
	- machinery	18,880,000	-
	- electricity	27,706,713	25,116,847
	Services rendered	508,645	1,609,941
	Services obtained	-	2,450,139
	Dividend received	8,009,210	891,724
	Dividend paid	43,730,466	9,256,103
	Shared expenses paid	10,274,813	5,436,168
	Shared expenses received	3,603,424	2,948,013
	Loan obtained	27,487,000	-
Directors	Loan obtained	15,705,000	-
Chief executive officer	Remuneration and other benefits	9,000,000	5,400,000
Executives	Remuneration and other benefits	56,793,344	30,404,603

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

13 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Audited June 30, 2018	Availed during the period	Repaid during the period	Un-Audited March 31, 2019
	-----Rupees-----			
Long term financing	193,051,000	373,659,000	(3,659,374)	563,050,626
Short term borrowings	1,427,713,150	20,826,551,421	(20,116,648,734)	2,137,615,837
Loan obtained from related parties	-	43,192,000	-	43,192,000
	1,620,764,150	21,243,402,421	(20,120,308,108)	2,743,858,463

Selected Explanatory Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the Nine Months ended March 31, 2019

14 OPERATING SEGEMENTS

Chief Executive Officer considers the business as a single operating segment as the Company's' assets allocation decision are based on a single, integrated business strategy, and the Company's' performance is evaluated on overall basis.

The information with respect to this operating segment is stated below:

80.80% (2018: 80.02%) sales of the Company relates to export customers.

As at year end, all non-current assets of the Company are located in Pakistan.

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs. 1,194 million (2018 Rs. 953 million).

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values.

Fair value hierarchy

Financial instruments are carried at fair value, by valuation method adopted. The different levels of fair value measurements have been defined as follows:

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).

The Company holds shares available for sale as short term investments under level 1 as at March 31, 2019 that amounts to Rs. 49.04 million (June 30, 2018 Rs. 78.69 million)

16 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 29, 2019.

17 GENERAL

Figures have been rounded off to the nearest rupee.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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Directors' Report to the Shareholders

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 nine months ended March 31, 2019.

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
April 29, 2019

(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 31 مارچ 2019ء کو ختم ہونے والی ششماہی 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 8 نومبر 2017ء کیپٹیز آرڈیننس، 1984 (ایکٹ 2017) کے تحت ریلائنس 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 خریدنا اور رکھنا ہے لیکن ایک سرمایہ کاری کمپنی کے طور پر کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)

ڈائریکٹر

(شایان عبداللہ)

چیف ایگزیکٹو آفیسر

لاہور تاریخ: 29 اپریل 2019ء

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION **AS AT MARCH 31, 2019**

		Un-Audited	Audited
		March 31, 2019	June 30, 2018
	Note	Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,837,573,540	1,460,765,061
Long term investments	5	779,005,065	718,327,402
Long term deposits		8,987,690	8,987,690
		2,625,566,295	2,188,080,153
CURRENT ASSETS			
Stores, spare parts and loose tools		29,889,169	49,466,734
Stock in trade		2,058,853,489	1,242,826,867
Trade debts		818,560,965	665,550,377
Loans and advances		53,156,303	64,191,180
Deposit and short term prepayments		3,972,282	2,255,778
Other receivables		46,801,189	48,129,947
Tax refunds due from the Government		290,927,599	233,635,886
Short term investments		49,042,053	78,692,660
Cash and bank balances		6,478,366	7,880,802
		3,357,681,415	2,392,630,231
		5,983,247,710	4,580,710,384
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital:			
12,000,000 (June 30, 2018: 12,000,000) ordinary shares of Rs.10 each.		120,000,000	120,000,000
Issued, subscribed and paid up capital:			
10,292,000 (June 30, 2018: 10,292,000) ordinary shares of Rs.10 each.		102,920,000	102,920,000
Reserves		2,620,528,306	2,322,673,005
		2,723,448,306	2,425,593,005
NON-CURRENT LIABILITIES			
Long term financing	6	554,393,315	185,732,252
Deffered liabilities		123,239,271	168,983,093
		677,632,586	354,715,345
CURRENT LIABILITIES			
Trade and other payables		345,045,524	314,711,298
Due to associated parties	7	43,192,000	-
Unclaimed dividend		504,999	410,117
Mark-up accrued		40,352,189	22,471,434
Current portion of long term financing	6	8,657,311	7,318,748
Short term borrowings	8	2,137,615,837	1,427,713,150
Provision for taxation		6,798,958	27,777,287
		2,582,166,818	1,800,402,034
CONTINGENCIES AND COMMITMENTS	9	5,983,247,710	4,580,710,384

The annexed notes from 1 to 17 form an intergral parts of these consolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited) **FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Note	Nine months ended		Three months ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		-----Rupees-----		.....Rupees.....	
Sales - net	10	3,922,668,114	3,099,082,372	1,357,549,509	1,059,714,191
Cost of sales	11	(3,330,858,930)	(2,658,946,474)	(1,177,445,608)	(900,581,925)
Gross profit		591,809,184	440,135,898	180,103,901	159,132,266
Distribution cost		(68,046,324)	(67,983,349)	(22,232,083)	(21,143,639)
Administrative expenses		(44,384,239)	(39,481,544)	(10,397,480)	(12,743,194)
Other income		7,144,382	6,812,949	3,011,330	1,942,611
Other operating expenses		(27,864,511)	(39,670,921)	(4,065,610)	(12,652,226)
		(133,150,692)	(140,322,865)	(33,683,843)	(44,596,448)
Operating profit before finance cost		458,658,492	299,813,033	146,420,058	114,535,818
Finance cost		(151,772,970)	(68,414,715)	(62,820,020)	(28,622,816)
Share of profit of associates		87,367,378	41,269,138	31,307,655	15,069,638
Profit before taxation		394,252,900	272,667,456	114,907,693	100,982,640
Provision for taxation		(12,320,638)	(31,311,220)	(11,632,143)	(3,134,034)
Profit for the period		381,932,262	241,356,236	103,275,550	97,848,606
Earnings per share - basic and diluted		37.11	23.45	10.03	9.51

The annexed notes from 1 to 17 form an integral parts of these consolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited) **FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine months ended		Three months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	-----Rupees-----		-----Rupees-----	
Profit for the period	381,932,262	241,356,236	103,275,550	97,848,606
Other comprehensive income:				
Items that may be reclassified subsequently to statement of profit or loss				
Share in associates' unrealized loss on available for sale investments - net	(20,384,819)	(28,990,890)	19,689,382	43,733,353
Unrealised loss on remeasurement of short term investments - available for sale	(5,765,615)	8,318,873	189,135	22,191,173
Realised loss on disposal of available for sale investments	7,267,159	(6,678,464)	-	(9,278,550)
Other comprehensive /(loss) for the period	(18,883,275)	(27,350,481)	19,878,517	56,645,976
Share in associate's unrealized gain on hedging instruments	59,700	432,529	(10,502)	1,950
Total comprehensive income for the period	363,108,687	214,438,284	123,143,565	154,496,532

