

**Third Quarter
FINANCIAL STATEMENTS
March 31, 2014**



The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Company Information

Board of Directors

Executive Directors

Sh. Faisal Tauheed
Sh. Kashif Tauheed
Mrs. Samira Faisal
Mrs. Tahira Kashif

Non Executive Directors

Mr. Yasir Munir - Chairman
Mrs. Amna Kamran
Mrs. Sadia Kamran

Board Audit Committee

Mrs. Sadia Kamran - Chairman
Mrs. Amna Kamran
Mr. Yasir Munir

Board Human Resource and Remuneration Committee

Mrs. Amna Kamran - Chairman
Mr. Yasir Munir
Mrs. Sadia Kamran

Management Team

Sh. Faisal Tauheed - Chief Executive
Muhammad Islam Haider - Chief Financial Officer
Imran Zafar - Company Secretary

Auditors

Amin Mudassar and Company
Chartered Accountants
4th Floor, I.E.P. Building,
97-B/D-1, Gulberg III, Lahore-Pakistan.

Bankers

National Bank of Pakistan
The Bank of Punjab
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Askari Bank Limited
Bank Al-Habib Limited
MCB Limited
Meezan Bank Limited

Registered Office

4th Floor, I.E.P. Building,
97-B/D-1, Gulberg III, Lahore-Pakistan.

Factory

Dhuddiwala, Jaranwala Road, Faisalabad-Pakistan.

Share Registrar

Orient Software & Management Services (Pvt) Ltd;
35-Z, Ameer Plaza, Opposite Mujahid Hospital,
Commercial Centre, Madina Town, Faisalabad.

Legal Advisor

Sahibzada Muhammad Arif
Advocate High Court,
Chamber No.52, District Courts, Faisalabad.

Directors Report

The directors of your company are pleased to present the Quarterly Accounts for the period ended March 31, 2014:

Business Overview:

By the blessing of Allah Al Mighty, company earned profit of Rs. 8,592,080/- before tax during the period. The sale of the company was Rs.430,233,375/-.

	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
	2014	2013	2014	2013
Profit before taxation	8,592,079	7,307,741	1,223,740	651,214
Taxation :				
Current	4,302,334	1,821,674	1,367,815	637,767
Deferred	(262,734)	-	1,479,159	-
	4,039,600	1,821,674	2,846,974	637,767
Profit for the period	<u>4,552,479</u>	<u>5,486,067</u>	<u>(1,623,234)</u>	<u>13,447</u>
	-----R u p e e s -----			
Earning / (Loss) per share-Basic and Diluted	<u>4.10</u>	<u>4.94</u>	<u>(1.46)</u>	<u>0.01</u>

Future Prospects

Your company is continuing innovation of products and introduction of new products in accordance with the demand and need of the customers. Inshaallah, the things will improve in the foreseeable future.

The Management is trying their level best for improving the quality of processing of cloth and hopes that the refined quality would fetch better prices of our output. Consequently, the Company's Management anticipates better financial results in remaining period of the financial year.

Appreciation

We would like to thank all of our staff members for the way they have responded to challenges. Their hard work and commitment is greatly appreciated and is reflected in these results.

We are also thankful for the encouragement and support which we received from our suppliers, shareholders, bankers and financial institutions.

LAHORE:
April 30, 2014

Sh. Faisal Tauheed
Chief Executive

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2014**

	March 31, 2014	June 30, 2013	ASSETS	Note	March 31, 2014	June 30, 2013
	Rupees	Rupees			Rupees	Rupees
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES			NON CURRENT ASSETS			
Authorised capital	204,000,000	14,000,000	Property, plant and equipment	9	342,160,674	330,811,041
Issued, subscribed and paid-up capital	11,109,410	11,109,410	Long term deposits		969,141	969,141
Unappropriated profit	22,410,994	18,969,456			343,129,815	331,780,182
SURPLUS ON REVALUATION OF FIXED ASSETS	33,520,404	30,078,866				
	176,329,091	176,329,091				
NON CURRENT LIABILITIES						
Long term loans						
From related parties - interest free and un-secured	168,966,707	145,421,707				
Deferred liabilities	13,890,425	14,041,632				
	182,857,132	159,463,339				
CURRENT LIABILITIES			CURRENT ASSETS			
Trade and other payables	59,120,005	61,293,332	Stores, spares and loose tools		1,859,206	1,833,973
Accrued interest and mark up	1,277,254	948,214	Stock in trade		24,465,181	20,043,146
Short term borrowings- Secured			Stock in transit		-	1,732,705
Running finance-secured	36,074,342	25,103,248	Trade debts		25,418,677	30,652,540
Provision for taxation-income tax	-	-	Loans and advances		21,953,666	24,367,047
	96,471,601	87,344,794	Trade deposits, short term prepayments and current account balances with statutory authorities		24,809,666	19,443,754
			Accrued interest		4,635	10,285
			Due from Government		31,757,133	12,270,071
			Cash and bank balances		15,780,250	11,082,387
					146,048,414	121,435,908
CONTINGENCIES AND COMMITMENTS	8	-				
TOTAL EQUITY AND LIABILITIES		489,178,229	TOTAL ASSETS		489,178,229	453,216,090

