



**Reliance Cotton Spinning  
Mills Limited**

HALFYEARELY REPORT

2021

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Shahid Abdullah-Chairman  
Mr. Shayan Abdullah-Chief Executive  
Mr. Amer 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

### SHARES REGISTRAR

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

### CHIEF FINANCIAL OFFICER

Mr. Jawwad Faisal

### COMPANY SECRETARY

Mr. Nauman Iqbal

### TAX CONSULTANTS

Yousuf Adil  
Chartered Accountants

### AUDITORS

**Shinewing Hameed Chaudhri & Company**  
Chartered Accountants

### LEGAL ADVISOR

Hassan & Hassan, Advocates

### BANKERS

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

### REGISTERED OFFICE

312, Cotton Exchange Building,  
I. I. Chundrigar Road, Karachi.  
Tel: +92 21 111 000 100  
Fax 922132416705

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

### MILLS

Feroze Wattoan,  
District, Sheikhupura, Punjab.

### DIRECTORS' REPORT

The Directors of the Company are pleased to present un-audited interim financial statements for the half year ended 31 December 2021, duly reviewed by the auditors.

### Financial Highlights

	31 December	
	2021	2020
	Rupees in thousand	
Sales & services	5,111,495	3,484,787
Gross profit	1,647,021	531,346
Profit from operations	1,449,353	423,669
Other income	21,864	12,598
Profit before taxation	1,346,910	318,477
Provision for tax	49,245	37,658
<b>Profit after taxation</b>	<b>1,297,665</b>	<b>280,819</b>

During first half of the financial year, revenue from operations increased by 47% compared to same period of last year, from Rs. 5,111 million to Rs. 3,485 million. Company's profitability has also improved substantially for the period under review. Gross profit as a percentage of sales was 32.2% against 15.2% during last year. Whereas, Company earned profit after tax of Rs. 1,297 million compared to Rs. 281 million in first six months of last year.

### Earnings per share

The Company's earnings per share (EPS) were at Rs.126.08 as compared to Rs. 27.29 during the same period of last year.

### Future outlook

Your Company has witnessed a remarkable growth in terms of revenue and profitability during the period under review and the management remains cautiously optimistic about the performance during second half of the current financial year on the back of adequate raw material coverage and improved product portfolio due to continued investment in state-of-the-art manufacturing technology and processes.

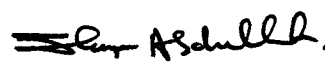
The directors appreciate the hard work and commendable services rendered by staff and workers of the Company.



Director

Lahore  
Dated: 25 February, 2022

For and on behalf of the Board



Chief Executive



## Reliance Cotton Spinning Mills Ltd.

ڈائریکٹر رپورٹ

ہم 31 دسمبر 2021ء کو ختم ہونے والی ششماہی کے لئے کمپنی کے غیر نظر ثانی شدہ عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں

تفصیل	31 دسمبر 2021ء	31 دسمبر 2020ء
فروخت اور خدمات	5,111,495	3,484,787
مجموعی منافع	1,647,021	531,346
آپریٹنگ سے منافع	1,449,353	423,669
دیگر آمدنی	21,864	12,598
ٹیکس سے پہلے منافع	1,346,910	318,477
ٹیکس کی پرویژن	49,245	37,658
ٹیکس کے بعد منافع	1,297,665	280,819

مالی سال کی پہلی ششماہی کے دوران، آپریٹنگ سے آمدنی گزشتہ سال کی اسی مدت کے مقابلے 47% تک زیادہ ہوئی، جو کہ 3,485 ملین روپے سے بڑھ کر 5,111 ملین روپے ہو گئی۔ زیر جائزہ مدت کے لئے کمپنی کا منافع بھی کافی بہتر ہوا ہے۔ اوسط فروخت کے لحاظ سے مجموعی منافع گزشتہ سال کے دوران 15.2% کے برعکس 32.2% تھا۔ جبکہ، کمپنی نے گزشتہ سال کی پہلی ششماہی میں 281 ملین روپے کے مقابلے موجودہ مدت کے دوران 1,297 ملین روپے کا ٹیکس کے بعد منافع کمایا۔

فی حصص آمدنی


کمپنی کی موجودہ مدت کی فی شیئر آمدنی (EPS) 126.08 روپے ہے جو کہ پچھلے سال کی اسی مدت کی 27.29 روپے تھی۔

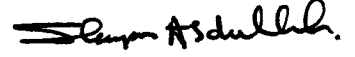
مستقبل کا نقطہ نظر

زیر جائزہ مدت کے دوران آپ کی کمپنی نے آمدنی کے لحاظ سے نمایاں نمو کے منافع کا مشاہدہ کیا اور انتظامیہ جدید مینوفیکچرنگ ٹیکنالوجی اور پرائسز میں مسلسل سرمایہ کاری کی بدولت خام مال کی کافی کوریج بہتر پراڈکٹ پورٹ فولیو کی پشت پر مالی سال کی دوسری ششماہی کے دوران کارکردگی کے بارے میں محتاط طور پر پُر امید ہے۔

اعتراف

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

  
ڈائریکٹر

منجانب بورڈ آف ڈائریکٹرز  
  
چیف ایگزیکٹو

لاہور تاریخ: 25 فروری 2022ء

## **INDEPENDENT AUDITORS' 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** (the Company) as at December 31, 2021 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 condensed interim financial statements for the six months 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 interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income for the quarters ended December 31, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2021.

### **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 Matter**

The interim financial statements for the six months period ended December 31, 2020 and the annual financial statements for the Company for the year ended June 30, 2021 were reviewed and audited, by another firm of chartered accountants who expressed unmodified conclusion and opinion on those interim and annual financial statements on February 26, 2021 and September 23 2021, respectively.

The engagement partner on the review resulting in this independent auditors' review report is Osman Hameed Chaudhri.

