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Reliance Cotton Spinning Mills Limited
Un-Consolidated 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

E. Y Ford Rhodes,
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/rcsml

Directors' Report

The Directors of the Company are pleased to present un-audited financial statements for the quarter ended 30 September, 2020.

Financial Highlights

	September 30,	
	2020	2019
	Rupees in thousand	
Sales & services	1,816,143	1,427,521
Gross profit	251,759	258,612
Profit before taxation	142,193	125,685
Taxation	(16,247)	(5,569)
Profit after taxation	<u>125,946</u>	<u>120,116</u>

During first quarter of the financial year, your company achieved sales of Rs. 1.816 billion compared to Rs. 1.427 billion during corresponding period of last year, an increase of 27.22%. The gross profit as a percentage of sales decreased to 13.86% from 18.12% during last year. Whereas, the company earned profit after tax of Rs.125.946 million as against Rs. 120.116 million during last year's corresponding period.

Earnings per share

The company's earnings per share (EPS) were at Rs.12.24 as compared to Rs. 11.67 for the same period of last year.

Future outlook

Significant decline in Pakistan's cotton production in the current year is a major dent to our textile industry which is already passing through a difficult phase due to COVID-19. The revised production estimate is more than 20% to 30% down compared to last year. As a result, increase in cotton price and greater reliance on imported cotton pose serious threat to the profitability of textile sector in the financial year 2020-21.

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: 28 October, 2020

Shahid Abdullah **Shayan Abdullah**
Director Chief Executive Officer

ڈائریکٹرز رپورٹ

ہم 30 ستمبر 2020 کو ختم ہونے والی سہ ماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں		تفصیل
30 ستمبر 2019ء	30 ستمبر 2020ء	
1,427,521	1,816,143	فروخت اور خدمات
258,612	251,759	مجموعی منافع
125,685	142,193	ٹیکس سے پہلے منافع
(5,569)	(16,247)	ٹیکسیشن
120,116	125,946	ٹیکس کے بعد منافع

آپ کی کمپنی نے گزشتہ سال کی اسی مدت میں 1.427 ملین روپے کے مقابلے مالی سال کی پہلی سہ ماہی کے دوران 1.816 ملین روپے کی فروخت حاصل کی جو 27.22 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 18.12 فیصد کے مقابلے 13.86 فیصد تک بہتر ہوا۔ جبکہ، کمپنی نے گزشتہ سال اسی مدت میں درج 120.116 ملین روپے کے مقابلے موجودہ سہ ماہی کے دوران 125.946 ملین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی موجودہ سہ ماہی کی فی شیئر آمدنی (EPS) 12.24 روپے ہے جو کہ پچھلے سال کی اسی سہ ماہی کی 11.67 روپے تھی۔

مستقبل کا نقطہ نظر

رواں سال میں پاکستان کی کپاس کی پیداوار میں نمایاں کمی ہماری ٹیکسٹائل انڈسٹری کے لئے ایک بہت بڑا خطرہ ہے جو پہلے ہی COVID-19 کی وجہ سے ایک مشکل مرحلے سے گزر رہی ہے۔ نظر ثانی شدہ پیداوار کا تخمینہ پچھلے سال کی پیداوار کے مقابلے میں 20 فیصد سے 30 فیصد تک کم ہے۔ اس کے نتیجے میں، کپاس کی قیمت میں اضافہ اور درآمدہ کپاس پر زیادہ انحصار مالی سال 2020-21 میں ٹیکسٹائل کے شعبے کے منافع کو سنگین خطرہ لاحق ہوگا۔

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

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)

ڈائریکٹر

(شایان عبداللہ)

