

Reliance Cotton Spinning Mills Limited

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COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN	:	MR. MOHAMMAD ABDULLAH
CHIEF EXECUTIVE	:	MR. SHAYAN ABDULLAH
DIRECTOR	:	MR. AMER ABDULLAH MR. YOUSUF ABDULLAH MR. NABEEL ABDULLAH MR. MOHAMMAD YOUNUS MR. MOHAMMAD YAMIN
AUDIT COMMITTEE		
CHAIRMAN	:	MR. AMER ABDULLAH
MEMBER	:	MR. YOUSUF ABDULLAH
MEMBER	:	MR. NABEEL ABDULLAH
HUMAN RESOURCE & REMUNERATION COMMITTEE		
CHAIRMAN	:	MR. MOHAMMAD YOUNUS
MEMBER	:	MR. SHAYAN ABDULLAH
MEMBER	:	MR. MOHAMMAD YAMIN
CHIEF FINANCIAL OFFICE	:	MR. NAVEED-UL-ISLAM
SECRETARY	:	MR. UMAR RAHI
AUDITORS	:	M. YOUSUF ADIL SALEEM & COMPANY CHARTERED ACCOUNTANTS
MANAGEMENT CONSULTANT	:	M. YOUSUF ADIL SALEEM & COMPANY CHARTERED ACCOUNTANTS
TAX CONSULTANTS	:	M. YOUSUF ADIL SALEEM & COMPANY CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	HASSAN & HASSAN ADVOCATES
BANKERS	:	HABIB BANK LIMITED MCB BANK LIMITED HABIB METROPOLITAN BANK LIMITED
SHARE REGISTRAR	:	HAMEED MAJEED ASSOCIATES (PVT) LTD
REGISTERED OFFICE	:	312, COTTON EXCHANGE BUILDING, I.I.CHUNDRIGAR ROAD, KARACHI.
MILLS	:	FEROZE WATTOAN TEHSIL AND DISTRICT SHEIKHUPURA

DIRECTORS' REVIEW

The Directors of your Company are pleased to present before you un-audited interim financial information of the company for quarter ended September 30, 2013.

The sales for the period remained Rs. 1, 244,429 thousand as compared to Rs.862, 675 thousand of same period of last year. Gross profit has registered an increase of Rs.56,915 thousand comparing corresponding period. Net profits after tax was 9.97% as against 7.94% of last comparative period.

Salient features of these accounts are as under.

	September 30, 2013	September 30, 2012
	(Rupees in '000')	
Sales	1,244,429	862,675
Gross profit	188,438	131,523
Profit before tax	129,944	74,071
Profit after tax	124,034	68,461
Earnings per share (Rupees)	12.05	6.65

FUTURE OUTLOOK

Your company has registered a better result for the first quarter of the year as compared to the corresponding period. However, the management is concerned about the uncertain trend in cotton prices, inflation, slow international demand and the prevailing energy crisis. The management of your company is working hard to overcome these challenges for the remaining period of the 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 of Directors

Karachi
Dated: October 31, 2013

Shayan Abdullah
Chief Executive

CONDENSED INTERIM BALANCE SHEET**AS AT SEPTEMBER 30, 2013**

	Note	Un-Audited September 30, 2013	Audited June 30, 2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,279,337,882	1,201,243,703
Long term investments	5	450,731,469	438,944,127
Long term loans		65,500	136,000
Long term deposits		8,858,230	8,858,230
		1,738,993,081	1,649,182,060
CURRENT ASSETS			
Stores, spare parts and loose tools		35,797,047	30,848,492
Stock in trade		1,034,936,064	1,080,605,587
Trade debts		477,163,078	377,973,930
Loans and advances		51,425,216	3,887,792
Deposit and short term prepayments		1,495,721	986,140
Other receivables		17,994,566	7,485,384
Advance income tax		62,408,465	49,217,138
Tax refunds due from the Government		64,670,874	69,758,320
Cash and bank balances		164,858,734	11,360,581
		1,910,749,765	1,632,123,364
		3,649,742,846	3,281,305,424
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital:			
12,000,000 (June 30, 2013: 12,000,000) ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid up capital:			
10,292,000 (June 30, 2013: 10,292,000) ordinary shares of Rs.10 each		102,920,000	102,920,000
General reserve		130,000,000	130,000,000
Un-appropriated profit		1,518,330,016	1,403,424,202
		1,751,250,016	1,636,344,202
NON-CURRENT LIABILITIES			
Long term financing		58,333,334	66,666,667
Deferred liabilities			
- employee benefits - unfunded		41,046,683	37,478,851
- deferred tax liability		32,962,128	32,299,419
		132,342,145	136,444,937
CURRENT LIABILITIES			
Trade and other payables		276,253,694	241,395,567
Mark-up accrued		10,078,327	13,899,589
Short term borrowings		1,412,200,518	1,190,849,919
Current portion of long term financing		33,333,333	33,333,333
Provision for taxation		34,284,813	29,037,877
		1,766,150,685	1,508,516,285
CONTINGENCIES AND COMMITMENTS			
	6	3,649,742,846	3,281,305,424

The annexed notes form an integral part of this condensed interim financial information.

