

Third Quarter Financial Statements 2016-17

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Company Information

Board of Directors Sh. Faisal Tauheed (Executive Director)

Sh. Kashif Tauheed

Mrs. Samira Faisal Non Executive Director

Mrs. Tahira Kashif -do-Mrs. Sadia Kamran -do-

Mrs. Amna Kamran Non Executive Director/Chairman

-do-

Mr. Shahzad Ehsan Independent Director

Board Audit Committee Mr. Shahzad Ehsan (Chairman)

Mrs. Amna Kamran Mrs. Sadia Kamran

Board Human Resource and Mrs. Sadia Kamran (Chairman)

Remuneration Committee Mrs. Amna Kamran

Mr. Shahzad Ehsan

Management Team Sh. Faisal Tauheed Puri (Chief Executive)

Muhammad Islam Haider (Chief Financial Officer) Imran Zafar (Company Secretary) Qaiser Ali Faheem (Internal Auditor)

Auditors Amin Mudassar and Company

Chartered Accountants

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.

Factory Dhuddiwala, Jaranwala Road, Faisalabad.

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, 2017.

Business Overview:

During the first nine months the Company has achieved a growth of sales volume. The profit after tax is Rs.16.598 million in comparison to Rs.10,803 million of previous year.

Operating Results	March 31, 2017	March 31, 2016
	RUP	EES
Sales	579,288,905	485,944,363
Profit before taxation	27,114,255	22,954,518
Taxation:	10,516,641	12,151,502
Profit after taxation	16,597,614	10,803,016

Despite so many challenges, the Company contains to meet its financial commitments and debt obligation on time.

Appreciation

We would like to thank all of our staff members for the way they have responded to challenges of the year. 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 28, 2017

Sh. Faisal Tauheed Puri Chief Executive

Condensed Interim Balance Sheet

		March 31, 2017	June 30, 2016		Mar	March 31, 2017	June 30, 2016
EQUITY AND LIABILITIES	Note	Un-audited Rupees	Audited Rupees	ASSETS	Note	Un-audited Rupees	Audited Rupees
SHARE CAPITAL AND RESERVES Authorised capital	4	204,000,000	204,000,000	NON CURRENT ASSETS Property, plant and equipment I non term denocite	10	719,934,558	716,605,631
Issued, subscribed and paid-up capital Unappropriated profit	w	155,531,740 89,780,825	155,531,740 73,183,211			740,785,789	747,456,862
SURPLUS ON REVALUATION OF FIXED ASSETS		245,512,565 481,279,091	228,714,951 481,279,091				
DEFERRED INCOME		632,048	3,476,264				
NON CURRENT LIABILITIES							
Liabilities against assets subject to finance lease Deferred liabilities	9	- 14,779,511 14,779,511	10,000,000 23,951,078 33,951,078				
CURRENT LIABILITIES				CURRENT ASSETS			
Trade and other payables	7	155,637,957	143,952,048	Stores, spares and loose tools		393,478	2,125,846
Short term borrowings- Secured Accrued interest and markup	∞	69,862,741	94,931,357	Stock in trade Trade debts		29,333,429 38,265,929	49,432,837 59.793.382
Current portion of lease liabilities Provision for taxation, income tax		2,072,695	10,742,660	Loans and advances Trade denosits short term prepayments and current		35,193,032	34,056,023
TOVISION FOR GRADION GAS				account balances with statutory authorities		13,394,366	10,377,262
				Accrued interest Due from Government Cash and bank balances		5,415 104,794,194 8 159 038	6,914 79,351,220 15,111,271
		228,319,455	250,290,233			229,536,881	250,254,755
CONTINGENCIES AND COMMITMENTS	6		•				
		970,322,670	997,711,617			970,322,670	997,711,617

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

Condensed Interim Profit and Loss Account (un-audited) FOR THE PERIOD ENDED MARCH 31, 2017