چیف ایگزیکٹو آفیسر

لاہور تاریخ: 28 اکتوبر 2020

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Note	Un-Audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,029,255,233	2,051,140,337
Long term investments	5	89,069,645	89,069,645
Long term deposits		8,987,690	8,987,690
		2,127,312,568	2,149,197,672
CURRENT ASSETS			
Stores and spare parts		39,648,651	49,505,453
Stock-in-trade		2,352,049,454	2,699,519,145
Trade debts		1,350,391,075	986,719,303
Loans and advances		203,094,249	104,493,271
Short term deposits and prepayments		66,992	221,491
Other receivables		10,915,489	10,915,489
Tax refunds due from the Government		276,958,242	364,500,551
Other financial assets		49,634,047	42,187,437
Cash and bank balances		19,565,431	6,270,961
		4,302,323,630	4,264,333,101
		6,429,636,198	6,413,530,773
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 12,000,000 (30-Jun-2020: 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		2,390,355,732	2,256,963,266
		2,493,275,732	2,359,883,266
NON-CURRENT LIABILITIES			
Long term financing	6	841,374,629	853,696,129
Employee retirement benefits		64,059,690	62,585,160
		905,434,319	916,281,289
CURRENT LIABILITIES			
Trade and other payables		442,148,594	441,996,695
Contract liabilities		19,082,592	8,170,916
Unclaimed dividend		592,960	613,360
Markup accrued		44,541,609	61,040,204
Short term borrowings	7	2,384,333,631	2,518,887,111
Current portion of long term financing		36,676,498	19,354,499
Provision for taxation		103,550,263	87,303,433
		3,030,926,147	3,137,366,218
CONTINGENCIES AND COMMITMENTS			
	8	6,429,636,198	6,413,530,773

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Note	Un-Audited Quarter ended September 30, 2020 Rupees	Un-Audited Quarter ended September 30, 2019 Rupees
Sales - net		1,816,143,165	1,427,520,653
Cost of sales	9	(1,564,384,274)	(1,168,909,091)
Gross profit		251,758,891	258,611,562
Distribution cost		(24,873,409)	(25,044,838)
Administrative expenses		(27,331,787)	(18,914,612)
Other operating expenses		(6,628,729)	(6,106,182)
		(58,833,925)	(50,065,632)
Other income		1,362,410	1,128,755
Operating profit before finance cost		194,287,376	209,674,685
Finance cost		(52,094,688)	(83,989,736)
Profit before taxation		142,192,688	125,684,949
Provision for taxation		(16,246,830)	(5,568,575)
Profit for the period		125,945,858	120,116,374
Earnings per share - basic and diluted		12.24	11.67

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Un-Audited Quarter ended September 30, 2020 Rupees	Un-Audited Quarter ended September 30, 2019 Rupees
Profit for the year	125,945,858	120,116,374
Other comprehensive income:		
Items that will not be reclassified to statement of profit or loss subsequently:		
Unrealized gain / (loss) on remeasurement of equity investments - available for sale	7,446,608	(2,844,235)
Total comprehensive income for the period	133,392,466	117,272,139

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Un-Audited Quarter ended September 30, 2020 Rupees	Un-Audited Quarter ended September 30, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	142,192,688	125,684,949
Adjustments for:		
Depreciation on property, plant and equipment	50,462,444	49,066,413
Provision for employee benefits	6,300,000	5,700,000
Gain on disposal of property, plant and equipment	-	(2,876)
Finance cost	52,094,688	83,989,736
Dividend income on short and long term investment	(132,000)	-
	250,917,820	264,438,222
Working capital changes		
Decrease / (increase) in current assets		
Stores and spare parts	9,856,802	157,034
Stock-in-trade	347,469,691	(15,610,683)
Trade debts	(363,671,772)	(145,287,004)
Loans and advances	(90,925,490)	(31,893,422)
Short term deposits and prepayments	154,499	415,739
Other receivables	-	2,532,574
Increase / (decrease) in current liabilities		
Trade and other payables	11,063,575	(118,178,075)
	(86,052,695)	(307,863,837)
Cash generated / (used in) from operations	164,865,125	(43,425,615)
Dividend paid	(20,400)	(4)
Employee benefits paid	(4,825,470)	(1,632,844)
Finance cost paid	(68,593,283)	(78,714,594)
Sales tax paid	35,068,292	(20,943,344)
Income taxes paid	44,798,531	(10,893,247)
Rebate income received	-	173,579
	6,427,670	(112,010,454)
Net cash generated from / (used) in operating activities	171,292,795	(155,436,069)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(28,577,345)	(54,356,108)
Proceeds from disposal of property, plant and equipment	-	180,000
Dividend received	132,000	-
Net cash used in investing activities	(28,445,345)	(54,176,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	5,000,500	-
Short term borrowings - net	(134,553,480)	212,029,472
Repayment of long term loan	-	(316,688)
Cash generated / (used in) from financing activities	(129,552,980)	211,712,784
Net increase in cash and cash equivalents	13,294,470	2,100,607
Cash and cash equivalents at beginning of the period	6,270,961	6,403,280
Cash and cash equivalents at the end of the period	19,565,431	8,503,887

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

Share capital	Revenue reserves		Loss on remeasurement of investments	Total reserves	Total	
	Un-appropriated profit	General reserve				
----- Rupees -----						
Balance as at July 01, 2019	102,920,000	1,953,960,841	130,000,000	(17,692,283)	2,066,268,558	2,169,188,558
Total comprehensive income:						
Profit for the quarter ended September 30, 2019	-	120,116,374	-	-	120,116,374	120,116,374
Other comprehensive income	-	-	-	(2,844,235)	(2,844,235)	(2,844,235)
Total comprehensive income	-	120,116,374	-	(2,844,235)	117,272,139	117,272,139
Balance as at September 30, 2019	102,920,000	2,074,077,215	130,000,000	(20,536,518)	2,183,540,697	2,286,460,697
Balance as at July 01, 2020	102,920,000	2,143,482,206	130,000,000	(16,518,940)	2,256,963,266	2,359,883,266
Total comprehensive income:						
Profit for the quarter ended September 30, 2020	-	125,945,858	-	-	125,945,858	125,945,858
Other comprehensive income	-	-	-	7,446,608	7,446,608	7,446,608
Total comprehensive income	-	125,945,858	-	7,446,608	133,392,466	133,392,466
Balance as at September 30, 2020	102,920,000	2,269,428,064	130,000,000	(9,072,332)	2,390,355,732	2,493,275,732

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

**SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

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 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.
- 1.3 These are the standalone financial statements of the company in which investments in subsidiary and associates are accounted for on cost. Consolidated financial statements are prepared separately.

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. 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 from the IFRS Standards, 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 associate are accounted for 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.

Consequent to preparation of consolidated financial statements by consolidating its subsidiary RCSM Company (Private) Limited, the Company has prepared its separate financial statements for the first time for the year ended June 30, 2019. The Company has chosen to present all equity investments at cost.

The results of the Company, based on investments in associate accounted for under the equity method, are reflected in the consolidated condensed financial statements of the Company.

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, 2020.
- 3.2 The preparation of this unconsolidated condensed interim financial statements 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, 2020.

		Un-audited	Audited
		September 30,	June 30,
		2020	2020
	Note	Rupees	Rupees
4	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets	4.1 2,026,930,781	2,046,222,535
	Capital work in progress	4.2 2,324,452	4,917,802
		2,029,255,233	2,051,140,337
4.1	Operating assets		
	Opening book value	2,046,222,535	1,885,076,692
	Additions during the period / year		
	Office equipment	104,274	-
	Computers	218,759	126,000
		323,033	126,000
	Transfer from capital work in progress		
	Factory building	-	50,681,476
	Plant and machinery	30,847,662	283,870,709
	Vehicles	-	1,410,000
	Office equipment	-	1,256,948
	Electric installation	-	28,209,684
		30,847,662	365,428,817
	Book value of assets disposed off during the period / year	-	(739,625)
	Depreciation charged during the period /year	(50,462,449)	(203,669,349)
	Closing book value	2,026,930,781	2,046,222,535
4.2	Capital work in progress		
	Plant and machinery	2,324,452	4,917,802
		2,324,452	4,917,802
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
		89,069,645	89,069,645

	Un-audited	Audited
	September 30,	June 30,
	2020	2020
	Rupees	Rupees
6 LONG TERM FINANCING		
As at the beginning of the period / year	873,050,628	559,379,252
Availed during the period / year	5,000,500	319,374,500
	878,051,128	878,753,752
Paid during the period/year	-	(5,703,124)
	878,051,128	873,050,628
Less: Current maturity of long term financing	(36,676,499)	(19,354,499)
	841,374,629	853,696,129

- 6.1** These loans were obtained from various banks 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. 1,400 million (30-Jun-2020: Rs: 1,400 million). These loans are secured against charge of Rs. 1,794 million (30-Jun-2020 Rs: 1,794 million) and carry an interest rate ranging from 2.5% to 8.33% (2% SBP rate plus 0.5% spread) over all present and future plant and machinery of the Company. These loans are repayable in different repayment terms.

	Un-audited	Audited
	September 30,	June 30,
	2020	2020
	Rupees	Rupees
7 SHORT TERM BORROWINGS		
From banking companies - secured		
Running finance	1,598,208,631	2,292,027,993
Other short term finance	749,000,000	189,734,118
From related parties		
Loan from directors	15,705,000	15,705,000
Loan from associated companies	21,420,000	21,420,000
	37,125,000	37,125,000
	2,384,333,631	2,518,887,111

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

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

Post dated cheques issued

203,990,298	203,990,298
275,501,665	410,487,535
479,491,963	614,477,833

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 2020.

		Un-audited	Audited
		September 30,	June 30,
		2020	2020
		Rupees	Rupees
8.3	Commitments		
	Irrevocable letters of credit for import of:		
	-Plant and machinery	44,928,000	13,485,600
	-Stores and spare parts	19,626,551	10,703,385
	-Raw material	237,790,123	209,838,330
		302,344,674	234,027,315
		Un-audited	Un-audited
		September 30,	September 30,
		2020	2019
		Rupees	Rupees
9	COST OF SALES		
	Stocks - opening	432,548,884	292,164,901
	Cost of goods manufactured	1,411,015,173	1,247,980,048
		1,843,564,057	1,540,144,949
	Stocks - closing	(279,179,783)	(371,235,858)
		1,564,384,274	1,168,909,091
9.1	Cost of goods manufactured		
	Work in process - opening	204,534,246	246,276,183
	Raw material consumed	1,150,623,806	960,580,769
	Overheads	307,783,070	362,323,128
		1,458,406,876	1,322,903,897
	Work in process - closing	(251,925,949)	(321,200,032)
		1,411,015,173	1,247,980,048

Note

9.1

10 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	Quarter ended	
		September 30, 2020	September 30, 2019
	Rupees.....	
Associated companies			
	Sales of finished goods, raw material / stores and spare parts	189,136,128	148,368,026
	Purchases of;		
	- finished goods, raw material / stores and spare parts	19,363,214	6,436,743
	Services obtained	-	368,716
	Shared expenses paid	5,717,484	2,588,363
	Shared expenses received	2,311,359	795,820

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

11 DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial statements has been approved by the Board of Directors of the Company and authorized for issue on October 28, 2020.

12 GENERAL

Figures have been rounded off to the nearest rupee.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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Reliance Cotton Spinning Mills Limited
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Directors' Report to the Shareholders

The directors are pleased to present their report together with consolidated financial statements of Reliance Cotton Spinning Mills Limited and its subsidiary RCSM Company (Pvt.) Limited for the year ended 30 September, 2020. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

RCSM Company (Pvt.) Limited

Reliance Cotton Spinning Mills Limited ("the Holding Company") and its wholly owned subsidiary RCSM Company (Private) Limited collectively referred to as 'the Group' was incorporated in Pakistan under the Companies Ordinance, 1984. The Holding Company is listed on Pakistan Stock Exchange Limited (formerly known as Karachi Stock Exchange Limited and Lahore Stock Exchange Limited). The wholly owned subsidiary was incorporated on November 8, 2017.

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 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
October 28, 2020

Shahid Abdullah
Director

Shayan Abdullah
Chief Executive Officer

ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 ستمبر 2020ء کو ختم ہونے والی سہ ماہی کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM (پرائیویٹ) لمیٹڈ کے ایشتمال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق ایشتمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ:

RCSM کمپنی (پرائیویٹ) لمیٹڈ (ہولڈنگ کمپنی) اور اس کی مکمل ملکیتی ذیلی کمپنی RCSM (پرائیویٹ) لمیٹڈ جو مجموعی طور پر ایک "گروپ" کہلاتا ہے کمپنیز آرڈیننس 1984 کے تحت پاکستان میں قائم ہوا۔ ہولڈنگ کمپنی پاکستان اسٹاک ایکسچینج لمیٹڈ (سابقہ کراچی اسٹاک ایکسچینج لمیٹڈ اور لاہور اسٹاک ایکسچینج لمیٹڈ) میں اندراج شدہ ہے۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس 184 کے تحت 08 نومبر 2017 کو ریلائنس کاٹن سپننگ ملز لمیٹڈ کی مکمل ملکیتی شیئرز کے ذریعے ایک پبلک لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔

ذیلی کمپنی کا بنیادی کاروبار کسی دیگر کمپنی کے حصص لینا یا دوسری صورت میں خریدنا اور ہولڈ کرنا، لیکن سرمایہ کاری کمپنی کے طور پر کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

(شاہد عبداللہ)

ڈائریکٹر

(شایان عبداللہ)

چیف ایگزیکٹو آفیسر

لاہور تاریخ: 28 اکتوبر 2020

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Note	Un-Audited	Audited
		September 30, 2020	June 30, 2020
		Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,029,255,233	2,051,140,337
Long term investments	5	958,363,594	886,248,151
Long term deposits		8,987,690	8,987,690
		2,996,606,517	2,946,376,178
CURRENT ASSETS			
Stores and spare parts		39,648,651	49,505,453
Stock-in-trade		2,352,049,454	2,699,519,145
Trade debts		1,350,391,075	986,719,303
Loans and advances		203,094,249	104,493,271
Short term deposits and prepayments		66,992	221,491
Other receivables		10,915,489	10,915,489
Tax refunds due from the Government		276,958,242	364,500,551
Other financial assets		49,634,047	42,187,437
Cash and bank balances		19,619,976	6,325,506
		4,302,378,175	4,264,387,646
		7,298,984,692	7,210,763,824
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (June 30, 2020: 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		3,160,574,010	2,963,497,171
		3,263,494,010	3,066,417,171
NON-CURRENT LIABILITIES			
Long term financing	6	841,374,629	853,696,129
Deferred liabilities		154,614,236	153,139,706
		995,988,865	1,006,835,835
CURRENT LIABILITIES			
Trade and other payables		442,305,694	442,141,295
Contract liabilities		19,082,592	8,170,916
Unclaimed dividend		592,960	613,360
Markup accrued		44,541,609	61,040,204
Short term borrowings	7	2,384,333,631	2,518,887,111
Current portion of long term financing		36,676,498	19,354,499
Provision for taxation		111,968,833	87,303,433
		3,039,501,817	3,137,510,818
CONTINGENCIES AND COMMITMENTS			
	8	7,298,984,692	7,210,763,824

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Note	Un-Audited Quarter ended September 30, 2020 Rupees	Un-Audited Quarter ended September 30, 2019 Rupees
Sales - net		1,816,143,165	1,427,520,653
Cost of sales	9	<u>(1,564,384,274)</u>	<u>(1,168,909,091)</u>
Gross profit		251,758,891	258,611,562
Distribution cost		<u>(24,873,409)</u>	<u>(25,044,838)</u>
Administrative expenses		<u>(27,331,787)</u>	<u>(18,924,612)</u>
Other operating expenses		<u>(6,641,229)</u>	<u>(6,106,182)</u>
		(58,846,425)	(50,075,632)
Other income		<u>1,362,410</u>	1,128,755
Operating profit before finance cost		194,274,876	209,664,685
Finance cost		<u>(52,094,688)</u>	(83,989,736)
Share of profit from associates		<u>37,238,537</u>	47,595,963
Profit before taxation		179,418,725	173,270,912
Provision for taxation		<u>(24,665,400)</u>	(10,213,625)
Profit for the period		<u>154,753,325</u>	<u>163,057,287</u>
Earnings per share - basic and diluted		<u>15.04</u>	<u>15.84</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Un-Audited Quarter ended September 30, 2020 Rupees	Un-Audited Quarter ended September 30, 2019 Rupees
Profit for the period	154,753,325	163,057,287
Other comprehensive income:		
Items that will not be reclassified to statement of profit or loss subsequently		
Share in associates' unrealized loss on available for sales of investment	34,445,398	(5,453,151)
Unrealized gain/(loss) on remeasurement on short term investment	7,446,608	(2,844,235)
Items that will be reclassified to statement of profit or loss subsequently:		
Share in associate's unrealized gain on hedging instruments	78,936	728,539
	41,970,942	(7,568,847)
Total comprehensive income for the period	196,724,267	155,488,440