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

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED MARCH 31, 2014

		NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
		2014	2013	2014	2013
Sales	10	430,233,375	364,334,842	137,654,853	127,553,525
Cost of sales		396,671,865	336,469,519	127,418,210	120,490,370
Gross profit		33,561,510	27,865,323	10,236,643	7,063,155
Distribution cost		502,712	22,904	378,662	10,000
Administrative expenses		21,561,052	18,953,770	7,210,491	6,362,279
Other operating expenses		747,120	-	11,756	-
		22,810,884	18,976,674	7,600,909	6,372,279
		10,750,626	8,888,649	2,635,734	690,876
Other operating income	11	992,667	2,127,628	119,260	1,170,621
		11,743,293	11,016,277	2,754,994	1,861,497
Finance costs		3,151,214	3,708,536	1,531,254	1,210,283
Profit before taxation		8,592,079	7,307,741	1,223,740	651,214
Taxation :					
Current		4,302,334	1,821,674	1,367,815	637,767
Deferred	7.1	(262,734)	-	1,479,159	-
		4,039,600	1,821,674	2,846,974	637,767
Profit for the period		4,552,479	5,486,067	(1,623,234)	13,447
Earning / (Loss) per share- Basic and Diluted		4.10	4.94	(1.46)	0.01

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2014

	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
	2014	2013	2014	2013
Profit for the period	4,552,479	5,486,067	(1,623,234)	13,447
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	4,552,479	5,486,067	(1,623,234)	13,447

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

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2014

	Note	NINE MONTHS ENDED JULY TO MARCH	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	4,234,475	(351,171)
Taxes paid		(5,882,116)	(1,821,674)
Finance cost paid		(2,822,174)	(3,546,310)
Gratuity paid		(1,375,902)	(511,886)
Net cash flows from operating activities		(5,845,717)	(6,231,041)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(24,061,573)	(20,502,946)
Sale proceeds of fixed assets		1,200,000	-
Long term loans		-	852,780
Net cash flows from investing activities		(22,861,573)	(19,650,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		23,545,000	19,500,000
Repayment of lease finance liabilities		-	(2,329,437)
Dividend paid		(1,110,941)	-
Net cash flows from financing activities		22,434,059	17,170,563
Net (Decrease) in cash and cash equivalents		(6,273,231)	(8,710,644)
Cash and Cash Equivalents at the Beginning of the Period		(14,020,861)	(27,794,925)
Cash and Cash Equivalents at the End of the Period	B	(20,294,092)	(36,505,569)

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2014

	Note	NINE MONTHS ENDED JULY TO MARCH	
		2014	2013
A - CASH GENERATED FROM OPERATIONS			
Profit before taxation		8,592,079	7,307,741
Adjustment of non cash and other items:			
Provision for gratuity		1,487,428	1,870,312
Depreciation		11,806,845	10,300,289
Profit on disposal of fixed assets		(294,905)	-
Finance cost		3,151,214	3,708,536
		16,150,582	15,879,137
Cash flows before working capital changes		24,742,661	23,186,878
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		(25,233)	(286,673)
Stocks in trade		(4,422,035)	(954,595)
Stock in transit		1,732,705	-
Trade debts		5,233,863	544,512
Loan and advances		2,413,381	(1,556,588)
Trade deposit and short term prepayments		(3,786,128)	(4,287,101)
Due from Government		(19,487,062)	(5,204,194)
Accrued interest		5,650	4,395
Increase/(Decrease) in current liabilities			
Trade and other payables		(2,173,327)	(11,797,805)
		(20,508,186)	(23,538,049)
		4,234,475	(351,171)
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances		15,780,250	3,331,596
Short term borrowings		(36,074,342)	(39,837,165)
		(20,294,092)	(36,505,569)

