

# **Reliance Cotton Spinning Mills Limited**

## **Half Yearly Accounts December 31, 2014**

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## 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 information of the company for the half year ended December 31, 2014.

The period under review remained under pressure due to depressed sale rates and incremental cost of production.

Salient features of the period under review are as follows:

- Sales volume declined to Rs.2,038.407million as compared to Rs.2,274.321million of the corresponding period.
- Gross profit for the period remained at Rs.279.274 million as compared to Rs.325.644 million of the last comparative period. The decrease in gross profit is mainly due to decline in sale rates.
- The Company has earned after tax profit of Rs.133.944 millionas against Rs.196.953 million of the comparative period of last year, including Rs.31.302 million share of profit of associates (Dec 31, 2013 : Rs.48.840 million).
- The Company's earnings per share (EPS) is Rs. 13.01 as against to Rs. 19.14 of the same period of last year.

## **FUTURE OUTLOOK**

Textile sector in Pakistan is in grim of challenges due to depressed market demands, higher cost of doing business and negative impact of change in Dollar/Rupee parity. The prevailing factors have played vital role in lowering the growth rate and losing competitiveness with neighboring countries. Despite all these difficulties, the management is committed to achieve sustainable results in 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: February 23, 2015

**Shayan Abdullah**  
Chief Executive

## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Reliance Cotton Spinning Mills Limited (the Company) as at December 31, 2014, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the accounts for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and December 31, 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2014.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**M. Yousuf Adil Saleem & Company**  
Chartered Accountants

Engagement Partner:  
Talat Javed

Dated: February 23, 2015  
Multan

**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2014**

	Note	Un-Audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,421,413,537	1,436,170,103
Long term investments	5	608,552,267	582,886,019
Long term loans		15,000	57,000
Long term deposits		9,129,670	8,858,230
		<u>2,039,110,474</u>	<u>2,027,971,352</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		37,453,782	29,108,575
Stock in trade		1,607,152,131	1,462,768,437
Trade debts		354,515,285	457,109,986
Loans and advances		59,935,578	11,088,006
Deposit and short term prepayments		2,468,307	630,870
Other receivables		12,150,944	11,168,271
Other financial asset		3,154,816	3,024,125
Advance income tax		34,872,289	61,824,031
Tax refunds due from the Government		168,832,564	118,568,199
Cash and bank balances		13,231,606	19,937,567
		<u>2,293,767,302</u>	<u>2,175,228,067</u>
		<u>4,332,877,776</u>	<u>4,203,199,419</u>
<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		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital:			
10,292,000 (June 30, 2014: 10,292,000) ordinary shares of Rs.10 each		102,920,000	102,920,000
General reserve		130,000,000	130,000,000
Capital reserves		156,443,099	153,821,273
Un-appropriated profit		<u>1,538,651,062</u>	<u>1,420,145,118</u>
		<u>1,928,014,161</u>	<u>1,806,886,391</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	16,666,666	33,333,335
Deferred liabilities			
- employee benefits - unfunded		58,729,675	56,063,679
- deferred tax liability		41,970,486	39,959,077
		<u>117,366,827</u>	<u>129,356,091</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		269,624,766	297,341,886
Mark-up accrued		26,521,942	32,146,591
Short term borrowings	7	1,928,740,948	1,871,422,800
Current portion of long term financing		41,666,665	41,666,665
Provision for taxation		20,942,467	24,378,995
		<u>2,287,496,788</u>	<u>2,266,956,937</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	<u>4,332,877,776</u>	<u>4,203,199,419</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Karachi:  
Dated: February 23, 2015

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**MOHAMMAD ABDULLAH**  
DIRECTOR

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited) FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Note	Six months ended		Three months ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
		-----Rupees-----		.....Rupees.....	
Sales	9	2,038,406,715	2,274,321,494	925,454,925	1,029,892,738
Cost of sales	10	1,759,132,679	1,948,677,180	812,325,344	892,686,012
<b>Gross profit</b>		<b>279,274,036</b>	<b>325,644,314</b>	<b>113,129,581</b>	<b>137,206,726</b>
Other income		4,551,075	3,627,196	2,920,380	934,406
		<b>283,825,111</b>	<b>329,271,510</b>	<b>116,049,961</b>	<b>138,141,132</b>
Distribution cost		44,773,397	63,264,158	19,762,075	29,914,725
Administrative expenses		19,168,063	19,305,895	9,899,929	10,236,984
Other operating expenses		10,704,744	12,701,882	5,328,699	3,972,512
Finance cost		83,107,992	78,511,443	27,526,003	47,556,898
		<b>157,754,196</b>	<b>173,783,378</b>	<b>62,516,706</b>	<b>91,681,119</b>
		<b>126,070,915</b>	<b>155,488,132</b>	<b>53,533,255</b>	<b>46,460,013</b>
Share of profit of associates		31,301,868	48,839,707	16,025,477	27,924,227
<b>Profit before taxation</b>		<b>157,372,783</b>	<b>204,327,839</b>	<b>69,558,732</b>	<b>74,384,240</b>
<b>Taxation</b>					
Current		20,942,467	16,932,908	9,907,804	11,685,972
Prior		474,963	(13,986,786)	474,963	(13,986,786)
Deferred		2,011,409	4,428,364	2,011,409	3,765,654
		<b>23,428,839</b>	<b>7,374,486</b>	<b>12,394,176</b>	<b>1,464,840</b>
<b>Profit for the period</b>		<b>133,943,944</b>	<b>196,953,353</b>	<b>57,164,556</b>	<b>72,919,400</b>
<b>Earnings per share - basic and diluted</b>		<b>13.01</b>	<b>19.14</b>	<b>5.55</b>	<b>7.09</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Karachi:  
Dated: February 23, 2015

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**MOHAMMAD ABDULLAH**  
DIRECTOR

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited) FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Six months ended		Three months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	-----Rupees-----		.....Rupees.....	
<b>Profit for the period</b>	<b>133,943,944</b>	196,953,353	<b>57,164,556</b>	72,919,400
<b>Other comprehensive income:</b>				
Share in associates' unrealized gain on available for sale investments - net	<b>1,438,403</b>	17,639,214	<b>10,293,047</b>	11,028,516
Share in associate's unrealized gain/(loss) on hedging instruments	<b>321,631</b>	(63,146)	<b>321,631</b>	42,288
Other comprehensive income for the period	<b>1,760,034</b>	17,576,068	<b>10,614,678</b>	11,070,804
<b>Total comprehensive income for the period</b>	<b>135,703,978</b>	214,529,421	<b>67,779,234</b>	83,990,204

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Karachi:  
Dated: February 23, 2015

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**MOHAMMAD ABDULLAH**  
DIRECTOR



