

Contents

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

E. Y Ford Rhodes,
Chartered Accountants

Tax Consultant

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 six months ended 31 December, 2020.

Financial Highlights

| | December 31, | |
|------------------------|--------------------|----------------|
| | 2020 | 2019 |
| | Rupees in thousand | |
| Sales & services | 3,484,787 | 3,140,181 |
| Gross profit | 531,346 | 486,806 |
| Profit before taxation | 318,477 | 213,580 |
| Taxation | (37,658) | (31,591) |
| Profit after taxation | <u>280,819</u> | <u>181,989</u> |

During first half of the financial year, your company achieved sales of Rs. 3.484 billion compared to Rs. 3.140 billion during last year, an increase of 10.97%. The gross profit as a percentage of sales was 15.25% against 15.50% during last year. Whereas, the company earned profit after tax of Rs.281 million as against Rs. 181 million during last year's corresponding period.

Earnings per share

The earnings per share (EPS) are at Rs. 27.29 as compared to Rs. 17.68 for the same period of last year.

Future outlook

The biggest challenge for Pakistan's textile sector is the drop in country's cotton production in the current season that results in an undesirable level of reliance on imported raw materials. However, the management has made sure that the Company has adequately covered its raw materials for the complete year which will greatly help in maintaining Company's profits during remaining part of the financial year.

The management of your Company remains focused on maintaining the current trend of profitable growth through product and market diversification and investment in modernization of plant & machinery.

The Directors appreciate the hard work and commendable services rendered by staff and workers of the Company.

For and on behalf of the Board

Lahore
Dated: 24 February, 2021

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 دسمبر 2020ء 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 2019ء | 31 دسمبر 2020ء | |
| 3,140,181 | 3,484,787 | فروخت اور خدمات |
| 486,806 | 531,346 | مجموعی منافع |
| 213,580 | 318,477 | ٹیکس سے پہلے منافع |
| (31,591) | (37,658) | ٹیکسیشن |
| 181,989 | 280,819 | ٹیکس کے بعد منافع |

آپ کی کمپنی نے گزشتہ سال کی اسی مدت میں 3.140 بلین روپے کے مقابلے مالی سال کی پہلی ششماہی کے دوران 3.484 بلین روپے کی فروخت حاصل کی جو 10.97 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے 15.50 فیصد کے مقابلے اس مدت میں 15.25 فیصد رہا۔ جبکہ، کمپنی نے گزشتہ سال اسی مدت میں درج 182 بلین روپے کے مقابلے موجودہ ششماہی کے دوران 281 بلین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی موجودہ مدت کی فی شیئر آمدنی (EPS) 27.29 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 17.68 روپے تھی۔

مستقبل کا نقطہ نظر

رواں سیزن میں ملک کی کپاس کی پیداوار میں نمایاں کمی پاکستان کی ٹیکسٹائل انڈسٹری کے لئے ایک بہت بڑا خطرہ ہے جس کے نتیجے میں درآ مد شدہ خام مواد پر انحصار کرنا پڑا ہے۔ تاہم، انتظامیہ نے یقینی بنایا ہے کہ کمپنی نے پورے سال کے لئے کافی خام مال کا احاطہ کر لیا ہے جو مالی سال کے باقی عرصے میں کمپنی کے منافع جات کو برقرار رکھنے میں بہت معاون ہوگا۔ آپ کی کمپنی کی انتظامیہ مصنوعات اور مارکیٹ تنوع اور پلانٹ اینڈ مشینری کی جدت میں سرمایہ کاری کے ذریعے منافع بخش نمو کے موجودہ رجحان کو برقرار رکھنے پر توجہ مرکوز رکھتی ہے۔

اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

(شہاب اللہ)

ڈائریکٹر

(شایان اللہ)

چیف ایگزیکٹو آفیسر

لاہور

تاریخ: 24 فروری 2021ء

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 condensed interim statement of financial position of Reliance Cotton Spinning Mills Limited as at 31 December 2020 and the related condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the 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 these 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 these financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures of the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income and related notes for the quarter ended 31 December 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 31 December 2020.

The interim financial statements for the six-month period ended 31 December 2020 and the annual financial statements for the year ended 30 June 2020 of the Company were reviewed and audited, by another firm of chartered accountants who expressed unmodified conclusion and opinion on those interim and annual financial statements on 26 February 2020 and 29 September 2020, respectively.

The engagement partner on the audit resulting in this independent auditor's review report is Farooq Hameed .

Lahore
Dated: 26 February, 2021

EY Ford Rhodes
Chartered Accountants

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

| | | Un-Audited 31 December 2020 Rupees | Audited 30 June 2020 Rupees |
|--|------|---|--------------------------------------|
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 2,013,260,105 | 2,051,140,337 |
| Long term investments | 8 | 89,069,645 | 89,069,645 |
| Long term deposits | | 8,987,690 | 8,987,690 |
| | | 2,111,317,440 | 2,149,197,672 |
| Current assets | | | |
| Stores and spare parts | | 34,589,846 | 49,505,453 |
| Stock-in-trade | | 3,015,332,045 | 2,699,519,145 |
| Trade debts | | 1,119,870,454 | 986,719,303 |
| Loans and advances | | 42,589,664 | 104,493,271 |
| Short term deposits and prepayments | | 379,902 | 221,491 |
| Other receivables | | 10,840,270 | 10,915,489 |
| Tax refunds due from the Government | | 319,598,669 | 364,500,551 |
| Short term investments | | 52,186,237 | 42,187,437 |
| Cash and bank balances | | 11,520,698 | 6,270,961 |
| | | 4,606,907,785 | 4,264,333,101 |
| TOTAL ASSETS | | 6,718,225,225 | 6,413,530,773 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | | | |
| 12,000,000 (30 June 2020: 12,000,000) ordinary shares of Rs. 10 each | | 120,000,000 | 120,000,000 |
| Issued, subscribed and paid up share capital | | 102,920,000 | 102,920,000 |
| Reserves | | | |
| | | 2,547,779,935 | 2,256,963,266 |
| | | 2,650,699,935 | 2,359,883,266 |
| Non-current liabilities | | | |
| Long term liabilities | 9 | 945,285,727 | 853,696,129 |
| Deferred liabilities | 10 | 64,501,396 | 62,585,160 |
| | | 1,009,787,123 | 916,281,289 |
| Current liabilities | | | |
| Trade and other payables | | 806,310,182 | 441,996,695 |
| Contract liabilities | | 15,026,251 | 8,170,916 |
| Unclaimed dividend | | 582,885 | 613,360 |
| Markup accrued | | 32,578,385 | 61,040,204 |
| Short term borrowings | 11 | 1,990,741,808 | 2,518,887,111 |
| Current portion of long term liabilities | | 149,086,737 | 19,354,499 |
| Provision for taxation | | 63,411,919 | 87,303,433 |
| | | 3,057,738,167 | 3,137,366,218 |
| TOTAL EQUITY AND LIABILITIES | | 6,718,225,225 | 6,413,530,773 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2020

| | Note | Six months ended | | Three months ended | |
|---|------|--------------------|-----------------|--------------------|-------------------|
| | | 31 December | 31 December | 31 December | 31 December |
| | | 2020 | 2019 | 2020 | 2019 |
| | | -----Rupees----- | | -----Rupees----- | |
| Sales - net | 13 | 3,484,787,158 | 3,140,181,062 | 1,668,388,814 | 1,712,660,409 |
| Cost of sales | 14 | (2,953,441,183) | (2,653,375,304) | (1,389,056,909) | (1,484,466,213) |
| Gross profit | | 531,345,975 | 486,805,758 | 279,331,905 | 228,194,196 |
| Distribution cost | | (57,376,191) | (53,711,451) | (32,502,782) | (28,666,613) |
| Administrative expenses | | (48,118,640) | (46,837,837) | (20,786,853) | (27,923,225) |
| Other income | | 12,598,255 | 18,969,363 | 11,235,845 | 17,840,608 |
| Other operating expenses | | (14,779,933) | (9,833,114) | (8,138,445) | (3,726,932) |
| | | (107,676,509) | (91,413,039) | (50,192,235) | (42,476,162) |
| Profit from operations | | 423,669,466 | 395,392,719 | 229,139,670 | 185,718,034 |
| Finance cost | | (105,192,532) | (181,812,494) | (53,097,844) | (97,822,758) |
| Profit before taxation | | 318,476,934 | 213,580,225 | 176,041,826 | 87,895,276 |
| Provision for taxation | | (37,658,214) | (31,591,069) | (21,411,384) | (26,022,494) |
| Profit for the period | | 280,818,720 | 181,989,156 | 154,630,442 | 61,872,782 |
| Earnings per share - basic and diluted | | 27.29 | 17.68 | 15.02 | 6.01 |