*ShineWing Hameed Chaudhri & Co.*

**SHINEWING HAMEED CHAUDHRI & CO.,**  
**CHARTERED ACCOUNTANTS**

**LAHORE: FEBRUARY 28, 2022**

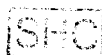
**UDIN: RR202110104Z2RlusqL7**

**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

AS AT DECEMBER 31, 2021		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,548,815,150	2,161,161,215
Long term investments	5	91,569,645	91,569,645
Long term advances and deposits		8,987,690	11,187,690
		<u>2,649,372,485</u>	<u>2,263,918,550</u>
<b>Current assets</b>			
Stores, spare parts and loose tools		57,537,284	88,495,394
Stock-in-trade	6	4,759,834,733	2,837,241,214
Trade debts		1,695,828,108	1,014,788,632
Loans and advances		89,311,352	133,857,807
Short term deposits and prepayments		10,459,691	3,390,846
Short term investments		53,694,293	55,470,065
Other receivables		20,745,609	20,778,303
Tax refunds due from Government		613,745,759	292,131,521
Cash and bank balances		30,422,896	8,756,563
		<u>7,331,579,725</u>	<u>4,454,910,345</u>
<b>Total assets</b>		<u>9,980,952,210</u>	<u>6,718,828,895</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
12,000,000 ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid-up capital			
10,292,000 ordinary shares of Rs.10 each		102,920,000	102,920,000
Reserves		124,987,067	126,762,838
Unappropriated profit		4,587,191,047	3,340,985,754
		<u>4,815,098,114</u>	<u>3,570,668,592</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term liabilities	7	1,342,476,532	1,004,448,376
Deferred income - Government grant	8	-	428,511
Staff retirement benefit - gratuity		77,641,668	72,010,728
		<u>1,420,118,200</u>	<u>1,076,887,615</u>
<b>Current liabilities</b>			
Trade and other payables		977,369,149	914,894,090
Contract liabilities		53,836,623	21,175,650
Accrued mark-up / interest		32,085,463	29,571,786
Short term borrowings	9	2,410,347,153	814,941,320
Current portion of long term finances		192,991,528	183,656,275
Unclaimed dividend		867,407	617,737
Provision for taxation		78,238,573	106,415,830
		<u>3,745,735,896</u>	<u>2,071,272,688</u>
<b>Total liabilities</b>		<u>5,165,854,096</u>	<u>3,148,160,303</u>
<b>Contingencies and commitments</b>	10		
<b>Total equity and liabilities</b>		<u>9,980,952,210</u>	<u>6,718,828,895</u>

The annexed notes form an integral part of these condensed interim financial statements.

  
Chief Executive Officer



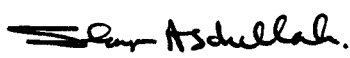
  
Director

  
Chief Financial Officer

**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Note	Quarter ended		Six months period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		----- Rupees -----			
Sales - net	11	2,560,813,990	1,668,388,814	5,111,494,838	3,484,787,158
Cost of sales	12	(1,725,988,138)	(1,389,056,909)	(3,464,474,202)	(2,953,441,183)
<b>Gross profit</b>		<b>834,825,852</b>	<b>279,331,905</b>	<b>1,647,020,636</b>	<b>531,345,975</b>
Distribution cost		(50,569,667)	(32,502,782)	(104,192,196)	(57,376,191)
Administrative expenses		(23,196,142)	(20,786,853)	(46,988,123)	(48,118,640)
Other income		17,472,146	11,235,845	21,863,741	12,598,255
Other expenses		(34,384,791)	(8,138,445)	(68,351,196)	(14,779,933)
<b>Profit from operations</b>		<b>744,147,398</b>	<b>229,139,670</b>	<b>1,449,352,862</b>	<b>423,669,466</b>
Finance cost		(66,870,200)	(53,097,844)	(102,442,771)	(105,192,532)
<b>Profit before taxation</b>		<b>677,277,198</b>	<b>176,041,826</b>	<b>1,346,910,091</b>	<b>318,476,934</b>
Taxation		(24,973,594)	(21,411,384)	(49,244,798)	(37,658,214)
<b>Profit after taxation</b>		<b>652,303,604</b>	<b>154,630,442</b>	<b>1,297,665,293</b>	<b>280,818,720</b>
<b>Earnings per share</b>					
- basic and diluted		63.37	15.02	126.08	27.29

The annexed notes form an integral part of these condensed interim financial statements.

  
Chief Executive Officer

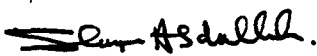
  
SHO Director

  
Chief Financial Officer

**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----			
Profit after taxation	652,303,604	154,630,442	1,297,665,293	280,818,720
Other comprehensive income / (loss)				
Items that will not be reclassified to statement of profit or loss subsequently				
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income	(1,597,888)	-	(1,775,771)	9,997,949
<b>Total comprehensive income for the period</b>	<b>650,705,716</b>	<b>154,630,442</b>	<b>1,295,889,522</b>	<b>290,816,669</b>

The annexed notes form an integral part of these condensed interim financial statements.

  
Chief Executive Officer

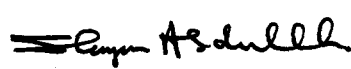
  
 Director

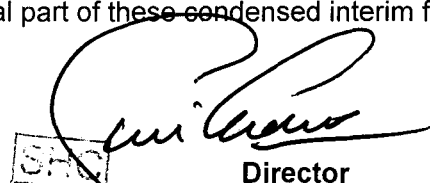
  
Chief Financial Officer

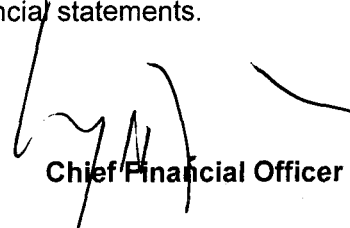
**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	<b>Six months period ended</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,346,910,091	318,476,934
<b>Adjustments for non-cash and other items:</b>		
Depreciation	111,135,524	101,300,438
Amortisation of government grant	(1,991,148)	-
Staff retirement benefit - gratuity	14,400,000	12,600,000
Provision for workers' profit participation fund	67,890,771	-
Provision for GIDC	-	19,576,482
Gain on disposal of operating fixed assets	(3,250,669)	(391,000)
Dividend income	(9,098,265)	(7,012,718)
Finance cost	102,442,771	105,192,532
	<b>1,628,439,075</b>	<b>549,742,668</b>
<b>Working capital changes</b>		
(Increase) / decrease in current assets:		
- stores, spare parts and loose tools	30,958,110	14,915,607
- stock-in-trade	(1,922,593,519)	(315,812,900)
- trade debts	(681,039,476)	(133,151,151)
- loans and advances	(14,181,575)	(11,178,559)
- short term deposit and prepayments	(7,068,845)	(158,411)
- deposits, other receivables and sales tax	(304,689,266)	-
	<b>(2,898,614,571)</b>	<b>(445,385,414)</b>
<b>Increase / (decrease) in current liabilities:</b>		
- trade and other payables	60,298,463	429,832,215
- contract liabilities	32,660,973	-
	<b>92,959,436</b>	<b>429,832,215</b>
<b>Net working capital changes</b>	<b>(2,805,655,135)</b>	<b>(15,553,199)</b>
Staff retirement benefits paid	(8,769,060)	(13,115,255)
Finance cost paid	(99,929,094)	(133,654,351)
Taxes paid	(35,587,303)	56,433,469
Workers' profit participation fund paid	(63,679,920)	-
Long term advances and deposits - net	2,200,000	75,219
	<b>(205,765,377)</b>	<b>(90,260,918)</b>
<b>Net cash (used in) / generated from operating activities</b>	<b>(1,382,981,437)</b>	<b>443,928,551</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(506,291,054)	(64,454,208)
Proceeds from disposal of operating fixed assets	10,752,264	1,425,000
Dividend income received	9,098,265	7,012,718
Government grant	1,991,148	-
<b>Net cash used in investing activities</b>	<b>(484,449,377)</b>	<b>(56,016,488)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances - obtained	411,039,120	145,513,452
- repaid	(66,137,476)	-
Dividend paid	(51,210,330)	(30,475)
Short term borrowings - net	1,595,405,833	(528,145,303)
<b>Net cash generated / (used in) from financing activities</b>	<b>1,889,097,147</b>	<b>(382,662,326)</b>
<b>Net increase in cash and cash equivalents</b>	<b>21,666,333</b>	<b>5,249,737</b>
<b>Cash and cash equivalents - at beginning of the period</b>	<b>8,756,563</b>	<b>6,270,961</b>
<b>Cash and cash equivalents - at end of the period</b>	<b>30,422,896</b>	<b>11,520,698</b>

