

# Reliance Cotton Spinning Mills Limited

## Quarterly Accounts September 30, 2014

<b>CONTENTS</b>	
COMPANY PROFILE	03
DIRECTORS' REVIEW	04
CONDENSED INTERIM BALANCE SHEET	05
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT	06
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	07
CONDENSED INTERIM CASH FLOW STATEMENT	08
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	09
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	10



## COMPANY PROFILE

### BOARD OF DIRECTORS

Chairman	:	Mr. Mohammad Abdullah
Chief Executive	:	Mr. Shayan Abdullah
Director	:	Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Mohammad Yamin Mr. Asif Elahi
Independent Director	:	
Audit Committee	:	
Chairman		Mr. Amer Abdullah
Member		Mr. Asif Elahi
Member		Mr. Nabeel Abdullah
Humon Resource & Remuneration Committee	:	
Chairman		Mr. Mohammad Yamin
Member		Mr. Shayan Abdullah
Member		Mr. Asif Elahi
Chief Financial Officer	:	Mr. Naveed-ul-Islam
Secretary	:	Mr. Umar Rahi
Auditors	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Management Consultant	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Tax Consultants	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Habib Bank Limited MCB Bank Limited Habib Metropolitan Bank Limited
Share Registrar	:	Hameed Majeed Associates (Private) Ltd
Registered Office	:	312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mills	:	Feroze Wattoan, Tehsil and District Sheikhpura

## DIRECTORS' REVIEW

We are pleased to present un-audited interim financial statements of the company for the quarter ended September 30, 2014.

The period under review has shown satisfactory results in spite of depressed sales and incremental cost of production.

Salient features of the period under review are as follows:

- The gross sales of the period remained Rs.1, 112.952 million as compared to Rs.1,244.429 million of the corresponding period.
- Gross profit for the period is Rs. 166.144 million as compared to Rs.188.438 million of last comparative period.
- The decrease in gross profit is mainly due to decline in sales rates.
- The Company has earned after tax profit of Rs.76.779 million as against Rs.124.034 million of the comparative period of last year, including Rs.15.276 million share of profit of associates (2013: Rs.20.915 million).

## FUTURE OUTLOOK

Textile sector as whole is passing through a difficult period due to depressed market demands, higher cost of doing business and negative impact of change in Dollar/Rupee parity. The prevailing factors are putting unfavorable effects on profitability of the company and the management of your company has concerned about current situations. However, the company is making all its efforts to coup up with the prevailed circumstances and to give the better results for the remaining period of the year.

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

For and on behalf of the Board of Directors

Karachi  
Dated: October 30, 2014

**Mohammad Abdullah**  
Director

**Yousuf Abdullah**  
Director

**CONDENSED INTERIM BALANCE SHEET  
AS AT SEPTEMBER 30, 2014**

		Un-Audited September 30, 2014	Audited June 30, 2014
	Note	-----Rupees-----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,413,328,353	1,436,170,103
Long term investments	5	589,208,670	582,886,019
Long term loans		-	57,000
Long term deposits		8,858,230	8,858,230
		<b>2,011,395,253</b>	<b>2,027,971,352</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		33,134,231	29,108,575
Stock in trade		1,196,932,791	1,462,768,437
Trade debts		481,275,628	457,109,986
Loans and advances		13,012,425	11,088,006
Deposit and short term prepayments		884,252	630,870
Other receivables		12,011,429	11,168,271
Other financial asset		3,024,125	3,024,125
Advance income tax		77,637,798	61,824,031
Tax refunds due from the Government		127,410,889	118,568,199
Cash and bank balances		8,995,935	19,937,567
		<b>1,954,319,503</b>	<b>2,175,228,067</b>
		<b>3,965,714,756</b>	<b>4,203,199,419</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital: 12,000,000 (June 30, 2014: 12,000,000) ordinary shares of Rs.10 each		<b>120,000,000</b>	120,000,000
Issued, subscribed and paid up capital: 10,292,000 (June 30, 2014: 10,292,000) ordinary shares of Rs.10 each		<b>102,920,000</b>	102,920,000
General reserve		<b>130,000,000</b>	130,000,000
Capital reserve		<b>144,867,533</b>	153,821,273
Un-appropriated profit		<b>1,496,924,506</b>	1,420,145,118
		<b>1,874,712,039</b>	1,806,886,391
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		<b>33,333,335</b>	33,333,335
Deferred liabilities			
- employee benefits - unfunded		<b>58,678,599</b>	56,063,679
- deferred tax liability		<b>40,322,216</b>	39,959,077
		<b>132,334,150</b>	129,356,091
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>295,209,939</b>	297,341,886
Mark-up accrued		<b>26,055,295</b>	32,146,591
Short term borrowings		<b>1,569,019,481</b>	1,871,422,800
Current portion of long term financing		<b>33,333,333</b>	41,666,665
Provision for taxation		<b>35,050,519</b>	24,378,995
		<b>1,958,668,567</b>	2,266,956,937
<b>CONTINGENCIES AND COMMITMENTS</b>	6	<b>3,965,714,756</b>	<b>4,203,199,419</b>