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2020

| | Six months ended | | Three months ended | |
|--|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| | Rupees | Rupees | Rupees | Rupees |
| Profit for the period | 280,818,720 | 181,989,156 | 154,630,442 | 61,872,782 |
| Other comprehensive income for the period: | | | | |
| Items that may be reclassified to statement of profit or loss subsequently: | | | | |
| Fair value gain on investment in debt instruments designed as FVTOCI | - | 1,029,950 | - | 1,029,950 |
| Items that may be reclassified subsequently to profit and loss | | | | |
| Fair value gain on investment in equity instruments designated as FVTOCI | 9,997,949 | 8,432,477 | - | 11,276,712 |
| | 9,997,949 | 9,462,427 | - | 12,306,662 |
| Total comprehensive income for the period | 290,816,669 | 191,451,583 | 154,630,442 | 74,179,444 |

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2020

| | Note | Un-Audited Six months 31 December 2020 Rupees | Un-Audited Six months 31 December 2019 Rupees |
|--|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 318,476,934 | 213,580,225 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| Depreciation on property, plant and equipment | | 101,300,438 | 99,126,972 |
| Provision for employee benefits | | 12,600,000 | 11,400,000 |
| Provision for GIDC | | 19,576,482 | - |
| Gain on disposal of property, plant and equipment | | (391,000) | (280,635) |
| Finance cost | | 105,192,532 | 181,812,494 |
| Dividend income on short and long term investment | | (7,012,718) | (7,292,964) |
| Operating cash flow before changes in working capital | | 549,742,668 | 498,346,092 |
| Working capital changes | | | |
| Decrease / (Increase) in current assets | | | |
| Stores and spare parts | | 14,915,607 | 12,789,130 |
| Stock-in-trade | | (315,812,900) | (984,248,054) |
| Trade debts | | (133,151,151) | (276,948,056) |
| Loans and advances | | (11,178,559) | (3,689,431) |
| Short term deposits and prepayments | | (158,411) | 1,194,796 |
| Other receivables | | - | 6,469,049 |
| Increase in current liabilities | | | |
| Trade and other payables | | 429,832,215 | 88,176,311 |
| | | (15,553,199) | (1,156,256,255) |
| Net working capital changes | | 534,189,469 | (657,910,163) |
| Employee benefits paid | | (13,115,255) | (6,323,505) |
| Finance cost paid | | (133,654,351) | (169,055,221) |
| Sales tax paid | | 2,037,292 | (42,112,620) |
| Income taxes paid | | 54,396,177 | (30,070,129) |
| Rebate income received | | 75,219 | - |
| | | (90,260,918) | (247,561,475) |
| Net cash generated from / (used in) operating activities | | 443,928,551 | (905,471,638) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Addition to property, plant and equipment | | (64,454,208) | (128,541,508) |
| Proceeds from disposal of property, plant and equipment | | 1,425,000 | 545,000 |
| Proceeds from sale of investments | | - | 9,200,000 |
| Dividend received | | 7,012,718 | 7,292,964 |
| Net cash used in investing activities | | (56,016,488) | (111,503,544) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term finance obtained | | 145,513,452 | - |
| Short term borrowings - net | 10 | (528,145,303) | 1,109,795,150 |
| Dividend paid | | (30,475) | (82,187,149) |
| Repayment of long term loan | | - | (4,681,249) |
| Net cash (used in) / generated from financing activities | | (382,662,326) | 1,022,926,752 |
| Net increase in cash and cash equivalents | | 5,249,737 | 5,951,570 |
| 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 | | 11,520,698 | 12,354,850 |

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim 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 SIX MONTHS ENDED DECEMBER 31, 2020

| Share capital | Capital Reserve | Revenue reserves | | Total reserves | Total |
|---------------|---|------------------|------------------------|----------------|-------|
| | Unrealized Gain/(loss) on investments at fair value through OCI | General reserve | Un-appropriated profit | | |

----- Rupees -----

Balance as at 01 July 2019 102,920,000 (17,692,283) 130,000,000 1,953,960,841 2,066,268,558 2,169,188,558

Total comprehensive income for the period:

Profit for the six months ended 31 December 2019

Other comprehensive income

Total comprehensive income

| | | | | | |
|---|-----------|---|-------------|-------------|-------------|
| - | - | - | 181,989,156 | 181,989,156 | 181,989,156 |
| - | 9,462,427 | - | - | 9,462,427 | 9,462,427 |
| - | 9,462,427 | - | 181,989,156 | 191,451,583 | 191,451,583 |

Transactions with owners:

Final dividend for the year ended

30 June 2019 @ Rs. 8 per share

| | | | | | |
|---|---|---|--------------|--------------|--------------|
| - | - | - | (82,336,000) | (82,336,000) | (82,336,000) |
|---|---|---|--------------|--------------|--------------|

Balance as at 31 December 2019 - (Unaudited)

| | | | | | |
|-------------|-------------|-------------|---------------|---------------|---------------|
| 102,920,000 | (8,229,856) | 130,000,000 | 2,053,613,997 | 2,175,384,141 | 2,278,304,141 |
|-------------|-------------|-------------|---------------|---------------|---------------|

Balance as at 01 July 2020

102,920,000 (16,518,940) 130,000,000 2,143,482,206 2,256,963,266 2,359,883,266

Total comprehensive income for the period:

Profit for the six months ended 31 December 2020

Other comprehensive income

| | | | | | |
|---|-----------|---|-------------|-------------|-------------|
| - | - | - | 280,818,720 | 280,818,720 | 280,818,720 |
| - | 9,997,949 | - | - | 9,997,949 | 9,997,949 |
| - | 9,997,949 | - | 280,818,720 | 290,816,669 | 290,816,669 |

Balance as at 31 December 2020 - (Unaudited)

| | | | | | |
|-------------|-------------|-------------|---------------|---------------|---------------|
| 102,920,000 | (6,520,991) | 130,000,000 | 2,424,300,926 | 2,547,779,935 | 2,650,699,935 |
|-------------|-------------|-------------|---------------|---------------|---------------|

The annexed notes from 1 to 20 form an integral part of these unconsolidated condensed interim 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 SIX MONTHS ENDED DECEMBER 31, 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 16 June 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.

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

1.2 Impact of COVID-19 on the unconsolidated condensed interim financial statements

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

The management has assessed the impact of the COVID-19 on the unconsolidated condensed interim financial statements and concluded that, as the Company is engaged in the business of spinning cotton to make yarn, there is no material financial impact of COVID-19 on the carrying amounts of assets, liabilities, income or expenses which required specific disclosures.

2 STATEMENT OF COMPLIANCE

- 2.1 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 as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard 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 Act, differ with the requirements of IAS 34, the provisions of and directives issued under the Act, have been followed.

- 2.2 These unconsolidated condensed interim financial statements are un-audited and are being submitted to shareholders, as required by Section 237 of the Act and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

3 BASIS OF PREPARATION

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.

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.

The unconsolidated condensed interim financial statements have been prepared under the historical cost convention. These financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest Pak rupee unless otherwise stated.

The unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2020.

