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Reliance Cotton Spinning Mills Limited Quarterly Accounts September 30, 2017

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Company Information

Board of Directors

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

Audit Committee

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

Human Resource & Remuneration Committee

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

Chief Financial Officer

Mr. Jawwad Faisal

Company Secretary

Mr. Umar Rahi

Bankers of the Company

Habib Bank Limited
 MCB Bank Limited
 Habib Metropolitan Bank Limited
 National Bank of Pakistan
 Meezan Bank Limited
 Faysal Bank Limited
 United Bank Limited
 Askari Bank Limited

Auditors

Deloitte Yousuf Adil,
 Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil,
 Chartered Accountants

Legal Advisor

Hassan & Hassan, Advocates

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

Ferozwattoan,
 District, Sheikhpura, Punjab.

Company Website

www.sapphire.com.pk/rcsml

Directors' Review

The Directors of the Company are pleased to present un-audited interim financial statements of the Company for the quarter ended September 30, 2017.

Financial Highlights

	September 30,	
	2017	2016
	Rupees in thousand	
Sales & services	989,470	896,850
Gross profit	140,681	100,160
Profit before taxation	93,959	65,784
Taxation:		
- Current	9,730	6,275
- Deferred	7,355	2,224
	17,085	8,499
Profit after taxation	76,874	57,285

During first quarter of the financial year, your company achieved sales of Rs. 989.47 million compared to Rs.896.85 during corresponding period of last year, an increase of 10.33%. The gross profit improved from 11.17% during last year to 14.22% during the period under review. Whereas, the company earned profit after tax of Rs. 76.874 million as against Rs. 57.286 million during last year's corresponding period.

Earnings per share

The company's earnings per share (EPS) were at Rs. 7.47 as compared to Rs. 5.57 during the same period of last year.

Future outlook

Despite tough conditions in both global and domestic markets, your company's management is focused on maintaining current track of profitable growth and enhancement of shareholders' value. We expect that the incentive package for textile exporters gets implemented in letter and spirit to improve cost competitiveness of country's textile sector.

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

For and on behalf of the Board of Directors

Lahore
Dated: 26 October, 2017

Shayan Abdullah
Chief Executive

حصہ داران کے لیے ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹران نہایت مسرت کے ساتھ 30 ستمبر 2017 کو اختتام پذیر ہونے والی سہ ماہی کی غیر آڈٹ شدہ مالی تفصیلات پیش کر رہے ہیں۔ مالیاتی کارکردگی کی جھلکیاں:

30 ستمبر		
2016	2017	
(رقم ہزاروں میں)		
896,850	989,470	فروخت اور خدمات
100,160	140,681	گُل منافع
65,784	93,959	قبل از ٹیکس منافع
		ٹیکس:
6,275	9,730	موجودہ
2,224	7,355	تاخیر شدہ
8,499	17,085	
57,285	76,874	بعد از ٹیکس منافع

مالی سال کی پہلی سہ ماہی میں آپ کی کمپنی نے 989.47 ملین روپے کی فروخت کی جو گزشتہ مالی سال کے اسی عرصہ میں 896.85 ملین روپے تھی۔ جو کہ 10.33% اضافی ہے۔ خام منافع بڑھا جو کہ 14.22% رہا اور گزشتہ مالی سال کے اسی عرصہ میں 11.17% تھا۔ جبکہ کمپنی نے بعد از ٹیکس منافع 76,874 ملین روپے کمایا جو کہ پچھلے سال کی اسی مدت میں 57.286 ملین روپے تھا۔

آمدنی فی حصہ:

کمپنی کی آمدنی فی حصہ 7.47 روپے رہی جو کہ پچھلے سال کے اسی عرصہ میں 5.57 روپے تھی۔

مستقبل کا منظر نامہ:

عالمی اور مقامی منڈیوں میں مشکل کاروباری ماحول کے باوجود، آپ کی کمپنی کی انتظامیہ موجودہ منافع بخش ترقی کی راہ کو قائم رکھنے اور حصص یافتگان کی قدر بڑھانے پر توجہ مرکوز کیے ہوئے ہے۔ ہم امید کرتے ہیں کہ ٹیکسٹائل برآمد کنندگان کیلئے حوصلہ افزا پیکج پر قانونی روح کے مطابق عمل درآمد ہوگا تاکہ ملک کے ٹیکسٹائل سیکٹر کی مقامی لاگت کو بہتر بنایا جاسکے۔

ڈائریکٹرز، کمپنی کے عملے اور کارکنان کی محنت اور مخلص شراکت داری کو قدر کی نگاہ سے دیکھتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے نامزد

لاہور

مورخہ: 26 اکتوبر 2017

شایان عبداللہ

چیف ایگزیکٹو

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2017

		Un-Audited September 30, 2017	Audited June 30, 2017
ASSETS	Note	Rupees	
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,386,995,996	1,410,953,664
Long term investments	5	688,315,674	734,778,699
Long term deposits		8,987,690	8,987,690
		2,084,299,360	2,154,720,053
CURRENT ASSETS			
Stores, spare parts and loose tools		16,856,856	19,672,095
Stock in trade		809,716,432	824,793,139
Trade debts		450,763,995	304,660,386
Loans and advances		92,761,177	48,868,890
Short term deposits and prepayments		2,498,436	1,936,407
Other receivables		27,139,992	20,417,554
Tax refunds due from Government		182,427,929	201,941,408
Short term investments		79,064,731	84,154,658
Cash and bank balances		50,514,126	22,711,121
		1,711,743,674	1,529,155,658
		3,796,043,034	3,683,875,711
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital:			
12,000,000 (June 30, 2017: 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		2,059,970,264	2,052,331,899
		2,162,890,264	2,155,251,899
NON-CURRENT LIABILITIES			
Long term financing		74,900,000	74,900,000
Deferred liabilities		157,629,508	145,250,447
		232,529,508	220,150,447
CURRENT LIABILITIES			
Trade and other payables		197,277,880	269,048,255
Mark-up accrued		11,346,398	16,062,689
Short term borrowings		1,163,733,870	1,004,827,710
Provision for taxation		28,265,114	18,534,711
		1,400,623,262	1,308,473,365
CONTINGENCIES AND COMMITMENTS	6	3,796,043,034	3,683,875,711

The annexed notes from 1 to 10 form an integral part of these condensed financial statements.

Lahore :
Dated: October 26, 2016

Shayan Abdullah
Chief Executive

Amer Abdullah
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Un-audited Quarter ended September 30, 2017 Rupees	Un-audited Quarter ended September 30, 2016
Sales		989,470,526	896,850,014
Cost of sales	7	(848,788,632)	(796,690,466)
Gross profit		140,681,894	100,159,548
Distribution cost		(23,051,303)	(23,509,210)
Administrative expenses		(11,444,677)	(10,607,005)
Other income		694,873	1,380,847
Other operating expenses		(4,807,786)	(3,603,610)
		(38,608,893)	(36,338,978)
		102,073,001	63,820,570
Finance cost		(21,928,722)	(15,198,762)
Share of profit of associates		13,814,564	17,162,413
Profit before taxation		93,958,843	65,784,221
Provision for taxation		(17,085,320)	(8,498,650)
Profit for the period		76,873,523	57,285,571
Earnings per share - basic and diluted		7.47	5.57

The annexed notes from 1 to 10 form an integral part of these condensed financial statements.

Lahore :
Dated: October 26, 2016

Shayan Abdullah
Chief Executive

Amer Abdullah
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Un-audited Quarter ended September 30, 2017	Un-audited Quarter ended September 30, 2016
 Rupees	
Profit for the period	76,873,523	57,285,571
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Share in associates' unrealized (loss)/gain on available for sale investments - net	(60,328,162)	7,870,705
Unrealized loss on remeasurment of short term investment	(8,957,570)	-
	(69,285,732)	7,870,705
Share in associates' unrealized gain /(loss) on hedging instruments	67,255	(26,612)
Total comprehensive income for the period	(69,218,477)	7,844,093
Total comprehensive income for the period	7,655,046	65,129,664

The annexed notes from 1 to 10 form an integral part of these condensed financial statements.

Lahore :
Dated: October 26, 2016

Shayan Abdullah
Chief Executive

Amer Abdullah
Director

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) **FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Un-audited Quarter ended September 30, 2017	Un-audited Quarter ended September 30, 2016
Rupees.....	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	93,958,843	65,784,221
Adjustments for:		
Depreciation on property, plant and equipment	33,832,583	33,034,183
Provision for employees benefits	6,360,000	6,250,000
Gain on disposal of property, plant and equipment	-	(562,692)
Finance cost	21,928,722	15,198,762
Share of profit from associates	(13,814,564)	(17,162,413)
	142,265,584	102,542,061
Working capital changes		
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	2,815,239	2,516,299
Stock-in-trade	15,076,707	91,661,359
Trade debts	(146,103,609)	(59,607,640)
Loans and advances	(37,821,043)	(44,841,459)
Deposit and short term prepayments	(562,029)	(682,759)
Other receivables	(6,722,438)	3,336,298
Increase/(decrease) in current liabilities		
Trade and other payables	(71,770,377)	1,354,004
	(245,087,550)	(6,263,898)
Cash generated from operations	(102,821,966)	96,278,164
Dividends paid	-	(2,061)
Employee benefits paid	(1,335,856)	(1,727,209)
Finance cost paid	(26,645,013)	(16,450,207)
Sales tax refund received	19,513,479	35,783,524
Income taxes paid	(6,071,245)	(6,819,199)
	(14,538,635)	10,784,848
Net cash generated from operating activities	(117,360,601)	107,063,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(9,874,909)	(13,427,961)
Proceeds from disposal of property, plant and equipment	-	2,325,630
Short term investments - net	(3,867,645)	-
Net cash used in investing activities	(13,742,554)	(11,102,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	158,906,160	(109,624,454)
Net cash used in financing activities	158,906,160	(109,624,454)
Net increase in cash and cash equivalents	27,803,005	(13,663,773)
Cash and cash equivalents at beginning of the period	22,711,121	21,304,064
Cash and cash equivalents at the end of the period	50,514,126	7,640,291

The annexed notes from 1 to 10 form an integral part of these condensed financial statements.

Lahore :
Dated: October 26, 2016

Shayan Abdullah
Chief Executive

Amer Abdullah
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Share capital	General reserve	Un-appropriated profit	Capital reserves					Sub-total	Total	
				Share in associates' on available for sale 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				
..... Rupees											
Balance as at Jul 01, 2016	102,920,000	130,000,000	1,607,769,051	70,818,689	114,481	(1,555,028)	53,175,026	122,553,168	1,963,242,219		
Comprehensive income:											
Profit for the quarter ended September 30, 2016	-	-	57,285,571	-	-	-	-	-	57,285,571		
Other comprehensive income	-	-	-	7,870,705	(26,612)	-	-	7,844,093	7,844,093		
Total comprehensive income	-	-	57,285,571	7,870,705	(26,612)	-	-	7,844,093	65,129,664		
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	(1,775,040)	(1,775,040)	(1,775,040)		
Balance as at September 30, 2016	102,920,000	130,000,000	1,665,054,622	78,689,394	87,869	(1,555,028)	51,399,986	128,622,221	2,026,596,843		
Comprehensive income:											
Profit for the nine months ended June 30, 2017	-	-	171,708,454	-	-	-	-	-	171,708,454		
Other comprehensive income	-	-	661,669	49,625,405	(84,650)	(237,792)	-	49,302,963	49,964,632		
Total comprehensive income	-	-	172,370,123	49,625,405	(84,650)	(237,792)	-	49,302,963	221,673,086		
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	(41,558,030)	(41,558,030)	(41,558,030)		
Transactions with owners:											
Final dividend for the year ended June 30, 2016 @ Rs.5 per share	-	-	(51,460,000)	-	-	-	-	-	(51,460,000)		
Balance as at June 30, 2017	102,920,000	130,000,000	1,785,964,745	128,314,799	3,219	(1,792,820)	9,841,956	136,367,154	2,155,251,899		
Comprehensive income:											
Profit for the quarter ended September 30, 2017	-	-	76,873,523	-	-	-	-	-	76,873,523		
Other comprehensive income	-	-	-	(69,285,732)	67,255	-	-	(69,218,477)	(69,218,477)		
Total comprehensive income	-	-	76,873,523	(69,285,732)	67,255	-	-	(69,218,477)	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	130,000,000	1,862,838,268	59,029,067	70,474	(1,792,820)	9,825,275	67,131,996	2,162,890,264		

The annexed notes from 1 to 10 form an integral part of these condensed financial statements.

Lahore :
Dated: October 26, 2016

Shayan Abdulllah
Chief Executive

Amer Abdulllah
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2017****1 GENERAL INFORMATION**

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, I.I. Chundrigar Road, Karachi. The Company is currently listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The mills are located at Warburton Road, Ferozwattoan, District Sheikhpura Punjab.

- 1.1** This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

- 2.1** This condensed interim financial information of the Company for the quarter ended September 30, 2017 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 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, 2017.

3 ACCOUNTING POLICIES AND ESTIMATES

Judgments and estimates made by management in the preparation of these condensed interim financial information are the same as those applied to the preparation of the annual audited financial statement for the year ended June 30, 2017.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

		Un-audited September 30 2017 Rupees	Audited June 30 2017 Rupees
	Note		
4	PROPERTY, PLANT AND EQUIPMENT		
Operating assets	4.1	1,385,589,623	1,403,202,577
Capital work in progress	4.2	1,406,373	7,751,087
		<u>1,386,995,996</u>	<u>1,410,953,664</u>
4.1	Operating assets		
Opening book value		1,403,202,583	1,290,064,309
Additions during the period / year			
Freehold land		-	20,525,000
Plant and machinery		-	50,043,444
Vehicles		-	23,319,263
Electric Installation		1,149,425	360,000
Computers		-	78,000
		<u>1,149,425</u>	<u>94,325,707</u>
Transfer from capital work in progress			
Factory Building		2,100,984	36,610,879
Plant and machinery		4,659,382	75,589,922
Vehicles		8,309,832	1,700,095
Electric installation		-	65,077,007
		<u>15,070,198</u>	<u>178,977,903</u>
Book value of assets disposed off during the period / year		-	(18,938,516)
Depreciation charged during the period / year		(33,832,583)	(141,226,826)
		<u>1,385,589,623</u>	<u>1,403,202,577</u>
4.2	Capital work in progress		
Buildings - civil work		-	1,969,462
Plant and machinery		289,164	286,719
Advances for Vehicles		1,117,209	5,494,906
		<u>1,406,373</u>	<u>7,751,087</u>

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Un-audited September 30 2017 Rupees	Audited June 30 2017 Rupees
5 LONG TERM INVESTMENTS		
Investments in associates - at equity method:		
Quoted:		
Sapphire Fibres Limited	400,237,639	421,873,451
Sapphire Textile Mills Limited	78,406,866	91,363,134
SFL Limited	55,656,338	58,583,020
Un quoted:		
Sapphire Finishing Mills Limited	68,939,568	72,953,670
Sapphire Holding Limited	31,097,391	33,445,413
Sapphire Power Generation Limited	53,977,872	56,560,011
	<u>688,315,674</u>	<u>734,778,699</u>
5.1 The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.		
6 CONTINGENCIES AND COMMITMENTS		
6.1 Contingencies		
Guarantees have been issued by banks on behalf of the Company in the normal course of business	99,990,298	99,990,298
Post dated cheques issued in favour of Commissioner Inland Revenue and Collector of Customs	75,596,056	75,596,056
	<u>175,586,354</u>	<u>175,586,354</u>
6.2 Claims of Input Sales Tax		
The Company has claimed an input tax of Rs. 13.985 million and the same has been disallowed by Federal Board of Revenue (FBR) Pakistan by a notice dated June 20, 2015. However the Company has filed an appeal dated July 07, 2015 against the FBR decision and has reasonable grounds to claim the tax.		
6.3 Commitments		
Irrevocable letters of credit for import of:		
-plant and machinery	117,939,850	196,791,240
-stores and spare parts	3,489,807	1,394,375
-raw material	133,919,745	35,340,890
Contract for capital expenditure	-	131,522
	<u>255,349,402</u>	<u>233,658,027</u>

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Un-audited Quarter ended September 30, 2017 Rupees	Un-audited Quarter ended September 30, 2016 Rupees
7 COST OF SALES			
Stocks - opening		82,330,887	94,836,235
Cost of goods manufactured	7.1	868,608,317	775,670,881
Yarn purchase		2,076,429	2,309,150
		<u>953,015,633</u>	<u>872,816,266</u>
Stocks - closing		<u>(104,227,001)</u>	<u>(76,125,800)</u>
		<u>848,788,632</u>	<u>796,690,466</u>
7.1 Cost of goods manufactured			
Work in process - opening		143,725,269	128,561,008
Raw material consumed		631,401,531	525,895,335
Overheads		228,939,267	227,404,563
		<u>860,340,798</u>	<u>753,299,898</u>
Work in process - closing		<u>(135,457,750)</u>	<u>(106,190,025)</u>
		<u>868,608,317</u>	<u>775,670,881</u>

8 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, 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		
Associated companies:			
	Sales of finished goods, raw material / stores and spare parts	139,325,395	109,968,643
	Purchases of:		
	- finished goods, raw material / stores and	22,547,379	6,240,036
	- electricity	5,671,704	41,899,624
	Services rendered	55,974	-
	Services obtained	753,250	1,755,549
	Shared expenses -net	824,131	1,451,254

Transactions with related parties are carried out at arm's length in the normal course of business. The consideration is computed on commercial terms and conditions.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2017****9 DATE OF AUTHORIZATION FOR ISSUE**

The condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on October 26, 2017.

10 GENERAL

Figures have been rounded off to the nearest rupee.

Lahore :
Dated: October 26, 2016

Shayan Abdullah
Chief Executive

Amer Abdullah
Director