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2014

	SHARE CAPITAL	UN- APPROPRIATED PROFIT	TOTAL
	-----R u p e e s-----		
Balance as at June 30, 2012	11,109,410	11,137,796	22,247,206
Total Comprehensive profit for the quarter ended March 31, 2013	-	5,486,067	5,486,067
	11,109,410	16,623,863	27,733,273
Total comprehensive profit for the period	-	2,345,593	2,345,593
Balance as at June 30, 2013	11,109,410	18,969,456	30,078,866
Total Comprehensive profit for the quarter ended March 31, 2014	-	4,552,479	4,552,479
Dividend paid	-	(1,110,941)	(1,110,941)
Balance as at March 31, 2014	11,109,410	22,410,994	33,520,404

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2014

1 THE COMPANY AND NATURE OF ITS BUSINESS

The Company is a Public Limited Company, incorporated under the Companies Ordinance 1984. The Company is quoted on Lahore & Karachi Stock Exchanges. The principal activity of the company is dyeing, bleaching, finishing and embroidery of textile materials. The registered office of the company is situated at 4th Floor, IEP Building, 97-B/D-I, Main Boulevard, Gulberg-III, Lahore.

2 BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all of the information and disclosures required for full annual financial statement, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements for the year ended June 30, 2013.

- 3.1** New standards, amendments to approved accounting standards and new interpretations which became effective during the nine months period ended March 31, 2014; and new standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the company.

There were certain new standards, amendments to the approved accounting standards and new interpretation issued by the international Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

There are certain new amendments to the approved accounting standards that are mandatory for accounting periods beginning after July 1, 2013, but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

3.1.1 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2013.

3.2 Taxation

3.2.1 Current

Company's export sales fall under final tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for the current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances available, if any, or one percent of turnover, whichever is higher.

3.2.2 Deferred

Deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at prevailing rate being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

	Note	March 31, 2014 Rupees (Unaudited)	June 30, 2013 Rupees (Audited)
4 AUTHORIZED SHARE CAPITAL			
20,000,000 A - Class Ordinary shares of Rs. 10/- each.		200,000,000	10,000,000
400,000 B - Class Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
		<u>204,000,000</u>	<u>14,000,000</u>
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Issued for Cash			
609,034 A - Class Ordinary Shares of Rs. 10. each		6,090,340	6,090,340
320,100 B - Class Ordinary Shares of Rs. 10. each		3,201,000	3,201,000
		<u>9,291,340</u>	<u>9,291,340</u>
Issued as Bonus Shares			
181,807 Ordinary Shares of Rs. 10. each		1,818,070	1,818,070
		<u>11,109,410</u>	<u>11,109,410</u>
6 LONG TERM LOANS-Unsecured			
From related parties:			
Directors and associates	6.1	168,966,707	145,421,707
		<u>168,966,707</u>	<u>145,421,707</u>
6.1 LOAN FROM DIRECTORS AND ASSOCIATES			
Balance as at July 01,		145,421,707	125,921,707
Add: Received during the year		23,545,000	19,500,000
		<u>168,966,707</u>	<u>145,421,707</u>
Less: Repaid during the year		-	-
		<u>168,966,707</u>	<u>145,421,707</u>
6.2 This represents interest free loan obtained from the related parties. Terms of repayments have not yet been finalised. However, these loans are repayable after June 30, 2015.			
7 DEFERRED LIABILITIES			
Deferred taxation	7.1	4,860,660	5,123,393
Gratuity		9,029,765	8,918,239
		<u>13,890,425</u>	<u>14,041,632</u>
7.1 Deferred Taxation			
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		28,640,306	27,624,018
Deferred tax asset on deductible temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(3,070,120)	(3,032,201)
Deferred debits arising on brought forward losses		(20,709,526)	(19,468,423)
		<u>(23,779,646)</u>	<u>(22,500,625)</u>
		<u>4,860,660</u>	<u>5,123,393</u>
Balance as at July 01,		5,123,393	-
Add: Charge / (Reversal) for the year		(262,733)	5,123,393
		<u>4,860,660</u>	<u>5,123,393</u>

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (June 2013:Rs. 39.805 million), which has been contested by the Company as unsubstantiated and unjustified.The Company has deposited Rs.8.543 million (June 2013:Rs.12.677 million) during the period/year with SNGPL under protest. SNGPL has constituted a Review Committee to examine and resolve the matter and bring the facts on record.The Company is hopeful that the decision of OGRA would be in favour of the Company.