The annexed notes form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Director**

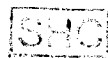
  
**Chief Financial Officer**

**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Issued, subscribed and paid-up capital	Reserves Revenue			Unrealised gain / (loss) on investments at fair value through other comprehensive income	Total
		General	Unappropriated profit	Sub-total		
				</		

The annexed notes form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**



  
**Director**

  
**Chief Financial Officer**

**RELIANCE COTON SPINNING MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

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 mill is located at Warburton Road, Ferozewattoan, District Sheikhpura, Punjab.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

**2.1.1** These 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 International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and
- Provisions of and directives issued under the Companies Act, 2017.

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

**2.1.2** These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2021. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

**2.2 Initial application of standards, amendments or an interpretation to existing standards**

**a) Standards, amendments and interpretations to accounting standards that are effective in the current period**

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2021, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

**b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.**

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2022, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

**2.3 Accounting policies**

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2021.

**3. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements for the year ended June 30, 2021.

**4. PROPERTY, PLANT AND EQUIPMENT**

		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
Operating fixed assets	4.1	2,382,856,985	2,105,320,345
Capital work-in-progress	4.2	165,958,165	55,840,870
		<u>2,548,815,150</u>	<u>2,161,161,215</u>
<b>4.1 Operating fixed assets</b>			
Net book value at beginning of the period / year		2,105,320,345	2,046,222,535
Additions during the period / year	4.1.1	396,173,759	265,815,663
Disposals costing Rs.61.713 million (June 30, 2021: Rs.1.410 million) - at net book value		(7,501,595)	(1,034,000)
Depreciation charge for the period / year		(111,135,524)	(205,683,853)
Net book value at end of the period / year		<u>2,382,856,985</u>	<u>2,105,320,345</u>
<b>4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:</b>			
Buildings on freehold land:			
• residential		14,708,434	-
• factory		4,940,697	5,518,253
Plant and machinery		356,296,628	255,847,377
Office equipment		-	104,274
Computer hardware		-	218,759
Vehicles		20,228,000	4,127,000
		<u>396,173,759</u>	<u>265,815,663</u>
<b>4.2 Capital work-in-progress</b>			
Buildings		49,470,217	22,943,767
Plant and machinery (including in transit aggregating Rs.24.885 million) (June 30, 2021: Rs.3.762 million)		112,031,784	5,307,499
Advance payments against:			
• factory / office building		-	5,328,104
• plant and machinery		1,831,164	22,261,500
• vehicles		2,625,000	-
		<u>4,456,164</u>	<u>27,589,604</u>
		<u>165,958,165</u>	<u>55,840,870</u>

## 5. LONG TERM INVESTMENTS

		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
Subsidiary Company - at cost	5.1	2,600,000	2,600,000
Associated Companies - at cost	5.2	88,969,645	88,969,645
		<u>91,569,645</u>	<u>91,569,645</u>
<b>5.1 Investments in subsidiary - unquoted at cost:</b>			
<b>RCSM Company (Private) Limited</b>			
260,000 ordinary share of Rs. 10 each			
Equity Interest held 100%		<u>2,600,000</u>	<u>2,600,000</u>
<b>5.2 Investments in associates - at cost:</b>			
<b>Quoted:</b>			
<b>Sapphire Fibers Limited</b>			
393,697 ordinary shares of Rs.10 each			
Equity interest held 1.905%		41,956,482	41,956,482
<b>Sapphire Textile Mills Limited</b>			
100,223 ordinary shares of Rs.10 each			
Equity interest held 0.462%		8,114,578	8,114,578
<b>SFL Limited</b>			
401,570 ordinary shares of Rs.10 each			
Equity interest held 2.00%		2,439,475	2,439,475
<b>Un quoted:</b>			
<b>Sapphire Finishing Mills Limited</b>			
1,556,000 ordinary shares of Rs.10 each			
Equity interest held 1.69%		16,509,160	16,509,160
<b>Sapphire Holding Limited</b>			
100,223 ordinary shares of Rs.10 each			
Equity interest held 0.5%		524,950	524,950
<b>Sapphire Power Generation Limited</b>			
555,000 ordinary shares of Rs.10 each			
Equity interest held 3.46%		<u>19,425,000</u>	<u>19,425,000</u>
		<u>88,969,645</u>	<u>88,969,645</u>
<b>6. STOCK-IN-TRADE</b>			
Raw materials - in hand		3,480,213,322	1,793,227,469
Raw materials - in transit		644,420,691	457,048,189
Work-in-process		277,036,934	223,211,729
Finished goods		358,163,786	363,753,827
		<u>4,759,834,733</u>	<u>2,837,241,214</u>

**7. LONG TERM LIABILITIES**

		Un-audited December 31, 2021	Audited June 30, 2021
	<b>Note</b>	<b>----- Rupees -----</b>	
Long term finances	<b>7.1</b>	<b>1,447,619,939</b>	1,102,718,295
Provision for Gas Infrastructure Development Cess	<b>7.2</b>	<b>87,848,121</b>	85,386,356
		<b>1,535,468,060</b>	1,188,104,651
Less: current portion grouped under current liabilities		<b>(192,991,528)</b>	(183,656,275)
		<b>1,342,476,532</b>	1,004,448,376

**7.1 Long term finances - secured**

Balance at beginning of the period / year		<b>1,102,718,295</b>	873,050,628
Add: disbursements during the period / year	<b>7.1.1 &amp; 7.1.2</b>	<b>411,039,120</b>	281,264,456
Less: repayments made during the period / year		<b>(66,137,476)</b>	(51,596,789)
Balance at end of the period / year		<b>1,447,619,939</b>	1,102,718,295

**7.1.1** The Company, during the period, has entered into a Diminishing Musharakah arrangement amounted Rs. 900 million with Meezan Bank Limited (Islamic) for BMR through import of plant and machinery. The bank, during the period, has disbursed Rs.357.819 million in eight tranches of different amounts against the said facility. This finance facility is secured against first pari passu charge over all present and future plant and machinery of the Company with 25% margin.

**7.1.2** Except for the above new finance facility obtained by the Company and receipt of two tranches under the existing finance facilities, all other terms and conditions of long term finances are materially same as disclosed in the audited annual financial statements of the Company for the year ended June 30, 2021. These finances, during the period, carried mark-up / profit at the rates ranged from 2.50% to 4.00% (June 30, 2021: 1.00% to 11.84%) per annum.

**7.2** The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 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 falls under the category of consumer and had 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.

