

The National Silk & Rayon Mills Ltd.

COMPANY INFORMATION

Board of Directors

Executive Directors

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

Non Executive Directors

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

Board Audit Committee

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

Board Human Resource and Remuneration Committee

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

Management Team

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

Auditors

Amin Mudassar and Company
Chartered Accountants

Bankers

National Bank of Pakistan
The Bank of Punjab
Bank Alfalah Limited
Habib Metropolitan 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.

The National Silk & Rayon Mills Ltd.

DIRECTOR'S REPORT

Your Directors take this opportunity to present to you the Half Yearly Accounts for the period ended December 31, 2012.

Financial and Appropriations:

Your company is maintaining the pace of regular improvement in all areas and by the grace of Almighty Allah, your company continued to perform well and posted a profit before tax Rs.6,656,527/-.

Year Under Review:

The Textile industry for the last many years has been undergoing turmoil due to short fall in cotton production, economic meltdown recession, unstable political and law and order situation in the country. As a result of aforesaid factors, a large number of weaving and processing units has been closed down. Unscheduled loadshedding of gas and electricity has badly affected the processing industry. The unprecedented hike in electricity and gas tariff was also faced by the industry. Due to loadshedding the company was unable to achieve the required production target. During the period, the sale of the company was Rs.236,781,317/-.

Future Prospects

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 outputs. Consequently, the company's management anticipates better financial results in respect of the next financial year.

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

February 28, 2013

Sh. Faisal Tauheed Puri

Chief Executive

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of The National Silk & Rayon Mills Limited as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2011 and December 31, 2012 have not been reviewed and we do not express conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2012.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

CHARTERED ACCOUNTANTS

AUDIT ENGAGEMENT PARTNER: MUHAMMAD AMIN

Lahore:

CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2012

	Note	December 31, 2012 (Unaudited) Rupees	June 30, 2012 (Audited) Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	4	14,000,000	14,000,000
Issued, subscribed and paid-up capital	5	11,109,410	11,109,410
Unappropriated profit		16,610,416	11,137,796
		27,719,826	22,247,206
SURPLUS ON REVALUATION OF FIXED ASSETS		176,329,091	176,329,091
NON CURRENT LIABILITIES			
Long term loans:			
From related parties - Interest free and unsecured	6	125,921,707	125,921,707
Deferred liabilities		8,595,740	7,764,751
		134,517,447	133,686,458
CURRENT LIABILITIES			
Trade and other payables		55,160,688	56,593,253
Accrued interest and mark up		1,180,443	951,693
Short term borrowings		13,500,000	-
- Related parties - Interest free and unsecured		40,051,126	29,411,144
- Running finances-secured		-	2,329,437
Current portion of finance lease liability		-	-
		109,892,257	89,285,527
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		448,458,621	421,548,282
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	337,604,483	324,912,958
Long term deposits		969,141	1,821,921
		338,573,624	326,734,879
CURRENT ASSETS			
Stores, spares and loose tools		3,785,826	2,648,462
Stock in trade		37,151,694	34,851,996
Trade debts-unsecured but considered good		25,824,739	20,826,337
Loans and advances		11,456,543	10,169,125
Trade deposits, short term prepayments and current account balances with statutory authorities		22,670,632	19,912,598
Other receivables		9,482	9,608
Due from Government departments		6,314,187	4,779,058
Cash and bank balances		2,671,894	1,616,219
		109,884,997	94,813,403
TOTAL ASSETS		448,458,621	421,548,282

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Note	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
		2012	2011	2012	2011
		Rupees		Rupees	
Sales	9	236,781,317	186,177,308	103,615,312	95,588,270
Cost of sales		<u>215,979,149</u>	<u>168,575,460</u>	<u>93,526,511</u>	<u>86,499,898</u>
Gross profit		20,802,168	17,601,848	10,088,801	9,088,372
Distribution costs		12,904	281,414	(74,666)	101,640
Administrative expenses		12,591,491	11,826,733	6,269,231	6,120,059
Other operating expenses		-	162,641	(177,078)	67,458
		<u>12,604,395</u>	<u>12,270,788</u>	<u>6,017,487</u>	<u>6,289,157</u>
		8,197,773	5,331,060	4,071,314	2,799,215
Other operating income	10	<u>957,007</u>	<u>724,116</u>	<u>524,327</u>	<u>369,691</u>
		9,154,780	6,055,176	4,595,641	3,168,906
Finance costs		<u>2,498,253</u>	<u>2,546,325</u>	<u>1,303,592</u>	<u>924,636</u>
Profit before taxation		6,656,527	3,508,851	3,292,049	2,244,270
Taxation :					
Current		1,183,907	1,861,773	518,077	955,883
Deferred	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		1,183,907	1,861,773	518,077	955,883
Profit for the period		<u>5,472,620</u>	<u>1,647,078</u>	<u>2,773,972</u>	<u>1,288,387</u>
Earning per share- Basic and Diluted		<u>4.93</u>	<u>1.48</u>	<u>2.50</u>	<u>1.16</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

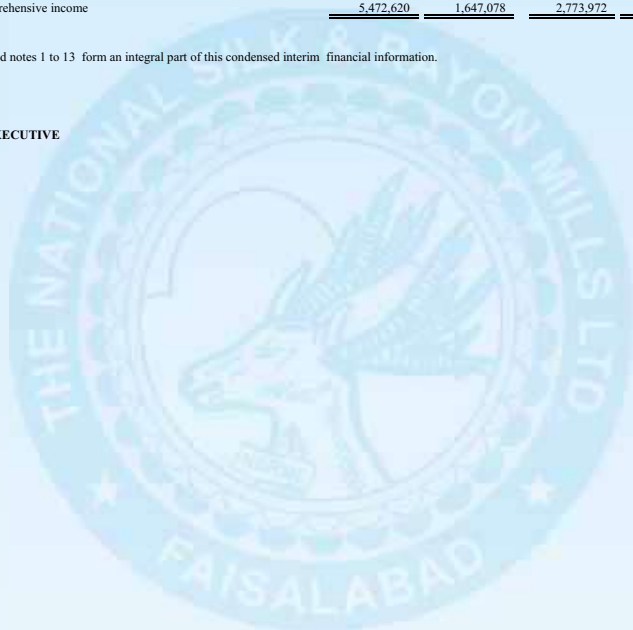
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2012	2011	2012	2011
	Rupees		Rupees	
Profit for the period	5,472,620	1,647,078	2,773,972	1,288,387
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>5,472,620</u>	<u>1,647,078</u>	<u>2,773,972</u>	<u>1,288,387</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR



The National Silk & Rayon Mills Ltd.

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Note	SIX MONTHS ENDED JULY TO DECEMBER	
		2012	2011
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated from Operations	A	3,680,064	13,656,721
Taxes Paid		(2,215,553)	(1,625,646)
Finance cost paid		(2,269,503)	(2,823,817)
Workers' Welfare Fund		-	35,874
Gratuity paid		(415,886)	(476,372)
Net cash flow from operating activities		(1,220,878)	8,766,760
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(20,386,772)	(8,926,595)
Long term deposits		852,780	-
Net cash flow from investing activities		(19,533,992)	(8,926,595)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term loan		13,500,000	-
Receipt / repayment of lease finance liabilities		(2,329,437)	(1,448,654)
Net cash flow from financing activities		11,170,563	(1,448,654)
Net increase/(decrease) in cash and cash equivalents		(9,584,307)	(1,608,489)
Cash and Cash Equivalents at the Beginning of the Period		(27,794,925)	(25,655,723)
Cash and Cash Equivalents at the End of the Period	B	(37,379,232)	(27,264,212)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

NOTES TO THE CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	SIX MONTHS ENDED JULY TO DECEMBER	
	2012	2011
	Rupees	
A - CASH GENERATED FROM OPERATIONS		
Profit before taxation	6,656,527	3,508,851
Adjustment of non cash and other items:		
Provision for gratuity	1,246,875	875,219
Depreciation	7,695,247	6,351,356
Finance cost	2,498,253	2,546,325
	<u>11,440,375</u>	<u>9,772,900</u>
Cash Flow Before Working Capital Changes	18,096,902	13,281,751
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(1,137,364)	2,194,408
Stocks in trade	(2,299,698)	1,550,867
Trade debts	(4,998,402)	910,374
Loan and advances	(1,287,418)	1,616,575
Trade deposit and short term prepayments	(1,726,388)	(4,151,008)
Due from Government Department	(1,535,129)	(3,112,624)
Other receivables	126	(153)
Increase/(Decrease) in current liabilities		
Trade and other payables	(1,432,565)	1,366,531
	<u>(14,416,838)</u>	<u>374,970</u>
	<u>3,680,064</u>	<u>13,656,721</u>
B - CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,671,894	2,582,356
Short term borrowings	(40,051,126)	(29,846,568)
	<u>(37,379,232)</u>	<u>(27,264,212)</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	SHARE CAPITAL	UNAPPROPRIATED PROFIT	TOTAL
	R u p e e s		
Balance as at June 30, 2011-Audited	11,109,410	6,969,806	18,079,216
Total comprehensive profit for half year ended December 31, 2011		1,647,078	1,647,078
Balance as at December 31, 2011-Unaudited	11,109,410	8,616,884	19,726,294
Total comprehensive profit for the period	-	2,520,912	2,520,912
Balance as at June 30, 2012-Audited	11,109,410	11,137,796	22,247,206
Total comprehensive profit for the half year ended December 31, 2012	-	5,472,620	5,472,620
Balance as at December 31, 2012-Unaudited	11,109,410	16,610,416	27,719,826

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

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-1, 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, 2012.

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, 2012, except as follows:

the company has adopted the following amended IFRS which became effective during the period:

- IAS 1 - Presentation of financial
- IAS 12 - Income Taxes

The adoption of the above amendments did not have any effect on these condensed t interim financial information.

3.1 Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards, as applicable in Pakistan will be effective from the dates mentioned below against the respective standard or interpretation:

Standard of Interpretation	Effective date (accounting periods beginning on or after)
IAS 19 - Employee Benefits	01 January 2013
IFRS 7 - Financial Instruments: Disclosures	01 January 2013
Annual improvements to IFRSs 2011	01 January 2013
IAS 32 - Financial Instruments: Presentation	01 January 2014

The company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the company's financial statements in the period of initial application.

3.1 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, 2012.

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 half percent of turnover, whichever is higher.

3.2.2 Deferred

The Company has recognized deferred tax asset only on unused tax losses to the extent it is probable that future taxable profits will be available against which such losses can be utilized.

The National Silk & Rayon Mills Ltd.

	Note	December 31, 2012 Rupees (Unaudited)	June 30, 2012 Rupees (Audited)
4 AUTHORIZED SHARE CAPITAL			
1,000,000 A - Class Ordinary shares of Rs. 10/- each.		10,000,000	10,000,000
400,000 B - Class Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
		<u>14,000,000</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 DEFERRED LIABILITIES			
Deferred taxation	6.1	-	-
Gratuity		8,595,740	7,764,751
		<u>8,595,740</u>	<u>7,764,751</u>
6.1 Deferred Taxation			
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		27,699,510	24,181,462
Excess of accounting book value of leased assets over liabilities		-	1,164,187
		<u>27,699,510</u>	<u>25,345,649</u>
Deferred tax asset on deductible temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(3,008,509)	(2,717,663)
Deferred debits arising on brought forward losses		(24,691,001)	(22,627,986)
		<u>(27,699,510)</u>	<u>(25,345,649)</u>
		<u>-</u>	<u>-</u>
Balance as at July 01,		-	-
Add: Charge / (Reversal) for the year		-	-
		<u>-</u>	<u>-</u>

Deferred tax amounting Rs. .304 million (June 30, 2012 Rs.4.24 million) on unused tax losses, has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be re-assessed as at June 30, 2013.

7 CONTINGENCIES AND COMMITMENTS

7.1 The Employee Old Age Benefit Institution, Regional Office South Faisalabad demand amounting Rs.1.450 million (June 30, 2012: Rs.1.450 million) under section 13(1) of the Employees Old Age Benefit Act, 1976. The case was pending for decision before Registrar Adjudication Employees Old Age Benefit, Lahore as at June 30, 2012. The Registrar Adjudication has decided case and reduced the demand to amounting Rs.749,207. The company has duly accounted for the said amount in the financial statement.

7.2 Commitments in respect of letter of credits other than for capital expenditure amounting Rs. 6.84 million (June 30, 2012: Rs.9.205 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, 2012.

The National Silk & Rayon Mills Ltd.

	Note	December 31, 2012 (Unaudited) Rupees	June 30, 2012 (Audited) Rupees
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	336,199,212	324,912,958
Capital work in progress - civil works		1,405,271	-
		<u>337,604,483</u>	<u>324,912,958</u>
8.1 OPERATING FIXED ASSETS			
Opening book value		324,912,958	167,446,255
Add: Additions during the period / year-cost		18,981,501	171,435,207
Less: Disposal during the period/ year-net book value		-	(576,108)
		<u>343,894,459</u>	<u>338,305,354</u>
Less: Depreciation charged for the period / year		<u>7,695,247</u>	<u>13,392,396</u>
		<u>336,199,212</u>	<u>324,912,958</u>

9 SALES

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2012	2011	2012	2011
	Rupees		Rupees	
Exports	-	2,155,241	-	-
Foreign exchange gain	-	33,097	-	-
	-	2,188,338	-	-
Processing receipts	<u>236,781,317</u>	<u>183,988,970</u>	<u>103,615,312</u>	<u>95,555,173</u>
	<u>236,781,317</u>	<u>186,177,308</u>	<u>103,615,312</u>	<u>95,555,173</u>

10 OTHER OPERATING INCOME

Income from non financial assets				
Sale of scrap	947,525	714,737	517,240	362,662
Income from financial assets				
Profit on TDRs / Bank deposits	9,482	9,379	7,087	2,350
	<u>957,007</u>	<u>724,116</u>	<u>524,327</u>	<u>365,012</u>

11 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.

12 DATE OF AUTHORISATION

The condensed interim financial information was authorised for issued on February 28, 2013 by the Board of Directors of the Company .

13 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