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

**Statement under section 241(2) of the Companies Ordinance, 1984**

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi  
Dated: October 30, 2014

**Mohammad Abdullah**  
Director

**Yousuf Abdullah**  
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Note	Quarter ended September 30, 2014 -----Rupees-----	Quarter ended September 30, 2013
Sales		1,112,951,790	1,244,428,756
Cost of sales	7	946,807,335	1,055,991,168
<b>Gross profit</b>		<b>166,144,455</b>	<b>188,437,588</b>
Other income		1,630,695	2,692,790
		<b>167,775,150</b>	<b>191,130,377</b>
Distribution cost		<b>25,011,322</b>	33,349,433
Administrative expenses		<b>9,268,134</b>	9,068,911
Other operating expenses		<b>5,376,045</b>	8,729,370
Finance cost		<b>55,581,989</b>	30,954,545
		<b>95,237,490</b>	82,102,259
		<b>72,537,660</b>	109,028,118
Share of profit of associates		<b>15,276,391</b>	20,915,480
<b>Profit before taxation</b>		<b>87,814,051</b>	<b>129,943,598</b>
Provision for taxation		<b>11,034,663</b>	5,909,646
<b>Profit for the period</b>		<b>76,779,388</b>	<b>124,033,952</b>
<b>Earnings per share - basic and diluted</b>		<b>7.46</b>	<b>12.05</b>

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Karachi  
Dated: October 30, 2014

**Mohammad Abdullah**  
Director

**Yousuf Abdullah**  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	-----Rupees-----	
<b>Profit for the period</b>	<b>76,779,388</b>	<b>124,033,952</b>
<b>Other comprehensive income:</b>		
Share in associates' unrealized (loss)/ gain on available for sale investments - net	(8,854,644)	6,610,698
Share in associate's unrealized gain/(loss) on hedging instruments	3,851	(105,434)
Other comprehensive(loss)/ income for the period	(8,850,793)	6,505,264
<b>Total comprehensive income for the period</b>	<b>67,928,595</b>	<b>130,539,216</b>

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Karachi  
Dated: October 30, 2014

**Mohammad Abdullah**  
Director

**Yousuf Abdullah**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	87,814,051	129,943,598
Adjustments for:		
Depreciation of property, plant and equipment	31,165,293	26,604,528
Provision for employee benefits	4,950,000	3,900,000
Gain on disposal of property, plant and equipment	-	(2,305,353)
Finance cost	55,581,989	30,954,545
Share of profit of associates	(15,276,391)	(20,915,480)
	<b>164,234,942</b>	<b>168,181,838</b>
<b>Working capital changes</b>		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(4,025,656)	(4,948,555)
Stock in trade	265,835,646	45,669,523
Trade debts	(24,165,642)	(99,189,148)
Loans and advances	(1,924,419)	(47,537,424)
Deposits and short term prepayments	(253,382)	(509,581)
Other receivables	(843,158)	(10,509,181)
(Decrease)/Increase in current liabilities		
Trade and other payables	(2,131,947)	34,858,123
	<b>232,491,442</b>	<b>(82,166,243)</b>
<b>Cash generated from operations</b>	<b>396,726,384</b>	<b>86,015,594</b>
Employee benefits paid	(2,335,080)	(332,163)
Finance cost paid	(61,673,285)	(34,775,807)
Sales tax (paid)/refund	(8,842,690)	5,087,446
Income taxes paid	(15,813,768)	(13,191,328)
	<b>(88,664,823)</b>	<b>(43,211,852)</b>
<b>Net cash generated from operating activities</b>	<b>308,061,561</b>	<b>42,803,742</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(8,323,542)	(111,643,355)
Proceeds from disposal of property, plant and equipment	-	9,250,000
Long term loans - net	57,000	70,500
<b>Net cash used in investing activities</b>	<b>(8,266,542)</b>	<b>(102,322,855)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(8,333,332)	(8,333,333)
Short term borrowings - net	(302,403,319)	221,350,599
<b>Net cash from financing activities</b>	<b>(310,736,651)</b>	<b>213,017,266</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(10,941,632)</b>	<b>153,498,153</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>19,937,567</b>	<b>11,360,581</b>
<b>Cash and cash equivalents at the end of period</b>	<b>8,995,935</b>	<b>164,858,734</b>

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

**Statement under section 241(2) of the Companies Ordinance, 1984**

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Karachi  
Dated: October 30, 2014

**Mohammad Abdullah**  
Director

**Yousuf Abdullah**  
Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Share capital	Revenue reserves		Capital reserves	Total
		General reserve	Un-appropriated profit		
----- Rupees -----					
Balance as at July 01, 2013	102,920,000	130,000,000	1,318,849,539	77,562,392	1,629,331,931
Profit for the quarter ended September 30, 2013	-	-	124,033,952	-	124,033,952
Other comprehensive income for the quarter ended September 30, 2013	-	-	-	6,505,264	6,505,264
Effect of items directly recognized in equity by associates	-	-	-	(15,633,402)	(15,633,402)
Balance as at September 30, 2013	102,920,000	130,000,000	1,442,883,491	68,434,254	1,744,237,745
Profit for the nine months ended June 30, 2014	-	-	1,524,518	-	1,524,518
Other comprehensive income for the nine months ended June 30, 2014	-	-	(3,678,891)	34,339,951	30,661,060
Effect of change in policy					-
Final dividend for the year ended June 30, 2014 @ Rs.2 per share	-	-	(20,584,000)	-	(20,584,000)
Effect of items directly recognized in equity by associates	-	-	-	51,047,068	51,047,068
Balance as at June 30, 2014	102,920,000	130,000,000	1,420,145,118	153,821,273	1,806,886,391
Profit for the quarter ended September 30, 2014	-	-	76,779,388	-	76,779,388
Other comprehensive income for the quarter ended September 30, 2014	-	-	-	(8,850,793)	(8,850,793)
Effect of items directly recognized in equity by associates	-	-	-	(102,947)	(102,947)
Balance as at September 30, 2014	102,920,000	130,000,000	1,496,924,506	144,867,533	1,874,712,039

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

**Statement under section 241(2) of the Companies Ordinance, 1984**

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Karachi  
Dated: October 30, 2014

**Mohammad Abdullah**  
Director

**Yousuf Abdullah**  
Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

### 1 LEGAL STATUS AND OPERATIONS

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

### 2 BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the quarter ended September 30, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is un-audited and is being submitted to share holders as required by section 245 of the Companies Ordinance, 1984.

### 3 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2014.

Judgements and estimates made by management in the preparation of this condensed interim financial information are the same as those applied to the preparation of the annual audited financial statements of the Company for the year ended June 30, 2014.