**8. DEFERRED INCOME -  
GOVERNMENT GRANT**

	Un-audited December 31, 2021	Audited June 30, 2021
	<b>----- Rupees -----</b>	
Government grant on loan at below market rate of interest - net	<b>1,823,348</b>	3,814,496
Less: current portion grouped under current liabilities	<b>1,823,348</b>	3,385,985
	<b>-</b>	428,511

- 8.1 Government grant has been recognised against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.
- 8.2 The Company has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the period, Rs.1.991 million has been recognized in the condensed interim statement of profit or loss.

**9. SHORT TERM BORROWINGS**

	Note	Un-audited December 31, 2021	Audited June 30, 2021
		----- Rupees -----	
Short term loans	9.1	589,000,000	360,000,000
Running finance under mark-up arrangements	9.1	1,821,347,153	453,169,206
Temporary bank overdraft - unsecured		-	1,772,114
		<b>2,410,347,153</b>	<b>814,941,320</b>

- 9.1 The Company has obtained short term finance facilities, including facilities for foreign currency loans, aggregating Rs.8,303 million (June 30, 2021: Rs.7,318 million) from various commercial banks under mark-up arrangements. These finance facilities are secured against hypothecation charge of Rs.14,495 million (June 30, 2021: Rs.13,828 million) over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors. These finances carry mark-up / profit at the rates ranging from 7.76% to 10.52% (June 30, 2021: 2.50% to 9.33%) per annum. These facilities are expiring on various dates by December 31, 2022.

**10. CONTINGENCIES AND COMMITMENTS****10.1 Contingencies**

	Un-audited December 31, 2021	Audited June 30, 2021
	----- Rupees -----	
Guarantees issued by banks on behalf of the Company	<b>256,662,298</b>	<b>223,990,298</b>

Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at December 31, 2021 the value of these cheques amounted to Rs.471.349 million (June 30, 2021: Rs.447.543 million).

There has been no material change in the status of other contingencies as disclosed in the audited annual financial statements of the Company for the year ended June 30, 2021.

**10.2 Commitments in respect of :**

	Un-audited December 31, 2021	Audited June 30, 2021
	----- Rupees -----	
• letters of credit for capital expenditure	<b>800,933,534</b>	<b>537,740,658</b>
• letters of credit for purchase of cotton, raw materials and stores, spare parts	<b>792,690,647</b>	<b>385,234,801</b>
• capital expenditure other than letters of credit	<b>37,710,435</b>	<b>34,638,687</b>
• foreign bills discounted	<b>79,701,163</b>	-

**11. SALES - net**

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----		----- Rupees -----	
<b>SALES - NET</b>				
<b>Local:</b>				
Yarn	677,027,906	316,330,229	1,186,079,819	647,814,508
Raw material	14,575,238	-	24,528,077	-
Waste	34,533,587	21,090,343	48,966,619	33,416,022
	726,136,731	337,420,572	1,259,574,515	681,230,530
<b>Export:</b>				
Yarn	641,716,833	349,006,365	1,209,349,983	830,765,609
Yarn (indirect export)	1,162,406,728	946,684,763	2,563,527,466	1,899,050,662
Waste	27,454,098	33,031,914	73,632,674	71,495,157
	1,831,577,659	1,328,723,042	3,846,510,123	2,801,311,428
	2,557,714,390	1,666,143,614	5,106,084,638	3,482,541,958
<b>Steam income</b>	3,099,600	2,245,200	5,410,200	2,245,200
	2,560,813,990	1,668,388,814	5,111,494,838	3,484,787,158

**12. COST OF SALES**

	----- Un-audited -----			
	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----			
<b>Note</b>				
Finished goods at beginning of the period	273,314,321	279,179,783	363,753,827	432,548,884
Cost of goods manufactured 12.1	1,810,837,603	1,389,339,473	3,458,884,161	2,800,354,646
	2,084,151,924	1,668,519,256	3,822,637,988	3,232,903,530
Finished goods at end of the period	(358,163,786)	(279,462,346)	(358,163,786)	(279,462,347)
	1,725,988,138	1,389,056,910	3,464,474,202	2,953,441,183

**12.1 Cost of goods  
manufactured**

	----- Un-audited -----			
	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----			
Work-in-process at beginning of the period	214,426,485	251,925,949	223,211,729	204,534,246
Raw materials consumed	1,501,949,403	988,177,065	2,712,416,152	2,136,009,496
Direct labour and other overheads	371,498,649	345,603,462	800,293,214	656,177,907
	1,873,448,052	1,333,780,527	3,512,709,366	2,792,187,403
	2,087,874,537	1,585,706,476	3,735,921,095	2,996,721,649
Work-in-process at end of the period	(277,036,934)	(196,367,003)	(277,036,934)	(196,367,003)
	1,810,837,603	1,389,339,473	3,458,884,161	2,800,354,646

**13. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2021, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

These condensed interim financial statement does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2021.

**14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Given below is the analysis of financial instruments, carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Company's financial assets measured at fair value consists of level 1 financial assets amounting Rs.53.694 million (June 30, 2021: Rs.55.470 million).

The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

**15. TRANSACTIONS WITH RELATED PARTIES****15.1 Significant transactions with related parties are as follows:**

<b>Un-audited</b>	
<b>Six months period ended</b>	
<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>----- Rupees -----</b>	

**Transactions with Associated Companies**

## Sales:

- raw material / yarn / stores  
and spare parts

<b>437,555,022</b>	357,062,491
--------------------	-------------

## Purchases:

- raw material / yarn / stores  
and spare parts

<b>53,740,791</b>	32,833,878
-------------------	------------

## Expenses charged by

<b>6,199,552</b>	5,679,286
------------------	-----------

## Expenses charged to

-	3,852,557
---	-----------

## Dividend:

- received

<b>5,440,310</b>	5,552,290
------------------	-----------

- paid

<b>8,527,150</b>	-
------------------	---

**Transactions with Key management personnel**

## Remuneration and other benefits

<b>45,631,367</b>	35,420,537
-------------------	------------

**15.2 Period / year end balances  
are as follows:**

<b>Un-audited</b>	<b>Audited</b>
<b>December 31, 2021</b>	<b>June 30, 2021</b>
<b>----- Rupees -----</b>	

**Receivables from related parties**

## Trade debts

<b>320,404,052</b>	58,235,406
--------------------	------------

## Loans and advances

<b>78,528</b>	-
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**Payable to related parties**

## Trade and other payables

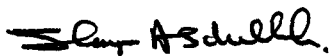
<b>72,151,961</b>	6,282,936
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**16. CORRESPONDING FIGURES**

- In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2021, whereas, the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial statements of the Company for the six months period ended December 31, 2020.
- Comparative information has been re-classified, re-arranged or additionally incorporated in these interim financial statements, where necessary, to facilities better comparison and to conform with the changes in presentation.

## 17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 25, 2022.



Chief Executive Officer

  
SHC

Director

  
Chief Financial Officer

## **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 period ended December 31, 2021. 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.