During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires. The Supreme Court has allowed settlement of GIDC over a period of time. The Company has followed the relevant accounting standards and ICAP guidelines in this regard.

The figures of the un-consolidated condensed interim statement of profit or loss, un-consolidated condensed interim statement of other comprehensive income and related notes for the quarters ended 31 December 2020 and 31 December 2019 have not been reviewed.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Standards, amendments or interpretations which became effective during the year

The accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 June 2020, except as disclosed in note 4.2 and the amendments to standards and conceptual framework effective for annual period beginning on 01 January 2020, as listed below. The adoption of these amendments and conceptual framework did not have an impact on these unconsolidated condensed interim financial statements. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- i) Amendments to IFRS 3: Definition of a Business
- ii) Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- iii) Amendments to IAS 1 and IAS 8: Definition of Material
- iv) Conceptual Framework for Financial Reporting issued on 29 March 2018
- v) Amendments to IFRS-16 Covid-19-Related Rent Concessions

4.2 Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

4.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|--|--|
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Amendments to Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| IFRS 3 | Reference to conceptual framework — (Amendments) | 1 January 2022 |
| IAS 16 | Property, plant and equipment: Proceeds before intended use — (Amendments) | 1 January 2022 |
| IAS 37 | Onerous contracts - costs of fulfilling a contract — (Amendments) | 1 January 2022 |
| AIP IFRS 1 | First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter | 1 January 2022 |
| AIP IFRS 9 | Fees in the '10 per cent' test for derecognition of financial liabilities | 1 January 2022 |
| AIP IAS 41 | Agriculture – Taxation in fair value measurements | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| IAS 1 | Classification of liabilities as current or non-current — (Amendments) | 1 January 2023 |
| IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments) | 1 January 2023 |

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation**Effective date
(annual periods
beginning on
or after)**

| | |
|---------|-----------------------------|
| IFRS 1 | First time adoption of IFRS |
| IFRS 17 | Insurance Contracts |

1 July 2019
1 January 2023

The Company expects that above mentioned standards will not have any material impact on the Company's financial statements in the period of initial application.

5 ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 30 June 2020 except for Deferred Grant.

The preparation of these 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.

In preparing these unconsolidated condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2020.

6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment. All non-current assets of the Company are located in Pakistan and 100% of the revenue is derived from the process of spinning.

| | | | Un-audited | Audited |
|--|-------------|--|----------------------|----------------------|
| | | | 31 December 2020 | 30 June 2020 |
| | | | Rupees | Rupees |
| 7 PROPERTY, PLANT AND EQUIPMENT | Note | | | |
| Operating assets | 7.1 | | 1,985,050,636 | 2,046,222,536 |
| Capital work in progress | 7.2 | | 28,209,472 | 4,917,802 |
| | | | 2,013,260,108 | 2,051,140,338 |
| 7.1 Operating assets | | | | |
| Opening book value | | | 2,046,222,536 | 1,885,076,693 |
| Additions during the period / year | | | | |
| Buildings on freehold land (Factory) | | | 2,912,233 | - |
| Office equipment | | | 104,274 | - |
| Computers | | | 218,759 | 126,000 |
| | | | 3,235,266 | 126,000 |
| Transfer from capital work in progress | | | | |
| Factory building | | | - | 50,681,476 |
| Plant and machinery | | | 37,927,272 | 283,870,709 |
| Vehicles | | | - | 1,410,000 |
| Office equipment | | | - | 1,256,948 |
| Electric installation | | | - | 28,209,684 |
| | | | 37,927,272 | 365,428,817 |
| Book value of assets disposed off during the period / year | | | (1,034,000) | (739,625) |
| Depreciation charged during the period / year | | | (101,300,438) | (203,669,349) |
| Closing book value | | | 1,985,050,636 | 2,046,222,536 |

| | | Un-audited 31 December 2020 Rupees | Audited 30 June 2020 Rupees |
|--------------|--|---|--------------------------------------|
| 7.2 | Capital work in progress | | |
| | Building - civil work | 8,162,086 | - |
| | Plant and machinery | 15,845,386 | 4,917,802 |
| | Vehicles | 4,202,000 | - |
| | | 28,209,472 | 4,917,802 |
| 8 | 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 |
| 9 | LONG TERM LIABILITIES | | |
| | Long term finances | 9.1 1,018,564,080 | 873,050,628 |
| | GIDC payable | 82,565,582 | - |
| | | 1,101,129,662 | 873,050,628 |
| | Less: Current portion grouped under current liabilities | (149,086,737) | (19,354,499) |
| | | 952,042,925 | (19,354,499) |
| 9.1 | Long term finances | | |
| | As at the beginning of the period / year | 873,050,628 | 559,379,252 |
| | Availed during the period / year | 9.1.1 145,513,452 | 319,374,500 |
| | | 1,018,564,080 | 878,753,752 |
| | Paid during the period/ year | - | (5,703,124) |
| | | 1,018,564,080 | 873,050,628 |
| | Less: Current maturity of long term financing | (117,711,161) | (19,354,499) |
| | | 900,852,919 | 853,696,129 |
| 9.1.1 | These loans were obtained from various banks under schemes of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 1,400 million (30 June, 2020 : Rs: 1,400 million). These loans are secured against charge of Rs. 1,775 million (30 June 2020 Rs: 1,775 million) and carry an interest rate from 2.5% to 11.84% over all present and future plant and machinery of the Company. These loans are repayable in equal quarterly / semi-annual installments. | | |

9.2 The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated 13 August 2020 decided the appeal against the Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company has not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Company.

The Company has already recorded a provision for GIDC (included in trade and other payables in the preceding year). The amount has now been classified as long term liabilities at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs. 13.922 million which has been netted off against cost of sales.

| | | Un-audited 31 December 2020 Rupees | Audited 30 June 2020 Rupees |
|-----------|---|---|--------------------------------------|
| 10 | DEFERRED LIABILITIES | | |
| | Deferred Government grant | 6,757,198 | - |
| | Staff retirement benefits - gratuity | 62,069,905 | 62,585,160 |
| | | 68,827,103 | 62,585,160 |
| | Less: Current portion of Government grant | (4,325,707) | - |
| | | 64,501,396 | 62,585,160 |

11 **SHORT TERM BORROWINGS**

From banking companies - secured

| | | | |
|--------------------|------|---------------|---------------|
| Running finance | | 805,116,807 | 2,292,027,993 |
| Short term finance | 11.1 | 1,148,500,000 | 189,734,118 |

From related parties

| | | | |
|--------------------------------|------|---------------|---------------|
| Loan from Directors | | 15,705,000 | 15,705,000 |
| Loan from associated companies | 11.2 | 21,420,000 | 21,420,000 |
| | | 37,125,000 | 37,125,000 |
| | | 1,990,741,807 | 2,518,887,111 |

11.1 During the period, the Company has obtained Rs. 1,348 million cash finance (30 June 2020 : 3,852 million) at the rate of mark-up ranging between 2.50% to 8.78 % (30 June 2020 2.35 % to 15.10%) per annum.

| | | Un-audited 31 December 2020 Rupees | Audited 30 June 2020 Rupees |
|-------------|---------------------------------|---|--------------------------------------|
| 11.2 | Associated Companies | | |
| | Galaxy Agencies (Pvt) Ltd. | 590,000 | 590,000 |
| | Sapphire Agencies (Pvt) Ltd. | 12,810,000 | 12,810,000 |
| | Nadeem Enterprises (Pvt) Ltd. | 480,000 | 480,000 |
| | Neelum Textile Mills (Pvt) Ltd. | 7,540,000 | 7,540,000 |
| | | 21,420,000 | 21,420,000 |

12 **CONTINGENCIES AND COMMITMENTS**

12.1 **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 |
| 427,326,876 | 410,487,535 |
| 631,317,174 | 614,477,833 |

12.2 **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 30 June 2020.