		NINE MONTHS ENDED JULY TO MARCH		QUARTER END TO M	ED JANUARY ARCH
		2017	2016	2017	2016
	Note	Rupees	Rupees	Rupees	Rupees
Sales- net	11	579,288,905	485,944,363	220,350,624	175,491,832
Cost of sales		519,948,038	434,743,185	200,924,996	160,338,869
Gross profit		59,340,867	51,201,178	19,425,628	15,152,963
Distribution cost Administrative expenses Other operating expenses		648,119 30,377,725 1,427,066	620,250 26,118,076 1,208,133	160,000 11,415,273 301,782	116,047 7,529,744 379,488
		32,452,910	27,946,459	11,877,055	8,025,279
		26,887,957	23,254,719	7,548,573	7,127,684
Other income	12	3,684,833	4,452,582	1,403,887	1,910,231
		30,572,790	27,707,301	8,952,460	9,037,915
Finance cost		3,458,535	4,752,783	1,081,320	1,623,209
Profit before taxation		27,114,255	22,954,518	7,871,140	7,414,706
Taxation Current:		5 500 041	4 0 0 0 0 0 0 0	2 107 (40	1 720 000
For the year Deferred	6.1	5,799,841	4,869,829	2,187,649 450,278	1,739,880
Deterred	0.1	4,716,800	7,281,673 12,151,502	2,637,927	3,166,636 4,906,516
			12,131,302		1,500,510
Profit after taxation		16,597,614	10,803,016	5,233,213	2,508,190
		R u p		R u p	
Earning per share- Basic and Diluted		1.07	0.69	0.34	0.16

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

Condensed Interim Statement of Comprehensive Income (un-audited) FOR THE PERIOD ENDED MARCH 31, 2017

		IS ENDED JULY IARCH	QUARTER ENDED JANUARY TO MARCH		
	2017 2016		2017	2016	
	Rupees	Rupees	Rupees	Rupees	
Profit after taxation	16,597,614	10,803,016	5,233,213	2,508,190	
Other comprehensive income-net of taxation	-	386,383	-	125,150	
Total comprehensive income for the year-net of tax	16,597,614	11,189,399	5,233,213	2,633,340	

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

Condensed Interim Cash Flow Statement (un-audited) FOR THE PERIOD ENDED MARCH 31, 2017

			ENDED JULY ARCH
	Note	2017	2016
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	64,124,821	36,131,514
Taxes paid		(9,952,527)	(6,556,049)
Finance cost paid		(3,376,641)	(4,904,089)
Gratuity paid		(2,559,413)	(453,594)
Net cash flows from operating activities		48,236,240	24,217,782
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(21,949,884)	(33,835,563)
Long term deposits		10,000,000	(2,277,490)
Proceeds from sale of assets		500,000	1,528,000
		(11,449,884)	(34,585,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings from directors and associates		(31,115,000)	23,219,952
Repayment of lease finance liabilities		(18,669,965)	(7,382,747)
Net cash flows from financing activities		(49,784,965)	15,837,205
Net (Decrease) in cash and cash equivalents		(12,998,609)	5,469,934
Cash and Cash Equivalents at the Beginning of the Year		(13,116,442)	(31,821,874)
Cash and Cash Equivalents at the End of the Year	В	(26,115,051)	(26,351,940)

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

Notes to the Condensed Interim Cash Flow Statement (un-audited) FOR THE PERIOD ENDED MARCH 31, 2017

Note		ENDED JULY ARCH
	2017	2016
A - CASH GENERATED FROM OPERATIONS	Rupees	Rupees
Profit before taxation	27,114,255	22,954,518
Adjustment of non cash and other items:		
Provision for gratuity	-	1,958,100
Profit on disposal of fixed assets	(135,332)	(554,342)
Depreciation	18,256,288	17,552,833
Deferred income recognised	(2,844,216)	(2,844,240)
Finance cost	3,458,535	4,752,783
	18,735,275	20,865,134
Cash flows before working capital changes	45,849,530	43,819,652
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES		
(Increase)/Decrease in current assets	<u>,</u>	
Stores, spares and loose tools	1,732,367	(132,141)
Stocks in trade	20,099,408	(3,890,162)
Trade debts	21,527,463	(3,837,417)
Loan and advances	(1,137,009)	1,558,674
Trade deposit and short term prepayments	1,135,582	1,573,453
Accrued interest	3,499	1,029
Due from Government	(25,442,974)	(7,789,867)
Increase/(Decrease) in current liabilities		
Trade and other payables	356,955	4,828,293
	18,275,291	(7,688,138)
	64,124,821	36,131,514
B - CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,159,038	5,208,689
Short term borrowings	(34,274,089)	(31,560,628)
	(26,115,051)	(26,351,939)