**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

	Six months ended December 31 2014 Rupees	Six months ended December 31 2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	157,372,783	204,327,839
Adjustments for:		
Depreciation of property, plant and equipment	63,056,371	54,036,741
Provision for employee benefits	9,900,000	8,349,098
Gain on disposal of property, plant and equipment	-	(2,305,353)
Unrealised gain on remeasurement of financial assets	(130,691)	-
Finance cost	83,107,992	78,511,443
Share of profit of associates	(31,301,868)	(48,839,707)
	<b>282,004,587</b>	<b>294,080,061</b>
<b>Working capital changes</b>		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(8,345,207)	(2,598,668)
Stock in trade	(144,383,694)	(978,637,890)
Trade debts	102,594,701	26,310,474
Loans and advances	(48,847,572)	(19,022,326)
Deposits and short term prepayments	(1,837,437)	303,248
Other receivables	(982,673)	(2,079,922)
(Decrease)/Increase in current liabilities		
Trade and other payables	(27,738,069)	103,629,687
	<b>(129,539,951)</b>	<b>(872,095,397)</b>
<b>Cash generated / (used) from operations</b>	<b>152,464,636</b>	<b>(578,015,336)</b>
Dividend paid	(15,417,051)	(20,555,669)
Employee benefits paid	(7,234,004)	(3,868,530)
Finance cost paid	(88,732,641)	(68,634,320)
Sales tax paid	(13,301,124)	(12,178,193)
Income taxes paid	(34,865,457)	(31,496,655)
	<b>(159,550,277)</b>	<b>(136,733,367)</b>
<b>Net cash used in operating activities</b>	<b>(7,085,641)</b>	<b>(714,748,703)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(48,299,805)	(226,258,057)
Proceeds from disposal of property, plant and equipment	-	9,250,001
Long term loans - net	42,000	63,000
Increase in long term deposits	(271,440)	-
Dividend received	8,257,446	4,750,266
<b>Net cash used in investing activities</b>	<b>(40,271,799)</b>	<b>(212,194,790)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(16,666,669)	(16,666,667)
Short term borrowings - net	57,318,148	1,090,572,466
<b>Net cash from financing activities</b>	<b>40,651,479</b>	<b>1,073,905,799</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,705,961)</b>	<b>146,962,306</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>13,231,606</b>	<b>158,322,887</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Karachi:  
Dated: February 23, 2015

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**MOHAMMAD ABDULLAH**  
DIRECTOR

# STATEMENT OF CHANGES IN EQUITY (Un-audited) FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Revenue reserves		Capital reserve					Sub-total	Total
	Share capital	General reserve	Un-appropriated profit	Share in associates' unrealized gain on investments - net	Share in associate's unrealized gain / (loss) on hedging instruments	Share in associate's post retirement benefits obligation	Share of items directly recognized in equity by associates		
	102,920,000	130,000,000	1,318,849,539	58,287,512	45,692	-	19,229,188	77,562,392	1,629,331,931
<b>Balance as at July 01, 2013 - audited</b>									
<b>Comprehensive income:</b>									
Profit for the six months ended December 31, 2013									
Other comprehensive income	-	-	196,953,353	-	-	-	-	-	196,953,353
<b>Total comprehensive income</b>	-	-	196,953,353	17,639,214	(63,146)	-	-	17,576,068	17,576,068
Effects of items directly recognized in equity by associates	-	-	-	17,639,214	(63,146)	-	-	17,576,068	214,529,421
<b>Transactions with owners:</b>									
Final dividend for the year ended June 30, 2013 @ Rs. 2 per share	-	-	(20,584,000)	-	-	-	(5,153,381)	(5,153,381)	(5,153,381)
<b>Balance as at December 31, 2013</b>	102,920,000	130,000,000	1,495,218,892	75,926,726	(17,454)	-	14,075,807	89,985,079	1,818,123,971
<b>Comprehensive income:</b>									
Profit for the six months ended June 30, 2014	-	-	(71,394,883)	-	-	-	-	-	(71,394,883)
Other comprehensive income	-	-	(3,678,891)	23,848,208	162,627	(741,688)	-	23,269,147	19,590,256
<b>Total comprehensive income</b>	-	-	(75,073,774)	23,848,208	162,627	(741,688)	-	23,269,147	(51,804,627)
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	40,567,047	40,567,047	40,567,047
<b>Balance as at June 30, 2014 - audited</b>	102,920,000	130,000,000	1,420,145,118	99,774,934	145,173	(741,688)	54,642,854	153,821,273	1,806,886,391
<b>Comprehensive income:</b>									
Profit for the six months ended December 31, 2014	-	-	133,943,944	-	-	-	-	-	133,943,944
Other comprehensive income	-	-	-	1,438,403	321,631	-	-	1,760,034	1,760,034
<b>Total comprehensive income</b>	-	-	133,943,944	1,438,403	321,631	-	-	1,760,034	135,703,978
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	861,792	861,792	861,792
<b>Transactions with owners:</b>									
Final dividend for the year ended June 30, 2014 @ Rs. 1.5 per share	-	-	(15,438,000)	-	-	-	-	-	(15,438,000)
<b>Balance as at December 31, 2014</b>	102,920,000	130,000,000	1,538,651,062	101,213,337	466,804	(741,688)	55,504,646	156,443,099	1,928,014,161

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Karachi:

Dated: February 23, 2015

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**MOHAMMAD ABDULLAH**  
DIRECTOR

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

### 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 listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The mill is located at District Sheikhpura in the Province of 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 six months period ended December 31, 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. However, a limited scope review has been performed by the statutory auditors of the Company in accordance with the clause (xix) of the Code of Corporate Governance and they have issued their review report thereon.
- 2.3 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, 2014.

### 3 ACCOUNTING POLICIES AND ESTIMATES

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

		Un-audited December 31 2014 Rupees	Audited June 30 2014 Rupees
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>		
Operating assets	4.1	1,316,444,013	1,289,232,611
Capital work in progress	4.2	104,969,524	146,937,492
		<u>1,421,413,537</u>	<u>1,436,170,103</u>
<b>4.1 Operating assets</b>			
Opening book value		1,289,232,611	1,056,275,655
Additions during the period / year			
Freehold land		1,695,500	6,153,000
Plant and machinery		-	79,000
Vehicles		3,223,645	3,470,790
Office equipment		-	635,000
Computers		51,500	223,171
		4,970,645	10,560,961
Transfer from capital work in progress			
Factory Building		79,004,000	135,555,262
Plant and machinery		6,293,128	197,529,396
Electric Installation		-	13,018,897
		85,297,128	346,103,555
Book value of assets disposed off during the period / year		-	(9,616,646)
Depreciation charged during the period / year		(63,056,371)	(114,090,914)
		<u>1,316,444,013</u>	<u>1,289,232,611</u>
<b>4.2 Capital work in progress</b>			
Buildings - civil works		36,285,543	94,973,364
Plant and machinery		32,870,990	15,204,928
Electric installation		35,812,991	35,477,200
Advances for vehicles		-	1,282,000
		<u>104,969,524</u>	<u>146,937,492</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

		December 31, 2014	June 30, 2014
	Note	-----Rupees-----	
<b>5 LONG TERM INVESTMENTS</b>			
<b>Investments in associates - at equity method:</b>			
<b>Quoted:</b>			
Sapphire Fibres Limited	5.2	345,229,874	329,539,544
Sapphire Textile Mills Limited	5.3	70,786,799	68,070,007
SFL Limited	5.4	56,198,720	54,491,757
<b>Un quoted:</b>			
Sapphire Finishing Mills Limited	5.5	52,934,187	50,910,735
Sapphire Holding Limited	5.6	29,900,605	28,074,191
Sapphire Power Generation Limited	5.7	53,502,082	51,799,785
		<u>608,552,267</u>	<u>582,886,019</u>
<b>5.1</b>	The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.		
<b>5.2 Sapphire Fibres Limited</b>			
393,697 (June 30, 2014: 393,697) ordinary shares of Rs. 10 each - cost		41,956,482	41,956,482
Share of post acquisition profits		308,194,605	289,551,547
Dividend received		(4,921,213)	(1,968,485)
		<u>345,229,874</u>	<u>329,539,544</u>
<b>5.3 Sapphire Textile Mills Limited</b>			
100,223 (June 30, 2014: 100,223) ordinary shares of Rs. 10 each - cost		8,114,578	8,114,578
Share of post acquisition profits		63,674,451	60,857,436
Dividend received		(1,002,230)	(902,007)
		<u>70,786,799</u>	<u>68,070,007</u>
<b>5.4 SFL Limited</b>			
401,570 (June 30, 2014: 401,570) ordinary shares of Rs. 10 each - cost		2,439,475	2,439,475
Share of post acquisition profits		53,759,245	52,453,852
Dividend received		-	(401,570)
		<u>56,198,720</u>	<u>54,491,757</u>
<b>5.5 Sapphire Finishing Mills Limited</b>			
1,556,000 (June 30, 2014: 1,556,000) ordinary shares of Rs. 10 each - cost		16,509,160	16,509,160
Share of post acquisition profits		38,759,027	35,879,775
Dividend received		(2,334,000)	(1,478,200)
		<u>52,934,187</u>	<u>50,910,735</u>
<b>5.6 Sapphire Holding Limited</b>			
100,223 (June 30, 2014: 100,223) ordinary shares of Rs. 10 each - cost		524,950	524,950
Share of post acquisition profits		29,375,655	27,549,241
		<u>29,900,605</u>	<u>28,074,191</u>
<b>5.7 Sapphire Power Generation Limited</b>			
555,000 (June 30, 2014: 555,000) ordinary shares of Rs. 10 each - cost		19,425,000	19,425,000
Share of post acquisition profits		34,077,082	32,374,785
		<u>53,502,082</u>	<u>51,799,785</u>
<b>6 LONG TERM FINANCING</b>			
<b>From banking company - secured</b>			
The Company has paid two installments of the loan of Rs. 8.333 million each on due dates.			