| 12.3 | Commitments | Un-audited | Audited |
|------|---|--------------------|--------------------|
| | | 31 December | 30 June |
| | | 2020 | 2020 |
| | | Rupees | Rupees |
| | Irrevocable letters of credit for import of: | | |
| | -Plant and machinery | 128,683,170 | 13,485,600 |
| | -Stores and spare parts | 6,898,389 | 10,703,385 |
| | -Raw material | 425,223,363 | 209,838,330 |
| | -Capital expenditure other than letter of credit | 5,917,129 | - |
| | | 566,722,051 | 234,027,315 |

| 13 | SALES - NET | Six months ended | | Three months ended | |
|----|------------------------|----------------------|----------------------|----------------------|----------------------|
| | | 31 December | 31 December | 31 December | 31 December |
| | | 2020 | 2019 | 2020 | 2019 |
| | |Rupees..... | |Rupees..... | |
| | Local: | | | | |
| | Yarn | 647,814,508 | 576,137,827 | 316,330,229 | 281,969,911 |
| | Waste | 33,416,022 | 37,645,909 | 21,090,343 | 24,182,573 |
| | | 681,230,530 | 613,783,736 | 337,420,572 | 306,152,484 |
| | Export: | | | | |
| | Yarn | 830,765,609 | 636,366,168 | 349,006,365 | 332,842,789 |
| | Yarn (indirect export) | 1,899,050,662 | 1,818,803,760 | 946,684,763 | 1,031,005,021 |
| | Waste | 71,495,157 | 71,227,398 | 33,031,914 | 42,660,115 |
| | | 2,801,311,428 | 2,526,397,326 | 1,328,723,042 | 1,406,507,925 |
| | | 3,482,541,958 | 3,140,181,062 | 1,666,143,614 | 1,712,660,409 |
| | Steam Income | 2,245,200 | - | 2,245,200 | - |
| | | 3,484,787,158 | 3,140,181,062 | 1,668,388,814 | 1,712,660,409 |

Sales tax on local sales and indirect export sales is Rs. 357.629 million (2019: Rs. 328.190 million)

| 14 | COST OF SALES | Six months ended | | Three months ended | |
|----|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | | 31 December | 31 December | 31 December | 31 December |
| | | 2020 | 2019 | 2020 | 2019 |
| | |Rupees..... | |Rupees..... | |
| | Raw material consumed | 2,136,009,496 | 2,157,763,266 | 988,177,065 | 1,136,735,599 |
| | Packing material consumed | 43,659,334 | 42,710,348 | 21,551,274 | 24,280,783 |
| | Store and spare parts consumed | 68,305,978 | 50,640,350 | 32,969,653 | 22,289,455 |
| | Salaries, wages and benefits | 222,902,941 | 220,579,371 | 113,094,519 | 109,900,431 |
| | Fuel and power | 206,789,502 | 195,211,280 | 121,701,358 | 107,165,439 |
| | Insurance | 6,079,759 | 3,471,578 | 3,509,585 | 1,782,026 |
| | Repairs and maintenance | 5,066,941 | 8,476,530 | 1,113,567 | 5,155,022 |
| | Travelling and conveyance | 3,103,839 | 4,037,219 | 1,548,699 | 2,094,876 |
| | Other manufacturing overheads | 1,485,261 | 1,566,130 | 534,856 | (348,143) |
| | Depreciation | 98,784,352 | 96,000,772 | 49,579,951 | 48,497,460 |
| | | 2,792,187,403 | 2,780,456,844 | 1,333,780,527 | 1,457,552,948 |
| | Work in process | | | | |
| | At the beginning of period | 204,534,246 | 246,276,183 | 251,925,949 | 321,200,032 |
| | At the end of period | (196,367,003) | (325,458,508) | (196,367,003) | (325,458,508) |
| | | 8,167,243 | (79,182,325) | 55,558,946 | (4,258,476) |
| | Cost of goods manufactured | 2,800,354,646 | 2,701,274,519 | 1,389,339,473 | 1,453,294,472 |
| | Finished goods | | | | |
| | At the beginning of period | 432,548,884 | 292,164,901 | 279,179,782 | 371,235,857 |
| | Yarn purchased | | | | |
| | At the end of period | (279,462,347) | (340,064,116) | (279,462,346) | (340,064,116) |
| | | 153,086,537 | (47,899,215) | (282,564) | 31,171,741 |
| | | 2,953,441,183 | 2,653,375,304 | 1,389,056,909 | 1,484,466,213 |

15

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:

| | | Six month ended | |
|-------------------------|--|---------------------|---------------------|
| | | 31 December 2020 | 31 December 2019 |
| Nature of Relationship | Nature of Transaction |Rupees..... | |
| Associated companies | Sales of finished goods, raw material / stores and spare parts | 357,062,491 | 295,998,323 |
| | Purchases of; | | |
| | Finished goods, raw material / stores | 32,833,878 | 15,474,528 |
| | Services obtained | - | 3,109,066 |
| | Dividend received | 5,552,290 | 4,892,069 |
| | Dividend paid | - | 53,766,368 |
| | Shared expenses paid | 5,679,286 | 13,639,797 |
| | Shared expenses received | 3,852,557 | 36,062 |
| Chief Executive officer | Remuneration and other benefits | 7,200,000 | 7,200,000 |
| Executives | Remuneration and other benefits | 28,220,537 | 14,792,929 |

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

16

| | Audited 30 June 2020 | Availed during the period | Repaid during the period | Un-Audited 31 December 2020 |
|------------------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------------|
| | -----Rupees----- | | | |
| Long term financing | 873,050,628 | 145,513,452 | - | 1,018,564,080 |
| Short term borrowings | 2,481,762,111 | (14,394,141,877) | 13,865,996,575 | 1,953,616,808 |
| Loan obtained from related parties | 37,125,000 | - | - | 37,125,000 |
| | 3,391,937,739 | (14,248,628,425) | 13,865,996,575 | 3,009,305,888 |

17

| | | | |
|------|---|----------------------|----------------------|
| 17 | FINANCIAL INSTRUMENTS | Un-audited | Audited |
| | | 31 December | 30 June |
| 17.1 | Financial instruments by Category | 2020 | 2020 |
| | | Rupees | Rupees |
| | FINANCIAL ASSETS | | |
| | Debt instruments at amortised cost | | |
| | Long term deposits | 8,987,690 | 8,987,690 |
| | Trade debts | 1,119,870,454 | 986,719,303 |
| | Other receivables | 6,993,302 | 6,993,302 |
| | Bank balances | 4,620,713 | 1,360,000 |
| | | 1,140,472,159 | 1,004,060,295 |
| | Equity instruments at fair value through OCI | | |
| | Quoted equity shares | 52,186,237 | 42,187,437 |
| | Total current | 1,183,670,706 | 1,037,260,042 |
| | Total non current | 8,987,690 | 8,987,690 |

| | Un-audited 31 December 2020 | Audited 30 June 2020 |
|--------------------------------|-----------------------------------|----------------------------|
| FINANCIAL LIABILITIES | Rupees | Rupees |
| At amortized cost | | |
| Trade and other payables | 770,098,902 | 271,167,452 |
| Accrued interest / mark-up | 32,578,385 | 61,040,204 |
| Unclaimed dividend | 582,885 | 613,360 |
| Payable/provision against GIDC | 82,565,582 | 62,989,100 |
| Secured bank loan | 1,018,564,080 | 873,050,628 |
| Short term finances from banks | 1,990,741,808 | 2,518,887,111 |
| | 3,895,131,642 | 3,787,747,855 |
| Total current | 2,794,001,980 | 2,934,051,726 |
| Total non current | 1,101,129,662 | 853,696,129 |

17.2 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

17.3 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The table below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1. Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2. Inputs other than quoted price 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 main level of inputs used by the Company for its financial assets are derived and evaluated as follows:

| | Level 1 (Rupees) | Level 2 (Rupees) | Level 3 (Rupees) |
|--|---------------------|---------------------|---------------------|
| As at 31 December 2020 | | | |
| Assets carried at fair value | | | |
| Equity instruments at fair value through OCI | 52,186,237 | - | - |
| As at 30 June 2020 | | | |
| Assets carried at fair value | | | |
| Equity instruments at fair value through OCI | 42,187,437 | - | - |

18 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the unconsolidated condensed interim statement of financial position comprise of balances as per the annual audited financial statements of the Company for the year ended 30 June 2020 and the corresponding figures in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity comprise of amounts of comparable period of the immediately preceding financial period i.e. six months and quarter ended 31 December 2019.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made in these condensed unconsolidated interim financial statements.

