Sapphire

Reliance Cotton Spinning Mills Limited

3rd QUARTER REPORT

2022

Contents

Reliance Cotton Spinning Mills Limited

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

MILLS
Feroze Wattoan,
District, Sheikhupura, Punjab.

312, Cotton Exchange Building,
I.I. Chundrigar Road, Karachi (Pakistan).
UAN: +92 21 3241 0930, Fax: +92 21 3241 6705
7A-K, Main Boulevard, Gulberg II,Lahore (Pakistan)
Phone: +92 42 35750410, Fax: +92 42 35758783
World Fax: +1 917 5913166

Sapphire **Reliance Cotton Spinning Mills Ltd.**

DIRECTORS' REPORT

The Directors of your Company are pleased to present un-audited interim financial statements for the nine months ended 31 March 2022.

Financial Highlights

	31 March 2022	31 March 2021
	Rupees in thousand	
Sales & services	7,961,337	5,416,696
Gross profit	2,658,395	1,023,822
Profit from operations	2,355,139	833,903
Other income	28,463	16,241
Profit before taxation	2,186,298	683,564
Provision for tax	(77,361)	(58,506)
Profit after taxation	2,108,937	625,058

During first nine months of the current financial year, revenue from operations increased by 47% compared to same period of last year, from Rs. 5,416 million to Rs. 7,961 million. Profitability has also improved substantially during the period under review. The Company earned profit after tax of Rs. 2,109 million against Rs. 625 million during comparable period of last year.

Earnings per share

The Company's earnings per share (EPS) were at Rs.204.91 as compared to Rs. 60.73 during the same period of last year.

Future outlook

Your Company has been able to achieve significant growth in terms of sales and profitability in recent past and the current trend is also very encouraging. The management remains cautiously optimistic about the performance during remainder of the current financial year.

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

For and on behalf of the Board

Director

Chief Executive

Lahore
Dated: 27 April, 2022

312, Cotton Exchange Building,
I.I. Chundrigar Road, Karachi (Pakistan).
UAN: +92 21 3241 0930, Fax: +92 21 3241 6705
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Sapphire

Reliance Cotton Spinning Mills Ltd.

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 31 مارچ 2022ء کو ختم ہونے والی نو ماہی کے لئے کمپنی کے غیر نظر ثانی شدہ مالیاتی گوشواروں پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں

تفصیل	31 مارچ 2022ء	31 مارچ 2021ء
فروخت اور خدمات	7,961,337	5,416,696
مجموعی منافع	2,658,395	1,023,822
آپریشنز سے منافع	2,355,139	833,903
دیگر آمدنی	28,463	16,241
ٹیکس سے پہلے منافع	2,186,298	683,564
ٹیکسیشن	(77,361)	(58,506)
ٹیکس کے بعد منافع	2,108,937	625,058

رواں مالی سال کے پہلے نو ماہ کے دوران، آپریشنز سے آمدنی گزشتہ سال کی اسی مدت کے مقابلے 47% بڑھ کر 5,416 ملین روپے سے 7,961 ملین روپے ہوگئی۔ زیرِ جائزہ مدت کے دوران منافع بھی کافی بہتر ہوا۔ کمپنی نے گزشتہ سال کی تقابلی مدت کے دوران درج 625 ملین روپے کے مقابلے موجودہ مدت کے دوران 2,109 ملین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی موجودہ مدت کی فی شیئر آمدنی (EPS) 204.91 روپے ہے جو کہ پچھلے سال کی اسی مدت میں 60.73 روپے تھی۔

مستقبل کا نقطہ نظر

آپ کی کمپنی ماضی قریب میں فروخت اور منافع کے لحاظ سے نمایاں نمو حاصل کرنے میں کامیاب رہی ہے اور موجودہ رجحان بھی بہت حوصلہ افزاء ہے۔ انتظامیہ موجودہ مالی سال کے بقیہ عرصے کے دوران کارکردگی کے بارے میں محتاط طور پر پُر امید ہے۔

اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

شاہد عبداللہ
ڈائریکٹر

شایان عبداللہ
چیف ایگزیکٹو

لاہور:
بتاریخ: 27 اپریل 2022ء

RELIANCE COTTON SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- Rupees -----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,737,455,026**	2,161,161,215
Long term investments	5	**91,569,645**	91,569,645
Long term advances and deposits		**5,579,420**	11,187,690
		2,834,604,091	2,263,918,550
Current assets			
Stores, spare parts and loose tools		**46,415,655**	88,495,394
Stock-in-trade	6	**4,802,115,179**	2,837,241,214
Trade debts		**1,731,138,289**	1,014,788,632
Loans and advances		**184,078,022**	133,857,807
Short term deposits and prepayments		**13,607,766**	3,390,846
Short term investments		**55,219,299**	55,470,065
Other receivables		**89,514,199**	20,778,303
Tax refunds due from Government		**636,693,301**	292,131,521
Cash and bank balances		**8,764,127**	8,756,563
		7,567,545,837	4,454,910,345
Total assets		**10,402,149,928**	6,718,828,895
EQUITY AND LIABILITIES			
Share capital and reserves			
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		**126,512,073**	126,762,838
Unappropriated profit		**5,398,463,108**	3,340,985,754
		5,627,895,181	3,570,668,592
Liabilities			
Non-current liabilities			
Long term liabilities	7	**1,499,826,691**	1,004,448,376
Deferred liabilities		**82,054,596**	72,439,239
		1,581,881,287	1,076,887,615
Current liabilities			
Trade and other payables		**1,075,773,049**	914,894,090
Contract liabilities		**31,462,818**	21,175,650
Accrued mark-up / interest		**34,046,770**	29,571,786
Short term borrowings	8	**1,792,035,214**	814,941,320
Current portion of long term finances		**151,833,881**	183,656,275
Unclaimed dividend		**867,407**	617,737
Provision for taxation		**106,354,321**	106,415,830
		3,192,373,460	2,071,272,688
Total liabilities		**4,774,254,747**	3,148,160,303
Contingencies and commitments	9		
Total equity and liabilities		**10,402,149,928**	6,718,828,895

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 NINE MONTHS PERIOD ENDED MARCH 31, 2022

		Nine months period ended		Quarter ended	
		March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	Note	Rupees			
Sales - net	**10**	**7,961,337,555**	5,416,695,870	**2,849,842,717**	1,931,908,712
Cost of sales	**11**	**(5,302,942,081)**	(4,392,873,901)	**(1,838,467,879)**	(1,439,432,718)
Gross profit		**2,658,395,474**	1,023,821,969	**1,011,374,838**	492,475,994
Distribution cost		**(133,995,580)**	(95,416,015)	**(29,803,384)**	(38,039,824)
Administrative expenses		**(86,302,821)**	(77,846,017)	**(39,314,698)**	(29,727,377)
Other income		**28,463,437**	16,240,862	**6,599,696**	3,642,607
Other expenses		**(111,421,976)**	(32,897,788)	**(43,070,780)**	(18,117,855)
Profit from operations		**2,355,138,534**	833,903,011	**905,785,672**	410,233,545
Finance cost		**(168,840,634)**	(150,339,141)	**(66,397,863)**	(45,146,609)
Profit before taxation		**2,186,297,900**	683,563,870	**839,387,809**	365,086,936
Taxation		**(77,360,546)**	(58,505,898)	**(28,115,748)**	(20,847,684)
Profit after taxation		**2,108,937,354**	625,057,972	**811,272,061**	344,239,252
Earnings per share					
- basic and diluted		**204.91**	60.73	**78.83**	33.45

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 OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2022

	Nine months period ended		Quarter ended	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	----------------- Rupees -----------------			
Profit after taxation	**2,108,937,354**	625,057,972	**811,272,061**	344,239,252
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	**(250,765)**	12,086,567	**1,525,006**	2,088,618
Total comprehensive income for the period	**2,108,686,589**	637,144,539	**812,797,067**	346,327,870

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 QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2022

	Nine months period ended	
	December 31, 2022	March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	----- Rupees -----	
Profit before taxation	**2,186,297,900**	683,563,870
Adjustments for non-cash and other items:		
Depreciation	**172,328,747**	152,478,644
Staff retirement benefit - gratuity	**21,600,000**	18,900,000
Provision for workers' profit participation fund	**110,996,703**	-
Provision for GIDC	**-**	19,576,482
Gain on disposal of operating fixed assets	**(4,821,382)**	(391,000)
Dividend income	**(10,390,672)**	(7,258,720)
Finance cost	**168,840,634**	150,339,141
	2,644,851,930	1,017,208,417
Working capital changes		
(Increase) / decrease in current assets:		
- stores, spare parts and loose tools	**42,079,739**	(11,360,615)
- stock-in-trade	**(1,964,873,965)**	(472,333,887)
- trade debts	**(716,349,657)**	(39,008,673)
- loans and advances	**(50,220,215)**	(32,306,924)
- short term deposit and prepayments	**(78,952,816)**	(297,855)
	(2,768,316,914)	(555,307,954)
Increase / (decrease) in current liabilities:		
- trade and other payables	**99,375,123**	724,596,135
- contract liabilities	**10,287,168**	-
	109,662,291	724,596,135
Net working capital changes	**(2,658,654,623)**	169,288,181
Staff retirement benefits paid	**(11,984,643)**	(17,912,772)
Finance cost paid	**(164,365,650)**	(174,356,531)
Taxes paid	**(405,335,016)**	10,114,469
Rebate income received		108,039
Workers' profit participation fund paid	**(63,679,920)**	-
Long term advances and deposits - net	**5,608,270**	-
	(639,756,959)	(182,046,795)
Net cash (used in) / generated from operating activities	**(653,559,652)**	1,004,449,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(756,124,153)**	(407,130,946)
Proceeds from disposal of operating fixed assets	**12,322,977**	1,425,000
Long term investments made	**-**	(2,500,000)
Dividend income received	**10,390,672**	7,258,720
Net cash used in investing activities	**(733,410,504)**	(400,947,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances - obtained	**558,722,984**	145,536,952
- repaid	**(97,628,828)**	(16,132,895)
Dividend paid	**(51,210,330)**	(30,673)
Short term borrowings - net	**977,093,894**	(730,188,277)
Net cash generated / (used in) from financing activities	**1,386,977,720**	(600,814,893)
Net increase in cash and cash equivalents	**7,564**	2,687,686
Cash and cash equivalents - at beginning of the period	**8,756,563**	6,270,961
Cash and cash equivalents - at end of the period	**8,764,127**	8,958,647

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 QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2022

	Issued, subscribed and paid-up capital	Reserves – Revenue – General	Reserves – Revenue – Unappropriated profit	Reserves – Sub-total	Unrealised gain / (loss) on investments at fair value through other comprehensive income	Total
	------ Rupees ------					
Balance as at July 1, 2020 *(Audited)*	102,920,000	130,000,000	2,143,482,206	2,273,482,206	(16,518,940)	2,359,883,266
Total comprehensive income for the Nine months period ended March 31, 2021						
Profit for the period	-	-	625,057,972	625,057,972	-	625,057,972
Other comprehensive income	-	-	-	-	12,086,567	12,086,567
	-	-	625,057,972	625,057,972	12,086,567	637,144,539
Balance as at March 31, 2021 ***(Un-audited)***	**102,920,000**	**130,000,000**	**2,768,540,178**	**2,898,540,178**	**(4,432,373)**	**2,997,027,805**
Balance as at July 1, 2021 *(Audited)*	102,920,000	130,000,000	3,340,985,754	3,470,985,754	(3,237,162)	3,570,668,592
Transactions with owners of the Company						
Final dividend related to the year ended June 30, 2021 @ Rs.5 per share	-	-	(51,460,000)	(51,460,000)	-	(51,460,000)
Total comprehensive income for the Nine months period ended March 31, 2022						
Profit for the period	-	-	2,108,937,354	2,108,937,354	-	2,108,937,354
Other comprehensive loss	-	-	-	-	(250,765)	(250,765)
	-	-	2,108,937,354	2,108,937,354	(250,765)	2,108,686,589
Balance as at March 31, 2022 ***(Un-audited)***	**102,920,000**	**130,000,000**	**5,398,463,108**	**5,528,463,108**	**(3,487,927)**	**5,627,895,181**

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 QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2022

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 Sheikhupura, Punjab.

2. BASIS OF PREPARATION AND SIGNIFCANT 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

- 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

	Note	**Un-audited March 31, 2022**	Audited June 30, 2021
		----- Rupees -----	
Operating fixed assets	**4.1**	**2,321,663,767**	2,105,320,345
Capital work-in-progress	**4.2**	**415,791,259**	55,840,870
		2,737,455,026	2,161,161,215

4.1 Operating fixed assets

	Note	**Un-audited March 31, 2022**	Audited June 30, 2021
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**	**396,173,764**	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		**(172,328,747)**	(205,683,853)
Net book value at end of the period / year		**2,321,663,767**	2,105,320,345

4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:

	Un-audited March 31, 2022	Audited June 30, 2021
Buildings on freehold land:		
• residential	**14,708,434**	-
• factory	**4,940,697**	5,518,253
Plant and machinery	**356,296,633**	255,847,377
Office equipment	**-**	104,274
Computer hardware	**-**	218,759
Vehicles	**20,228,000**	4,127,000
	396,173,764	265,815,663

4.2 Capital work-in-progress

	Un-audited March 31, 2022	Audited June 30, 2021
Buildings	**54,077,117**	22,943,767
Plant and machinery	**328,349,779**	5,307,499
Advance payments against:		
• factory / office building	**18,545,363**	5,328,104
• plant and machinery	**468,000**	22,261,500
• vehicles	**14,351,000**	-
	33,364,363	27,589,604
	415,791,259	55,840,870

5. LONG TERM INVESTMENTS

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- 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
		91,569,645	91,569,645

5.1 Investments in subsidiary - unquoted at cost:

RCSM Company (Private) Limited		
260,000 ordinary share of Rs. 10 each Equity Interest held 100%	**2,600,000**	2,600,000

5.2 Investments in associates - at cost:

Quoted:		
Sapphire Fibers Limited		
393,697 ordinary shares of Rs.10 each Equity interest held 1.905%	**41,956,482**	41,956,482
Sapphire Textile Mills Limited		
100,223 ordinary shares of Rs.10 each Equity interest held 0.462%	**8,114,578**	8,114,578
SFL Limited		
401,570 ordinary shares of Rs.10 each Equity interest held 2.00%	**2,439,475**	2,439,475
Un quoted:		
Sapphire Finishing Mills Limited		
1,556,000 ordinary shares of Rs.10 each Equity interest held 1.69%	**16,509,160**	16,509,160
Sapphire Holding Limited		
100,223 ordinary shares of Rs.10 each Equity interest held 0.5%	**524,950**	524,950
Sapphire Power Generation Limited		
555,000 ordinary shares of Rs.10 each Equity interest held 3.46%	**19,425,000**	19,425,000
	88,969,645	88,969,645

6. STOCK-IN-TRADE

Raw materials - in hand	**3,541,122,390**	1,793,227,469
Raw materials - in transit	**468,143,042**	457,048,189
Work-in-process	**340,206,814**	223,211,729
Finished goods	**452,642,933**	363,753,827
	4,802,115,179	2,837,241,214

7. LONG TERM LIABILITIES

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- Rupees -----	
Long term finances	7.1	1,563,812,451	1,102,718,295
Provision for Gas Infrastructure Development Cess	7.2	87,848,121	85,386,356
		1,651,660,572	1,188,104,651
Less: current portion grouped under current liabilities		(151,833,881)	(183,656,275)
		1,499,826,691	1,004,448,376

7.1 Long term finances - secured

	Note	Un-audited March 31, 2022	Audited June 30, 2021
Balance at beginning of the period / year		1,102,718,295	873,050,628
Add: disbursements during the period / year	7.1.1	558,722,984	281,264,456
Less: repayments made during the period / year		(97,628,828)	(51,596,789)
Balance at end of the period / year		1,563,812,451	1,102,718,295

7.1.1 Except for the receipt of thirteen tranches of long term finances under the existing finance facilities all other terms and conditions of long term finances are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2021. These long term finances, during the period, carried mark-up / profit at the rates ranged from 2.50% to 10.82% (June 30, 2021: 2.50% to 4.00%) 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. SHORT TERM BORROWINGS

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- Rupees -----	
Short term loans	8.1	1,220,000,000	360,000,000
Running finance under mark-up arrangements	8.1	572,035,214	453,169,206
Temporary bank overdraft - unsecured		-	1,772,114
		1,792,035,214	814,941,320

8.1 The Company has obtained short term finance facilities, including facilities for foreign currency loans, aggregating Rs.10,699 million (June 30, 2021: Rs.8,303 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.14,495 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 7.44% to 10.64% (June 30, 2021: 7.76% to 10.52%) per annum. These facilities are expiring on various dates by December 31, 2031.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

	Un-audited March 31, 2022	Audited June 30, 2021
	----- Rupees -----	
Guarantees issued by banks on behalf of the Company	**286,662,298**	223,990,298

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.

9.2 Commitments in respect of :

	Un-audited March 31, 2022	Audited June 30, 2021
	----- Rupees -----	
• letters of credit for capital expenditure	**651,561,587**	537,740,658
• letters of credit for purchase of cotton, raw materials and stores, spare parts	**840,879,980**	385,234,801
• capital expenditure other than letters of credit	**98,796,641**	34,638,687

10. SALES - net

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

	Nine months period ended		Quarter ended	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	----- Rupees -----		----- Rupees -----	
SALES - NET				
Local:				
Yarn	**2,241,971,559**	1,510,768,298	**1,055,891,740**	862,953,790
Raw material	**52,453,242**	-	**27,925,165**	-
Waste	**80,545,818**	47,093,679	**31,579,199**	13,677,657
	2,374,970,619	1,557,861,977	**1,115,396,104**	876,631,447
Export:				
Yarn	**1,674,130,643**	1,323,933,164	**464,780,660**	493,167,555
Yarn (indirect export)	**3,817,947,169**	2,425,222,175	**1,254,419,703**	526,171,513
Waste	**86,490,924**	105,908,190	**12,858,250**	34,413,033
	5,578,568,736	3,855,063,529	**1,732,058,613**	1,053,752,101
	7,953,539,355	5,412,925,506	**2,847,454,717**	1,930,383,548
Steam income	**7,798,200**	3,663,600	**2,388,000**	1,418,400
Processing Income	-	106,764	-	106,764
	7,961,337,555	5,416,695,870	**2,849,842,717**	1,931,908,712

11. COST OF SALES

	Note	----- Un-audited -----			
		Nine months period ended		Quarter ended	
		March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	Note	----- Rupees -----			
Finished goods at beginning of the period		**363,753,827**	432,548,884	**358,163,786**	279,462,346
Cost of goods manufactured	**11.1**	**5,391,831,187**	4,266,729,945	**1,932,947,026**	1,466,375,299
		5,755,585,014	4,699,278,829	**2,291,110,812**	1,745,837,645
Finished goods at end of the period		**(452,642,933)**	(306,404,928)	**(452,642,933)**	(306,404,927)
		5,302,942,081	4,392,873,901	**1,838,467,879**	1,439,432,718

11.1 Cost of goods manufactured	Un-audited			
	Nine months period ended		**Quarter ended**	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	Rupees			
Work-in-process at beginning of the period	**223,211,729**	204,534,246	**277,036,934**	196,367,003
Raw materials consumed	**4,065,687,284**	3,270,955,615	**1,353,271,132**	1,134,946,119
Direct labour and other overheads	**1,443,138,988**	1,015,817,778	**642,845,774**	359,639,871
	5,508,826,272	4,286,773,393	**1,996,116,906**	1,494,585,990
	5,732,038,001	4,491,307,639	**2,273,153,840**	1,690,952,993
Work-in-process at end of the period	**(340,206,814)**	(224,577,694)	**(340,206,814)**	(224,577,694)
	5,391,831,187	4,266,729,945	**1,932,947,026**	1,466,375,299

12. 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.

13. 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.55.219 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.

14. TRANSACTIONS WITH RELATED PARTIES

14.1 Significant transactions with related parties are as follows:

	Un-audited Six months period ended March 31, 2022	Un-audited Six months period ended March 31, 2021
	----- Rupees -----	
(i) Subsidiary		
Shares allotted	**0**	2,500,000
(ii) Associated companies		
Sales:		
• raw material / yarn / stores and spare parts	**699,284,683**	519,255,072
Purchases:		
• raw material / yarn / stores and spare parts	**71,178,640**	50,659,145
Expenses charged by	**6,199,552**	8,013,548
Expenses charged to	**0**	3,852,557
Loan repaid	**0**	37,125,000
Dividend:		
• received	**5,440,310**	5,550,000
• paid	**8,527,150**	23,675
(iii) Transactions with Key management personnel		
Remuneration and other benefits	**68,447,051**	40,877,040

15. 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, 2021.
- 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.

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors and authorised for issue on April 27, 2022.

Chief Executive Officer **Director** **Chief Financial Officer**

312, Cotton Exchange Building,
I.I. Chundrigar Road, Karachi (Pakistan).
UAN: +92 21 3241 0930, Fax: +92 21 3241 6705
7A-K, Main Boulevard, Gulberg II,Lahore (Pakistan)
Phone: +92 42 35750410, Fax: +92 42 35758783
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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 nine months ended March 31, 2022. 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
April 27, 2022

312, Cotton Exchange Building,
I.I. Chundrigar Road, Karachi (Pakistan).
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Sapphire

Reliance Cotton Spinning Mills Ltd.

ڈائریکٹرز کی حصص داران کو رپورٹ

ڈائریکٹرز 31 مارچ 2022ء کو ختم ہونے والی نو ماہی کے لئے ریلائنس کاٹن سپننگ ملز لمیٹڈ اور اسکی ذیلی کمپنی RCSM کمپنی (پرائیویٹ) لمیٹڈ کے اشتمال 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 اشتمال 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 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 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 کام کرنا نہیں ہے۔

منجانب بورڈ آف ڈائریکٹرز

(شایان عبداللہ)
چیف ایگزیکٹو

(شاہد عبداللہ)
ڈائریکٹر

لاہور
تاریخ 27 فروری 2022ء

RELIANCE COTTON SPINNING MILLS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- Rupees -----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,737,455,026**	2,161,161,215
Long term investments	5	**1,245,102,557**	1,065,257,214
Long term advances and deposits		**5,579,420**	11,187,690
		3,988,137,003	3,237,606,119
Current assets			
Stores, spare parts and loose tools		**46,415,655**	88,495,394
Stock-in-trade	6	**4,802,115,179**	2,837,241,214
Trade debts		**1,731,138,290**	1,014,788,632
Loans and advances		**184,078,022**	133,857,807
Short term deposits and prepayments		**13,607,766**	3,390,846
Short term investments		**57,671,396**	57,774,461
Other receivables		**89,514,199**	20,778,303
Tax refunds due from Government		**636,693,301**	292,131,521
Cash and bank balances		**8,830,053**	8,920,138
		7,570,063,861	4,457,378,316
Total assets		**11,558,200,864**	7,694,984,435
EQUITY AND LIABILITIES			
Share capital and reserves			
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		**92,253,247**	109,844,368
Unappropriated profit		**6,456,537,738**	4,222,246,418
		6,651,710,985	4,435,010,786
Liabilities			
Non-current liabilities			
Long term liabilities	7	**1,499,826,691**	1,004,448,375
Deferred liabilities		**214,179,001**	184,087,679
		1,714,005,692	1,188,536,054
Current liabilities			
Trade and other payables		**1,075,883,775**	915,058,995
Contract liabilities		**31,462,818**	21,175,650
Accrued mark-up / interest		**34,046,770**	29,571,786
Short term borrowings	8	**1,792,035,214**	814,941,320
Current portion of long term finances		**151,833,881**	183,656,276
Unclaimed dividend		**867,407**	617,737
Provision for taxation		**106,354,322**	106,415,831
		3,192,484,187	2,071,437,595
Total liabilities		**4,906,489,879**	3,259,973,649
Contingencies and commitments	9		
Total equity and liabilities		**11,558,200,864**	7,694,984,435

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 NINE MONTHS PERIOD ENDED MARCH 31, 2022

		Nine months period ended		Quarter ended	
		March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	Note	Rupees			
Sales - net	10	**7,961,337,555**	5,416,695,870	**2,849,842,717**	1,931,908,712
Cost of sales	11	**(5,302,942,081)**	(4,392,873,901)	**(1,838,467,879)**	(1,439,432,718)
Gross profit		**2,658,395,474**	1,023,821,969	**1,011,374,838**	492,475,994
Distribution cost		**(133,995,580)**	(95,416,015)	**(29,803,384)**	(38,039,824)
Administrative expenses		**(86,302,821)**	(77,846,017)	**(39,314,698)**	(29,727,377)
Other income		**23,023,122**	10,690,862	**6,505,725**	3,642,607
Other expenses		**(111,467,220)**	(32,981,563)	**(43,076,606)**	(18,117,855)
Profit from operations		**2,349,652,975**	828,269,236	**905,685,875**	410,233,545
Finance cost		**(168,840,634)**	(150,339,141)	**(66,397,863)**	(45,146,609)
Share of profit of associates		**202,775,390**	108,512,236	**62,952,472**	60,916,273
Profit before taxation		**2,383,587,731**	786,442,331	**902,240,484**	426,003,209
Taxation		**(97,836,411)**	(73,424,212)	**(34,124,929)**	(20,847,684)
Profit after taxation		**2,285,751,320**	713,018,119	**868,115,555**	405,155,525
Earnings per share					
- basic and diluted		**222.09**	69.28	**84.35**	39.37

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
CONSSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2022

	Nine months period ended		Quarter ended	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	---------------- Rupees ----------------			
Profit after taxation	**2,285,751,320**	713,018,119	**868,115,555**	405,155,525
Other comprehensive income / (loss)				
Items that will not be reclassified to statement of profit or loss subsequently				
Share in associates' unrealised loss on available sales investment as	**(17,768,746)**	24,533,247	**(6,579,193)**	(19,100,158)
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income	**(101,389)**	12,086,567	**(2,624,890)**	2,088,618
	(17,870,135)	36,619,814	**(9,204,083)**	(17,011,540)
Share in associate's unrealized gain on hedging instruments	**276,081**	1,816,644	**337,295**	1,542,190
Total comprehensive income for the period	**2,268,157,266**	751,454,577	**859,248,767**	389,686,175

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 MARCH 31, 2022

	Six months period ended	
	March 31, 2022	March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	----- Rupees -----	
Profit before taxation	**2,383,587,731**	786,442,331
Adjustments for non-cash and other items:		
Depreciation	**172,328,747**	152,478,644
Amortisation of government grant	**(1,991,148)**	
Staff retirement benefit - gratuity	**28,866,684**	18,900,000
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)**	(1,708,720)
Finance cost	**168,840,634**	150,339,141
Share of profit from associates	**(139,822,918)**	(108,512,236)
	2,672,737,329	1,017,124,642
Working capital changes		
(Increase) / decrease in current assets:		
- stores, spare parts and loose tools	**42,079,739**	(11,360,615)
- stock-in-trade	**(1,964,873,965)**	(472,333,887)
- trade debts	**(716,349,658)**	(39,008,673)
- loans and advances	**(14,181,575)**	(32,306,924)
- short term deposit and prepayments	**(10,216,920)**	(297,855)
- deposits, other receivables and sales tax	**(373,457,856)**	-
	(3,037,000,235)	(555,307,954)
Increase / (decrease) in current liabilities:		
- trade and other payables	**(59,760,388)**	724,588,940
- contract liabilities	**10,287,168**	-
	(49,473,220)	724,588,940
Net working capital changes	**(3,086,473,455)**	169,280,986
Staff retirement benefits paid	**1,653,149**	(17,912,772)
Finance cost paid	**(164,365,650)**	(174,356,531)
Taxes (paid) / refund received	**(56,063,168)**	10,114,469
Workers' profit participation fund paid	**(63,679,920)**	-
Rebate income received		108,039
Long term advances and deposits - net	**5,608,270**	-
	(276,847,319)	(182,046,795)
Net cash (used in) / generated from operating activities	**(690,583,445)**	1,004,358,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(756,124,153)**	(407,130,946)
Proceeds from disposal of operating fixed assets	**10,752,264**	1,425,000
Dividend income received	**9,098,265**	7,258,720
Net cash used in investing activities	**(736,273,624)**	(398,447,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances - obtained	**558,722,984**	145,536,952
- repaid	**(97,628,828)**	(16,132,894)
Dividend paid	**(51,210,330)**	(30,673)
Short term borrowings - net	**977,093,894**	(730,188,277)
Net cash generated / (used in) from financing activities	**1,386,977,720**	(600,814,892)
Net increase in cash and cash equivalents	**(39,879,349)**	5,096,715
Cash and cash equivalents - at beginning of the period	**8,920,138**	6,325,506
Cash and cash equivalents - at end of the period	**(30,959,211)**	11,422,222

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 MARCH 31, 2022

	Issued, subscribed and paid-up capital	Reserves - Revenue: General	Reserves - Revenue: Unappropriated profit	Reserves - Revenue: Sub-total	Unrealised gain / (loss) on investments at fair value through other comprehensive income	Total
	--		Rupees	--		
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
Total comprehensive income for the nine months period ended March 31, 2021						
Profit for the period	-	-	713,018,119	713,018,119	-	713,018,119
Other comprehensive income	-	-	-	-	38,436,458	38,436,458
	-	-	713,018,119	713,018,119	38,436,458	751,454,577
Effects of items directly recognized in equity by associates		(2,936,729)	-	**(2,936,729)**	-	**(2,936,729)**
Balance as at March 31, 2021 *(Un-audited)*	**102,920,000**	**115,416,944**	**3,592,846,198**	**3,708,263,142**	**3,751,877**	**3,814,935,019**
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
Transactions with owners of the Company						
Final dividend related to the year ended June 30, 2021 @ Rs.5 per share	-	-	(51,460,000)	(51,460,000)	-	(51,460,000)
Total comprehensive income for the nine months period ended March 31, 2022						
Profit for the period	-	-	2,285,751,320	2,285,751,320	-	2,285,751,320
Other comprehensive loss	-	-	-	-	(17,594,054)	(17,594,054)
	-	-	2,285,751,320	2,285,751,320	(17,594,054)	2,268,157,266
Effects of items directly recognized in equity by		2,933	-	2,933	-	2,933
Balance as at March 31, 2022 *(Un-audited)*	**102,920,000**	**118,356,606**	**6,456,537,738**	**6,574,894,344**	**(26,103,359)**	**6,651,710,985**

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 CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2022

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 Sheikhupura, Punjab.

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

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

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- Rupees -----	
Operating fixed assets	4.1	**2,321,663,767**	2,105,320,345
Capital work-in-progress	4.2	**415,791,259**	55,840,870
		2,737,455,026	2,161,161,215

4.1 Operating fixed assets

	Note	Un-audited March 31, 2022	Audited June 30, 2021
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	**396,173,764**	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		**(172,328,747)**	(205,683,853)
Net book value at end of the period / year		**2,321,663,767**	2,105,320,345

4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:

	Un-audited March 31, 2022	Audited June 30, 2021
Buildings on freehold land:		
• residential	**14,708,434**	-
• factory	**4,940,697**	5,518,253
Plant and machinery	**356,296,633**	255,847,377
Office equipment	**-**	104,274
Computer hardware	**-**	218,759
Vehicles	**20,228,000**	4,127,000
	396,173,764	265,815,663

	Note	Un-audited March 31, 2022	Audited June 30, 2021
4.2 Capital work-in-progress			
		----- Rupees -----	
Buildings		**54,077,117**	22,943,767
Plant and machinery		**328,349,779**	5,307,499
Advance payments against:			
• factory / office building		**18,545,363**	5,328,104
• plant and machinery		**468,000**	22,261,500
• vehicles		**14,351,000**	-
		33,364,363	27,589,604
		415,791,259	55,840,870

5. LONG TERM INVESTMENTS

	Note	Un-audited March 31, 2022	Audited June 30, 2021
Investments in associates - at cost:			
Quoted:			
Sapphire Fibres Limited	**5.1**	**637,287,610**	557,655,068
Sapphire Textile Mills Limited	**5.2**	**175,557,294**	141,173,457
Un-quoted:			
SFL Limited	**5.3**	**120,494,303**	98,004,906
Sapphire Finishing Mills Limited	**5.4**	**197,317,385**	169,302,390
Sapphire Holding Limited	**5.5**	**60,908,569**	51,026,273
Sapphire Power Generation Limited	**5.6**	**53,537,396**	48,095,120
		1,245,102,557	1,065,257,214

Investments in associates - at cost:

Quoted:

	Un-audited March 31, 2022	Audited June 30, 2021
5.1 Sapphire Fibers Limited		
393,697 ordinary shares of Rs.10 each		
Equity interest held 1.905%	**41,956,482**	41,956,482
Share of post acquisition profit	**599,268,098**	515,698,586
Dividend received	**(3,936,970)**	0
	637,287,610	557,655,068
5.2 **Sapphire Textile Mills Limited**		
100,223 ordinary shares of Rs.10 each		
Equity interest held 0.462%	**8,114,578**	8,114,578
Share of post acquisition profit	**168,946,061**	133,058,879
Dividend received	**(1,503,345)**	
	175,557,294	141,173,457

		Note	Un-audited March 31, 2022	Audited June 30, 2021
	Un quoted:			
5.3	**SFL Limited**			
			----- 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		**118,054,828**	95,565,431
			120,494,303	98,004,906
5.4	**Sapphire Finishing Mills Limited**			
	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		**180,808,225**	152,793,230
	Dividend received			
			197,317,385	169,302,390
5.5	**Sapphire Holding Limited**			
	100,223 ordinary shares of Rs.10 each			
	Equity interest held 0.5%		**524,950**	524,950
	Share of post acquisition profit		**60,383,619**	50,501,323
	Dividend received			
			60,908,569	51,026,273
5.6	**Sapphire Power Generation Limited**			
	555,000 ordinary shares of Rs.10 each			
	Equity interest held 3.46%		**19,425,000**	19,425,000
	Share of post acquisition profit		**34,112,396**	34,220,120
	Dividend received		**-**	(5,550,000)
			53,537,396	48,095,120
6.	**STOCK-IN-TRADE**			
	Raw materials - in hand		**3,541,122,390**	1,793,227,469
	Raw materials - in transit		**468,143,042**	457,048,189
	Work-in-process		**340,206,814**	223,211,729
	Finished goods		**452,642,933**	363,753,827
			4,802,115,179	2,837,241,214
7.	**LONG TERM LIABILITIES**			
	Long term finances	**7.1**	**1,563,812,451**	1,102,718,295
	Provision for Gas Infrastructure Development Cess	**7.2**	**87,848,121**	85,386,355
			1,651,660,572	1,188,104,650
	Less: current portion grouped under current liabilities		**(151,833,881)**	(183,656,275)
			1,499,826,691	1,004,448,375

7.1 Long term finances - secured

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		----- 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	**558,722,984**	281,264,456
Less: repayments made during the period / year		**(97,628,828)**	(51,596,789)
Balance at end of the period / year		**1,563,812,451**	1,102,718,295

7.1.1 Except for the receipt of thirteen tranches of long term finances under the existing finance facilities all other terms and conditions of long term finances are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2021. These long term finances, during the period, carried mark-up / profit at the rates ranged from 2.50% to 10.82% (June 30, 2021: 2.50% to 4.00%) 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 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. SHORT TERM BORROWINGS

	Note	Un-audited March 31, 2022	Audited June 30, 2021
Short term loans	8.1	**1,220,000,000**	360,000,000
Running finance under mark-up arrangements	8.1	**572,035,214**	453,169,206
Temporary bank overdraft - unsecured		**-**	1,772,114
		1,792,035,214	814,941,320

8.1 The Parent Company has obtained short term finance facilities, including facilities for foreign currency loans, aggregating Rs.10,699 million (June 30, 2021: Rs.8,303 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.14,495 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 7.44% to 10.64% (June 30, 2021: 7.76% to 10.52%) per annum. These facilities are expiring on various dates by December 31, 2031.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

	Un-audited March 31, 2022	Audited June 30, 2021
	----- Rupees -----	
Guarantees issued by banks on behalf of the Group	**286,662,298**	223,990,298

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.

	Un-audited March 31, 2022	Audited June 30, 2021
9.2 Commitments in respect of :	----- Rupees -----	
• letters of credit for capital expenditure	**651,561,587**	537,740,658
• letters of credit for purchase of cotton, raw materials and stores, spare parts	**840,879,980**	385,234,801
• capital expenditure other than letters of credit	**98,796,641**	34,638,687

10. SALES - net

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

	Nine months period ended		Quarter ended	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	----- Rupees -----		----- Rupees -----	
SALES - NET				
Local:				
Yarn	**2,241,971,559**	1,510,768,298	**1,055,891,740**	862,953,790
Raw material	**52,453,242**	-	**27,925,165**	-
Waste	**80,545,818**	47,093,679	**31,579,199**	13,677,657
	2,374,970,619	1,557,861,977	**1,115,396,104**	876,631,447
Export:				
Yarn	**1,674,130,643**	1,323,933,164	**464,780,660**	493,167,555
Yarn (indirect export)	**3,817,947,169**	2,425,222,175	**1,254,419,703**	526,171,513
Waste	**86,490,924**	105,908,190	**12,858,250**	34,413,033
	5,578,568,736	3,855,063,529	**1,732,058,613**	1,053,752,101
	7,953,539,355	5,412,925,506	**2,847,454,717**	1,930,383,548
Steam income	**7,798,200**	3,663,600	**2,388,000**	1,418,400
Processing Income	**-**	106,764	**-**	106,764
	7,961,337,555	5,416,695,870	**2,849,842,717**	1,931,908,712

11. COST OF SALES

Finished goods at beginning of the period	**363,753,827**	432,548,884	**358,163,786**	279,462,346
Cost of goods manufactured **11.1**	**5,391,831,187**	4,266,729,945	**1,932,947,026**	1,466,375,299
	5,755,585,014	4,699,278,829	**2,291,110,812**	1,745,837,645
Finished goods at end of the period	**(452,642,933)**	(306,404,928)	**(452,642,933)**	(306,404,928)
	5,302,942,081	4,392,873,901	**1,838,467,879**	1,439,432,718

11.1 Cost of goods manufactured	Un-audited			
	Nine months period ended		**Quarter ended**	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	Rupees			
Work-in-process at beginning of the period	**223,211,729**	204,534,246	**277,036,934**	196,367,003
Raw materials consumed	**4,065,687,284**	3,270,955,615	**1,353,271,132**	1,134,946,119
Direct labour and other overheads	**1,443,138,988**	1,015,817,778	**642,845,774**	359,639,871
	5,508,826,272	4,286,773,393	**1,996,116,906**	1,494,585,990
	5,732,038,001	4,491,307,639	**2,273,153,840**	1,690,952,993
Work-in-process at end of the period	**(340,206,814)**	(224,577,694)	**(340,206,814)**	(224,577,694)
	5,391,831,187	4,266,729,945	**1,932,947,026**	1,466,375,299

12. 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.

13. 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.57.671 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.

14. TRANSACTIONS WITH RELATED PARTIES

14.1 Significant transactions with related parties are as follows:

	Un-audited	
	Nine months period ended	
	March 31, 2022	March 31, 2021
Transactions with Associated Companies	----- **Rupees** -----	
Sales:		
• raw material / yarn / stores and spare parts	**699,284,683**	519,255,072
Purchases:		
• raw material / yarn / stores and spare parts	**71,178,640**	50,659,145
Expenses charged by	**6,199,552**	8,013,548
Expenses charged to	**-**	3,852,557
Dividend:		
• received	**5,440,310**	5,550,000
• paid	**8,527,150**	23,675
Loan repaid	**-**	37,125,000
Transactions with Key management personnel		
Remuneration and other benefits	**68,447,051**	40,877,040

15. 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 nine months period ended March 31, 2021.
- 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.

16. DATE OF AUTHORISATION FOR ISSUE

These Group financial statements were approved by the Board of Directors and authorised for issue on April 27, 2022.

Chief Executive Officer **Director** **Chief Financial Officer**