Karachi:
October 31, 2013Shayan Abdullah
Chief Executive OfficerMohammad Abdullah
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Note	-----Rupees-----	
Sales	1,244,428,756	862,674,852
Cost of sales	7 1,055,991,168	731,151,576
Gross profit	188,437,588	131,523,276
Other income	2,692,790	376,284
	191,130,377	131,899,560
Distribution cost	33,349,433	30,901,777
Administrative expenses	9,068,911	7,819,216
Other operating expenses	8,729,370	4,445,403
Finance cost	30,954,545	34,964,724
	82,102,259	78,131,120
	109,028,118	53,768,440
Share of profit of associates	20,915,480	20,302,619
Profit before taxation	129,943,598	74,071,059
Provision for taxation	5,909,646	5,609,635
Profit for the period	124,033,952	68,461,424
Earnings per share - basic and diluted	12.05	6.65

The annexed notes form an integral part of this condensed interim financial information.

Karachi:
October 31, 2013

Shayan Abdullah
Chief Executive Officer

Mohammad Abdullah
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
	-----Rupees-----	
Profit for the period	124,033,952	68,461,424
Other comprehensive income:		
Share in associates' unrealized gain on available for sale investments - net	6,610,698	8,163,030
Share in associate's unrealized (loss)/gain on hedging instruments	(105,434)	74,700
Other comprehensive income for the period	6,505,264	8,237,730
Total comprehensive income for the period	130,539,216	76,699,154

The annexed notes form an integral part of this condensed interim financial information.

Karachi:
October 31, 2013

Shayan Abdullah
Chief Executive Officer

Mohammad Abdullah
Director

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	129,943,598	74,071,059
Adjustments for:		
Depreciation of property, plant and equipment	26,604,528	23,800,162
Provision for employee benefits	3,900,000	3,150,000
Gain on disposal of property, plant and equipment	(2,305,353)	-
Finance cost	30,954,545	34,964,724
Share of profit of associates	(20,915,480)	(20,302,619)
	<u>168,181,838</u>	<u>115,683,326</u>
Working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(4,948,555)	(12,500,893)
Stock in trade	45,669,523	152,103,685
Trade debts	(99,189,148)	(120,336,611)
Loans and advances	(47,537,424)	(19,022,752)
Deposits and short term prepayments	(509,581)	229,981
Other receivables	(10,509,181)	(238,846)
Increase in current liabilities		
Trade and other payables	34,858,123	1,394,579
	<u>(82,166,243)</u>	<u>1,629,142</u>
Cash generated from operations	<u>86,015,594</u>	<u>117,312,468</u>
Employee benefits paid	(332,163)	(5,160,685)
Finance cost paid	(34,775,807)	(31,746,127)
Sales tax refund	5,087,446	7,577,092
Income taxes paid	(13,191,328)	(7,456,430)
	<u>(43,211,852)</u>	<u>(36,786,149)</u>
Net cash generated from operating activities	<u>42,803,742</u>	<u>80,526,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(111,643,355)	(111,484,250)
Proceeds from disposal of property, plant and equipment	9,250,000	-
Long term loans - net	70,500	70,500
Net cash used in investing activities	<u>(102,322,855)</u>	<u>(111,413,750)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(8,333,333)	-
Short term borrowings - net	221,350,599	36,361,767
Net cash from financing activities	<u>213,017,266</u>	<u>36,361,767</u>
Net increase in cash and cash equivalents	<u>153,498,153</u>	<u>5,474,336</u>
Cash and cash equivalents at the beginning of period	<u>11,360,581</u>	<u>5,031,306</u>
Cash and cash equivalents at the end of period	<u>164,858,734</u>	<u>10,505,642</u>

The annexed notes form an integral part of this condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Share capital	Revenue reserves		Total
		General reserve	Un-appropriated profit	
----- Rupees -----				
Balance as at July 01, 2012	102,920,000	130,000,000	1,064,816,311	1,297,736,311
Profit for the quarter ended September 30, 2012	-	-	68,461,424	68,461,424
Other comprehensive gain for the quarter ended September 30, 2012	-	-	8,237,730	8,237,730
Effect of items directly recognized in equity by associates	-	-	(4,322,453)	(4,322,453)
Balance as at September 30, 2012	102,920,000	130,000,000	1,137,193,012	1,370,113,012
Profit for the nine months ended June 30, 2013	-	-	240,413,115	240,413,115
Other comprehensive income for the nine months ended June 30, 2013	-	-	32,389,568	32,389,568
Final dividend for the year ended June 30, 2012 @ Rs.1.25 per share	-	-	(12,865,000)	(12,865,000)
Effect of items directly recognized in equity by associates	-	-	6,293,507	6,293,507
Balance as at June 30, 2013	102,920,000	130,000,000	1,403,424,202	1,636,344,202
Profit for the quarter ended September 30, 2013	-	-	124,033,952	124,033,952
Other comprehensive income for the quarter ended September 30, 2013	-	-	6,505,264	6,505,264
Effect of items directly recognized in equity by associates	-	-	(15,633,402)	(15,633,402)
Balance as at September 30, 2013	102,920,000	130,000,000	1,518,330,016	1,751,250,016

The annexed notes form an integral part of this condensed interim financial information.