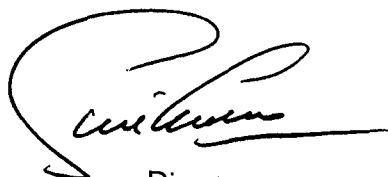
RCSM Company (Pvt.) Limited is incorporated in Pakistan as private limited by share wholly owned by Reliance Cotton Spinning Mills Limited under the Companies Ordinance, 1984 on November 08, 2017.

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 Board**



Chief Executive  
Shayan Abdullah



Director  
Shahid Abdullah

Lahore  
February 25, 2022



## ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 31 دسمبر 2021ء کو ختم ہونے والی ششماہی کے لئے ریلیٹنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ کے اشتہال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتہال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتہال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

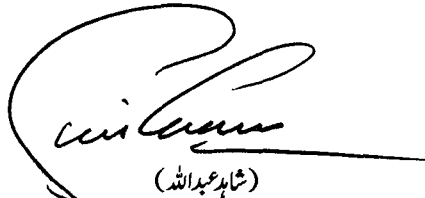
### RCSM کمپنی (پرائیویٹ) لمیٹڈ:


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، 1984 کے تحت پاکستان میں قائم ہوا۔ مکمل ملکیتی ذیلی کمپنی 8 نومبر 2017ء کو قائم ہوئی تھی۔

RCSM کمپنی (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس، 1984 کے تحت 08 نومبر 2017 کو ریلیٹنس 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

  
(شاہان عبداللہ)  
چیف ایگزیکٹو

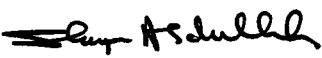
لاہور

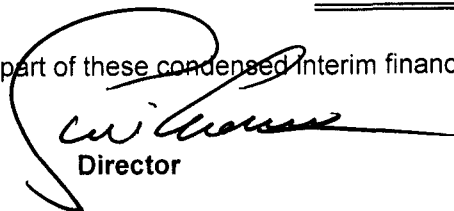
تاریخ 25 فروری 2022ء

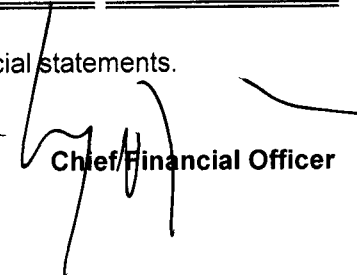
**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION(UN-AUDITED)**  
**AS AT DECEMBER 31, 2021**

		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,548,815,150	2,161,161,215
Long term investments	5	1,192,688,322	1,065,257,214
Long term advances and deposits		8,987,690	11,187,690
		<u>3,750,491,162</u>	<u>3,237,606,119</u>
<b>Current assets</b>			
Stores, spare parts and loose tools		57,537,284	88,495,394
Stock-in-trade	6	4,759,834,733	2,837,241,214
Trade debts		1,695,828,108	1,014,788,632
Loans and advances		89,311,352	133,857,807
Short term deposits and prepayments		10,459,691	3,390,846
Short term investments		56,090,985	57,774,461
Other receivables		20,745,609	20,778,303
Tax refunds due from Government		613,745,759	292,131,521
Cash and bank balances		30,488,822	8,920,138
		<u>7,334,042,343</u>	<u>4,457,378,316</u>
<b>Total assets</b>		<u><b>11,084,533,505</b></u>	<u><b>7,694,984,435</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
12,000,000 ordinary shares of Rs.10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid-up capital			
10,292,000 ordinary shares of Rs.10 each		102,920,000	102,920,000
Reserves		101,117,102	109,844,368
Unappropriated profit		5,588,422,183	4,222,246,418
		<u>5,792,459,285</u>	<u>4,435,010,786</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term liabilities	7	1,342,476,532	1,004,448,375
Deferred liabilities		203,756,792	184,087,679
		<u>1,546,233,324</u>	<u>1,188,536,054</u>
<b>Current liabilities</b>			
Trade and other payables		977,474,149	915,058,995
Contract liabilities		53,836,623	21,175,650
Accrued mark-up / interest		32,085,463	29,571,786
Short term borrowings	9	2,410,347,153	814,941,320
Current portion of long term finances		192,991,528	183,656,276
Unclaimed dividend		867,407	617,737
Provision for taxation		78,238,573	106,415,831
		<u>3,745,840,896</u>	<u>2,071,437,595</u>
<b>Total liabilities</b>		<u><b>5,292,074,220</b></u>	<u><b>3,259,973,649</b></u>
<b>Contingencies and commitments</b>	10		
<b>Total equity and liabilities</b>		<u><b>11,084,533,505</b></u>	<u><b>7,694,984,435</b></u>

The annexed notes form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

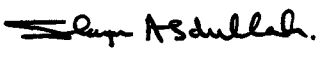
  
**Director**

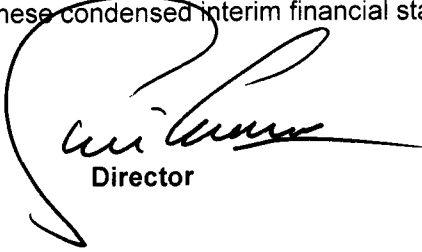
  
**Chief Financial Officer**


**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

		Quarter ended		Six months period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Note		----- Rupees -----			
Sales - net	11	2,560,813,990	1,668,388,814	5,111,494,838	3,484,787,158
Cost of sales	12	(1,725,988,138)	(1,389,056,909)	(3,464,474,202)	(2,953,441,183)
<b>Gross profit</b>		<b>834,825,852</b>	279,331,905	<b>1,647,020,636</b>	531,345,975
Distribution cost		(50,569,667)	(32,502,782)	(104,192,196)	(57,376,191)
Administrative expenses		(23,196,142)	(20,786,853)	(46,988,123)	(48,118,640)
Other income		12,125,802	11,235,845	16,517,397	7,045,965
Other expenses		(34,411,709)	(8,138,445)	(68,390,614)	(14,811,003)
<b>Profit from operations</b>		<b>738,774,136</b>	229,139,670	<b>1,443,967,100</b>	418,086,106
Finance cost		(66,870,200)	(53,097,844)	(102,442,771)	(105,192,532)
Share of profit of associates		66,701,381	37,124,565	139,822,918	74,363,102
<b>Profit before taxation</b>		<b>738,605,317</b>	213,166,391	<b>1,481,347,247</b>	387,256,676
Taxation		(33,036,671)	(21,411,384)	(63,711,482)	(50,901,221)
<b>Profit after taxation</b>		<b>705,568,646</b>	191,755,007	<b>1,417,635,765</b>	336,355,455
<b>Earnings per share</b>					
- basic and diluted		<b>75.03</b>	18.63	<b>137.74</b>	32.68

The annexed notes form an integral part of these condensed interim financial statements.