8.2 Commitments

- Commitments in respect of letters of credit for capital expenditures were amounting to Rs.Nil million (June 30, 2013: Rs.Nil)
- Commitments in respect of letters of credits other than for capital expenditures were amounting Rs.27.507 million (June 30, 2013: Rs.33.866 million)

Other than the above mentioned matter, there is no material change in the contingent liabilities of the company since the last annual balance sheet as at June 30, 2013.

	Note	March 31, 2014 (Unaudited) Rupees	June 30, 2013 (Audited) Rupees
9 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	340,107,045	328,757,412
Capital work in progress	9.2	2,053,629	2,053,629
		<u>342,160,674</u>	<u>330,811,041</u>
9.1 OPERATING FIXED ASSETS			
Opening book value		328,757,412	324,912,958
Add: Additions during the period / year-cost		24,061,573	21,260,791
Less: Disposal during the period/ year-net book value		(1,350,440)	(954,580)
		<u>351,468,545</u>	<u>345,219,169</u>
Less: Depreciation charged for the period / year		11,361,500	16,461,757
		<u>340,107,045</u>	<u>328,757,412</u>
9.2 CAPITAL WORK IN PROGRESS			
Building		2,053,629	2,053,629
Plant and machinery		-	-
		<u>2,053,629</u>	<u>2,053,629</u>

10 SALES

	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
	2014	2013	2014	2013

	Rupees		Rupees	
Processing receipts	430,233,375	364,334,842	137,654,853	127,553,525
	<u>430,233,375</u>	<u>364,334,842</u>	<u>137,654,853</u>	<u>127,553,525</u>

11 OTHER OPERATING INCOME

Income from non financial assets

Sale of scrap	682,312	1,266,835	114,625	319,310
Profit on disposal of fixed asset	294,905	803,038	-	803,038
Exchange gain	-	42,115	-	42,115

Income from financial assets

Profit on TDRs / Bank deposits	15,450	15,640	4,635	6,158
	<u>992,667</u>	<u>2,127,628</u>	<u>119,260</u>	<u>1,170,621</u>

12 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements.

13 GENERAL

In order to comply with the requirements of International Accounting Standard 34 Interim Financial Reporting' balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account and cash flow statement and 'statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

14 DATE OF AUTHORISATION

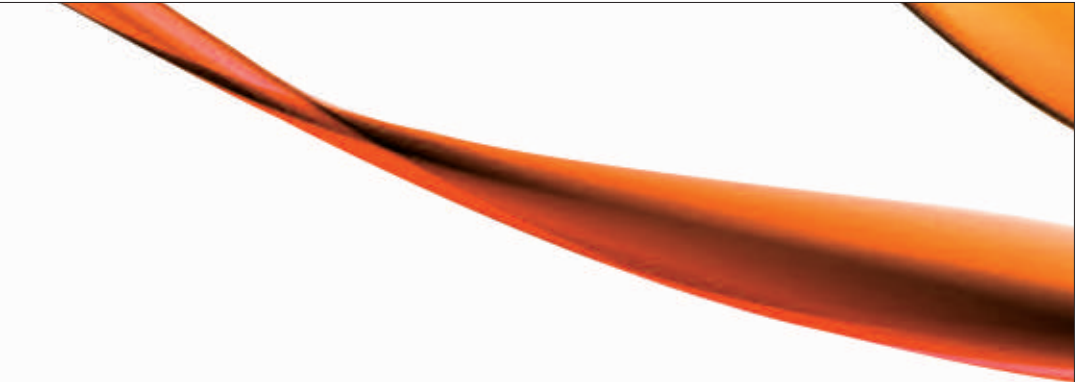
The condensed interim financial information was authorised for issued on April 30, 2014 by the Board of Directors of the Company.

15 FIGURES

- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant rearrangements or reclassifications have been made in this condensed interim financial information.
- Figures in this condensed interim financial information have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR



**Third Quarter
FINANCIAL STATEMENTS
March 31, 2014**

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Jaranwala Road, Faisalabad-Pakistan
Tel: 0092 41 8721760-61 Fax: 0092 41 8712216
Email: faisal@nationalsilk.com - www.nationalsilk.com