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Reliance Cotton Spinning Mills Limited
Un-Consolidated Condensed Financial Statements (Un-Audited)

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Company Profile**Board of Directors**

Mr. Amer Abdullah	Chairman
Mr. Shayan Abdullah	Chief Executive
Mr. Shahid Abdullah	Director
Mr. Yousuf Abdullah	Director
Mr. Nabeel Abdullah	Director
Mrs. Madiha Saeed Nagra	Independent Director
Mr. Asif Elahi	Independent Director

Audit Committee

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

Human Resource & Remuneration Committee

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

Chief Financial Officer

Mr. Jawwad Faisal

Company Secretary

Mr. Nauman Iqbal

Auditors

Deloitte Yousuf Adil,
Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor

Hassan & Hassan, Advocates

Bankers of the Company

Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
United Bank Limited

Share Registrar

Hameed Majeed Associates (Pvt.) Limited,
4th Floor, Karachi Chambers, Hasrat
Mohani Road, Karachi.

Geographical Presence:**Registered Office**

312, Cotton Exchange Building,
I.I. Chundrigar Road, Karachi

Mills

Feroze Wattoan,
District, Sheikhpura, Punjab.

Company Website

www.sapphire.com.pk/rcsmi

Directors' Report

The Directors of the Company are pleased to present un-audited financial statements for the six months ended 31 December, 2019.

Financial Highlights

	December 31,	
	2019	2018
	Rupees in thousand	
Sales & services	3,140,181	2,565,119
Gross profit	486,806	411,705
Profit before taxation	213,580	231,312
Taxation	(31,591)	(413)
Profit after taxation	<u>181,989</u>	<u>230,899</u>

During first half of the financial year, your company achieved sales of Rs. 3.140 billion compared to Rs. 2.565 billion during last year, an increase of 22.42%. The gross profit as a percentage of sales was 15.50% against 16.05% during last year. Whereas, the company earned profit after tax of Rs. 182 million as against Rs. 231 million during last year's corresponding period.

Earnings per share

The company's earnings per share (EPS) were at Rs. 17.68 as compared to Rs. 22.43 for the same period of last year.

Future outlook

Financial results during the period under review show that the company is continuing on the track of profitable growth. However, decline in country's cotton production resulting in greater reliance on imported raw materials may negatively impact margins in remaining part of the financial year.

In spite of challenging conditions, your management is making every effort to improve operational efficiency and optimize cost structure of the company to enhance shareholder value.

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

For and on behalf of the Board

Lahore
Dated: 26 February, 2020

Shahid Abdullah
Director

Yousuf Abdullah
Director

ڈائریکٹرز رپورٹ

ہم 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں		تفصیل
31 دسمبر 2018ء	31 دسمبر 2019ء	
2,565,119	3,140,181	فروخت اور خدمات
411,705	486,806	مجموعی منافع
231,312	213,580	ٹیکس سے پہلے منافع
(413)	(31,591)	ٹیکسیشن
<u>230,899</u>	<u>181,989</u>	ٹیکس کے بعد منافع

آپ کی کمپنی نے گزشتہ سال کے دوران 2.565 بلین روپے کے مقابلے مالی سال کی پہلی ششماہی کے دوران 3.140 بلین روپے کی فروخت حاصل کی، جو 22.42 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 16.05 فیصد کے مقابلے موجودہ مدت میں 5.50 فیصد ہوا۔ جبکہ، کمپنی نے گزشتہ سال اسی مدت میں درج 231 بلین روپے کے مقابلے موجودہ ششماہی کے دوران 182 بلین روپے ٹیکس کے بعد منافع کمایا ہے۔

نی حصص آمدنی

کمپنی کی موجودہ ششماہی کی فی شیئر آمدنی (EPS) 17.68 روپے ہے جو کہ پچھلے سال کی اسی ششماہی کی 22.43 روپے تھی۔

مستقبل کا نقطہ نظر

زیر جائزہ مدت کے دوران مالی نتائج ظاہر کرتے ہیں کہ کمپنی منافع بخش نمو کی راہ پر رواں دواں ہے۔ تاہم، ملک کی کپاس کی پیداوار میں کمی کے نتیجے در آمد شدہ خام مال پر زیادہ انحصار کرنا پڑتا ہے جو مالی سال کے باقی عرصہ میں منافع کو منفی طور پر متاثر کر سکتا ہے۔

چیلنجنگ حالات کے باوجود، انتظامیہ حصص داران کی قدر کو بڑھانے کے لئے کمپنی کی آپریشنل کارکردگی کو بہتر بنانے اور لاگت مٹر کچر کو موثر بنانے کے لئے ہر ایک کوشش کر رہی ہے۔

اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

یوسف عبداللہ
ڈائریکٹر

شاہد عبداللہ
ڈائریکٹر

لاہور تاریخ: 26 اکتوبر 2020ء

Independent Auditor's Review Report***To the members of Reliance Cotton Spinning Mills Limited
Report on Review of Interim Financial Statements*****Introduction**

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Reliance Cotton Spinning Mills Limited (the Company) as at December 31, 2019 and the related unconsolidated condensed interim statement of profit or loss and unconsolidated statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the interim financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial statements based on our review.

The figures reported in the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarter ended December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2019.

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 statements consists of making inquiries, primarily of persons responsible for 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 statements as at and for the six month period ended December 31, 2019 are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Rana M. Usman Khan.