  
Chief Executive Officer


  
Director

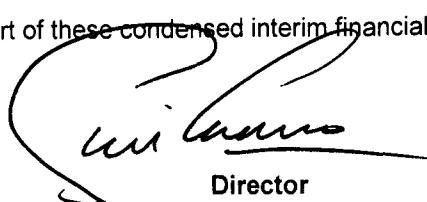
  
Chief Financial Officer

**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----			
<b>Profit after taxation</b>	<b>705,568,646</b>	<b>191,755,007</b>	<b>1,417,635,765</b>	<b>336,355,455</b>
<b>Other comprehensive income / (loss)</b>				
<b>Items that will not be reclassified to statement of profit or loss subsequently</b>				
Share in associates' unrealised loss on available sales investment as FVTOCI	3,863,078	9,188,007	(11,189,553)	43,633,405
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income	2,655,509	2,551,341	2,523,501	9,997,949
	6,518,587	11,739,348	(8,666,052)	53,631,354
Share in associate's unrealized gain on hedging instruments	81,977	195,518	(61,214)	274,454
<b>Total comprehensive income for the period</b>	<b>712,169,210</b>	<b>203,689,873</b>	<b>1,408,908,499</b>	<b>390,261,263</b>

The annexed notes form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Director**

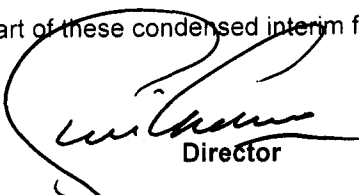
  
**Chief Financial Officer**

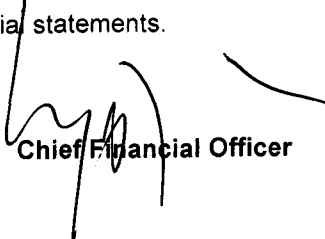
**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Six months period ended	
	December 31, 2021	December 31, 2020
	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,481,347,247	387,256,676
<b>Adjustments for non-cash and other items:</b>		
Depreciation	111,135,524	101,300,438
Amortisation of government grant	(1,991,148)	-
Staff retirement benefit - gratuity	28,866,684	12,600,000
Provision for workers' profit participation fund	67,890,771	-
Provision for GIDC	-	19,576,482
Gain on disposal of operating fixed assets	(3,250,669)	(391,000)
Dividend income	(3,712,503)	(1,460,428)
Finance cost	102,442,771	105,192,532
Share of profit from associates	(139,822,918)	(74,363,102)
	<u>1,642,905,759</u>	<u>549,711,598</u>
<b>Working capital changes</b>		
(Increase) / decrease in current assets:		
- stores, spare parts and loose tools	30,958,110	14,915,607
- stock-in-trade	(1,922,593,519)	(315,812,900)
- trade debts	(681,039,476)	(133,151,151)
- loans and advances	(14,181,575)	(11,178,559)
- short term deposit and prepayments	(7,068,845)	(158,411)
- deposits, other receivables and sales tax	(304,689,266)	-
	<u>(2,898,614,571)</u>	<u>(445,385,414)</u>
<b>Increase / (decrease) in current liabilities:</b>		
- trade and other payables	60,200,816	429,863,287
- contract liabilities	32,660,973	-
	<u>92,861,789</u>	<u>429,863,287</u>
<b>Net working capital changes</b>	<u>(2,805,752,782)</u>	<u>(15,522,127)</u>
Staff retirement benefits paid	(8,769,060)	(13,115,255)
Finance cost paid	(99,929,094)	(133,654,351)
Taxes (paid) / refund received	(50,053,988)	56,433,469
Workers' profit participation fund paid	(63,679,920)	-
Long term advances and deposits - net	2,200,000	75,219
	<u>(220,232,062)</u>	<u>(90,260,918)</u>
<b>Net cash (used in) / generated from operating activities</b>	<u>(1,383,079,085)</u>	<u>443,928,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(506,291,054)	(64,454,208)
Proceeds from disposal of operating fixed assets	10,752,264	1,425,000
Dividend income received	9,098,265	7,012,718
Government grant	1,991,148	-
<b>Net cash used in investing activities</b>	<u>(484,449,377)</u>	<u>(56,016,490)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances - obtained	411,039,120	145,513,452
- repaid	(66,137,476)	-
Dividend paid	(51,210,330)	(30,475)
Short term borrowings - net	1,595,405,833	(528,145,303)
<b>Net cash generated / (used in) from financing activities</b>	<u>1,889,097,147</u>	<u>(382,662,326)</u>
<b>Net increase in cash and cash equivalents</b>	<u>21,568,685</u>	<u>5,249,737</u>
<b>Cash and cash equivalents - at beginning of the period</b>	<u>8,920,138</u>	<u>6,325,506</u>
<b>Cash and cash equivalents - at end of the period</b>	<u>30,488,823</u>	<u>11,575,243</u>

The annexed notes form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

**RELIANCE COTTON SPINNING MILLS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Issued, subscribed and paid-up capital	General	Reserves Revenue Unappropriated profit	Sub-total	Unrealised gain / (loss) on investments at fair value through other comprehensive income	Total
Balance as at July 1, 2020 (Audited)	102,920,000	118,353,673	2,879,828,079	2,998,181,752	(34,684,581)	3,066,417,171
<b>Total comprehensive income for the six months period ended December 31, 2020</b>						
Profit for the period	-	-	336,355,455	336,355,455	-	336,355,455
Other comprehensive income	-	-	-	-	54,155,217	54,155,217
	-	-	336,355,455	336,355,455	54,155,217	390,510,672
<b>Balance as at December 31, 2020 (Un-audited)</b>	<b>102,920,000</b>	<b>118,353,673</b>	<b>3,216,183,534</b>	<b>3,334,537,207</b>	<b>19,470,636</b>	<b>3,456,927,843</b>
Balance as at July 1, 2021 (Audited)	102,920,000	118,353,673	4,222,246,418	4,340,600,091	(8,509,305)	4,435,010,786
<b>Transactions with owners of the Company</b>						
Final dividend related to the year ended June 30, 2021 @ Rs.5 per share	-	-	(51,460,000)	(51,460,000)	-	(51,460,000)
<b>Total comprehensive income for the six months period ended December 31, 2021</b>						
Profit for the period	-	-	1,417,635,765	1,417,635,765	-	1,417,635,765
Other comprehensive loss	-	-	-	-	(8,727,266)	(8,727,266)
	-	-	1,417,635,765	1,417,635,765	(8,727,266)	1,408,908,499
<b>Balance as at December 31, 2021 (Un-audited)</b>	<b>102,920,000</b>	<b>118,353,673</b>	<b>5,588,422,183</b>	<b>5,706,775,856</b>	<b>(17,236,571)</b>	<b>5,792,459,285</b>

The annexed notes form an integral part of these condensed interim financial statements.

Sayyid Asadullah.  
Chief Executive Officer

Director

**Chief Financial Officer**

**RELIANCE COTON SPINNING MILLS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** Reliance Cotton Spinning Mills Limited ("The Parent Company") was incorporated in Pakistan on 13 June 1990 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Parent Company was listed on 16 June 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 Sheikhpura. Puniab.

**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 8 November 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.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

**2.1.1** These condensed consolidated 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 International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and
- Provisions of and directives issued under the Companies Act, 2017.

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

**2.1.2** These consolidated financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with **Tax** the Company's annual audited financial statements for the year ended June 30, 2021. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

**2.2 Initial application of standards, amendments or an interpretation to existing standards**

**a) Standards, amendments and interpretations to accounting standards that are effective in the current period**

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2021, but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

- b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.**

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 01, 2022, but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these Consolidated financial statements.

### 2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these consolidated financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2021.

### 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements for the year ended June 30, 2021.

### 4. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
Operating fixed assets	4.1	2,382,856,985	2,105,320,345
Capital work-in-progress	4.2	165,958,165	55,840,870
		<u>2,548,815,150</u>	<u>2,161,161,215</u>
<b>4.1 Operating fixed assets</b>			
Net book value at beginning of the period / year		2,105,320,345	2,046,222,535
Additions during the period / year	4.1.1	396,173,759	265,815,663
Disposals costing Rs.61.713 million (June 30, 2021: Rs.1.410 million) - at net book value		(7,501,595)	(1,034,000)
Depreciation charge for the period / year		(111,135,524)	(205,683,853)
Net book value at end of the period / year		<u>2,382,856,985</u>	<u>2,105,320,345</u>
<b>4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:</b>			
Buildings on freehold land:			
• residential		14,708,434	-
• factory		4,940,697	5,518,253
Plant and machinery		356,296,628	255,847,377
Office equipment		-	104,274
Computer hardware		-	218,759
Vehicles		20,228,000	4,127,000
		<u>396,173,759</u>	<u>265,815,663</u>

## 4.2 Capital work-in-progress

	Un-audited December 31, 2021	Audited June 30, 2021
	----- Rupees -----	
Buildings	49,470,217	22,943,767
Plant and machinery (including in transit aggregating Rs.24.885 million) (June 30, 2021: Rs.3.762 million)	112,031,784	5,307,499
Advance payments against:		
• factory / office building	-	5,328,104
• plant and machinery	1,831,164	22,261,500
• vehicles	2,625,000	-
	4,456,164	27,589,604
	<u>165,958,165</u>	<u>55,840,870</u>

## 5. LONG TERM INVESTMENTS

## Investments in associates - at cost:

## Quoted:

Sapphire Fibres Limited	5.1	613,052,246	557,655,068
Sapphire Textile Mills Limited	5.2	165,844,424	141,173,457

## Un-quoted:

SFL Limited	5.3	114,381,319	98,004,906
Sapphire Finishing Mills Limited	5.4	189,050,174	169,302,390
Sapphire Holding Limited	5.5	58,292,860	51,026,273
Sapphire Power Generation Limited	5.6	52,067,299	48,095,120

<u>1,192,688,322</u>	<u>1,065,257,214</u>
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## Investments in associates - at cost:

## Quoted:

## 5.1 Sapphire Fibers Limited

393,697 ordinary shares of Rs.10 each

Equity interest held 1.905%

Share of post acquisition profit

Dividend received

41,956,482	41,956,482
575,032,734	515,698,586
(3,936,970)	
<u>613,052,246</u>	<u>557,655,068</u>

## 5.2 Sapphire Textile Mills Limited

100,223 ordinary shares of Rs.10 each

Equity interest held 0.462%

Share of post acquisition profit

Dividend received

8,114,578	8,114,578
159,233,191	133,058,879
(1,503,345)	
<u>165,844,424</u>	<u>141,173,457</u>

Un quoted:		Un-audited	Audited
5.3	SFL Limited	December 31, 2021	June 30, 2021
Note		----- Rupees -----	
	401,570 ordinary shares of Rs.10 each		
	Equity interest held 2.00%	2,439,475	2,439,475
	Share of post acquisition profit	111,941,844	95,565,431
	Dividend received		
		<u>114,381,319</u>	<u>98,004,906</u>
5.4	<b>Sapphire Finishing Mills Limited</b>		
	1,556,000 ordinary shares of Rs.10 each		
	Equity interest held 1.69%	16,509,160	16,509,160
	Share of post acquisition profit	172,541,014	152,793,230
	Dividend received		
		<u>189,050,174</u>	<u>169,302,390</u>
5.5	<b>Sapphire Holding Limited</b>		
	100,223 ordinary shares of Rs.10 each		
	Equity interest held 0.5%	524,950	524,950
	Share of post acquisition profit	57,767,910	50,501,323
	Dividend received		
		<u>58,292,860</u>	<u>51,026,273</u>
5.6	<b>Sapphire Power Generation Limited</b>		
	555,000 ordinary shares of Rs.10 each		
	Equity interest held 3.46%	19,425,000	19,425,000
	Share of post acquisition profit	32,642,299	34,220,120
	Dividend received		(5,550,000)
		<u>52,067,299</u>	<u>48,095,120</u>
6.	<b>STOCK-IN-TRADE</b>		
	Raw materials - in hand	3,480,213,322	1,793,227,469
	Raw materials - in transit	644,420,691	457,048,189
	Work-in-process	277,036,934	223,211,729
	Finished goods	358,163,786	363,753,827
		<u>4,759,834,733</u>	<u>2,837,241,214</u>
7.	<b>LONG TERM LIABILITIES</b>		
	Long term finances	7.1 1,447,619,939	1,102,718,295
	Provision for Gas Infrastructure Development Cess	7.2 87,848,121	85,386,355
		<u>1,535,468,060</u>	<u>1,188,104,650</u>
	Less: current portion grouped under current liabilities	(192,991,528)	(183,656,275)
		<u>1,342,476,532</u>	<u>1,004,448,375</u>

**7.1 Long term finances - secured**

		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
Balance at beginning of the period / year		1,102,718,295	873,050,628
Add: disbursements during the period / year	7.1.1 & 7.1.2	411,039,120	281,264,456
Less: repayments made during the period / year		(66,137,476)	(51,596,789)
Balance at end of the period / year		<u>1,447,619,939</u>	<u>1,102,718,295</u>

**7.1.1** The Parent company, during the period, has entered into a Diminishing Musharakah arrangement amounted Rs. 900 million with Meezan Bank Limited (Islamic) for BMR through import of plant and machinery. The bank, during the period, has disbursed Rs.357.819 million in eight tranches of different amounts against the said facility. This finance facility is secured against first pari passu charge over all present and future plant and machinery of the Group with 25% margin.

**7.1.2** Except for the above new finance facility obtained by the Group and receipt of two tranches under the existing finance facilities, all other terms and conditions of long term finances are materially same as disclosed in the audited annual financial statements of the Group for the year ended June 30, 2021. These finances, during the period, carried mark-up / profit at the rates ranged from 2.50% to 4.00% (June 30, 2021: 1.00% to 11.84%) per annum.

**7.2** The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 2020 decided the appeal against the Group 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 parent company falls under the category of consumer and had 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 Group.