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Un-Audited Quarter ended September 30, 2020 Rupees	Un-Audited Quarter ended September 30, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	179,418,725	173,270,912
Adjustments for:		
Depreciation on property, plant and equipment	50,462,444	49,066,413
Provision for employee benefits	6,300,000	5,700,000
Gain on disposal of property, plant and equipment	-	(2,876)
Finance cost	52,094,688	83,989,736
Dividend income on short and long term investment	(132,000)	-
Share of profit from associates	(37,238,537)	(47,595,963)
	<u>250,905,320</u>	<u>264,428,222</u>
Working capital changes		
Decrease / (Increase) in current assets		
Stores and spare parts	9,856,802	157,034
Stock-in-trade	347,469,691	(15,610,683)
Trade debts	(363,671,772)	(145,287,004)
Loans and advances	(90,925,490)	(31,893,422)
Short term deposits and prepayments	154,499	415,739
Other receivables	-	2,532,574
Increase / (decrease) in current liabilities		
Trade and other payables	11,076,075	(118,168,075)
	<u>(86,040,195)</u>	<u>(307,853,837)</u>
Cash used in operations	<u>164,865,125</u>	<u>(43,425,615)</u>
Dividend paid	(20,400)	(4)
Employee benefits paid	(4,825,470)	(1,632,844)
Finance cost paid	(68,593,283)	(78,714,594)
Sales tax (paid) / refunded	35,068,292	(20,943,344)
Income taxes paid	44,798,531	(10,893,247)
Rebate income received	-	173,579
	<u>6,427,670</u>	<u>(112,010,454)</u>
Net cash generated from / (used) in operating activities	<u>171,292,795</u>	<u>(155,436,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(28,577,345)	(54,356,108)
Proceeds from disposal of property, plant and equipment	-	180,000
Dividend received	132,000	-
Net cash (used) in investing activities	<u>(28,445,345)</u>	<u>(54,176,108)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	5,000,500	-
Short term borrowings - net	(134,553,480)	212,029,472
Repayment of long term loan	-	(316,688)
Net cash (used) / generated from financing activities	<u>(129,552,980)</u>	<u>211,712,784</u>
Net increase in cash and cash equivalents	<u>13,294,470</u>	<u>2,100,607</u>
Cash and cash equivalents at beginning of the period	<u>6,325,506</u>	<u>6,477,850</u>
Cash and cash equivalents at the end of the period	<u>19,619,976</u>	<u>8,578,457</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Share capital	Un-appropriated profit	Revenue reserves				Capital reserve				Sub-total	Total
			General reserve	Unrealized gain/(loss) on re-measurement of available for sale investments - net	Share in associates' unrealized gain on sale investments - net	Share in associate's unrealized gain/(loss) on hedging instruments	Share in associate's re-measurement of post retirement benefits obligation	Share of items directly recognized in equity by associates				
Balance as at July 01, 2019	102,920,000	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 quarter ended September 30, 2019	-	163,057,287	-	-	-	-	-	-	163,057,287			163,057,287
Other comprehensive income	-	-	(2,844,235)	(5,453,151)	728,539	728,539	-	-	(7,568,847)			(7,568,847)
Total comprehensive income	-	163,057,287	(2,844,235)	(5,453,151)	728,539	728,539	-	-	155,488,440			155,488,440
Effects of items directly recognized in equity by associates							(23,233)		(23,233)			(23,233)
Balance as at September 30, 2019	102,920,000	2,732,390,242	118,353,673	(32,182,845)	23,270,359	1,280,222	(1,344,718)	9,313,588	2,851,080,521	2,954,000,521		
Balance as at July 01, 2020	102,920,000	2,879,828,079	118,353,673	(52,949,186)	7,156,975	(1,772,887)	(1,420,529)	14,301,046	2,963,497,171	3,066,417,171		
Profit for the quarter ended September 30, 2020	-	154,753,325	-	-	-	-	-	-	154,753,325			154,753,325
Other comprehensive income	-	-	7,446,608	34,445,398	78,936	-	-	-	41,970,942			41,970,942
Total comprehensive income	-	154,753,325	7,446,608	34,445,398	78,936	-	-	-	196,724,267			196,724,267
Effects of items directly recognized in equity by associates								352,572	352,572			352,572
Balance as at September 30, 2020	102,920,000	3,034,581,404	125,800,281	(18,503,788)	7,235,911	(1,772,887)	(1,420,529)	14,653,618	3,160,574,010	3,263,494,010		

..... Rupees

The annexed notes from 1 to 12 form an integral part of these consolidated condensed interim financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

1 THE GROUP AND ITS LEGAL STATUS AND OPERATIONS

The Group comprises of :

Reliance Cotton Spinning Mills Limited - the Holding Company

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 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 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.

These consolidated financial statements are presented in Pakistani Rupees, which is the Group'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 from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Separate 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 the financial statements of the Company for the year ended June 30, 2020.

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, 2020.

3.2 The preparation of this consolidated condensed interim financial statements 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 recognized 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, 2020.

		Un-audited	Audited
		September 30,	June 30,
		2020	2020
	Note	Rupees	Rupees
4	PROPERTY, PLANT AND EQUIPMENT		
Operating assets	4.1	2,026,930,781	2,046,222,535
Capital work in progress	4.2	2,324,452	4,917,802
		2,029,255,233	2,051,140,337
4.1	Operating assets		
Opening book value		2,046,222,535	1,885,076,692
Additions during the period / year			
Office equipment		104,274	-
Computers		218,759	126,000
		323,033	126,000
Transfer from capital work in progress			
Factory building		-	50,681,476
Plant and machinery		30,847,662	283,870,709
Vehicles		-	1,410,000
Office equipment		-	1,256,948
Electric installation		-	28,209,684
		30,847,662	365,428,817
Book value of assets disposed off during the period / year		-	(739,625)
Depreciation charged during the period /year		(50,462,449)	(203,669,349)
Closing book value		2,026,930,781	2,046,222,535
4.2	Capital work in progress		
Plant and machinery		2,324,452	4,917,802
		2,324,452	4,917,802
5	LONG TERM INVESTMENTS		
	Investments in associates - at equity method		
	Quoted:		
Sapphire Fibres Limited	5.1	508,241,529	470,616,318
Sapphire Textile Mills Limited	5.2	117,164,842	103,574,611
SFL Limited	5.3	86,924,899	82,016,549
	Un-quoted:		
Sapphire Finishing Mills Limited	5.4	149,633,436	138,345,341
Sapphire Holding Limited	5.5	46,435,375	43,317,654
Sapphire Power Generation Limited	5.6	49,963,513	48,377,678
		958,363,594	886,248,151

The existence of significant influence by the Company is evidenced by the representation on the board of directors of associated companies.