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

Condensed Interim Statement of Changes in Equity (un-audited) FOR THE PERIOD ENDED MARCH 31, 2017

	SHARE CAPITAL	UN- APPROPRIATED PROFIT	TOTAL
]	R u p e e	s
Balance as at June 30, 2015	155,531,740	38,561,081	194,092,821
Profit for the nine months ended March 31, 2017	-	10,803,017	10,803,017
Other comprehensive income	-	386,383	386,383
Total comprehensive profit		11,189,400	11,189,400
Balance as at March 31, 2016	155,531,740	49,750,481	205,282,221
Balance as at June 30, 2016	155,531,740	73,183,211	228,714,951
Profit for the nine months ended March 31, 2017	-	16,597,614	16,597,614
Other comprehensive income	-	-	-
Total comprehensive profit	-	16,597,614	16,597,614
Balance as at March 31, 2017 - Unaudited	155,531,740	89,780,825	245,312,565

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

Notes to the Condensed Interim Financial Information (un-audited)

FOR THE PERIOD ENDED MARCH 31, 2017

1 THE COMPANY AND NATURE OF ITS BUSINESS

The Company is a Public Limited Company, incorporated in Pakistan on June 27, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984). The Company is quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore. The factory is located at Dhuddiwala, Jaranwala Road, Faisalabad in the province of Punjab. The principal activity of the company is dyeing, bleaching, finishing and embroidery of fabrics.

2 BASIS OF PREPARATION

2.1 Statement Of Compliance

This condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the half year ended 31 March 2017 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 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 shall prevail. This condensed interim financial information should be read in conjunction with the preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

2.2 Critical Accounting Estimates And Judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. The management is trying to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

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, 2016.

3.1 There were certain other new standards and amendments to the approved accounting standards 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.

3.2 Staff Retirement Benefits

The Company had operated an unfunded Gratuity Scheme covering all the employees of the Company with qualifying service period of six months. Provision was made annually on the basis of actuarial valuation. The most recent actuarial valuation was carried out as at June 30, 2016 using the Projected Unit Credit Method. Now the company has ceased the unfunded Gratuity scheme and introduced defined contribution plan i.e. "Provident Fund" for all its permanent employees effective from July 01, 2016. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the gross salary.

3.3 Taxation

Current

Company's export sales fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for 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 and any minimum limits imposed by the taxation laws.

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.

4	AUTHORIZED SHARE CAPITAL	Note	March 31, 2017 Rupees (Unaudited)	June 30, 2016 Rupees (Audited)
	20,000,000 (June 30, 2016 20,000,000) A - Class Ordinary shares of Rs. 10/- each. 400,000 (June 30, 2016 400,000) B - Class		200,000,000	200,000,000
	Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
5	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		204,000,000	204,000,000
	Issued for Cash 15,051,267 (June 30, 2016 15,051,267) A - Class Ordinary Shares of Rs. 10. each 320,100 (June 30, 2016 320,100) B - Class		150,512,670	150,512,670
	Ordinary Shares of Rs. 10. each		3,201,000	3,201,000
	Issued as Bonus Shares 181,807 (June 30, 2016 181,807) Ordinary Shares		153,713,670	153,713,670
	of Rs. 10. each		1,818,070 155,531,740	1,818,070 155,531,740
6	DEFERRED LIABILITIES			
	Deferred taxation Gratuity	6.1	14,779,511	10,062,711 13,888,367
6.1	Deferred Taxation		14,779,511	23,951,078
	This is composed of the following:			
	Deferred tax liability on taxable temporary differences arising in respect of:			
	Accelerated tax depreciation Excess of accounting book value of leased asset over liabilities		13,627,370 3,012,356	12,633,342 1,734,763
	Deferred tax asset on deductable temporary differences arising in respect of:		16,639,726	14,368,105
	Deferred debits arising in respect of staff gratuity		(1,860,216) 14,779,511	(4,305,394) 10,062,711
	Balance as at July 01,		10,062,711	19,692,369
	Add: Charge / (Reversal) for the year to Profit and loss account Other comprehensive income		4,716,800	(9,639,802) 10,144
7	TRADE AND OTHER PAYABLES		14,779,511	10,062,711