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Un-audited December 31 2014 Rupees	Audited June 30 2014 Rupees
<b>7 SHORT TERM BORROWINGS</b>		
<b>From banking companies - secured</b>		
Running finance	729,702,722	527,631,896
Foreign currency import finance	361,670,098	518,790,904
Other short term finance	836,216,500	825,000,000
Temporary bank overdraft	1,151,628	-
	<u>1,928,740,948</u>	<u>1,871,422,800</u>

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

Guarantees have been issued by banks on behalf of the Company in the normal course of business

	23,791,661	21,694,394
Post dated cheques issued in favour of Commissioner Inland Revenue	180,804,824	92,774,615
	<u>204,596,485</u>	<u>114,469,009</u>

### 8.2 Claims not acknowledged as debt

During the last year it was discovered that there were unauthorized withdrawals of funds from one of the company's bank accounts (running finance account) using forged signatures on cheques from cheque books issued by the Bank's staff without the Company's authority. On becoming aware of the matter, an FIR has been lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believes that the company does not have any liability whatsoever in respect of such net unauthorized withdrawals of funds accumulating to Rs.20,605,789/- (including markup).

Furthermore the Company has filed a suit on 21 March, 2014 in the honourable Sindh High Court, which has granted a stay order on 8 April, 2014 in favour of the Company whereby the bank has been restrained from placing the Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Company.

### 8.3 Commitments

#### Irrevocable letters of credit for import of:

-Plant and machinery	20,068,680	-
-Stores and spare parts	8,542,269	3,670,045
-Raw material	7,092,300	58,480,401
Contract for capital expenditure	27,287,648	4,426,332
	<u>62,990,897</u>	<u>66,576,778</u>

## 9 SALES

### Local

Yarn	360,517,658	316,732,299	163,108,507	91,106,755
Waste	32,077,487	40,308,113	21,350,928	20,581,969
	<u>392,595,145</u>	<u>357,040,412</u>	<u>184,459,435</u>	<u>111,688,724</u>

### Export

Yarn	792,777,210	1,053,943,800	330,393,637	406,125,933
Yarn (under SPO)	820,608,146	832,915,876	391,339,294	500,475,763
Waste	22,124,512	27,766,269	10,356,788	10,559,057
Waste (under SPO)	8,249,975	-	8,249,975	-
	<u>1,643,759,843</u>	<u>1,914,625,945</u>	<u>740,339,694</u>	<u>917,160,753</u>
	<u>2,036,354,988</u>	<u>2,271,666,357</u>	<u>924,799,129</u>	<u>1,028,849,477</u>
Processing services	546,000	30,000	-	30,000
Export rebate	1,505,727	2,625,137	655,796	1,013,261
	<u>2,038,406,715</u>	<u>2,274,321,494</u>	<u>925,454,925</u>	<u>1,029,892,738</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

9.1 Local sales of yarn inclusive of sales tax is Rs.367.519 million (Dec 31, 2013: Rs.323.421 million). SPO sales inclusive of sales tax Rs.832.699 million (Dec 31, 2013: Rs.845.516 million). Local waste sales inclusive of sales tax is Rs.33.332 million (Dec 31, 2013: Rs.41.431 million). SPO waste sales inclusive of sales tax is Rs.8.415 million (Dec 31, 2013: Nil). Processing services inclusive of sales tax is Rs.0.557 million (Dec 31, 2013: 0.0306 million).