	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
5.1 Investment in Sapphire Fibres Limited		
393,697 (June 30, 2020: 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	466,285,047	431,809,412
Dividend received	-	(3,149,576)
	508,241,529	470,616,318
5.2 Investment in Sapphire Textile Mills Limited		
100,223 (June 30, 2020: 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	109,050,264	98,065,831
Dividend received	-	(2,605,798)
	117,164,842	103,574,611
5.3 Investment in SFL Limited		
401,570 (June 30, 2020: 401,570) ordinary shares of Rs. 10 each - cost	2,439,475	2,439,475
Share of post acquisition profit	84,485,424	79,577,074
	86,924,899	82,016,549
5.4 Investment in Sapphire Finishing Mills Limited		
1,556,000 (June 30, 2020: 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	133,124,276	121,836,181
	149,633,436	138,345,341
5.5 Investment in Sapphire Holding Limited		
100,223 (June 30, 2020: 100,223) ordinary shares of Rs. 10 each - cost	524,950	524,950
Share of post acquisition profit	45,910,425	42,792,704
	46,435,375	43,317,654
5.6 Investment in Sapphire Power Generation Limited		
555,000 (June 30, 2020: 555,000) ordinary shares of Rs. 10 each - cost	19,425,000	19,425,000
Share of post acquisition profit	30,538,513	28,952,678
	49,963,513	48,377,678

		Un-audited	Audited
		September 30,	June 30,
		2020	2020
		Rupees	Rupees
6	LONG TERM FINANCING		
	As at the beginning of the period / year	873,050,628	559,379,252
	Availed during the period / year	5,000,500	319,374,500
		878,051,128	878,753,752
	Paid during the period / year	-	(5,703,124)
		878,051,128	873,050,628
	Less: Current maturity of long term financing	(36,676,499)	(19,354,499)
		841,374,629	853,696,129
6.1	These loans were obtained from various banks 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. 1,400 million (30-Jun-2020 : Rs: 1,400 million). These loans are secured against charge of Rs. 1,794 million (30-Jun-2020 Rs: 1,794 million) and carry an interest rate ranging from 2.5% to 8.33% (2% SBP rate plus 0.5% spread) over all present and future plant and machinery of the Company. These loans are repayable in different repayment terms.		
		Un-audited	Audited
		September 30,	June 30,
		2020	2020
		Rupees	Rupees
7	SHORT TERM BORROWINGS		
	From banking companies - secured		
	Running finance	1,598,208,631	2,292,027,993
	Other short term finance	749,000,000	189,734,118
	From related parties		
	Loan from directors	15,705,000	15,705,000
	Loan from associated companies	21,420,000	21,420,000
		37,125,000	37,125,000
		2,384,333,631	2,518,887,111
8	CONTINGENCIES AND COMMITMENTS		
8.1	Contingencies		
	Guarantees have been issued by banks on behalf of the Company in the normal course of business	203,990,298	203,990,298
	Post dated cheques issued	275,501,665	410,487,535
		479,491,963	614,477,833
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 2020.		

		Un-audited	Audited
		September 30,	June 30,
		2020	2020
		Rupees	Rupees
8.3	Commitments		
	Irrevocable letters of credit for import of:		
	-Plant and machinery	44,928,000	13,485,600
	-Stores and spare parts	19,626,551	10,703,385
	-Raw material	237,790,123	209,838,330
		302,344,674	234,027,315
		Un-audited	Un-audited
		September 30,	September 30,
		2020	2019
		Rupees	Rupees
9	COST OF SALES		
	Stocks - opening	432,548,884	292,164,901
	Cost of goods manufactured	1,411,015,173	1,247,980,048
		1,843,564,057	1,540,144,949
	Stocks - closing	(279,179,783)	(371,235,858)
		1,564,384,274	1,168,909,091
9.1	Cost of goods manufactured		
	Work in process - opening	204,534,246	246,276,183
	Raw material consumed	1,150,623,806	960,580,769
	Overheads	307,783,070	362,323,128
		1,458,406,876	1,322,903,897
	Work in process - closing	(251,925,949)	(321,200,032)
		1,411,015,173	1,247,980,048

Note

9.1

10 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	Quarter ended	
		September 30, 2020	September 30, 2019
	Rupees.....	
Associated companies			
	Sales of finished goods, raw material / stores and spare parts	189,136,128	148,368,026
	Purchases of;		
	- finished goods, raw material / stores and spare parts	19,363,214	6,436,743
	Services obtained	-	368,716
	Shared expenses paid	5,717,484	2,588,363
	Shared expenses received	2,311,359	795,820

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

11 DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial statements has been approved by the Board of Directors of the Company and authorized for issue on October 28, 2020.

12 GENERAL

Figures have been rounded off to the nearest rupee.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer