



**CONDENSED INTERIM  
FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2016  
(Reviewed)**

**Reliance Cotton Spinning Mills Limited**

# **Reliance Cotton Spinning Mills Limited**

## **Half Yearly Accounts December 31, 2016**

<b>CONTENTS</b>	
COMPANY PROFILE	02
DIRECTORS' REVIEW	03
AUDITORS' REPORT TO THE MEMBERS	05
CONDENSED INTERIM BALANCE SHEET	06
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT	07
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	08
CONDENSED INTERIM CASH FLOW STATEMENT	09
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	11

## Company Profile

### Board of Directors

Mr. Mohammad Abdullah	Chairman
Mr. Shayan Abdullah	Chief Executive
Mr. Amer Abdullah	
Mr. Yousuf Abdullah	
Mr. Nabeel Abdullah	
Mr. Mohammad Yamin	
Mr. Asif Elahi	Independent Director

### Audit Committee

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

### Human Resource

#### & Remuneration Committee

Mr. Mohammad Yamin	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  
 Habib Metropolitan Bank Limited  
 MCB Bank Limited  
 Meezan Bank Limited  
 United 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

### 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](http://www.sapphire.com.pk/rcsml)

**DIRECTORS' REVIEW**

We, on behalf of the Board of Directors of Reliance Cotton Spinning Mills Limited are pleased to present unaudited interim financial statements of the Company for the half year ended 31 December 2016, duly reviewed by the auditors.

**Financial Highlights**

	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	Rupees in thousand	
Sales & services	1,793,613	1,591,224
Gross profit	179,303	174,895
Profit before taxation	100,006	75,146
Profit after taxation	75,534	36,872
Earning per share	7.34	3.58

The Company achieved sales of Rs.1,794 million compared to Rs.1,591 million during corresponding period of last year; an increase of 12.72%. During the period, the Company earned profit after tax of Rs. 75.5 million compared to Rs. 36.9 million in the same period of last year. Despite tough competitive market conditions, the efforts put in by management of your Company have resulted in significant bottom line improvement.

**Future outlook**

The present trend of subdued demands in both global and domestic markets is expected to continue in near future.

The management is focused on market and product diversification to maximize shareholders' returns. Furthermore, management is working hard to improve the cost competitiveness of manufacturing operations through process improvements and cost optimization initiatives.

The directors appreciate the hard work and commendable services rendered by Company's workers, staff and executives.

For and on behalf of the Board of Directors

Karachi:  
Dated: February 23, 2017

**Shayan Abdullah**  
Chief Executive

## ڈائریکٹرز رپورٹ برائے حصص یافتگان

ہم، ریلیاننس کاٹن سپننگ ملز لمیٹڈ کے بورڈ کی جانب سے نہایت مسرت کے ساتھ ۳۱ دسمبر ۲۰۱۶ کو اختتام پذیر ہونے والی ششماہی کی آڈیٹر کی جائزہ شدہ مالی تفصیلات پیش کر رہے ہیں۔

مالیاتی کارکردگی کی جھلکیاں:

۳۱ دسمبر

2015 2016

(رقم ہزاروں میں)

1,591,224	1,793,613	فروخت اور خدمات
174,895	179,303	گُل منافع
75,146	100,006	قبل از ٹیکس منافع
36,872	75,534	بعد از ٹیکس منافع
3.58	7.34	منافع فی حصہ

رواں ششماہی میں کمپنی کی فروخت اور خدمات 1,794 ملین کو پہنچی جبکہ گزشتہ سال یہ رقم 1,591 ملین تھی جو کہ پچھلی ششماہی سے 12.72 فیصد زیادہ ہے۔ رواں ششماہی میں کمپنی نے بعد از ٹیکس منافع 75.5 ملین رہا جو کہ پچھلے سال کے اسی مدت میں 36.9 ملین رہا۔ مارکیٹ کے سخت متقابل حالات کے باوجود آپ کی کمپنی کی انتظامیہ کی کوششوں سے نمایاں بہتری حاصل ہوئی ہے۔

مستقبل کا منظر نامہ:

مستقبل قریب میں عالمی اور مقامی مارکیٹس میں طلب کی کمی کا رجحان متوقع ہے۔

انتظامیہ، حصص یافتگان کے منافع کو زیادہ سے زیادہ کرنے کے لئے مارکیٹ اور مصنوعات کی تبدیلی پر مرکوز ہے۔ مزید برآں، انتظامیہ پیداواری عمل میں بہتری اور قیمتوں کی اصلاح سے مسابقتی لاگت میں بہتری لانے کی کوشش کر رہی ہے۔

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

شایان عبداللہ  
چیف ایگزیکٹو

کراچی  
مورخہ: ۲۳ فروری، ۲۰۱۷

**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, 2016, 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 month 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 for the quarters ended December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

**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 person 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.

Date: February 23, 2017  
Lahore.