19 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 24 February, 2021.

20 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
Consolidated Condensed Financial Statements (Un-Audited)

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Directors' Report

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 half year ended December 31, 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 (Pvt.) Limited collectively referred to as 'the Group' was incorporated in Pakistan under the Companies Ordinance, 1984. The wholly owned subsidiary was incorporated on November 08, 2017.

RCSM Company (Pvt.) Limited is incorporated in Pakistan as private limited by share wholly owned by Reliance Cotton Spinning Mills Limited under the 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
February 24, 2021

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 دسمبر 2020ء کو ختم ہونے والی ششماہی کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ کے غیر نظر ثانی 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 غیر نظر ثانی 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 کمپنی (پرائیویٹ) لمیٹڈ جو مجموعی طور پر ایک "گروپ" کہلاتا ہے کمپنیز آرڈیننس، 1984ء کے تحت پاکستان میں قائم ہوا۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984ء کے تحت 08 نومبر 2017ء 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: 24 فروری 2021

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

| | | Un-Audited 31 December, 2020 Rupees | Audited 30 June, 2020 Rupees |
|---|------|--|---------------------------------------|
| | Note | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 2,013,260,105 | 2,051,140,337 |
| Long term investments | 8 | 999,216,231 | 886,248,151 |
| Long term deposits | | 8,987,690 | 8,987,690 |
| | | 3,021,464,026 | 2,946,376,178 |
| CURRENT ASSETS | | | |
| Stores and spare parts | | 34,589,846 | 49,505,453 |
| Stock-in-trade | | 3,015,332,045 | 2,699,519,145 |
| Trade debts | | 1,119,870,454 | 986,719,303 |
| Loans and advances | | 42,589,664 | 104,493,271 |
| Short term deposits and prepayments | | 379,902 | 221,491 |
| Other receivables | | 10,840,270 | 10,915,489 |
| Tax refunds due from the Government | | 319,598,669 | 364,500,551 |
| Short term investments | | 52,186,237 | 42,187,437 |
| Cash and bank balances | | 11,575,243 | 6,325,506 |
| | | 4,606,962,330 | 4,264,387,646 |
| | | 7,628,426,356 | 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 | | 3,354,007,843 | 2,963,497,171 |
| | | 3,456,927,843 | 3,066,417,171 |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 9 | 945,285,727 | 853,696,129 |
| Deferred liabilities | 10 | 168,298,949 | 153,139,706 |
| | | 1,113,584,676 | 1,006,835,835 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 806,485,852 | 442,141,295 |
| Contract liabilities | | 15,026,251 | 8,170,916 |
| Unclaimed dividend | | 582,885 | 613,360 |
| Markup accrued | | 32,578,385 | 61,040,204 |
| Short term borrowings | 11 | 1,990,741,808 | 2,518,887,111 |
| Current portion of long term financing | | 149,086,737 | 19,354,499 |
| Provision for taxation | | 63,411,919 | 87,303,433 |
| | | 3,057,913,837 | 3,137,510,818 |
| TOTAL EQUITY AND LIABILITIES | | 7,628,426,356 | 7,210,763,824 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited) **FOR THE SIX MONTHS ENDED DECEMBER 31, 2020**

| | Note | Six months ended | | Three months ended | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 31 December, 2020 | 31 December, 2019 | 31 December, 2020 | 31 December, 2019 |
| | | -----Rupees----- | | -----Rupees----- | |
| Sales - net | 13 | 3,484,787,158 | 3,140,181,062 | 1,668,388,814 | 1,712,660,409 |
| Cost of sales | 14 | (2,953,441,183) | (2,653,375,303) | (1,389,056,909) | (1,484,466,212) |
| Gross profit | | 531,345,975 | 486,805,759 | 279,331,905 | 228,194,197 |
| Distribution cost | | (57,376,191) | (53,711,451) | (32,502,782) | (28,666,613) |
| Administrative expenses | | (48,118,640) | (46,858,411) | (20,786,853) | (27,933,799) |
| Other income | | 7,045,965 | 14,077,294 | 11,235,845 | 12,948,539 |
| Other operating expenses | | (14,811,003) | (9,833,114) | (8,138,445) | (3,726,932) |
| | | (113,259,869) | (96,325,682) | (50,192,235) | (47,378,805) |
| Operating profit from operations | | 418,086,106 | 390,480,077 | 229,139,670 | 180,815,392 |
| Finance cost | | (105,192,532) | (181,812,529) | (53,097,844) | (97,822,793) |
| Share of profit of associates | | 74,363,102 | 78,496,758 | 37,124,565 | 30,900,795 |
| Profit before taxation | | 387,256,676 | 287,164,306 | 213,166,391 | 113,893,394 |
| Provision for taxation | | (50,901,221) | (42,042,085) | (21,411,384) | (31,828,460) |
| Profit for the period | | 336,355,455 | 245,122,221 | 191,755,007 | 82,064,934 |
| Earnings per share - basic and diluted | | 32.68 | 23.82 | 18.63 | 7.97 |

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2020

| | Six months ended | | Three months ended | |
|---|-------------------------|--------------------|---------------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2020 | 2019 | 2020 | 2019 |
| | Rupees | Rupees | Rupees | Rupees |
| Profit for the period | 336,355,455 | 245,122,221 | 191,755,007 | 82,064,934 |
| Other comprehensive income for the period : | | | | |
| Item that may be reclassified to statement of profit or loss subsequently: | | | | |
| Share in associates' unrealized loss on available sale investment - net | 43,633,405 | 48,678,706 | 9,188,007 | 54,131,857 |
| Fair value gain on investment in equity instruments designated as FVTOCI | 9,997,949 | 9,462,427 | 2,551,341 | 12,306,662 |
| Loss in deemed disposal | - | (24,603,198) | - | (24,603,198) |
| | 53,631,354 | 33,537,935 | 11,739,348 | 41,835,321 |
| Share in associate's unrealized gain on hedging instruments | 274,454 | (172,918) | 195,518 | (901,457) |
| Total comprehensive income for the period | 390,261,263 | 278,487,238 | 203,689,873 | 122,998,798 |

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited) **FOR THE SIX MONTHS ENDED DECEMBER 31, 2020**

