

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.

DIRECTORS REPORT

Your Directors take this opportunity to present to you the Quarterly Accounts for the period ended September 30, 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.3,364,479/-.

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 spinning, 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.133,166,005/-.

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:

October 30, 2012

Sh. Faisal Tauheed Puri

Chief Executive

The National Silk & Rayon Mills Ltd.

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

	Note	September 30, 2012	September 30, 2011
Sales- net	9	133,166,005	90,589,038
Cost of sales		122,452,638	82,075,562
Gross profit		10,713,367	8,513,476
Distribution cost		87,570	179,774
Administrative expenses		6,322,260	5,706,674
Other operating expenses		177,078	95,183
		6,586,908	5,981,631
		4,126,460	2,531,845
Other operating income		432,680	354,425
		4,559,140	2,886,270
Finance cost		1,194,661	1,621,689
Profit before taxation		3,364,479	1,264,581
Taxation :			
Current :			
For the year		665,830	905,890
Deferred	8	-	-
		665,830	905,890
Profit after taxation		2,698,649	358,691
Earning per share- Basic and Diluted		2.43	0.32

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
Profit /(Loss) after taxation	2,698,649	358,691
Other comprehensive income-net of taxation	-	-
Total comprehensive income / (loss) for the year-net of tax	<u>2,698,649</u>	<u>358,691</u>

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

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

	Note	September 30, 2012	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	(7,011,839)	17,799,654
Taxes paid		(807,053)	(948,339)
Finance cost paid		(1,037,483)	(1,711,665)
Gratuity paid		<u>(129,300)</u>	<u>(360,542)</u>
Net cash flows from operating activities		(8,985,675)	14,779,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(446,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease finance liabilities		<u>(408,781)</u>	<u>(913,544)</u>
Net (Decrease) in cash and cash equivalents		(9,394,456)	13,419,064
Cash and Cash Equivalents at the Beginning of the Year		(27,794,925)	(25,655,723)
Cash and Cash Equivalents at the End of the Year	B	<u><u>(37,189,381)</u></u>	<u><u>(12,236,659)</u></u>

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

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

**NOTES TO THE CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

	Note	September 30, 2012	September 30, 2011
A - CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,364,479	1,264,581
Adjustment of non cash and other items:			
Provision for gratuity		623,438	431,548
Depreciation		3,850,724	3,057,654
Finance cost		1,194,661	1,621,689
		<u>5,668,822</u>	<u>5,110,891</u>
Cash flows before working capital changes		9,033,301	6,375,472
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		980,527	1,347,122
Stocks in trade		8,531,739	8,131,658
Trade debts		(6,539,316)	2,701,538
Loan and advances		802,845	2,763,114
Trade deposit and short term prepayments		(3,563,275)	(4,024,191)
Due from Government		397,904	(2,727,305)
Accrued interest		7,213	6,876
Increase/(Decrease) in current liabilities			
Trade and other payables		(16,662,777)	3,225,370
		<u>(16,045,140)</u>	<u>11,424,182</u>
		<u>(7,011,839)</u>	<u>17,799,654</u>
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,288,415	1,385,229
Short term borrowings		(39,477,796)	(13,621,889)
		<u>(37,189,381)</u>	<u>(12,236,660)</u>

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

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

	Share Capital	Unappropriated profit	Total
Balance as at June 30, 2011-Audited	11,109,410	6,969,806	18,079,216
Total comprehensive income for quarter ended September 30, 2011		358,689	358,689
Balance as at September 30, 2011-Unaudited	11,109,410	7,328,495	18,437,905
Total comprehensive income for the nine months ended on June 30, 2012	-	3,809,301	3,809,301
Balance as at June 30, 2012-Audited	11,109,410	11,137,796	22,247,206
Total comprehensive profit for the quarter ended September 30, 2012	-	2,698,649	2,698,649
Balance as at September 30, 2012-Unaudited	11,109,410	13,836,445	24,945,855

The annexed notes 1 to 14 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 PERIOD ENDED SEPTEMBER 30, 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.