The annexed notes from 1 to 17 form an integral parts of these consolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited) **FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Note	Nine months ended March 31, 2019 Rupees	Nine months ended March 31, 2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		394,252,900	272,667,456
Adjustments for:			
Depreciation of property, plant and equipment		115,905,945	104,218,219
Provision for employee benefits		9,000,000	19,077,000
Loss on sale of short term investments available for sale		11,646,327	10,030,315
Gain on disposal of property, plant and equipment		(2,915,409)	(735,986)
Dividend income		(1,727,515)	(2,631,976)
Share of profit from associates		(87,367,378)	(41,269,138)
Finance cost		151,772,970	68,414,715
		590,567,840	429,770,605
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		19,577,565	(15,028,566)
Stock in trade		(816,026,622)	(775,711,906)
Trade debts		(153,010,588)	(197,080,167)
Loans and advances		(27,013,102)	(57,174,716)
Deposits and short term prepayments		(1,716,504)	(1,637,411)
Other receivables		1,328,758	(18,450,474)
(Increase) / decrease in current liabilities			
Trade and other payables		30,334,226	72,099,975
		(946,526,267)	(992,983,265)
Cash used in operations		(355,958,427)	(563,212,660)
Dividend paid		(66,803,118)	(15,385,125)
Employee benefits paid		(54,743,822)	(10,973,105)
Finance cost paid		(133,892,215)	(62,341,027)
Sales tax (paid) / refunded		(24,660,580)	5,469,585
Income taxes paid		(27,882,122)	(30,839,412)
		(307,981,857)	(114,069,084)
A. Net cash used in operating activities		(663,940,284)	(677,281,744)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(498,126,615)	(145,572,346)
Proceeds from disposal of property, plant and equipment		8,327,600	1,805,269
Short term investments made		(21,522,340)	(59,128,986)
Proceeds from sale of short term investments		41,028,165	56,444,627
Dividend received		9,736,725	3,523,700
B. Net cash used in investing activities		(460,556,465)	(142,927,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained-net	13	369,999,626	118,151,000
Short term borrowings - net	13	709,902,687	691,693,160
Loan obtained from related parties	13	43,192,000	-
C. Net cash generated from financing activities		1,123,094,313	809,844,160
Net Increase/ (decrease) in cash and cash equivalents (A+B+C)		(1,402,436)	(10,365,320)
Cash and cash equivalents at the beginning of period		7,880,802	22,711,121
Cash and cash equivalents at the end of period		6,478,366	12,345,801

The annexed notes from 1 to 17 form an integral parts of these consolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited) **FOR THE NINE MONTHS ENDED MARCH 31, 2019**

Share capital	Un-appropriated profit	Revenue reserves		Capital reserve				Sub-total	Total
		General reserve	Unrealised loss on remeasurement of investments classified as available for sale - net	Share in associates' unrealized gain on investments - net	Share in associate's unrealized gain / (loss) on hedging instruments	Share in associate's remeasurement of post retirement benefits obligation	Share of items directly recognized in equity by associates		
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
-	241,356,236	-	-	-	-	-	-	241,356,236	241,356,236
-	-	-	1,640,409	(28,990,890)	432,529	-	-	(26,917,952)	(26,917,952)
-	241,356,236	-	1,640,409	(28,990,890)	432,529	-	-	214,438,284	214,438,284
102,920,000	2,027,320,981	130,000,000	(7,729,818)	108,694,136	435,748	(1,792,820)	(16,174)	(16,174)	(16,174)
-	116,650,159	-	-	-	-	-	-	116,650,159	116,650,159
-	(830,822)	-	(3,436,047)	(39,057,925)	(153,771)	(236,597)	-	(43,715,162)	(43,715,162)
-	115,819,337	-	(3,436,047)	(39,057,925)	(153,771)	(236,597)	-	72,934,997	72,934,997
-	-	-	-	-	-	-	(1,578,001)	(1,578,001)	(1,578,001)
-	(15,438,000)	-	-	-	-	-	-	(15,438,000)	(15,438,000)
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
-	381,932,262	-	-	-	-	-	-	381,932,262	381,932,262
-	-	-	1,501,544	(20,384,819)	59,700	-	-	(18,823,575)	(18,823,575)
-	381,932,262	-	1,501,544	(20,384,819)	59,700	-	-	363,108,687	363,108,687
-	-	-	-	-	-	-	1,644,614	1,644,614	1,644,614
(66,898,000)	-	-	-	-	-	-	-	(66,898,000)	(66,898,000)
102,920,000	2,442,736,580	130,000,000	(9,664,321)	49,251,392	341,677	(2,029,417)	9,892,395	2,620,528,306	2,723,448,306

..... Rupees

Balance as at July 01, 2017

Profit for the period ended March 31, 2018

Other comprehensive income

Total comprehensive income

Effects of items directly recognized in equity by associates

Balance as at March 31, 2018

Comprehensive income:

Profit for the three months ended June 30, 2018

Other comprehensive income

Total comprehensive income

Effects of items directly recognized in equity by associates

Transactions with owners:

Final dividend for the year ended June 30, 2017 @ Rs.1.5 per share

Balance as at June 30, 2018

Profit for the period ended March 31, 2019

Other comprehensive income

Total comprehensive income

Effects of items directly recognized in equity by associates

Transactions with owners:

Final dividend for the year ended June 30, 2018 @ Rs.6.5 per share

Balance as at March 31, 2019

The annexed notes from 1 to 17 form an integral parts of these consolidated condensed interim financial statements.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) FOR THE NINE MONTHS ENDED MARCH 31, 2019

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 Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards 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 Consolidated financial statements

These consolidated condensed interim financial statements does not included all the information required for the annual financial statements and should be read in conjunction with 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 these consolidated 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 these consolidated condensed interim financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan 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

**Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

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 accounting and reporting 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 consolidated condensed interim financial statements.

3.5 Changes in accounting standards

The following change in accounting standards has taken place effective from July 01, 2018:

(a) IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended March 31, 2018 or June 30, 2018.

(b) IFRS 9 - Financial instruments

Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for the nine month ended March 31, 2019, through SRO 229 (I)/2019 dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these consolidated condensed interim financial statements.

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2019

			Un-audited March 31, 2019 Rupees	Audited June 30, 2018 Rupees
4	PROPERTY, PLANT AND EQUIPMENT	Note		
	Operating assets	4.1	1,661,622,413	1,460,246,900
	Capital work in progress	4.2	175,951,127	518,161
			<u>1,837,573,540</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		283,000	89,000
			283,000	15,354,980
	Transfer from capital work in progress			
	Factory building		1,460,364	25,765,916
	Plant and machinery		319,046,675	148,760,672
	Vehicles		1,903,610	11,801,714
			322,410,649	186,328,302
	Book value of assets disposed off during the period / year		(5,412,191)	(2,649,149)
	Depreciation charged during the period / year		(115,905,945)	(141,989,810)
	Closing book value		<u>1,661,622,413</u>	<u>1,460,246,900</u>
4.2	Capital work in progress			
	Plant and machinery		143,026,127	518,161
	Vehicles		32,925,000	-
			<u>175,951,127</u>	<u>518,161</u>
5	LONG TERM INVESTMENTS			
	Investments in associates - at equity method:			
	Quoted:			
	Sapphire Fibres Limited	5.2	442,152,791	418,447,167
	Sapphire Textile Mills Limited	5.3	86,466,445	82,983,620
	SFL Limited	5.4	67,760,199	58,084,718
	Un quoted:			
	Sapphire Finishing Mills Limited	5.5	98,090,810	76,483,467
	Sapphire Holding Limited	5.6	36,800,612	32,902,293
	Sapphire Power Generation Limited	5.7	47,734,208	49,426,137
			<u>779,005,065</u>	<u>718,327,402</u>
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 NINE MONTHS ENDED MARCH 31, 2019

	Un-audited March 31, 2019 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	404,920,673	377,081,231
Dividend received	(4,724,364)	(590,546)
	<u>442,152,791</u>	<u>418,447,167</u>
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	79,955,435	74,869,042
Dividend received	(1,603,568)	-
	<u>86,466,445</u>	<u>82,983,620</u>
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	66,826,612	55,946,421
Dividend received	(1,505,888)	(301,178)
	<u>67,760,199</u>	<u>58,084,718</u>
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	81,581,650	59,974,307
Dividend received	-	-
	<u>98,090,810</u>	<u>76,483,467</u>
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	36,451,052	32,377,343
Dividend received	(175,390)	-
	<u>36,800,612</u>	<u>32,902,293</u>
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	28,309,208	30,001,137
	<u>47,734,208</u>	<u>49,426,137</u>
6 LONG TERM FINANCING		
As at the beginning of the period / year	193,051,000	74,900,000
Availed during the period / year	373,659,000	118,151,000
As at the end of the period / year	566,710,000	193,051,000
Less: Payment during the period/ year	(3,659,374)	-
Less: Current maturity of long term financing	(8,657,311)	(7,318,748)
	<u>554,393,315</u>	<u>185,732,252</u>
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. 750 million. During the period, the Company further obtained Rs.373.659 million (2018: Rs. 118.51 million) against the purchase of imported plant and machinery. These loans are secured against charge of Rs. 1000 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.		

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) FOR THE NINE MONTHS ENDED MARCH 31, 2019

		Un-audited March 31, 2019 Rupees	Audited June 30, 2018 Rupees
7	DUE TO ASSOCIATED PARTIES		
	Loan From Directors	7.1 15,705,000	-
	Loan From Associated Companies	7.2 27,487,000	-
		43,192,000	-
7.1	"During the period ended March 31, 2019, company has received loan from directors aggregating to Rs. 15,705,000. These loans are interest free and are repayable on demand."		
7.2	During the period ended March 31, 2019, company has received loan from associated undertakings aggregating to Rs. 27,487,000. These loans are interest free and are repayable on demand.		
7.2.1	Name of Associated Companies		
	Reliance Textiles (Pvt.) Limited	6,067,000	-
	Sapphire Agencies (Pvt) Limited	12,810,000	-
	Neelum Textile Mills (Pvt) Limited	7,540,000	-
	Galaxy Agencies (Pvt) Limited	590,000	-
	Nadeem Enterprises (Pvt) Limited	480,000	-
		27,487,000	-
8	SHORT TERM BORROWINGS		
	From banking companies - secured		
	Running finance	1,207,615,837	887,713,150
	Other short term finance	8.1 930,000,000	540,000,000
		2,137,615,837	1,427,713,150
8.1	These facilities have been obtained from various banks under markup arrangements against aggregate sanctioned limit of Rs. 4,700 million (2018: Rs. 3,530 million). These facilities carry mark-up at the rates ranging from 6.33% to 11.80% (2018: 1.15% to 7.75%) per annum payable quarterly. The aggregate short term borrowing facilities are secured against hypothecation charge on current assets of the Company and promissory notes.		
9	CONTINGENCIES AND COMMITMENTS		
9.1	Contingencies		
	Guarantees have been issued by banks on behalf of the Company in the normal course of business	173,990,298	168,990,298
	Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs	180,021,807	147,531,396
		354,012,105	316,521,694
9.2	Claims of Input Sales Tax		
	The Company has challenged before the Honourable Sindh High Court the disallowance of input sales tax claim of Rs. 13.985 million by the Federal Board of Revenue (FBR) vide notice dated June 20, 2015. The Company has reasonable grounds to claim the said input tax.		
9.3	Commitments		
	Irrevocable letters of credit for import of:		
	- Machinery	181,343,466	294,675,883
	- Stores and spare parts	18,888,679	4,430,999
	- Raw material	350,679,156	88,464,191
		550,911,301	387,571,073

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) **FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine months ended		Three months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	.....Rupees.....		.....Rupees.....	
10 SALES - NET				
Local				
Yarn	706,235,710	568,578,130	258,378,314	199,899,650
Waste	44,741,818	44,203,949	14,106,779	13,532,497
	750,977,528	612,782,079	272,485,093	213,432,147
Export				
Yarn	600,708,431	1,653,488,650	239,714,452	607,937,396
Yarn (indirect export)	2,490,347,781	739,145,264	811,127,664	206,369,593
Waste	78,875,434	60,825,501	33,703,374	22,924,460
	3,169,931,646	2,453,459,415	1,084,545,490	837,231,449
	3,920,909,174	3,066,241,494	1,357,030,583	1,050,663,596
Processing services	1,679,012	3,017,657	518,926	602,628
Export rebate	79,928	29,823,221	-	8,447,967
	3,922,668,114	3,099,082,372	1,357,549,509	1,059,714,191

10.1 Sales tax on local sales and indirect export sales is Rs. 0.526 million (Mar 31, 2018 Rs. 0.416 million)

	Nine months ended		Three months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	.....Rupees.....		.....Rupees.....	
11 COST OF SALES				
Raw material consumed	2,699,196,091	2,003,512,910	956,197,849	674,303,208
Packing material consumed	50,880,791	45,354,428	16,387,591	15,774,719
Store and spare parts consumed	63,328,383	62,862,562	23,660,861	24,614,604
Salaries, wages and benefits	264,900,872	250,362,310	90,109,211	82,790,742
Fuel and power	273,454,525	246,766,959	76,075,852	90,560,347
Insurance	4,792,111	4,803,889	1,329,953	1,592,671
Repairs and maintenance	5,732,088	3,537,520	1,710,049	1,283,443
Travelling and conveyance	4,716,138	3,439,172	1,455,785	1,139,230
Other manufacturing overheads	2,394,287	1,771,557	966,820	553,701
Depreciation	115,871,308	104,218,219	44,880,204	36,255,066
	3,485,266,594	2,726,629,526	1,212,774,175	928,867,731
Work in process				
At the beginning of period	140,912,165	143,725,269	184,434,730	141,395,349
At the end of period	(241,664,727)	(153,830,204)	(241,664,727)	(153,830,204)
	(100,752,562)	(10,104,935)	(57,229,997)	(12,434,855)
Cost of goods manufactured	3,384,514,032	2,716,524,591	1,155,544,178	916,432,876
Finished goods				
At the beginning of period	148,317,698	82,330,887	225,764,902	127,279,355
Yarn purchased	7,436,986	27,069,547	5,546,314	23,848,245
At the end of period	(209,409,786)	(166,978,551)	(209,409,786)	(166,978,551)
	(53,655,102)	(57,578,117)	21,901,430	(15,850,951)
	3,330,858,930	2,658,946,474	1,177,445,608	900,581,925

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) FOR THE NINE MONTHS ENDED MARCH 31, 2019

12 TRANSACTIONS WITH RELATED PARTIES

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

		Nine months ended	
		March 31, 2019	March 31, 2018
Nature of Relationship	Nature of Transaction	.....Rupees.....	
Associated companies			
	Sales of finished goods, raw material / stores and spare parts	598,461,356	447,948,467
	Purchases of;		
	- finished goods, raw material / stores and spare parts	48,077,975	50,249,023
	- machinery	18,880,000	-
	- electricity	27,706,713	25,116,847
	Services rendered	508,645	1,609,941
	Services obtained	-	2,450,139
	Dividend received	8,009,210	891,724
	Dividend paid	43,730,466	9,256,103
	Shared expenses paid	10,274,813	5,436,168
	Shared expenses received	3,603,424	2,948,013
	Loan obtained	27,487,000	-
Directors	Loan obtained	15,705,000	-
Chief executive officer	Remuneration and other benefits	9,000,000	5,400,000
Executives	Remuneration and other benefits	56,793,344	30,404,603

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

13 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Audited June 30, 2018	Availed during the period	Repaid during the period	Un-Audited March 31, 2019
	-----Rupees-----			
Long term financing	193,051,000	373,659,000	(3,659,374)	563,050,626
Short term borrowings	1,427,713,150	20,826,551,421	(20,116,648,734)	2,137,615,837
Loan obtained from related parties	-	43,192,000	-	43,192,000
	1,620,764,150	21,243,402,421	(20,120,308,108)	2,743,858,463

Selected Explanatory Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) FOR THE NINE MONTHS ENDED MARCH 31, 2019

14 OPERATING SEGEMENTS

Chief Executive Officer considers the business as a single operating segment as the Company's' assets allocation decision are based on a single, integrated business strategy, and the Company's' performance is evaluated on overall basis.

The information with respect to this operating segment is stated below:

80.80% (2018: 80.02%) sales of the Company relates to export customers.

As at year end, all non-current assets of the Company are located in Pakistan.

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs. 1,194 million (2018 Rs. 953 million).

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values.

Fair value hierarchy

Financial instruments are carried at fair value, by valuation method adopted. The different levels of fair value measurements have been defined as follows:

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).

The Company holds shares available for sale as short term investments under level 1 as at March 31, 2019 that amounts to Rs. 49.04 million (June 30, 2018 Rs. 78.69 million)

16 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 29, 2019.

17 GENERAL

Figures have been rounded off to the nearest rupee.

Lahore :
Dated : April 29, 2019

Shayan Abdullah
Chief Executive

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