| | Un-Audited Six months 31 December 2020 Rupees | Un-Audited Six months 31 December 2019 Rupees |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 387,256,676 | 287,164,306 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 101,300,438 | 99,126,972 |
| Provision for employee benefits | 12,600,000 | 11,400,000 |
| Provision for GIDC | 19,576,482 | - |
| Gain on disposal of property, plant and equipment | (391,000) | (280,635) |
| Finance cost | 105,192,532 | 181,812,529 |
| Dividend income on short and long term investment | (1,460,428) | (2,400,895) |
| Share of profit from associates | (74,363,102) | (78,496,758) |
| | 549,711,598 | 498,325,519 |
| Working capital changes | | |
| Decrease / (Increase) in current assets | | |
| Stores and spare parts | 14,915,607 | 12,789,129 |
| Stock-in-trade | (315,812,900) | (984,247,121) |
| Trade debts | (133,151,151) | (276,948,055) |
| Loans and advances | (11,178,559) | (3,689,431) |
| Short term deposits and prepayments | (158,411) | 1,194,796 |
| Other receivables | - | 6,469,049 |
| Decrease in current liabilities | | |
| Trade and other payables | 429,863,287 | 88,195,955 |
| | (15,522,127) | (1,156,235,678) |
| Cash (used in) / generated from operations | 534,189,471 | (657,910,159) |
| | | |
| Dividend paid | - | (82,187,149) |
| Employee benefits paid | (13,115,255) | (6,323,505) |
| Finance cost paid | (133,654,351) | (169,055,256) |
| Sales tax (paid) / refunded | 2,037,292 | (42,112,620) |
| Income taxes paid / refunded | 54,396,177 | (30,070,134) |
| Rebate income received | 75,219 | - |
| | (90,260,918) | (329,748,664) |
| Net cash (used in) / generated from operating activities | 443,928,553 | (987,658,823) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Addition to property, plant and equipment | (64,454,208) | (128,541,508) |
| Proceeds from disposal of property, plant and equipment | 1,425,000 | 545,000 |
| Proceeds from sale of investments | - | 9,200,000 |
| Dividend received | 7,012,718 | 7,292,964 |
| Net cash used in investing activities | (56,016,490) | (111,503,544) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term finance obtained | 145,513,452 | - |
| Short term borrowings - net | (528,145,303) | 1,109,795,150 |
| Repayment of long term loan | - | (4,681,249) |
| Dividend paid | (30,475) | - |
| Net cash (used in) / generated from financing activities | (382,662,326) | 1,105,113,901 |
| Net increase in cash and cash equivalents | 5,249,737 | 5,951,534 |
| Cash and cash equivalents at beginning of the period | 6,325,506 | 6,477,850 |
| Cash and cash equivalents at the end of the period | 11,575,243 | 12,429,384 |

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim 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 SIX MONTHS ENDED DECEMBER 31, 2020**

| | Share capital | Un-appropriated profit | Revenue reserves | | Capital reserve | | | | Total |
|---|---------------|------------------------|------------------|--|---|--|---|--|---------------|
| | | | General reserve | Unrealized gain/(loss) on investment at fair value through OCI | Share of other comprehensive income of associates | Share in associate's unrealized gain / (loss) on hedging instruments | Share in associate's remeasurement of post retirement benefits obligation | Share of items directly recognized in equity by associates | |
| Balance as at July 01, 2019 | 102,920,000 | 2,560,332,955 | 118,353,673 | (29,338,610) | 28,723,510 | 551,683 | (1,344,718) | 9,336,821 | 2,798,535,314 |
| Profit for the six months ended December 31, 2019 | - | 245,122,221 | - | - | - | - | - | - | 245,122,221 |
| Other comprehensive income | - | - | - | 9,462,427 | 24,075,508 | (172,918) | - | - | 33,365,017 |
| Total comprehensive income | - | 245,122,221 | - | 9,462,427 | 24,075,508 | (172,918) | - | - | 278,487,238 |
| Effects of items directly recognized in equity by associates | | | | | | | | 4,022,423 | 4,022,423 |
| Transactions with Owners : | | | | | | | | | |
| Final dividend for the year ended Jun 30, 2019 @ Rs.8 per share | | (82,336,000) | | | | | | | (82,336,000) |
| Balance as at December 31, 2019 | 102,920,000 | 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 |
| 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 |
| Profit for the six months ended December 31, 2020 | - | 336,355,455 | - | - | - | - | - | - | 336,355,455 |
| Other comprehensive income | - | - | - | 9,997,949 | 43,633,405 | 274,454 | - | - | 53,905,808 |
| Total comprehensive income | - | 336,355,455 | - | 9,997,949 | 43,633,405 | 274,454 | - | - | 390,261,263 |
| Effects of items directly recognized in equity by associates | | | | | | | | 249,409 | 249,409 |
| Balance as at December 31, 2020 | 102,920,000 | 3,216,183,534 | 118,353,673 | (42,951,237) | 50,790,380 | (1,498,433) | (1,420,529) | 14,550,455 | 3,354,007,843 |

The annexed notes from 1 to 20 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 SIX MONTHS ENDED DECEMBER 31, 2020

1 LEGAL STATUS AND OPERATIONS

- 1.1** Reliance Cotton Spinning Mills Limited ("the Parent Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Parent 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 Parent Company and Subsidiary Company is situated at 312, Cotton Exchange Building, Karachi and mills of Parent Company are located at Warburton Road, Ferozewattoan, District Sheikhupura, 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 Parent Company's functional and presentation currency.

1.3 Impact of COVID-19 on the unconsolidated condensed interim financial statements

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

The management has assessed the impact of the COVID-19 on the unconsolidated condensed interim financial statements and concluded that, as the Parent Company is engaged in the business of spinning cotton to make yarn, there is no material financial impact of COVID-19 on the carrying amounts of assets, liabilities, income or expenses which required specific disclosures.

2 STATEMENT OF COMPLIANCE

- 2.1** These consolidated 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 as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard 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 Act, differ with the requirements of IAS 34, the provisions of and directives issued under the Act, have been followed.

- 2.2** These consolidated condensed interim financial statements are un-audited and are being submitted to shareholders, as required by Section 237 of the Act and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

3 BASIS OF PREPARATION

These consolidated condensed interim financial statements are the separate consolidated condensed interim financial statements of the Group 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 Parent Company are prepared separately.

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

The consolidated condensed interim financial statements have been prepared under the historical cost convention. These financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest Pak rupee unless otherwise stated.

The consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2020.

During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires. The Supreme Court has allowed settlement of GIDC over a period of time. The Parent Company has followed the relevant accounting standards and ICAP guidelines in this regard.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Standards, amendments or interpretations which became effective during the year

The accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 June 2020, except as disclosed in note 4.2 and the amendments to standards and conceptual framework effective for annual period beginning on 01 January 2020, as listed below. The adoption of these amendments and conceptual framework did not have an impact on these unconsolidated condensed interim financial statements. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- i) Amendments to IFRS 3: Definition of a Business
- ii) Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- iii) Amendments to IAS 1 and IAS 8: Definition of Material
- iv) Conceptual Framework for Financial Reporting issued on 29 March 2018
- v) Amendments to IFRS-16 Covid-19-Related Rent Concessions

4.2 Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

4.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|--|---|---|
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Amendments to Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| | Reference to conceptual framework — (Amendments) | 1 January 2022 |
| IAS 16 | Property, plant and equipment: Proceeds before intended use — (Amendments) | 1 January 2022 |
| IAS 37 | Onerous contracts - costs of fulfilling a contract — (Amendments) | 1 January 2022 |
| AIP IFRS 1 | First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter | 1 January 2022 |
| AIP IFRS 9 | Fees in the '10 per cent' test for derecognition of financial liabilities | 1 January 2022 |
| AIP IAS 41 | Agriculture – Taxation in fair value measurements | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| IAS 1 | Classification of liabilities as current or non-current — (Amendments) | 1 January 2023 |
| IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments) | 1 January 2023 |

The above amendments are not expected to have any material impact on the Group's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|----------------------------|-----------------------------|--|
| IFRS 1 | First time adoption of IFRS | 1 July 2019 |
| IFRS 17 | Insurance Contracts | 1 January 2023 |

The Group expects that above mentioned standards will not have any material impact on the Group's financial statements in the period of initial application.

5 ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 30 June 2020 except for Deferred Grant.

The preparation of these 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 recognised prospectively commencing from the period of revision.

In preparing these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2020.