	Note	Un-Audited September 30, 2014	Audited June 30, 2014
		-----Rupees-----	
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	1,275,679,520	1,289,232,611
Capital work-in-progress	4.2	<u>137,648,833</u>	<u>146,937,492</u>
		<u><b>1,413,328,353</b></u>	<u><b>1,436,170,103</b></u>
<b>4.1 Operating assets</b>			
Opening book value		1,289,232,611	1,056,275,655
Cost of additions/transfers during the period / year:			
Freehold land		1,600,000	6,153,000
Factory building on freehold land		-	135,555,262
Plant and machinery		15,293,128	197,608,396
Vehicles		667,570	3,470,790
Office equipment		-	635,000
Electric installation		-	13,018,897
Computers		51,500	223,171
		17,612,198	356,664,516
Book value of asset disposed off		-	(9,616,646)
Depreciation charged during the period / year		<u>(31,165,289)</u>	<u>(114,090,914)</u>
		<u><b>1,275,679,520</b></u>	<u><b>1,289,232,611</b></u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

		Un-Audited September 30, 2014	Audited June 30, 2014
		-----Rupees-----	
<b>4.2 Capital work-in-progress</b>			
Building- civil work		100,536,130	94,973,364
Plant and machinery		17,712	15,204,928
Electric Installation		35,812,991	35,477,200
Advance for vehicles		1,282,000	1,282,000
		<u>137,648,833</u>	<u>146,937,492</u>
<b>5 LONG TERM INVESTMENT</b>			
The latest available un-audited financial results of associates as of September 30, 2014 have been used for the purpose of application of equity method.			
<b>6 CONTINGENCIES AND COMMITMENTS</b>			
<b>6.1 Contingencies</b>			
Guarantees have been issued by banks on behalf of the Company in normal course of business.			
		19,838,976	21,694,394
The Company has issued post dated cheques in favour of Commissioner Inland Revenue and Collector of Customs.			
		178,747,211	92,774,615
		<u>198,586,187</u>	<u>114,469,009</u>
<b>6.2 Commitments</b>			
Letters of credit for import of:			
- Stores and spare parts		2,415,504	3,670,045
- Raw material		71,638,278	58,480,401
- Plant and machinery		27,058,977	-
Contract for capital expenditure		27,314,044	4,426,332
		<u>128,426,803</u>	<u>66,576,778</u>
		Un-Audited September 30, 2014	Un-Audited September 30, 2013
		-----Rupees-----	
<b>7 COST OF SALES</b>			
Opening stock		180,364,434	186,200,699
Yarn purchased		1,513,961	36,666,956
Cost of goods manufactured	7.1	<u>900,849,969</u>	<u>944,744,838</u>
		1,082,728,364	1,167,612,493
Closing stock		<u>(135,921,029)</u>	<u>(111,621,325)</u>
		<u>946,807,335</u>	<u>1,055,991,168</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Un-Audited September 30, 2014	Un-Audited September 30, 2013
-----Rupees-----	

### 7.1 COST OF GOODS MANUFACTURED

Opening work in process	134,041,989	78,014,316
Raw material consumed	644,941,466	721,750,701
Overheads	259,181,815	249,693,757
	<u>904,123,281</u>	<u>971,444,459</u>
	1,038,165,270	1,049,458,775
Closing work in process	<u>(137,315,301)</u>	<u>(104,713,937)</u>
	<u>900,849,969</u>	<u>944,744,838</u>

### 8 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties transactions are as follows:

Relationship	Nature of transaction		
Associated companies	<b>Sales</b>		
	- Yarn/raw material/store	171,570,582	130,401,794
	<b>Purchases</b>		
	- Yarn/raw material/store	72,029,182	31,612,638
	- Property Plant and Equipment	-	8,000,000
	- Electricity	19,150,282	24,367,354
	Services obtained	1,047,090	2,672,834
	Shared expenses paid	898,625	599,320
Key management personnel	Remuneration and other benefits	10,707,005	8,287,776
Employee benefits plan	Contribution for the period	4,950,000	3,900,000

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

### 9 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on October 30, 2014.

### 10 GENERAL

Figures have been rounded off to the nearest Rupee.

#### Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive Officer of the Company is presently out of the country, therefore these financial statements have been signed by two directors of the Company duly authorized by the Board of Directors.

Karachi  
Dated: October 30, 2014

Mohammad Abdullah  
Director

Yousuf Abdullah  
Director