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>December 31 2014</b>	<b>December 31 2013</b>	<b>December 31 2014</b>	<b>December 31 2013</b>
	<b>.....Rupees.....</b>		<b>.....Rupees.....</b>	
<b>10 COST OF SALES</b>				
Raw material consumed	1,276,216,853	1,437,757,808	631,275,387	716,007,107
Packing material consumed	30,330,808	31,012,953	15,756,082	15,497,732
Store and spare parts consumed	33,830,159	44,425,303	14,815,566	20,272,215
Salaries, wages and benefits	159,470,176	142,534,723	87,255,824	72,840,477
Fuel and power	181,797,565	170,882,269	87,956,147	86,424,111
Insurance	6,524,544	5,073,982	3,000,000	2,523,982
Repairs and maintenance	2,473,767	7,274,879	1,317,942	805,516
Travelling and conveyance	3,040,898	3,775,611	1,728,379	2,278,422
Processing and doubling charges	28,931,557	28,425,351	7,109,549	10,531,812
Other manufacturing overheads	1,145,563	1,296,497	589,025	438,071
Depreciation	63,056,371	54,036,741	31,891,080	27,432,213
	<b>1,786,818,261</b>	<b>1,926,496,117</b>	<b>882,694,981</b>	<b>955,051,658</b>
Work in process				
At beginning of period	134,041,989	78,014,316	137,315,301	104,713,937
At end of period	(126,806,184)	(124,521,086)	(126,806,184)	(124,521,086)
	<b>7,235,805</b>	<b>(46,506,770)</b>	<b>10,509,117</b>	<b>(19,807,149)</b>
Cost of goods manufactured	<b>1,794,054,066</b>	<b>1,879,989,347</b>	<b>893,204,098</b>	<b>935,244,509</b>
Finished goods				
At beginning of period	180,364,434	186,200,699	135,921,029	111,621,325
Yarn purchased	2,945,579	39,961,259	1,431,617	3,294,303
At end of period	(218,231,400)	(157,474,125)	(218,231,400)	(157,474,125)
	<b>(34,921,387)</b>	<b>68,687,833</b>	<b>(80,878,754)</b>	<b>(42,558,497)</b>
	<b>1,759,132,679</b>	<b>1,948,677,180</b>	<b>812,325,344</b>	<b>892,686,012</b>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**
**11 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	Six months ended	
		December 31 2014	December 31 2013
		.....Rupees.....	
Associated companies			
	Sales of finished goods, raw material / stores and spare parts	<b>313,340,164</b>	339,569,449
	Purchases of;		
	- finished goods, raw material / stores and spare	<b>80,970,192</b>	50,385,040
	- electricity	<b>29,877,909</b>	38,169,807
	Services rendered	-	30,000
	Services obtained	<b>1,194,090</b>	3,874,569
	Dividend received	<b>8,257,443</b>	4,750,262
	Dividend paid	<b>10,095,671</b>	15,501,640
	Shared expenses paid	<b>2,133,202</b>	2,644,811
Post-employment benefits	Contribution for the period	<b>9,900,000</b>	8,349,098
Key Management Personnel	Remuneration and other benefits	<b>19,982,776</b>	17,108,765

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.

**12 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 February 23, 2015.

**13 GENERAL**

Figures have been rounded off to the nearest rupee.

Karachi:  
Dated: February 23, 2015

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**MOHAMMAD ABDULLAH**  
DIRECTOR