6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment. All non-current assets of the Company are located in Pakistan and 100% of the revenue is derived from the process of spinning.

| 7 | PROPERTY, PLANT AND EQUIPMENT | Note | Un-audited | Audited |
|---|-------------------------------|------|----------------------|----------------------|
| | | | 31 December | June 30 |
| | | | 2020 | 2020 |
| | | | Rupees | Rupees |
| | Operating assets | 7.1 | 1,985,050,636 | 2,046,222,536 |
| | Capital work in progress | 7.2 | 28,209,472 | 4,917,802 |
| | | | 2,013,260,105 | 2,051,140,337 |

| | | Un-audited | Audited | |
|------|---|---------------|---------------|-------------|
| | | 31 December | June 30 | |
| | | 2020 | 2020 | |
| Note | | Rupees | Rupees | |
| 7.1 | Operating assets | | | |
| | Opening book value | 2,046,222,536 | 1,885,076,693 | |
| | Additions during the period / year | | | |
| | Buildings on freehold land (Factory) | 2,912,233 | - | |
| | Office equipment | 104,274 | - | |
| | Computers | 218,759 | 126,000 | |
| | | 3,235,266 | 126,000 | |
| | Transfer from capital work in progress | | | |
| | Factory building | - | 50,681,476 | |
| | Plant and machinery | 37,927,272 | 283,870,709 | |
| | Vehicles | - | 1,410,000 | |
| | Office equipment | - | 1,256,948 | |
| | Electric installation | - | 28,209,684 | |
| | | 37,927,272 | 365,428,817 | |
| | Book value of assets disposed off during the period / year | (1,034,000) | (739,625) | |
| | Depreciation charged during the period /year | (101,300,438) | (203,669,349) | |
| | Closing book value | 1,985,050,636 | 2,046,222,536 | |
| 7.2 | Capital work in progress | | | |
| | Building - civil work | 8,162,086 | - | |
| | Plant and machinery | 15,845,386 | 4,917,802 | |
| | Vehicle | 4,202,000 | - | |
| | | 28,209,472 | 4,917,802 | |
| 8 | LONG TERM INVESTMENTS | | | |
| | Investments in associates - at equity method: | | | |
| | Quoted: | | | |
| | Sapphire Fibres Limited | 8.2 | 526,851,717 | 470,616,318 |
| | Sapphire Textile Mills Limited | 8.3 | 124,543,473 | 103,574,611 |
| | SFL Limited | 8.4 | 93,099,001 | 82,016,549 |
| | Un-quoted: | | | |
| | Sapphire Finishing Mills Limited | 8.5 | 159,131,492 | 138,345,341 |
| | Sapphire Holding Limited | 8.6 | 49,204,464 | 43,317,654 |
| | Sapphire Power Generation Limited | 8.7 | 46,386,084 | 48,377,678 |
| | | | 999,216,231 | 886,248,151 |
| 8.1 | The existence of significant influence by the Group is evidenced by the representation on the board of directors of associated companies. | | | |
| 8.2 | 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 | | 484,895,235 | 431,809,412 |
| | Dividend received | | - | (3,149,576) |
| | | | 526,851,717 | 470,616,318 |

| | | Un-audited 31 December 2020 Rupees | Audited June 30 2020 Rupees |
|--|-------|---|--------------------------------------|
| | Note | | |
| 8.3 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 | | 116,428,895 | 98,065,831 |
| Dividend received | | | (2,605,798) |
| | | 124,543,473 | 103,574,611 |
| 8.4 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 | | 90,659,526 | 79,577,074 |
| | | 93,099,001 | 82,016,549 |
| 8.5 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 | | 142,622,332 | 121,836,181 |
| | | 159,131,492 | 138,345,341 |
| 8.6 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 | | 48,679,514 | 42,792,704 |
| | | 49,204,464 | 43,317,654 |
| 8.7 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 | | 32,513,374 | 28,952,678 |
| Dividend Paid by SPGL | | (5,552,290) | - |
| | | 46,386,084 | 48,377,678 |
| 9 LONG TERM LIABILITIES | | | |
| Long term finances | | 1,018,564,080 | 873,050,628 |
| GIDC payable | | 82,565,582 | - |
| | | 1,101,129,662 | 873,050,628 |
| Less: Current portion grouped under current liabilities | | (149,086,737) | (19,354,499) |
| | | 952,042,925 | (19,354,499) |
| 9.1 Long term finances | | | |
| As at the beginning of the period / year | | 873,050,628 | 559,379,252 |
| Availed during the period / year | 9.1.1 | 145,513,452 | 319,374,500 |
| | | 1,018,564,080 | 878,753,752 |
| Paid during the period/ year | | - | (5,703,124) |
| | | 1,018,564,080 | 873,050,628 |
| Less: Current maturity of long term financing | | (117,711,161) | (19,354,499) |
| | | 900,852,919 | 853,696,129 |

9.1.1 These loans were obtained from various banks under schemes of State Bank of Pakistan (SBP). The purpose of these loans were to finance / retire the letter of credit against textile machinery along with accessories out of total sanctioned limit of Rs. 1,400 million (30 June 2020 : Rs: 1,400 million). These loans are secured against charge of Rs. 1,775 million (30 June 2020 Rs: 1,775 million) and carry an interest rate from 2.5% to 11.84% over all present and future plant and machinery of the Company. These loans are repayable in equal quarterly / semi-annual installments.

9.2 The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated 13 August 2020 decided the appeal against the Parent Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Parent Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company has not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Company.

The Parent Company has already recorded a provision for GIDC (included in trade and other payables in the preceding year). The amount has now been classified as long term liabilities at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs. 13.922 million which has been netted off against cost of sales.

| | | Un-audited | Audited |
|-----------|---|---------------------------|----------------|
| | | 31 December | 30 June |
| | | 2020 | 2020 |
| | | Rupees | Rupees |
| 10 | DEFERRED LIABILITIES | | |
| | Deferred Government grant | 6,757,198 | - |
| | Staff retirement benefits - gratuity | 62,069,905 | 62,585,160 |
| | | 68,827,103 | 62,585,160 |
| | Less: Current portion of Government grant | (4,325,707) | - |
| | | 64,501,396 | 62,585,160 |
| 11 | SHORT TERM BORROWINGS | | |
| | From banking companies - secured | | |
| | Running finance | 805,116,807 | 2,292,027,993 |
| | Short term finance | 11.1 1,148,500,000 | 189,734,118 |
| | From related parties | | |
| | Loan from Directors | 15,705,000 | 15,705,000 |
| | Loan from associated companies | 11.2 21,420,000 | 21,420,000 |
| | | 37,125,000 | 37,125,000 |
| | | 1,990,741,808 | 2,518,887,111 |

11.1 During the period, the Parent Company has obtained Rs. 1,348 million cash finance (30 June 2020 : 3,852 million) at the rate of mark-up ranging between 2.50% to 8.78 % (30 June 2020 2.35 % to 15.10%) per annum.

| | Un-audited | Audited |
|----------------------------------|-------------------|-------------------|
| | 31 December | 30 June |
| | 2020 | 2020 |
| | Rupees | Rupees |
| 11.2 Associated Companies | | |
| Galaxy Agencies (Pvt) Ltd. | 590,000 | 590,000 |
| Sapphire Agencies (Pvt) Ltd. | 12,810,000 | 12,810,000 |
| Nadeem Enterprises (Pvt) Ltd. | 480,000 | 480,000 |
| Neelum Textile Mills (Pvt) Ltd. | 7,540,000 | 7,540,000 |
| | 21,420,000 | 21,420,000 |

12 CONTINGENCIES AND COMMITMENTS

12.1 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 |
| 427,326,876 | 410,487,535 |
| 631,317,174 | 614,477,833 |

12.2 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 30 June, 2020.