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 as applicable in Pakistan. 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:

New and amended standards and interpretations

The company has adopted the following amended IFRS and IFRIC interpretation which became effective during the period:

IFRS 7 - Financial Instruments: Disclosures
IAS 24 - Related Parties Disclosure (Revised)
IFRIC 14 - Prepayments of a minimum Fund Requirement (Amendment)

In May 2011, International Accounting Standards Boards (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 - Financial Instrument Disclosures (Clarification of disclosures)
IAS 1 - Presentation of Financial Statements (Clarification of statement of changes in equity)
IAS 34 - Interim Financial Reporting (Significant events and transactions)
IFRIC 13 - Customer Loyalty Programmes (Fair value of award credits)

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the condensed interim financial statements of the company.

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.

The National Silk & Rayon Mills Ltd.

3.2 Taxation

3.2.1 Current

Company's export sales fall under presumptive 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

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.

	September 30, 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 & 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 CONTINGENCIES AND COMMITMENTS		
6.1 Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (2011:Rs. nil) .Which has been contested by the Company as unsubstantiated and unjustified.The Company has deposited Rs.8.543 million with SNGPL under protest as referred to note no.20 to the financial statements.SNGPL has constituted a Review Committee to examin and resolve the matter and bring the facts on record.The Company is hopeful that the decision of the Review Committee would be in favour of the Company.		
The Employee Old Age Benefit Institution, Regional Office South, Faisalabad has raised demand amounting Rs.1.450 million (2011:Rs. nil) under Section 13 (1) of the Employees' Old Age Benefit Act, 1976.The case is pending for decision before Registrar Adjudication Employees Old Age Benefit, Lahore.The Company is expecting that the outcomes of the case would be in favour of the Company.		
6.3 Commitments in respect of letter of credits for capital expenditure amounted to Rs.Nil (June 30, 2012: Rs.Nil)		
6.4 Commitments in respect of letter of credits other than for capital expenditure amounted to Rs. 8.720 million (June 30, 2012: Rs.9.205 million)		

The National Silk & Rayon Mills Ltd.

	Note	September 30, 2012 (Unaudited) Rupees	June 30, 2012 (Audited) Rupees
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	<u>321,062,234</u>	<u>324,912,958</u>
7.1 OPERATING FIXED ASSETS			
Opening book value		324,912,958	167,446,255
Add: Additions during the period / year		-	44,485,207
Revaluation surplus		-	126,950,000
		<u>-</u>	<u>171,435,207</u>
		324,912,958	338,881,462
Less:			
Disposal during the year		-	1,394,490
Depreciation charged for the period / year		3,850,724	12,574,014
		<u>3,850,724</u>	<u>13,968,504</u>
		<u>321,062,234</u>	<u>324,912,958</u>
8 DEFERRED TAXATION			
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		23,878,534	24,181,462
Excess of accounting book value of leased assets over liabilities		1,207,847	1,164,187
		<u>25,086,381</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		(2,890,611)	(2,717,663)
Deferred debits arising on brought forward losses		(22,195,770)	(22,627,986)
		<u>(25,086,381)</u>	<u>(25,345,649)</u>
		<u>-</u>	<u>-</u>
Deferred tax amounting to Rs. 3.43 million (June 30, 2012 Rs.4.18 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.			
9 SALES		September 30, 2012 (Unaudited) Rupees	September 30, 2011 (Unaudited) Rupees
Exports		-	2,155,241
Processing receipts		133,166,005	88,433,797
		<u>133,166,005</u>	<u>90,589,038</u>
10 OTHER OPERATING INCOME			
Sale of scrap		430,285	352,075
Profit on TDRs / Bank deposits		2,395	2,350
		<u>432,680</u>	<u>354,425</u>

The National Silk & Rayon Mills Ltd.

11 TRANSACTIONS WITH RELATED PARTIES

All transaction with related parties are carried out by the company using the methods prescribed under the Companies Ordinance, 1984.

12 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.

13 DATE OF AUTHORISATION

The condensed interim financial information was authorised for issued on October 30, 2012 by the Board of Directors of the Company .

14 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