Karachi:
October 31, 2013

Shayan Abdullah
Chief Executive Officer

Mohammad Abdullah
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

1 LEGAL STATUS AND OPERATIONS

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. The registered office of the Company is situated at 312, Cotton Exchange Building, Karachi. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The principal activity of the Company is manufacturing and sale of yarn. The mill is located at District Sheikhpura in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the quarter ended September 30, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is un-audited and is being submitted to share holders as required by section 245 of the Companies Ordinance, 1984.

3 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2013.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those applied to the preparation of the annual audited financial statements of the Company for the year ended June 30, 2013.

4	PROPERTY, PLANT AND EQUIPMENT	Note	Un-Audited	Audited
			September 30, 2013	June 30, 2013
			-----Rupees-----	
	Operating assets	4.1	1,097,576,444	1,056,275,655
	Capital work-in-progress	4.2	181,761,438	144,968,048
			<u>1,279,337,882</u>	<u>1,201,243,703</u>
4.1	Operating assets			
	Opening book value		1,056,275,655	966,644,130
	Cost of additions/transfers during the period / year			
	Freehold land		6,153,000	-
	Resident building on freehold land		-	27,032,769
	Factory building on freehold land		1,487,953	50,665,475
	Plant and machinery		67,209,012	103,887,279
	Vehicles		-	2,795,860
	Computers		-	553,595
	Electric installation		-	7,514,298
			<u>74,849,964</u>	<u>192,449,276</u>
	Book value of asset disposed off during the period / year		(6,944,647)	(133,640)
	Depreciation charged during the period / year		<u>(26,604,529)</u>	<u>(102,684,111)</u>
			<u>1,097,576,444</u>	<u>1,056,275,655</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Un-Audited September 30, 2013	Audited June 30, 2013	
	-----Rupees-----		
4.2 Capital work-in-progress			
Building- civil work	136,278,573	97,880,784	
Plant and machinery	31,152,065	35,087,264	
Electric Installation	12,000,000	12,000,000	
Office equipment	292,800	-	
Advance for vehicles	2,038,000	-	
	<u>181,761,438</u>	<u>144,968,048</u>	
5 LONG TERM INVESTMENT			
The latest available un-audited financial results of associates as of September 30, 2013 have been for the purpose of application of equity method.			
6 CONTINGENCIES AND COMMITMENTS			
6.1 Contingencies			
Guarantees have been issued by banks on behalf of the Company in the normal course of business.	21,266,248	22,428,843	
The Company has issued post dated cheques in favour of Commissioner Inland Revenue and Collector of Customs.	111,370,993	105,803,446	
	<u>132,637,241</u>	<u>128,232,289</u>	
6.2 Commitments			
Letters of credit for import of:			
- Stores and spare parts	3,254,762	4,879,795	
- Raw material	92,925,651	33,038,720	
- Plant and machinery	26,808,437	80,526,906	
Contract for capital expenditure	51,217,132	72,666,632	
	<u>174,205,982</u>	<u>191,112,053</u>	
7 COST OF SALES	Note		
		Un-Audited September 30, 2013	
		Un-Audited September 30, 2012	
		-----Rupees-----	
Opening stock		186,200,699	91,679,107
Yarn purchased		36,666,956	6,739,874
Cost of goods manufactured	7.1	944,744,838	693,123,835
		<u>1,167,612,493</u>	<u>791,542,816</u>
Closing stock		(111,621,325)	(60,391,240)
		<u>1,055,991,168</u>	<u>731,151,576</u>
7.1 COST OF GOODS MANUFACTURED			
Opening work in process		78,014,316	90,743,089
Raw material consumed		721,750,701	532,788,329
Overheads		249,693,757	176,824,007
		<u>971,444,459</u>	<u>709,612,336</u>
		1,049,458,775	800,355,425
Closing work in process		(104,713,937)	(107,231,590)
		<u>944,744,838</u>	<u>693,123,835</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

8 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties transactions are as follows:

Relationship	Nature of transaction	Un-Audited	Un-Audited
		September 30, 2013	September 30, 2012
-----Rupees-----			
Associated companies	Sales		
	-Yarn/waste/raw material/store	130,401,794	196,280,050
	-Property, plant and equipment	8,000,000	-
	Purchases		
	-Yarn/waste/raw material/store	31,612,638	5,185,073
	-Property, plant and equipment	-	250,000
	-Electricity	24,367,354	21,619,252
	Services obtained	2,672,834	1,448,228
	Shared expenses paid	599,320	296,457
	Key management personnel	Remuneration and other benefits	8,287,776
Employee benefits plan	Contribution for the period	3,900,000	3,150,000

All transactions with related parties have been carried out on commercial terms and conditions.

9 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on October 31, 2013.

10 GENERAL

Figures have been rounded off to the nearest Rupee.

Karachi:
October 31, 2013

Shayan Abdullah
Chief Executive Officer

Mohammad Abdullah
Director