7 TRADE AND OTHER PAYABLES

Trade and other payable includes the contribution of employees of the company and the company for the provident fund amounting Rs.2,239,662/-. The Company has registered the provident fund trust and applied for opening the bank account. As soon as bank account opened, funds would be transferred to the trust's bank account. However the company has been paying mark up on unpaid balance of provident fund @ 10%.

8 SHORT TERM BORROWINGS

From banking companies-secured:		
Cash finance	28,838,308	25,781,924
Running finance	5,435,781	2,445,781
From related parties:	34,274,089	28,227,705
Directors - unsecured and interest free	35,588,652	66,703,652
	69,862,741	94,931,357

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- During the year, the commissioner Inland Revenue issued notice U/S 122(1)(5A) of the Income Tax Ordinance 2001 in respect of tax years 2010 and 2011. The Commissioner Inland Revenue finalized assessment and made additions under section 18(1) (d) of the Income Tax Ordinance amounting Rs 11.55 million and Rs 12.25 million in respect of tax year 2010 and 2011 respectively (no tax liability arose due to availability of brought forward taxable losses). The company has filed appeal with Commissioner Inland Revenue (Appeals) against the aforesaid order. Appeal has been decided in favor of the company.

9.2 Commitments

- Commitments in respect of letters of credits other than for capital expenditures were amounting Rs.25.695 million (June 30, 2016: Rs.17.392 million)
- Commitments in respect of letters of credits for capital expenditures were amounting Rs.Nil (June 30, 2016: Rs.11.936 million)

10	PROPERTY, PLANT AND EQUIPMENT	Note	March 31, 2017 (Unaudited) Rupees	June 30, 2016 (Audited) Rupees
10	•			
	Operating fixed assets	10.1 10.2	692,899,019	690,359,148
	Capital work in progress	10.2	27,035,540	26,246,483
			719,934,559	716,605,631
10.1	OPERATING FIXED ASSETS			
	Opening book value		690,359,148	369,243,706
	Add: Additions during the period / year-cost		21,160,827	344,276,030
	Less: Disposal during the period/ year-net book value		(364,668)	(793,999)
	Less: Depreciation charged for the period / year		711,155,307 18,256,288	712,725,737 22,366,589
			692,899,019	690,359,148
10.2	CAPITAL WORK IN PROGRESS			
	Building		17,470,553	16,681,496
	Plant and machinery		9,564,987	9,564,987
			27,035,540	26,246,483

11 SALES

	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDE MAI	
	2017	2016	2017	2016
	Rup	Rupees		oees
Exports	5,633,954	-	-	-
Processing receipts	573,654,951	485,944,363	220,350,624	175,491,832
	579,288,905	485,944,363	220,350,624	175,491,832
12 OTHER INCOME				
Income from financial assets				
Profit on bank deposits	10,085	15,450	3,415	7,993
Income from non financial assets				
Sale of scrap	695,200	1,038,550	452,400	399,800
Profit on disposal of fixed asset	135,332	554,342	-	554,342
Deferred income recognised	2,844,216	2,844,240	948,072	948,096
	3,684,833	4,452,582	1,403,887	1,910,231

13 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements, except that:

-Loan repaid to the director amounting Rs. 31.115 million.

14 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

15 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the unconsolidated condensed interim balance sheet and unconsolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangements or reclassifications have been made in this condensed interim financial information.

16 DATE OF AUTHORISATION

The condensed interim financial information was authorised for issued on April 28, 2017 by the Board of Directors of the Company.

17 FIGURES

Figures in this condensed interim financial information have been rounded off to the nearest Rupee.



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