**Deloitte Yousuf Adil**  
Chartered Accountants

Engagement Partner:  
Rana M. Usman Khan

# CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2016

		Un-Audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
<b>ASSETS</b>	<b>Note</b>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,450,610,640	1,465,532,289
Long term investments	5	731,664,940	665,842,536
Long term deposits		8,987,690	8,987,690
		<b>2,191,263,270</b>	<b>2,140,362,515</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		31,152,959	28,333,642
Stock in trade		1,110,058,289	709,275,260
Trade debts		395,309,703	351,018,083
Loans and advances		21,638,602	13,067,252
Deposit and short term prepayments		2,912,652	1,189,466
Other receivables		11,266,753	13,034,956
Advance income tax		22,589,995	44,634,182
Tax refunds due from the Government		202,784,442	224,196,872
Cash and bank balances		8,520,265	21,304,064
		<b>1,806,233,660</b>	<b>1,406,053,777</b>
		<b>3,997,496,930</b>	<b>3,546,416,292</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital:			
12,000,000 (June 30, 2016: 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, 2016: 10,292,000) ordinary shares of Rs.10 each		102,920,000	102,920,000
General reserve		130,000,000	130,000,000
Capital reserve		168,463,646	122,553,168
Un-appropriated profit		1,631,843,110	1,607,769,051
		<b>2,033,226,756</b>	<b>1,963,242,219</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		58,550,000	58,550,000
Deferred liabilities			
- employee benefits - unfunded		77,411,642	73,392,461
- deferred tax liability		63,954,598	57,295,826
		<b>199,916,240</b>	<b>189,238,287</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		225,856,253	207,426,044
Mark-up accrued		16,941,010	12,336,102
Short term borrowings	6	1,502,388,130	1,140,246,733
Provision for taxation		19,168,541	33,926,907
		<b>1,764,353,934</b>	<b>1,393,935,786</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7	<b>3,997,496,930</b>	<b>3,546,416,292</b>

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

Karachi:  
Dated: February 23, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**YOUSUF ABDULLAH**  
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

	Note	Six months ended		Three months ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		-----Rupees-----		.....Rupees.....	
Sales - net	8	1,793,613,018	1,591,224,428	896,763,004	780,587,672
Cost of sales	9	(1,614,310,292)	(1,416,328,762)	(817,619,826)	(689,239,003)
<b>Gross profit</b>		<b>179,302,726</b>	<b>174,895,666</b>	<b>79,143,178</b>	<b>91,348,669</b>
Distribution cost		(47,246,313)	(39,329,211)	(23,737,103)	(19,592,431)
Administrative expenses		(24,135,761)	(21,690,450)	(13,528,756)	(11,858,058)
Other income		1,972,250	3,022,837	591,403	1,376,198
Other operating expenses		(5,278,306)	(3,976,095)	(1,674,696)	(1,916,560)
		(74,688,130)	(61,972,919)	(38,349,152)	(31,990,851)
		104,614,596	112,922,747	40,794,026	59,357,818
Finance cost		(34,059,686)	(66,609,470)	(18,860,924)	(39,317,574)
Share of profit of associates		29,451,622	28,832,361	12,289,209	10,163,067
<b>Profit before taxation</b>		<b>100,006,532</b>	<b>75,145,638</b>	<b>34,222,311</b>	<b>30,203,311</b>
<b>Taxation</b>					
Current		(19,168,541)	(17,088,759)	(12,893,557)	(8,958,897)
Prior		1,354,840	(313,491)	1,354,840	(313,491)
Deferred		(6,658,772)	(20,871,091)	(4,435,106)	(21,550,634)
		(24,472,473)	(38,273,341)	(15,973,823)	(30,823,022)
<b>Profit / (loss) for the period</b>		<b>75,534,059</b>	<b>36,872,297</b>	<b>18,248,488</b>	<b>(619,711)</b>
<b>Earnings per share - basic and diluted</b>		<b>7.34</b>	<b>3.58</b>	<b>1.77</b>	<b>(0.06)</b>

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

Karachi:  
Dated: February 23, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**YOUSUF ABDULLAH**  
DIRECTOR



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

	Six months ended		Three months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	-----Rupees-----		.....Rupees.....	
<b>Profit / (loss) for the period</b>	<b>75,534,059</b>	<b>36,872,297</b>	<b>18,248,488</b>	<b>(619,711)</b>
<b>Other comprehensive income:</b>				
<i>Items that will be classified subsequently to profit and loss account</i>				
Share in associates' unrealized gain/ (loss) on available for sale investments - net	<b>35,761,993</b>	(26,021,108)	<b>27,891,288</b>	(4,982,284)
Share in associate's unrealized gain/(loss) on hedging instruments	<b>19,777</b>	33,766	<b>46,389</b>	(110,594)
Other comprehensive income for the period	<b>35,781,770</b>	(25,987,342)	<b>27,937,677</b>	(5,092,878)
<b>Total comprehensive income for the period</b>	<b>111,315,829</b>	<b>10,884,955</b>	<b>46,186,165</b>	<b>(5,712,589)</b>

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

Karachi:  
Dated: February 23, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**YOUSUF ABDULLAH**  
DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

	Six months ended December 31 2016 Rupees	Six months ended December 31 2015 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	100,006,532	75,145,638
Adjustments for:		
Depreciation of property, plant and equipment	68,237,217	65,495,845
Provision for employee benefits	12,670,000	10,908,000
Gain on disposal of property, plant and equipment	(707,466)	(1,899,108)
Finance cost	34,059,686	66,609,470
Share of profit of associates	(29,451,622)	(28,832,361)
	<b>184,814,347</b>	<b>187,427,484</b>
<b>Working capital changes</b>		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(2,819,317)	7,958,084
Stock in trade	(400,783,029)	(257,113,007)
Trade debts	(44,291,620)	(1,805,895)
Loans and advances	(8,571,350)	(4,456,263)
Deposits and short term prepayments	(1,723,186)	(1,606,705)
Other receivables	1,768,203	1,453,855
Increase in current liabilities		
Trade and other payables	18,334,616	(50,078,165)
	<b>(438,085,683)</b>	<b>(305,648,096)</b>
<b>Cash used in operations</b>	<b>(253,271,336)</b>	<b>(118,220,612)</b>
Dividend paid	(51,364,407)	(51,348,698)
Employee benefits paid	(8,650,819)	(8,521,480)
Finance cost paid	(29,454,778)	(70,448,605)
Sales tax refunded	29,353,536	14,651,390
Income taxes paid	(18,468,986)	(13,897,193)
	<b>(78,585,454)</b>	<b>(129,564,586)</b>
<b>Net cash used in operating activities</b>	<b>(331,856,790)</b>	<b>(247,785,198)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(58,403,072)	(27,495,697)
Proceeds from disposal of property, plant and equipment	5,794,970	3,396,000
Increase in long term deposits	-	115,500
Dividend received	9,539,696	8,136,050
<b>Net cash used in investing activities</b>	<b>(43,068,406)</b>	<b>(15,848,147)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	-	(16,666,666)
Short term borrowings - net	362,141,397	279,563,370
<b>Net cash generated from financing activities</b>	<b>362,141,397</b>	<b>262,896,704</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,783,799)</b>	<b>(736,641)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>21,304,064</b>	<b>7,679,271</b>
<b>Cash and cash equivalents at the end of period</b>	<b>8,520,265</b>	<b>6,942,630</b>

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

Karachi:  
Dated: February 23, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**YOUSUF ABDULLAH**  
DIRECTOR

# STATEMENT OF CHANGES IN EQUITY (Un-audited) FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

	Revenue reserves		Capital reserve					Sub-total	Total
	General reserve	Un-appropriated profit	Share in associates' unrealized gain on available for sale investments - net	Share in associate's unrealized gain / (loss) on hedging instruments	Share in associate's remeasurement of post retirement benefits obligation	Share of items directly recognized in equity by associates			
Share capital	102,920,000	130,000,000	1,540,143,805	89,757,071	(13,711)	(1,525,568)	55,795,261	144,013,053	1,917,076,858
..... Rupees .....									
Balance as at Jul 01, 2015									
Comprehensive income:									
Profit for the six months ended December 31, 2015	-	-	36,872,297	-	-	-	-	-	36,872,297
Other comprehensive income	-	-	-	(26,021,108)	33,766	-	-	(25,987,342)	(25,987,342)
Total comprehensive income	-	-	36,872,297	(26,021,108)	33,766	-	-	(25,987,342)	10,884,955
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	(3,908,895)	(3,908,895)	(3,908,895)
Transactions with owners:									
Final dividend for the year ended June 30, 2015 @ Rs.5 per share	-	-	(51,460,000)	-	-	-	-	-	(51,460,000)
Balance as at December 31, 2015	102,920,000	130,000,000	1,525,556,102	63,735,963	20,055	(1,525,568)	51,886,366	114,116,816	1,872,592,918
Comprehensive income:									
Profit for the six months ended June 30, 2016	-	-	85,025,055	-	-	-	-	-	85,025,055
Other comprehensive income	-	-	(2,812,106)	7,082,726	94,426	(29,460)	-	7,147,692	4,335,586
Total comprehensive income	-	-	82,212,949	7,082,726	94,426	(29,460)	-	7,147,692	89,360,641
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	1,288,660	1,288,660	1,288,660
Balance as at June 30, 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 six months ended December 31, 2016	-	-	75,534,059	-	-	-	-	-	75,534,059
Other comprehensive income	-	-	-	35,761,993	19,777	-	-	35,781,770	35,781,770
Total comprehensive income	-	-	75,534,059	35,761,993	19,777	-	-	35,781,770	111,315,829
Effects of items directly recognized in equity by associates	-	-	-	-	-	-	10,128,708	10,128,708	10,128,708
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 December 31, 2016	102,920,000	130,000,000	1,631,843,110	106,580,682	134,258	(1,555,028)	63,303,734	168,463,646	2,033,226,756

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

Karachi:

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**YOUSUF ABDULLAH**  
DIRECTOR

Dated: February 23, 2017

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016****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 Company is listed on Pakistan Stock Exchange Limited (formerly known as Karachi Stock Exchange Limited and Lahore 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, I.I. Chundrigar Road, Karachi and mills are located at Warburton Road, Ferozewattoan, 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 six months period ended December 31, 2016 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 rules of Pakistan Stock Exchange 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, 2016.

**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, 2016.
- 3.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual published audited financial statements as at and for the year ended June 30, 2016.
- 3.4 Certain amendments to approved accounting standards have been published and are mandatorily effective for the accounting period beginning on or after July 1, 2016, none of these amendments are expected to have a significant effect on this condensed interim financial information.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

		<b>Un-audited December 31 2016 Rupees</b>	<b>Audited June 30 2016 Rupees</b>
<b>4</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating assets	4.1 <b>1,417,655,293</b>	1,290,064,309
	Capital work in progress	4.2 <b>32,955,347</b>	175,467,980
		<b>1,450,610,640</b>	<b>1,465,532,289</b>
<b>4.1</b>	<b>Operating assets</b>		
	Opening book value	<b>1,290,064,309</b>	1,325,660,013
	Additions during the period / year		
	Freehold land	-	4,822,330
	Factory Building	-	5,732,600
	Plant and Machinery	<b>20,580,610</b>	29,012,923
	Furniture and Fixture	-	1,678,720
	Vehicles	<b>18,017,702</b>	3,652,190
	Office equipment	-	104,001
	Computers	<b>78,000</b>	138,554
		<b>38,676,312</b>	45,141,318
	Transfer from capital work in progress		
	Factory Building	<b>36,610,879</b>	48,509,433
	Plant and machinery	<b>60,235,662</b>	-
	Vehicles	<b>1,700,095</b>	2,566,210
	Office equipment	-	2,525,557
	Electric Installation	<b>63,692,757</b>	-
		<b>162,239,393</b>	53,601,200
	Book value of assets disposed off during the period / year	<b>(5,087,504)</b>	(1,496,891)
	Depreciation charged during the period / year	<b>(68,237,217)</b>	(132,841,331)
		<b>1,417,655,293</b>	<b>1,290,064,309</b>
<b>4.2</b>	<b>Capital work in progress</b>		
	Land	<b>13,700,000</b>	-
	Buildings - civil works	-	18,846,047
	Plant and machinery	<b>15,533,347</b>	73,698,065
	Electric installation	-	82,423,868
	Advance for Vehicles	<b>3,722,000</b>	500,000
		<b>32,955,347</b>	<b>175,467,980</b>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

		December 31, 2016	June 30, 2016
	Note	-----Rupees-----	
<b>5 LONG TERM INVESTMENTS</b>			
Investments in associates - at equity method:			
Quoted:			
Sapphire Fibres Limited	5.2	413,779,997	373,268,465
Sapphire Textile Mills Limited	5.3	91,147,267	78,296,246
SFL Limited	5.4	59,220,058	59,312,429
Un quoted:			
Sapphire Finishing Mills Limited	5.5	74,625,307	67,792,023
Sapphire Holding Limited	5.6	33,490,466	31,235,792
Sapphire Power Generation Limited	5.7	59,401,845	55,937,581
		<u>731,664,940</u>	<u>665,842,536</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, 2016: 393,697) ordinary shares of Rs. 10 each - cost		41,956,482	41,956,482
Share of post acquisition profit and items directly recognized in equity		377,335,273	335,248,953
Dividend received		(5,511,758)	(3,936,970)
		<u>413,779,997</u>	<u>373,268,465</u>
<b>5.3 Sapphire Textile Mills Limited</b>			
100,223 (June 30, 2016: 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		84,435,811	71,183,898
Dividend received		(1,403,122)	(1,002,230)
		<u>91,147,267</u>	<u>78,296,246</u>
<b>5.4 SFL Limited</b>			
401,570 (June 30, 2016: 401,570) ordinary shares of Rs. 10 each - cost		2,439,475	2,439,475
Share of post acquisition profit		57,182,153	57,876,880
Dividend received		(401,570)	(1,003,926)
		<u>59,220,058</u>	<u>59,312,429</u>
<b>5.5 Sapphire Finishing Mills Limited</b>			
1,556,000 (June 30, 2016: 1,556,000) ordinary shares of Rs. 10 each - cost		16,509,160	16,509,160
Share of post acquisition profit directly and items recognized in equity		60,138,947	53,150,063
Dividend received		(2,022,800)	(1,867,200)
		<u>74,625,307</u>	<u>67,792,023</u>
<b>5.6 Sapphire Holding Limited</b>			
100,223 (June 30, 2016: 100,223) ordinary shares of Rs. 10 each - cost		524,950	524,950
Share of post acquisition profit		33,165,962	31,036,566
Dividend received		(200,446)	(325,724)
		<u>33,490,466</u>	<u>31,235,792</u>
<b>5.7 Sapphire Power Generation Limited</b>			
555,000 (June 30, 2016: 555,000) ordinary shares of Rs. 10 each - cost		19,425,000	19,425,000
Share of post acquisition profit		39,976,845	36,512,581
		<u>59,401,845</u>	<u>55,937,581</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

		Un-audited December 31 2016 Rupees	Audited June 30 2016 Rupees
<b>6</b>	<b>SHORT TERM BORROWINGS</b>		
	<b>From banking companies - secured</b>		
	Running finance	935,743,289	606,244,552
	Foreign currency import finance	171,193,642	239,002,181
	Other short term finance	395,000,000	295,000,000
	Temporary bank overdraft	451,199	-
		<b>1,502,388,130</b>	<b>1,140,246,733</b>
<b>7</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1</b>	<b>Contingencies</b>		
	Guarantees have been issued by banks on behalf of the Company in the normal course of business	69,337,654	69,337,654
	Post dated cheques issued	75,596,056	88,366,245
		<b>144,933,710</b>	<b>157,703,899</b>
<b>7.2</b>	<b>Claims of Input Sales Tax</b>		
	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.		
<b>7.3</b>	<b>Commitments</b>		
	Irrevocable letters of credit for import of:		
	-Machinery	16,105,533	-
	-Stores and spare parts	2,394,634	-
	-Raw material	19,262,240	36,156,829
	Contract for capital expenditure	-	13,828,796
		<b>37,762,407</b>	<b>49,985,625</b>
		<b>Six months ended</b>	<b>Three months ended</b>
		<b>December 31</b>	<b>December 31</b>
		<b>2016</b>	<b>2015</b>
		<b>.....Rupees.....</b>	<b>.....Rupees.....</b>
<b>8</b>	<b>SALES - NET</b>		
	<b>Local</b>		
	Yarn	295,310,087	364,123,597
	Waste	30,092,981	32,616,209
		<b>325,403,068</b>	<b>396,739,806</b>
	<b>Export</b>		
	Yarn	526,723,736	322,294,398
	Yarn (indirect export)	902,994,168	846,724,943
	Waste	36,622,297	22,395,176
	Waste (indirect export)	-	1,313,675
		<b>1,466,340,201</b>	<b>1,192,728,192</b>
		<b>1,791,743,269</b>	<b>1,589,467,998</b>
	Processing services	346,248	503,738
	Export rebate	1,523,501	1,252,692
		<b>1,793,613,018</b>	<b>1,591,224,428</b>
		<b>143,328,869</b>	<b>221,713,536</b>
		<b>14,195,413</b>	<b>15,580,564</b>
		<b>157,524,282</b>	<b>237,294,100</b>
		<b>261,960,719</b>	<b>171,085,855</b>
		<b>462,087,673</b>	<b>360,034,347</b>
		<b>14,086,417</b>	<b>9,792,295</b>
		<b>-</b>	<b>1,313,675</b>
		<b>738,134,809</b>	<b>542,226,172</b>
		<b>895,659,091</b>	<b>779,520,272</b>
		<b>157,248</b>	<b>503,738</b>
		<b>946,665</b>	<b>563,662</b>
		<b>896,763,004</b>	<b>780,587,672</b>

**8.1** Sales tax on local sales and indirect export sales is Rs.0.538 million (Dec 31, 2015 Rs.27.512 million)

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

	Six months ended		Three months ended	
	December 31	December 31	December 31	December 31
	2016	2015	2016	2015
	.....Rupees.....		.....Rupees.....	
<b>9 COST OF SALES</b>				
Raw material consumed	1,088,214,448	1,005,854,376	562,319,113	486,636,372
Packing material consumed	28,096,019	29,853,510	14,070,579	15,327,255
Store and spare parts consumed	32,396,073	34,244,513	16,430,932	16,849,863
Salaries, wages and benefits	164,090,917	166,355,443	80,801,743	80,181,931
Fuel and power	154,860,914	147,141,270	79,312,986	68,603,224
Insurance	5,550,031	5,899,047	2,622,385	2,889,000
Repairs and maintenance	1,630,587	3,149,542	858,415	2,223,568
Travelling and conveyance	1,936,963	2,536,272	1,006,301	1,250,400
Other manufacturing overheads	1,444,614	2,451,350	532,397	995,205
Depreciation	68,237,217	65,495,845	35,203,034	32,674,740
	<b>1,546,457,783</b>	<b>1,462,981,168</b>	<b>793,157,885</b>	<b>707,631,558</b>
Work in process				
At beginning of period	128,561,008	120,307,562	106,190,025	134,519,524
At end of period	(102,148,534)	(132,869,635)	(102,148,534)	(132,869,635)
	<b>26,412,474</b>	<b>(12,562,073)</b>	<b>4,041,491</b>	<b>1,649,889</b>
Cost of goods manufactured	<b>1,572,870,257</b>	<b>1,450,419,095</b>	<b>797,199,376</b>	<b>709,281,447</b>
Finished goods				
At beginning of period	94,836,235	61,104,299	76,125,800	75,152,188
Yarn purchased	3,401,007	-	1,091,857	-
At end of period	(56,797,207)	(95,194,632)	(56,797,207)	(95,194,632)
	<b>41,440,035</b>	<b>(34,090,333)</b>	<b>20,420,450</b>	<b>(20,042,444)</b>
	<b>1,614,310,292</b>	<b>1,416,328,762</b>	<b>817,619,826</b>	<b>689,239,003</b>

**10 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	December 31
		2016	2015
		.....Rupees.....	
Associated companies	Sales of finished goods, raw material / stores and spare parts	274,284,592	83,516,963
	Purchases of;		
	- finished goods, raw material / stores and spare parts	15,930,890	8,569,717
	- machinery	15,158,400	10,200,000
	- electricity	68,823,372	97,184,184
	Services rendered	-	31,500
	Services obtained	1,898,549	933,575
	Dividend received	9,539,696	8,136,051
	Dividend paid	30,853,675	30,861,560
	Shared expenses paid	3,936,596	3,655,828
Post-employment benefits	Contribution for the period	12,670,000	10,908,000

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.



**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016****11 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of fixed term loans, long term advances, stores spares and loose tools, stock in trade, trade debts, advances long term financing and trade payables cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar 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 since these are either short-term in nature or, in the case of customer loans and deposits, are frequently reprised.

**Fair value hierarchy**

Financial instruments are carried at fair value, by valuation method. The different levels 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 does not hold any financial instrument at December 31, 2016 which needs classification under the above levels.

**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, 2017.

Karachi:  
Dated: February 23, 2017

**SHAYAN ABDULLAH**  
CHIEF EXECUTIVE OFFICER

**YOUSUF ABDULLAH**  
DIRECTOR