**8. DEFERRED INCOME - GOVERNMENT GRANT**

Government grant on loan at below market rate of interest - net	1,823,348	3,814,496
Less: current portion grouped under current liabilities	1,823,348	3,385,985
	<u>-</u>	<u>428,511</u>

**8.1** Government grant has been recognised against loan obtained at below market interest rate under the SBP refinance scheme for salaries and wages. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

**8.2** The Parent Company has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the period, Rs.1.991 million has been recognized in the condensed interim statement of profit or loss.

**9. SHORT TERM BORROWINGS**

		Un-audited December 31, 2021	Audited June 30, 2021
	Note	----- Rupees -----	
Short term loans	9.1	589,000,000	360,000,000
Running finance under mark-up arrangements	9.1	1,821,347,153	453,169,206
Temporary bank overdraft - unsecured		-	1,772,114
		<u>2,410,347,153</u>	<u>814,941,320</u>

- 9.1 The Parent company has obtained short term finance facilities, including facilities for foreign currency loans, aggregating Rs.8,303 million (June 30, 2021: Rs.7,318 million) from various commercial banks under mark-up arrangements. These finance facilities are secured against hypothecation charge of Rs.14,495 million (June 30, 2021: Rs.13,828 million) over current assets of the Group, lien on export / import documents, trust receipts and promissory notes duly signed by the directors. These finances carry mark-up / profit at the rates ranging from 7.76% to 10.52% (June 30, 2021: 2.50% to 9.33%) per annum. These facilities are expiring on various dates by

**10. CONTINGENCIES AND COMMITMENTS****10.1 Contingencies**

	Un-audited December 31, 2021	Audited June 30, 2021
	----- Rupees -----	
Guarantees issued by banks on behalf of the Group	<u>256,662,298</u>	<u>223,990,298</u>

Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at December 31, 2021 the value of these cheques amounted to Rs.471.349 million (June 30, 2021: Rs.447.543 million).

There has been no material change in the status of other contingencies as disclosed in the audited annual financial statements of the Company for the year ended June 30, 2021.

**10.2 Commitments in respect of :**

	Un-audited December 31, 2021	Audited June 30, 2021
	----- Rupees -----	
• letters of credit for capital expenditure	<u>800,933,534</u>	<u>537,740,658</u>
• letters of credit for purchase of cotton, raw materials and stores, spare parts	<u>792,690,647</u>	<u>385,234,801</u>
• capital expenditure other than letters of credit	<u>37,710,435</u>	<u>34,638,687</u>
• foreign bills discounted	<u>79,701,163</u>	<u>-</u>

**11. SALES - net**

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----		----- Rupees -----	
<b>SALES - NET</b>				
<b>Local:</b>				
Yarn	677,027,906	316,330,229	1,186,079,819	647,814,508
Raw material	14,575,238	-	24,528,077	-
Waste	34,533,587	21,090,343	48,966,619	33,416,022
	726,136,731	337,420,572	1,259,574,515	681,230,530
<b>Export:</b>				
Yarn	641,716,833	349,006,365	1,209,349,983	830,765,609
Yarn (indirect export)	1,162,406,728	946,684,763	2,563,527,466	1,899,050,662
Waste	27,454,098	33,031,914	73,632,674	71,495,157
	1,831,577,659	1,328,723,042	3,846,510,123	2,801,311,428
	2,557,714,390	1,666,143,614	5,106,084,638	3,482,541,958
<b>Steam income</b>	3,099,600	2,245,200	5,410,200	2,245,200
	2,560,813,990	1,668,388,814	5,111,494,838	3,484,787,158

**12. COST OF SALES**

Finished goods at beginning of the period	273,314,321	279,179,783	363,753,827	432,548,884
Cost of goods manufactured 12.1	1,810,837,603	1,389,339,473	3,458,884,161	2,800,354,646
	2,084,151,924	1,668,519,256	3,822,637,988	3,232,903,530
Finished goods at end of the period	(358,163,786)	(279,462,346)	(358,163,786)	(279,462,347)
	1,725,988,138	1,389,056,910	3,464,474,202	2,953,441,183

**12.1 Cost of goods manufactured**

	----- Un-audited -----			
	Quarter ended		Six months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- Rupees -----			
Work-in-process at beginning of the period	214,426,485	251,925,949	223,211,729	204,534,246
Raw materials consumed	1,501,949,403	988,177,065	2,712,416,152	2,136,009,496
Direct labour and other overheads	371,498,649	345,603,462	800,293,214	656,177,907
	1,873,448,052	1,333,780,527	3,512,709,366	2,792,187,403
	2,087,874,537	1,585,706,476	3,735,921,095	2,996,721,649
Work-in-process at end of the period	(277,036,934)	(196,367,003)	(277,036,934)	(196,367,003)
	1,810,837,603	1,389,339,473	3,458,884,161	2,800,354,646

**13. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Group's sensitivity to these risks since June 30, 2021, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

These consolidated financial statement does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Group's audited annual financial statement as at June 30, 2021.

**14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Given below is the analysis of financial instruments, carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Company's financial assets measured at fair value consists of level 1 financial assets amounting Rs.53.694 million (June 30, 2021: Rs.55.470 million).

The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

**15. TRANSACTIONS WITH RELATED PARTIES****15.1 Significant transactions with related parties are as follows:**

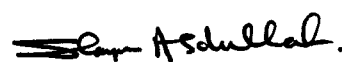
	Un-audited	
	Six months period ended	
	December 31, 2021	December 31, 2020
	----- Rupees -----	
<b>Transactions with Associated Companies</b>		
Sales:		
• raw material / yarn / stores and spare parts	437,555,022	357,062,491
Purchases:		
• raw material / yarn / stores and spare parts	53,740,791	32,833,878
Expenses charged by	6,199,552	5,679,286
Expenses charged to	-	3,852,557
Dividend:		
• received	5,440,310	5,552,290
• paid	8,527,150	-
<b>Transactions with Key management personnel</b>		
Remuneration and other benefits	45,631,367	35,420,537
	Un-audited	Audited
	December 31, 2021	June 30, 2021
	----- Rupees -----	
<b>15.2 Period / year end balances are as follows:</b>		
<b>Receivables from related parties</b>		
Trade debts	320,404,052	58,235,406
Loans and advances	78,528	-
<b>Payable to related parties</b>		
Trade and other payables	72,151,961	6,282,936

**16. CORRESPONDING FIGURES**

- In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2021, whereas, the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of consolidated financial statements of the Group for the six months period ended December 31, 2020.
- Comparative information has been re-classified, re-arranged or additionally incorporated in these interim financial statements, where necessary, to facilitate better comparison and to conform with the changes in presentation.

**17. DATE OF AUTHORISATION FOR ISSUE**

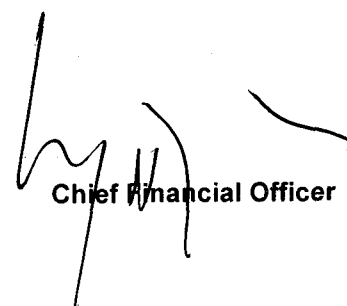
These Group financial statements were approved by the Board of Directors and authorised for issue on February 25, 2022.



Chief Executive Officer



Director



Chief Financial Officer