12.3 Commitments

Irrevocable letters of credit for import of:

-Plant and machinery

-Stores and spare parts

-Raw material

-Capital expenditure other than letter of credit

| | |
|--------------------|--------------------|
| 128,683,170 | 13,485,600 |
| 6,898,389 | 10,703,385 |
| 425,223,363 | 209,838,330 |
| 5,917,129 | - |
| 566,722,051 | 234,027,315 |

13 SALES - NET

Local:

Yarn

Waste

| Six months ended | | Three months ended | |
|------------------|-------------|--------------------|-------------|
| 31 December | 31 December | 31 December | 31 December |
| 2020 | 2019 | 2020 | 2019 |
|Rupees..... | |Rupees..... | |

| | | | |
|--------------------|--------------------|--------------------|--------------------|
| 647,814,508 | 576,137,827 | 316,330,229 | 281,969,911 |
| 33,416,022 | 37,645,909 | 21,090,343 | 24,182,573 |
| 681,230,530 | 613,783,736 | 337,420,572 | 306,152,484 |

Export:

Yarn

Yarn (indirect export)

Waste

| | | | |
|----------------------|----------------------|----------------------|----------------------|
| 830,765,609 | 636,366,168 | 349,006,365 | 332,842,789 |
| 1,899,050,662 | 1,818,803,760 | 946,684,763 | 1,031,005,021 |
| 71,495,157 | 71,227,398 | 33,031,914 | 42,660,115 |
| 2,801,311,428 | 2,526,397,326 | 1,328,723,042 | 1,406,507,925 |
| 3,482,541,958 | 3,140,181,062 | 1,666,143,614 | 1,712,660,409 |
| 2,245,200 | - | 2,245,200 | - |
| 3,484,787,158 | 3,140,181,062 | 1,668,388,814 | 1,712,660,409 |

Sales tax on local sales and indirect export sales is Rs. 357.629 million (2019: Rs. 328.190 million)

| 14 | COST OF SALES | Six months ended | | Three months ended | |
|----|--------------------------------|------------------|---------------|--------------------|---------------|
| | | 31 December, | 31 December, | 31 December, | 31 December, |
| | | 2020 | 2019 | 2020 | 2019 |
| | |Rupees..... | |Rupees..... | |
| | Raw material consumed | 2,136,009,496 | 2,157,763,267 | 988,177,065 | 1,136,735,600 |
| | Packing material consumed | 43,659,334 | 42,710,348 | 21,551,274 | 24,280,783 |
| | Store and spare parts consumed | 68,305,978 | 50,640,350 | 32,969,653 | 22,289,455 |
| | Salaries, wages and benefits | 222,902,941 | 220,579,371 | 113,094,519 | 109,900,431 |
| | Fuel and power | 206,789,502 | 195,211,280 | 121,701,358 | 107,165,439 |
| | Insurance | 6,079,759 | 3,471,578 | 3,509,585 | 1,782,026 |
| | Repairs and maintenance | 5,066,941 | 8,476,530 | 1,113,567 | 5,155,022 |
| | Travelling and conveyance | 3,103,839 | 4,037,218 | 1,548,699 | 847,819 |
| | Other manufacturing overheads | 1,485,261 | 1,566,130 | 534,856 | 898,913 |
| | Depreciation | 98,784,352 | 96,000,771 | 49,579,951 | 48,497,459 |
| | | 2,792,187,403 | 2,780,456,843 | 1,333,780,527 | 1,457,552,947 |
| | Work in process | | | | |
| | At the beginning of period | 204,534,246 | 246,276,183 | 251,925,949 | 321,200,032 |
| | At the end of period | (196,367,003) | (325,458,508) | (196,367,003) | (325,458,508) |
| | | 8,167,243 | (79,182,325) | 55,558,946 | (4,258,476) |
| | Cost of goods manufactured | 2,800,354,646 | 2,701,274,518 | 1,389,339,473 | 1,453,294,471 |
| | Finished goods | | | | |
| | At the beginning of period | 432,548,884 | 292,164,901 | 279,179,782 | 371,235,857 |
| | At the end of period | (279,462,347) | (340,064,116) | (279,462,347) | (340,064,116) |
| | | 153,086,537 | (47,899,215) | (282,565) | 31,171,741 |
| | | 2,953,441,183 | 2,653,375,303 | 1,389,056,909 | 1,484,466,212 |

15 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 | |
|-------------------------|--|------------------|-------------|
| | | 31 December | 31 December |
| | | 2020 | 2019 |
| | |Rupees..... | |
| Associated companies | Sales of finished goods, raw material / stores and spare parts | 357,062,491 | 295,998,323 |
| | Purchases of; | | |
| | Finished goods, raw material / stores & spares | 32,833,878 | 15,474,528 |
| | Services obtained | - | 3,109,066 |
| | Dividend received | 5,552,290 | 4,892,069 |
| | Dividend paid | - | 53,766,368 |
| | Shared expenses paid | 5,679,286 | 13,639,797 |
| | Shared expenses received | 3,852,557 | 36,062 |
| Chief Executive officer | Remuneration and other benefits | 7,200,000 | 7,200,000 |
| Executives | Remuneration and other benefits | 28,220,537 | 14,792,929 |

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

16 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Audited 30 June 2020 | Availed during the period | Repaid during the period | Un-Audited 31 December 2020 |
|------------------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------------|
| | -----Rupees----- | | | |
| Long term financing | 873,050,628 | 145,513,452 | - | 1,018,564,080 |
| Short term borrowings | 2,481,762,111 | (14,394,141,877) | 13,865,996,575 | 1,953,616,808 |
| Loan obtained from related parties | 37,125,000 | - | - | 37,125,000 |
| | <u>3,391,937,739</u> | <u>(14,248,628,425)</u> | <u>13,865,996,575</u> | <u>3,009,305,888</u> |

| | Un-audited 31 December 2020 | Audited 30 June 2020 |
|---|-----------------------------------|----------------------------|
| | Rupees | |
| 17 FINANCIAL INSTRUMENTS | | |
| 17.1 Financial instruments by Category | | |
| FINANCIAL ASSETS | | |
| Debt instruments at amortised cost | | |
| Long term deposits | 8,987,690 | 8,987,690 |
| Trade debts | 1,119,870,454 | 986,719,303 |
| Other receivables | 6,993,302 | 6,993,302 |
| Bank balances | 4,620,713 | 1,360,000 |
| | <u>1,140,472,159</u> | <u>1,004,060,295</u> |
| Equity instruments at fair value through OCI | | |
| Quoted equity shares | 52,186,237 | 42,187,437 |
| Total current | 1,183,670,706 | 1,037,260,042 |
| Total non current | 8,987,690 | 8,987,690 |
| FINANCIAL LIABILITIES | | |
| At amortized cost | | |
| Trade and other payables | 770,274,572 | 271,167,452 |
| Accrued interest / mark-up | 32,578,385 | 61,040,204 |
| Unclaimed dividend | 582,885 | 613,360 |
| Payable/provision against GIDC | 82,565,582 | 62,989,100 |
| Secured bank loan | 1,018,564,080 | 873,050,628 |
| Short term finances from banks | 1,990,741,808 | 2,518,887,111 |
| | <u>3,895,307,312</u> | <u>3,787,747,855</u> |
| Total current | 2,794,177,650 | 2,914,697,227 |
| Total non current | 1,101,129,662 | 873,050,628 |

17.2 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

17.3 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The table below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1. Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2. Inputs other than quoted price 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 main level of inputs used by the Company for its financial assets are derived and evaluated as follows:

| | Level 1 (Rupees) | Level 2 (Rupees) | Level 3 (Rupees) |
|--|---------------------|---------------------|---------------------|
| As at 31 December 2020 | | | |
| Assets carried at fair value | | | |
| Equity instruments at fair value through OCI | <u>52,186,237</u> | <u>-</u> | <u>-</u> |
| As at 30 June 2020 | | | |
| Assets carried at fair value | | | |
| Equity instruments at fair value through OCI | <u>42,187,437</u> | <u>-</u> | <u>-</u> |

18 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the consolidated condensed interim statement of financial position comprise of balances as per the annual audited financial statements of the Company for the year ended 30 June 2020 and the corresponding figures in the consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of cash flows and consolidated condensed interim statement of changes in equity comprise of amounts of comparable period of the immediately preceding financial period i.e. six months and quarter ended 31 December 2019.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made in these condensed consolidated interim financial statements.

19 DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial statements has been approved by the Board of Directors of the Company and authorized for issue 24 February 2021.

20 GENERAL

Figures have been rounded off to the nearest rupee.

Shayan Abdullah
Chief Executive Officer

Shahid Abdullah
Director

Jawwad Faisal
Chief Financial Officer