Place: Lahore
Dated: 26 February, 2020

Deloitte Yousuf Adil,
Chartered Accountants

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

		Un-Audited December 31, 2019	Audited June 30, 2019
	Note	Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,016,694,271	1,987,544,100
Long term investments	5	89,069,645	89,069,645
Long term deposits		8,987,690	8,987,690
		2,114,751,606	2,085,601,435
CURRENT ASSETS			
Stores, spare parts and loose tools		32,323,419	45,112,549
Stock in trade		2,973,542,414	1,989,294,360
Trade debts		1,038,009,935	761,061,879
Loans and advances		45,918,037	79,264,473
Deposit and short term prepayments		398,610	1,593,406
Other receivables		30,586,946	37,055,995
Tax refunds due from the Government		403,642,971	294,448,602
Short term investments		50,476,521	50,214,094
Cash and bank balances		12,354,850	6,403,280
		4,587,253,703	3,264,448,638
		6,702,005,309	5,350,050,073
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital:			
12,000,000 (June 30, 2019: 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, 2019: 10,292,000) ordinary shares of Rs.10 each		102,920,000	102,920,000
Reserves		2,175,384,141	2,066,268,558
		2,278,304,141	2,169,188,558
NON-CURRENT LIABILITIES			
Long term financing	6	535,120,943	547,186,629
Employee retirement benefits		53,775,736	48,699,241
		588,896,679	595,885,870
CURRENT LIABILITIES			
Trade and other payables		612,014,554	530,383,893
Contract liabilities		14,954,651	8,409,001
Unclaimed dividend		649,618	500,767
Mark-up accrued		59,861,543	47,104,270
Current portion of long term financing	6	19,577,060	12,192,623
Short term borrowings	7	3,069,833,085	1,960,037,935
Provision for taxation		57,913,978	26,347,156
		3,834,804,489	2,584,975,645
CONTINGENCIES AND COMMITMENTS	8	6,702,005,309	5,350,050,073

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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

	Note	Three months ended		Six months ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		.....Rupees.....		-----Rupees-----	
Sales - net	9	1,712,660,409	1,319,493,624	3,140,181,062	2,565,118,605
Cost of sales	10	(1,484,466,213)	(1,121,669,177)	(2,653,375,304)	(2,153,413,322)
Gross profit		228,194,196	197,824,447	486,805,758	411,705,283
Distribution cost		(28,666,613)	(27,772,815)	(53,711,451)	(45,814,241)
Administrative expenses		(27,923,225)	(20,150,890)	(46,837,837)	(33,969,939)
Other income		17,840,608	9,761,508	18,969,363	12,142,262
Other operating expenses		(3,726,932)	(15,863,150)	(9,833,114)	(23,798,901)
		(42,476,162)	(54,025,347)	(91,413,039)	(91,440,819)
Operating profit before finance cost		185,718,034	143,799,100	395,392,719	320,264,464
Finance cost		(97,822,758)	(57,876,196)	(181,812,494)	(88,952,950)
Profit before taxation		87,895,276	85,922,904	213,580,225	231,311,514
Provision for taxation		(26,022,494)	10,275,112	(31,591,069)	(412,594)
Profit for the period		61,872,782	96,198,016	181,989,156	230,898,920
Earnings per share - basic and diluted		6.01	9.35	17.68	22.43

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Three months ended		Six months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	-----Rupees-----		-----Rupees-----	
Profit for the period	61,872,782	96,198,016	181,989,156	230,898,920
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss				
Unrealized loss on remeasurement of equity investments - available for sale	-	(3,269,422)	-	(5,954,750)
Realised loss on disposal of available for sale investments	-	8,077,356	-	7,267,159
Fair value gain on investments in debt instruments designated as FVTOCI	1,029,950	-	1,029,950	-
	1,029,950	4,807,934	1,029,950	1,312,409
Items that will not be reclassified subsequently to profit and loss				
Fair value gain on investments in equity instruments designated as FVTOCI	11,276,712	-	8,432,477	-
	12,306,662	4,807,934	9,462,427	1,312,409
Total comprehensive income for the period	74,179,444	101,005,950	191,451,583	232,211,329

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Note	<u>Six months ended</u> <u>December 31,</u> <u>2019</u> <u>Rupees</u>	<u>Six months ended</u> <u>December 31,</u> <u>2018</u> <u>Rupees</u>
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		213,580,225	231,311,514
Adjustments for:			
Depreciation of property, plant and equipment		99,126,972	73,784,780
Provision for employee benefits		11,400,000	9,000,000
Loss on sale of short term investments available for sale		-	11,646,327
Gain on disposal of property, plant and equipment		(280,635)	(668,557)
Dividend income		(7,292,964)	(9,707,095)
Finance cost		181,812,494	88,952,950
		<u>498,346,092</u>	<u>404,319,919</u>
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		12,789,130	17,434,705
Stock in trade		(984,248,054)	(1,049,922,748)
Trade debts		(276,948,056)	(122,180,968)
Loans and advances		(3,689,431)	(17,345,076)
Deposits and short term prepayments		1,194,796	(1,443,634)
Other receivables		6,469,049	(2,115,458)
Decrease / (increase) in current liabilities			
Trade and other payables		88,176,311	(26,375,788)
		<u>(1,156,256,255)</u>	<u>(1,201,948,967)</u>
Cash used in operations		<u>(657,910,163)</u>	<u>(797,629,048)</u>
Dividend paid		(82,187,149)	(66,708,401)
Employee benefits paid		(6,323,505)	(60,476,859)
Finance cost paid		(169,055,221)	(71,867,704)
Sales tax paid		(42,112,620)	(21,541,432)
Income taxes paid		(30,070,129)	(12,123,626)
		<u>(329,748,624)</u>	<u>(232,718,022)</u>
Net cash used in operating activities		<u>(987,658,787)</u>	<u>(1,030,347,070)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(128,541,508)	(277,180,794)
Proceeds from disposal of property, plant and equipment		545,000	1,680,000
Short term investments made		-	(21,522,341)
Proceeds from sale of short term investments		9,200,000	41,028,165
Dividend received		7,292,964	9,707,095
Net cash used in investing activities		<u>(111,503,544)</u>	<u>(246,287,875)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained - Net	12	(4,681,249)	226,056,626
Short term borrowings - Net	12	1,109,795,150	1,031,777,555
Loan obtained from related parties	12	-	43,192,000
Net cash generated from financing activities		<u>1,105,113,901</u>	<u>1,301,026,181</u>
Net Increase in cash and cash equivalents (A+B+C)		<u>5,951,570</u>	<u>24,391,236</u>
Cash and cash equivalents at the beginning of period		<u>6,403,280</u>	<u>7,780,802</u>
Cash and cash equivalents at the end of period		<u>12,354,850</u>	<u>32,172,038</u>

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

Share capital	Revenue reserves		Gain/(loss) on remeasurement of investments	Sub total	Total	
	General reserve	Un-appropriated profit				
..... Rupees						
Balance as at July 01, 2018	102,920,000	130,000,000	1,650,618,423	(11,165,865)	1,769,452,558	1,872,372,558
Comprehensive income:						
Profit for the six months ended December 31, 2018	-	-	230,898,920	-	230,898,920	230,898,920
Other comprehensive income	-	-	-	1,312,409	1,312,409	1,312,409
Total comprehensive income	-	-	230,898,920	1,312,409	232,211,329	232,211,329
Transactions with owners:						
Final dividend for the year ended June 30, 2018 @ Rs.6.5 per share	-	-	(66,898,000)	-	(66,898,000)	(66,898,000)
Balance as at December 31, 2018	102,920,000	130,000,000	1,814,619,343	(9,853,456)	1,934,765,887	2,037,685,887
Comprehensive income:						
Profit for the six months ended June 30, 2019	-	-	159,496,284	-	159,496,284	159,496,284
Other comprehensive income	-	-	(20,154,786)	(7,838,827)	(27,993,613)	(27,993,613)
Total comprehensive income	-	-	139,341,498	(7,838,827)	131,502,671	131,502,671
Balance as at June 30, 2019	102,920,000	130,000,000	1,953,960,841	(17,692,283)	2,066,268,558	2,169,188,558
Comprehensive income:						
Profit for the six months ended December 31, 2019	-	-	181,989,156	-	181,989,156	181,989,156
Other comprehensive income	-	-	-	9,462,427	9,462,427	9,462,427
Total comprehensive income	-	-	181,989,156	9,462,427	191,451,583	191,451,583
Transactions with owners:						
Final dividend for the year ended June 30, 2019 @ Rs. 8.0 per share	-	-	(82,336,000)	-	(82,336,000)	(82,336,000)
Balance as at December 31, 2019	102,920,000	130,000,000	2,053,613,997	(8,229,856)	2,175,384,141	2,278,304,141

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

1 LEGAL STATUS AND OPERATIONS

1.1 Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi and mills are located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.

1.2 These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Separate financial statements

These unconsolidated condensed interim financial statements are the separate unconsolidated condensed interim financial statements of the Company in which investments in subsidiary and associates are accounted for at cost on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated condensed interim financial statements of the Company are prepared separately.

3 ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and methods of computation adopted for preparation of these unconsolidated condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements for the year ended June 30, 2019.

3.2 The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual published audited financial statements as at and for the year ended June 30, 2019.

3.4 Certain amendments to accounting and reporting standards have been published and are mandatorily effective for the accounting period beginning on or after July 1, 2019, none of these amendments are expected to have a significant effect on these unconsolidated condensed interim financial statements.

3.5 Changes in accounting standards

The following change in accounting standards has taken place effective from July 01, 2019:

(a) IFRS 16 - Leases

"During the period, IFRS 16 - Leases became applicable to the company. IFRS 16 replaces IAS 17 "Accounting for Leases" and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e lessors continue to classify lease as either finance or operating lease. The company has adopted IFRS 16 from July 01, 2019 and has elected recognition exemptions under this IFRS due to short term and low value leases."

		Un-Audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
4	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets	1,945,441,532	1,885,076,693
	Capital work in progress	71,252,739	102,467,407
		<u>2,016,694,271</u>	<u>1,987,544,100</u>
4.1	Operating assets		
	Opening book value	1,885,076,693	1,460,246,900
	Additions during the period / year		
	Computers	-	283,000
	Transfer from capital work in progress		
	Factory building	-	1,460,364
	Plant and machinery	145,741,168	554,636,018
	Vehicles	1,410,000	36,245,950
	Office equipment	1,256,948	-
	Electric installation	11,348,060	-
		159,756,176	592,342,332
	Book value of assets disposed off during the period / year	(264,365)	(5,412,187)
	Depreciation charged during the period / year	(99,126,972)	(162,383,352)
	Closing book value	<u>1,945,441,532</u>	<u>1,885,076,693</u>
4.2	Capital work in progress		
	Building - civil work	39,814,314	-
	Plant and machinery	31,438,425	100,995,727
	Vehicles	-	1,471,680
		<u>71,252,739</u>	<u>102,467,407</u>
5	LONG TERM INVESTMENTS		
	Investment in subsidiary - at cost:		
	Un-quoted:		
	RCSM Company (Private) Limited	100,000	100,000
	Investments in associates - at cost:		
	Quoted:		
	Sapphire Fibres Limited	41,956,482	41,956,482
	Sapphire Textile Mills Limited	8,114,578	8,114,578
	SFL Limited	2,439,475	2,439,475
	Un-quoted:		
	Sapphire Finishing Mills Limited	16,509,160	16,509,160
	Sapphire Holding Limited	524,950	524,950
	Sapphire Power Generation Limited	19,425,000	19,425,000
		<u>89,069,645</u>	<u>89,069,645</u>
6	LONG TERM FINANCING		
	As at the beginning of the period / year	559,379,252	193,051,000
	Availed during the period / year	-	373,647,000
	As at the end of the period / year	<u>559,379,252</u>	<u>566,698,000</u>
	Less: Payment during the period / year	(4,681,249)	(7,318,748)
		<u>554,698,003</u>	<u>559,379,252</u>
	Less: Current maturity of long term financing	(19,577,060)	(12,192,623)
		<u>535,120,943</u>	<u>547,186,629</u>

- 6.1 These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 750 million (June 30, 2019 : Rs: 750 million). These loans are secured against charge of Rs. 1,000 million (June 30, 2019 Rs: 1,000 million) and carry an interest rate of 2.5% (2% SBP rate plus 0.5% spread) over all present and future plant and machinery of the Company. These loans are repayable in equal semi-annual installments.

		Un-Audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
7	SHORT TERM BORROWINGS		
	From banking companies - secured		
	Running finance	1,119,776,225	986,845,935
	Other short term finance 7.1	1,906,864,860	930,000,000
		3,026,641,085	1,916,845,935
	From related parties		
	Loan from directors	15,705,000	15,705,000
	Loan from associated companies 7.2	27,487,000	27,487,000
		43,192,000	43,192,000
		3,069,833,085	1,960,037,935

- 7.1 During the period, the Company has obtained Rs 900 million cash finance (June 30, 2019 : 195 Million) at the rate of mark-up ranging between 6.33 % to 11.53 % (June 30, 2019 : 6.08 % to 6.33 %) per annum .

7.2 **Name of Associated Companies**

Reliance Textiles (Private) Limited	6,067,000	6,067,000
Sapphire Agencies (Private) Limited	12,810,000	12,810,000
Neelum Textile Mills (Private) Limited	7,540,000	7,540,000
Galaxy Agencies (Private) Limited	590,000	590,000
Nadeem Enterprises (Private) Limited	480,000	480,000
	27,487,000	27,487,000

8 CONTINGENCIES AND COMMITMENTS

8.1 **Contingencies**

Guarantees issued by banks on behalf of the Company in the normal course of business	193,990,298	183,990,298
Post dated cheques for Customs department	239,379,142	181,395,394
	433,369,440	365,385,692

8.2 **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. The management is expecting the case to be in favour of the Company.

		Un-Audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
8.3	Commitments		
	Irrevocable letters of credit for import of:		
	-Machinery	102,907,104	40,466,400
	-Stores and spare parts	31,235,400	8,781,833
	-Raw material	344,438,072	73,259,746
		478,580,576	122,507,979

	Three months ended		Six months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	.....Rupees.....		.....Rupees.....	
9 SALES - NET				
Local				
Yarn	281,969,911	236,405,282	576,137,827	447,857,396
Waste	24,182,573	16,106,583	37,645,909	30,635,039
	306,152,484	252,511,865	613,783,736	478,492,435
Export				
Yarn	332,842,789	212,013,663	636,366,168	360,993,979
Yarn (indirect export)	1,031,005,021	833,411,664	1,818,803,760	1,679,220,117
Waste	42,660,115	21,556,432	71,227,398	45,172,060
	1,406,507,925	1,066,981,759	2,526,397,326	2,085,386,156
	1,712,660,409	1,319,493,624	3,140,181,062	2,563,878,591
Processing services	-	-	-	1,160,086
Export rebate	-	-	-	79,928
	1,712,660,409	1,319,493,624	3,140,181,062	2,565,118,605

9.1 Sales tax on local sales and indirect export sales is Rs. 328.190 million (June 30, 2019 : Rs. 0.318 million)

	Three months ended		Six months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	.....Rupees.....		.....Rupees.....	
10 COST OF SALES				
Raw material consumed	1,136,735,599	910,080,675	2,157,763,266	1,742,998,242
Packing material consumed	24,280,783	17,654,400	42,710,348	34,493,200
Store and spare parts consumed	22,289,455	17,702,736	50,640,350	39,667,522
Salaries, wages and benefits	109,900,431	89,012,024	220,579,371	174,791,661
Fuel and power	107,165,439	100,812,687	195,211,280	197,378,673
Insurance	1,782,026	1,779,897	3,471,578	3,462,158
Repairs and maintenance	5,155,022	1,351,677	8,476,530	4,022,039
Travelling and conveyance	2,094,876	1,811,204	4,037,219	3,260,353
Other manufacturing overheads	(348,143)	602,703	1,566,130	1,427,467
Depreciation	48,497,460	35,809,386	96,000,772	70,991,104
	1,457,552,948	1,176,617,389	2,780,456,844	2,272,492,419
Work in process				
At the beginning of period	321,200,032	150,242,727	246,276,183	140,912,165
At the end of period	(325,458,508)	(184,434,730)	(325,458,508)	(184,434,730)
	(4,258,476)	(34,192,003)	(79,182,325)	(43,522,565)
Cost of goods manufactured	1,453,294,472	1,142,425,386	2,701,274,519	2,228,969,854
Finished goods				
At the beginning of period	371,235,857	203,118,021	292,164,901	148,317,698
Yarn purchased	-	1,890,672	-	1,890,672
At the end of period	(340,064,116)	(225,764,902)	(340,064,116)	(225,764,902)
	31,171,741	(20,756,209)	(47,899,215)	(75,556,532)
	1,484,466,213	1,121,669,177	2,653,375,304	2,153,413,322

11 TRANSACTIONS WITH RELATED PARTIES

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

Nature of Relationship	Nature of Transaction	Six months ended	
		December 31, 2019	December 31, 2018
		.....Rupees.....	
Subsidiary	Payment against issue of shares	-	100,000
Associated companies	Sales of finished goods, raw material / stores and spare parts	295,998,323	431,109,075
	Purchases of;		
	- finished goods, raw material / stores and spare parts	15,474,528	17,564,730
	- machinery	-	600,000
	- electricity	-	27,706,713
	Services rendered	-	10,000
	Services obtained	3,109,066	-
	Dividend received	4,892,069	8,009,210
	Dividend paid	53,766,368	43,730,466
	Shared expenses paid	13,639,797	7,874,288
	Shared expenses received	36,062	1,573,002
	Loan obtained	-	27,487,000
Directors	Loan obtained	-	15,705,000
Chief executive officer	Remuneration and other benefits	7,200,000	5,400,000
Executives	Remuneration and other benefits	14,792,929	12,311,098

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

12 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Audited			Un-Audited
	June 30, 2019	Availed during the period	Repaid during the period	December 31, 2019
-----Rupees-----				
Long term financing	559,379,252	-	(4,681,249)	554,698,003
Short term borrowings	1,960,037,935	23,123,098,815	(22,013,303,666)	3,069,833,085
Loan obtained from related parties	43,192,000	-	-	43,192,000
	2,562,609,187	23,123,098,815	(22,017,984,915)	3,667,723,088

13 OPERATING SEGEMENTS

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

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

80.45% (2018: 81.28%) sales of the Company relates to export customers.

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

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs. 932 million (June 30, 2019 : Rs. 823 million).

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company holds shares available for sale as short term investments under level 1 as at December 31, 2019 that amounts to Rs. 50.47 million (June 30, 2019 Rs. 50.21 million)

15 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2020.

16 GENERAL

Figures have been rounded off to the nearest rupee.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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Directors' Report to the Shareholders

On behalf of Board of Directors of Holding Company of RCSM Company (Pvt.) Limited, it is our pleasure to present Directors' Report with Un-Audited Consolidated Financial statement of the Company for the half year ended December 31, 2019.

RCSM Company (Pvt.) Limited

RCSM Company (Pvt.) Limited was incorporated in Pakistan as private limited by shares wholly owned by Reliance Cotton Spinning Mills Limited under Companies Ordinance, 1984 (now Companies Act, 2017) on November 08, 2017. The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other company but not to act as an investment company.

For and on behalf of the Board

Lahore
February 26, 2020

Shahid Abdullah
Director

Yousuf Abdullah
Director

ڈائریکٹرز رپورٹ

RCSM کمپنی (پرائیویٹ) لمیٹڈ کی ہولڈنگ کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مجموعی مالیاتی گوشواروں کے ہمراہ ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ:

RCSM کمپنی (پرائیویٹ) لمیٹڈ 8 نومبر 2017ء کو کمپنیز آرڈیننس، 1984 (اب کمپنیز ایکٹ 2017) کے تحت ریلائنس کاٹن سپننگ ملز لمیٹڈ کے مکمل ملکیتی شیئرز سے نجی لمیٹڈ کمپنی کے طور پر پاکستان میں قائم ہوئی۔ ذیلی کمپنی کی اصل سرگرمی کسی دیگر کمپنی میں شیئرز لینا یا خریدنا اور رکھنا ہے لیکن ایک سرمایہ کاری کمپنی کے طور پر کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

یوسف عبداللہ
ڈائریکٹر

شاہد عبداللہ
ڈائریکٹر

لاہور تاریخ: 26 فروری 2020ء

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

	December 31, 2019	June 30, 2019
Note	Rupees	Rupees
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	4 2,016,694,271	1,987,544,100
Long term investments	5 903,085,395	801,555,693
Long term deposits	8,987,690	8,987,690
	2,928,767,356	2,798,087,483
CURRENT ASSETS		
Stores and spare parts	32,323,420	45,112,549
Stock-in-trade	2,973,541,481	1,989,294,360
Trade debts	1,038,009,934	761,061,879
Loans and advances	45,918,037	79,264,473
Short term deposits and prepayments	398,610	1,593,406
Other receivables	30,586,946	37,055,995
Tax refunds due from the Government	403,642,971	294,448,602
Other financial assets	50,476,520	50,214,094
Cash and bank balances	12,429,384	6,477,850
	4,587,327,303	3,264,523,208
	7,516,094,659	6,062,610,691
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized capital		
12,000,000 (30-Jun-2019: 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	2,895,788,975	2,695,615,314
	2,998,708,975	2,798,535,314
NON-CURRENT LIABILITIES		
Long term financing	6 535,120,943	547,186,629
Employee retirement benefits	147,327,126	131,799,618
	682,448,069	678,986,247
CURRENT LIABILITIES		
Trade and other payables	612,147,681	530,497,378
Contract liabilities	14,954,650	8,409,001
Unclaimed dividend	649,618	500,767
Markup accrued	59,861,543	47,104,270
Short term borrowings	7 3,069,833,085	1,960,037,935
Current portion of long term financing	19,577,060	12,192,623
Provision for taxation	57,913,978	26,347,156
	3,834,937,615	2,585,089,130
CONTINGENCIES AND COMMITMENTS		
	8	
	7,516,094,659	6,062,610,691

The annexed notes from 1 to 16 form an integral part of these financial statements

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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

	Note	Three months ended		Six months ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	9	1,712,660,409	1,319,493,624	3,140,181,062	2,565,118,605
Cost of sales	10	(1,484,466,212)	(1,121,669,177)	(2,653,375,303)	(2,153,413,322)
Gross profit		228,194,197	197,824,447	486,805,759	411,705,283
Distribution cost		(28,666,613)	(27,772,815)	(53,711,451)	(45,814,241)
Administrative expenses		(27,933,799)	(20,160,210)	(46,858,411)	(33,986,759)
Other income		12,948,539	3,258,185	14,077,294	4,133,052
Other operating expenses		(3,726,932)	(15,863,150)	(9,833,114)	(23,798,901)
		(47,378,805)	(60,537,990)	(96,325,682)	(99,466,849)
Operating profit before finance cost		180,815,392	137,286,457	390,480,077	312,238,434
Finance cost		(97,822,793)	(57,876,196)	(181,812,529)	(88,952,950)
Share of profit of associates		30,900,795	34,063,586	78,496,758	56,059,723
Profit before taxation		113,893,394	113,473,847	287,164,306	279,345,207
Provision for taxation		(31,828,460)	11,948,607	(42,042,085)	(688,495)
Profit for the period		82,064,934	125,422,454	245,122,221	278,656,712
Earnings per share - basic and diluted		7.97	12.19	23.82	27.08

The annexed notes from 1 to 16 form an integral part of these financial statements

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

Note	Three months ended		Six months ended	
	December 31,	December 31,	December 31,	December 31,
	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees
Profit for the year	82,064,934	125,422,454	245,122,221	278,656,712
Other comprehensive income:				
Item that may be reclassified subsequently to statement of profit or loss				
Share in associates' unrealized loss on available sale investment - net	54,131,857	(32,129,016)	48,678,706	(40,074,201)
Unrealized loss on remeasurement of short term investment available for sale	12,306,662	(3,269,422)	9,462,427	(5,954,750)
Loss in deemed disposal	(24,603,198)	-	(24,603,198)	-
Realized loss on disposal of short term investments - available for sale	-	8,077,356	-	7,267,159
	41,835,321	(27,321,082)	33,537,935	(38,761,792)
Share in associate's unrealized gain on hedging instruments	(901,457)	145,792	(172,918)	70,202
Total comprehensive income for the period	122,998,798	98,247,164	278,487,238	239,965,122

The annexed notes from 1 to 16 form an integral part of these financial statements

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Six months ended	
	December 31,	December 31,
	2019	2018
Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	287,164,306	279,345,207
Adjustments for:		
Depreciation on property, plant and equipment	99,126,972	73,784,780
Provision for employee benefits	11,400,000	9,000,000
Loss on sale of short term investment available for sale	-	11,646,327
Gain on disposal of property, plant and equipment	(280,635)	(668,557)
Share of profit from associates	(78,496,758)	(56,059,723)
Finance cost	181,812,529	88,952,950
Dividend income on short and long term investment	(2,400,895)	(1,697,885)
	<u>498,325,519</u>	<u>404,303,099</u>
Working capital changes		
Decrease / (Increase) in current assets		
Stores and spare parts	12,789,129	17,434,705
Stock-in-trade	(984,247,121)	(1,049,922,748)
Trade debts	(276,948,055)	(122,180,968)
Loans and advances	(3,689,431)	(17,345,076)
Short term deposits and prepayments	1,194,796	(1,443,634)
Other receivables	6,469,049	(2,115,458)
Decrease in current liabilities		
Trade and other payables	88,195,955	(26,358,968)
	<u>(1,156,235,678)</u>	<u>(1,201,932,147)</u>
Cash used in operations	<u>(657,910,159)</u>	<u>(797,629,048)</u>
Dividend paid	(82,187,149)	(66,708,401)
Employee benefits paid	(6,323,505)	(60,476,859)
Finance cost paid	(169,055,256)	(71,867,704)
Sales tax paid	(42,112,620)	(21,541,432)
Income taxes paid	(30,070,134)	(12,123,626)
	<u>(329,748,664)</u>	<u>(232,718,022)</u>
Net cash used in operating activities	<u>(987,658,823)</u>	<u>(1,030,347,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(128,541,508)	(277,180,794)
Proceeds from disposal of property, plant and equipment	545,000	1,680,000
Proceeds from sale of investments	-	(21,522,341)
Proceeds from sales of short term investments	9,200,000	41,028,165
Dividend received	7,292,964	9,707,095
	<u>(111,503,544)</u>	<u>(246,287,875)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	-	226,056,626
Repayment of long term loan	(4,681,249)	-
Short term borrowings - net	1,109,795,150	1,031,777,555
Loan obtained from related parties	-	43,192,000
	<u>1,105,113,901</u>	<u>1,301,026,181</u>
Net cash generated from financing activities		
Net increase in cash and cash equivalents	<u>5,951,534</u>	<u>24,391,236</u>
Cash and cash equivalents at beginning of the period	<u>6,477,850</u>	<u>7,880,802</u>
Cash and cash equivalents at the end of the period	<u>12,429,384</u>	<u>32,272,038</u>

The annexed notes from 1 to 16 form an integral part of these financial statements

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Revenue reserves		Capital reserve				Sub-total	Total	
	Un-appropriated profit	General reserve	Unrealized gain/(loss) on re-measurement of available for sale	Share in associates' unrealized gain on sale investments -	Share in associate's unrealized gain/(loss) on hedging instruments	Share in associate's re-measurement of post retirement benefits			Share of items directly recognized in equity by associates
Balance as at June 30, 2018	2,127,702,318	130,000,000	(11,165,865)	69,636,211	281,977	(2,029,417)	8,247,781	2,322,673,005	2,425,593,005
Profit for the quarter ended September 30, 2018	-	-	-	-	-	-	-	278,656,712	278,656,712
Other comprehensive income	-	-	1,312,409	(40,074,201)	70,202	-	-	(38,691,590)	(38,691,590)
Total comprehensive income	-	-	1,312,409	(40,074,201)	70,202	-	-	239,965,122	239,965,122
Effects of items directly recognized in equity by associates							1,820,453	1,820,453	1,820,453
Transactions with owners:									
Final dividend for the year ended June 30, 2018 @ Rs.6.5 per share	(66,898,000)							(66,898,000)	(66,898,000)
Balance as at December 31, 2018	2,339,461,030	130,000,000	(9,853,456)	29,562,010	352,179	(2,029,417)	10,068,234	2,497,560,560	2,600,480,560
Impact of adoption of IFRS 9	-	-	-	-	-	-	-	(8,679,252)	(8,679,252)
Comprehensive income:									
Profit for the six months ended June 30, 2019	-	-	-	-	-	-	-	238,667,600	238,667,600
Other comprehensive income	-	-	(19,485,154)	(12,484,827)	199,504	684,699	-	(31,202,201)	(31,202,201)
Total comprehensive income	-	-	(19,485,154)	(12,484,827)	199,504	684,699	-	207,465,399	207,465,399
Reclassification of realized loss on sale of investment at fair value through other comprehensive income									
Effects of items directly recognized in equity by associates								11,646,327	11,646,327
Balance as at July 01, 2019	2,569,332,955	118,353,673	(29,338,610)	28,723,510	551,683	(1,344,718)	9,336,821	2,695,615,314	2,798,535,314
Profit for the six months ended December 31, 2019	-	-	-	-	-	-	(731,413)	(731,413)	(731,413)
Other comprehensive income	-	-	9,462,427	24,075,508	(172,918)	-	-	33,365,017	33,365,017
Total comprehensive income	-	-	9,462,427	24,075,508	(172,918)	-	-	4,022,423	4,022,423
Effects of items directly recognized in equity by associates									
Transactions with owners:									
Final dividend for the year ended June 30, 2019 @ Rs. 8.00 per share	(82,336,000)							(82,336,000)	(82,336,000)
Balance as at December 31, 2019	2,732,119,176	118,353,673	(19,876,183)	52,799,018	378,765	(1,344,718)	13,359,244	2,895,788,975	2,998,708,975

The annexed notes from 1 to 16 form an integral part of these financial statements

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019**

1 LEGAL STATUS AND OPERATIONS

- 1.1** Reliance Cotton Spinning Mills Limited ("the Holding Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company was listed on June 16, 1993 on Pakistan Stock Exchange limited. The principal activity of the Holding Company is manufacturing and sale of yarn. The registered office of the Holding Company and Subsidiary Company is situated at 312, Cotton Exchange Building, Karachi and mills of Holding Company are located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.

RCSM Company (Private) Limited - the Subsidiary Company (Holding-100%)

RCSM Company (Private) Limited was incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) on November 8, 2017.

The principal activity of the subsidiary is to take or otherwise acquire and hold shares in any other company but not to act as an investment company.

- 1.2** These consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Consolidated financial statements

These consolidated condensed interim financial statements does not include all the information required for the annual financial statements and should be read in conjunction with financial statements of the Company for the year ended June 30, 2019.

3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1** The accounting policies and methods of computation adopted for preparation of these consolidated condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements for the year ended June 30, 2019.
- 3.2** The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including 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, 2019

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, 2019, none of these amendments are expected to have a significant effect on these consolidated condensed interim financial statements.

3.5 Changes in accounting standards

(a) IFRS 16 - Leases

"During the period, IFRS 16 - Leases became applicable to the company. IFRS 16 replaces IAS 17 "Accounting for Leases" and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e lessors continue to classify lease as either finance or operating lease. The company has adopted IFRS 16 from July 01, 2019 and has elected recognition exemptions under this IFRS due to short term and low value leases."

		<u>Un-audited</u> <u>December 31,</u> <u>2019</u> <u>Rupees</u>	<u>Audited</u> <u>June 30,</u> <u>2019</u> <u>Rupees</u>
4	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets	4.1 1,945,441,532	1,885,076,693
	Capital work in progress	4.2 71,252,739	102,467,407
		2,016,694,271	1,987,544,100
4.1	Operating assets		
	Opening book value	1,885,076,693	1,460,246,900
	Additions during the period / year		
	Plant and machinery	4,713,111	-
	Office equipment	1,256,948	-
	Electric installation	11,348,060	-
	Computers	-	283,000
		17,318,119	283,000
	Transfer from capital work in progress		
	Factory building	-	1,460,364
	Plant and machinery	141,028,057	554,636,018
	Vehicles	1,410,000	36,245,950
		142,438,057	592,342,332
	Book value of assets disposed off during the period / year	(264,365)	(5,412,187)
	Depreciation charged during the period / year	(99,126,972)	(162,383,352)
	Closing book value	1,945,441,532	1,885,076,693
4.2	Capital work in progress		
	Building - civil work	39,814,314	-
	Plant and machinery	31,438,425	100,995,727
	Vehicle	-	1,471,680
		71,252,739	102,467,407

		Un-audited	Audited
		December 31, 2019	June 30, 2019
		Rupees	Rupees
5	LONG TERM INVESTMENTS		
	Investments in associates - at equity method:		
	Quoted:		
	Sapphire Fibres Limited	485,269,575	444,145,365
	Sapphire Textile Mills Limited	108,078,228	90,520,155
	Un-quoted:		
	SFL Limited	82,838,645	71,847,492
	Sapphire Finishing Mills Limited	132,530,318	108,886,110
	Sapphire Holding Limited	44,035,901	38,113,462
	Sapphire Power Generation Limited	50,332,728	48,043,109
		903,085,395	801,555,693
5.1	The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.		
5.2	Investment in Sapphire Fibres Limited		
	393,697 (June 30, 2019: 393,697) ordinary shares of Rs. 10 each - cost	41,956,482	41,956,482
	Share of post acquisition profit items directly recognized in equity	445,990,233	406,913,247
	Dividend received	(2,677,140)	(4,724,364)
		485,269,575	444,145,365
5.3	Investment in Sapphire Textile Mills Limited		
	100,223 (June 30, 2019: 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	102,178,579	84,009,145
	Dividend received	(2,214,929)	(1,603,568)
		108,078,228	90,520,155
		Un-audited	Audited
		December 31,	June 30,
		2019	2019
		Rupees	Rupees
5.4	Investment in SFL Limited		
	401,570 (June 30, 2019: 401,570) ordinary shares of Rs. 10 each - cost	2,439,475	2,439,475
	Share of post acquisition profit	80,399,170	70,913,905
	Dividend received	-	(1,505,888)
		82,838,645	71,847,492
5.5	Investment in Sapphire Finishing Mills Limited		
	1,556,000 (June 30, 2019: 1,556,000) ordinary shares of Rs. 10 each - cost	16,509,160	16,509,160
	Share of post acquisition profit and items directly recognized in equity	116,021,158	92,376,950
		132,530,318	108,886,110

	Un-audited	Audited
	December 31,	June 30,
	2019	2019
	Rupees	Rupees
5.6 Investment in Sapphire Holding Limited		
100,223 (June 30, 2019: 100,223) ordinary shares of Rs. 10 each - cost	524,950	524,950
Share of post acquisition profit	43,510,951	37,763,902
Dividend received	-	(175,390)
	44,035,901	38,113,462
5.7 Investment in Sapphire Power Generation Limited		
555,000 (June 30, 2019: 555,000) ordinary shares of Rs. 10 each - cost	19,425,000	19,425,000
Share of post acquisition profit	30,907,728	28,618,109
	50,332,728	48,043,109
6 LONG TERM FINANCING		
As at the beginning of the period / year	559,379,252	193,051,000
Availed during the period / year	-	373,647,000
	559,379,252	566,698,000
Paid during the period/year	(4,681,249)	(7,318,748)
	554,698,003	559,379,252
Less: Current maturity of long term financing	(19,577,060)	(12,192,623)
	535,120,943	547,186,629
6.1 These loans were obtained from MCB Bank Limited under LTFF scheme of State Bank of Pakistan (SBP). The purpose of these loans was to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 750 million (30-Jun-2019: Rs: 750 million). These loans are secured against charge of Rs. 1,000 million (30-Jun-2019 Rs: 1,000 million) and carry an interest rate of 2.5% (2% SBP rate plus 0.5% spread) over all present and future plant and machinery of the Company. These loans are repayable in equal semi-annual installments.		
7 SHORT TERM BORROWINGS		
From banking companies - secured		
Running finance	1,119,776,225	986,845,935
Other short term finance	1,906,864,860	930,000,000
From related parties		
Loan from directors	15,705,000	15,705,000
Loan from associated companies	27,487,000	27,487,000
	43,192,000	43,192,000
	3,069,833,085	1,960,037,935

	Un-audited	Audited
	December 31,	June 30,
	2019	2019
	Rupees	Rupees
8 CONTINGENCIES AND COMMITMENTS		
8.1 Contingencies		
Guarantees have been issued by banks on behalf of the Company in the normal course of business	193,990,298	183,990,298
Post dated cheques issued	239,379,142	181,395,394
	433,369,440	365,385,692
8.2 Claims of Input Sales Tax		
There has been no material change in the status of contingencies pointed in the financial statements for the year ended June 30, 2019		
8.3 Commitments		
Irrevocable letters of credit for import of:		
-Plant and machinery	102,907,104	40,466,400
-Stores and spare parts	31,235,400	8,781,833
-Raw material	344,438,072	73,259,746
	478,580,576	122,507,979

	Three months ended		Six months ended	
	December 31,	December 31,	December 31,	December 31,
	2019	2018	2019	2018
	.....Rupees.....		.....Rupees.....	
9 SALES - NET				
Local:				
Yarn	281,969,911	236,405,282	576,137,827	447,857,396
Waste	24,182,573	16,106,583	37,645,909	30,635,039
	306,152,484	252,511,865	613,783,736	478,492,435
Export:				
Yarn	332,842,789	212,013,663	636,366,168	360,993,979
Yarn (indirect export)	1,031,005,021	833,411,664	1,818,803,760	1,679,220,117
Waste	42,660,115	21,556,432	71,227,398	45,172,060
	1,406,507,925	1,066,981,759	2,526,397,326	2,085,386,156
	1,712,660,409	1,319,493,624	3,140,181,062	2,563,878,591
Processing services	-	-	-	1,160,086
Export rebate	-	-	-	79,928
	1,712,660,409	1,319,493,624	3,140,181,062	2,565,118,605

9.1 Sales tax on local sales and indirect export sales is Rs.328.190 million (Dec-2019: Rs.0.318 million)

	Three months ended		Six months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
10 COST OF SALES	.....Rupees.....		.....Rupees.....	
Raw material consumed	1,136,735,600	910,080,675	2,157,763,267	1,742,998,242
Packing material consumed	24,280,783	17,654,400	42,710,348	34,493,200
Store and spare parts consumed	22,289,455	17,702,736	50,640,350	39,667,522
Salaries, wages and benefits	109,900,431	89,012,024	220,579,371	174,791,661
Fuel and power	107,165,439	100,812,687	195,211,280	197,378,673
Insurance	1,782,026	1,779,897	3,471,578	3,462,158
Repairs and maintenance	5,155,022	1,351,677	8,476,530	4,022,039
Travelling and conveyance	847,819	1,811,204	4,037,218	3,260,353
Other manufacturing overheads	898,913	602,703	1,566,130	1,427,467
Depreciation	48,497,459	35,809,386	96,000,771	70,991,104
	1,457,552,947	1,176,617,389	2,780,456,843	2,272,492,419
Work in process				
At the beginning of period	321,200,032	150,242,727	246,276,183	140,912,165
At the end of period	(325,458,508)	(184,434,730)	(325,458,508)	(184,434,730)
	(4,258,476)	(34,192,003)	(79,182,325)	(43,522,565)
Cost of goods manufactured	1,453,294,471	1,142,425,386	2,701,274,518	2,228,969,854
Finished goods				
At the beginning of period	371,235,857	203,118,021	292,164,901	148,317,698
Yarn purchased	-	1,890,672	-	1,890,672
At the end of period	(340,064,116)	(225,764,902)	(340,064,116)	(225,764,902)
	31,171,741	(20,756,209)	(47,899,215)	(75,556,532)
	1,484,466,212	1,121,669,177	2,653,375,303	2,153,413,322

11 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, subsidiary and 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 month ended	
		December 31, 2019	December 31, 2018
		.....Rupees.....	
Subsidiary	Payment against issue of shares	-	100,000
Associated companies:	Sales of finished goods, raw material / stores and spare parts	295,998,323	431,109,075
	Purchases of;		
	- finished goods, raw material / stores and spare parts	15,474,528	17,564,730
	- machinery	-	600,000
	- electricity	-	27,706,713
	Services rendered	-	10,000
	Services obtained	3,109,066	-
	Dividend received	4,892,069	8,009,210
	Dividend paid	53,766,368	43,730,466
	Shared expenses paid	13,639,797	7,874,288
	Shared expenses received	36,062	1,573,002
	Loan obtained	-	27,487,000
Directors	Loan obtained	-	15,705,000
Chief executive officer	Remuneration and other benefits	7,200,000	5,400,000
Executives	Remuneration and other benefits	14,792,929	12,311,098

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

12 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Audited June 30, 2019	Availed during the period	Repaid during the period	Un-Audited December 31, 2019
-----Rupees-----				
Long term financing	559,379,252	-	(4,681,249)	554,698,003
Short term borrowings	1,960,037,935	23,123,098,815	(22,013,303,666)	3,069,833,084
Loan obtained from related parties	43,192,000	-	-	43,192,000
	2,562,609,187	23,123,098,815	(22,017,984,915)	3,667,723,087

13 OPERATING SEGEMENTS

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

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

80.45% (2018: 81.28%) sales of the Company relates to export customers.

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

Sales to two customers of the Company is more than 10% of total sales which constitutes total amount of Rs. 932 million (June 30, 2019 : Rs. 823 million).

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company holds shares available for sale as short term investments under level 1 as at December 31, 2019 that amounts to Rs. 50.47 million (June 30, 2019 Rs. 50.21 million)

15 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2020.

16 GENERAL

Figures have been rounded off to the nearest rupee.

Shahid Abdullah
Director

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer