

# **First Quarter Financial Statements 2015-16**



***The National Silk & Rayon Mills Ltd.***

Manufacturer & Exporter of Quality Textile Products

# Company Information

<b>Board of Directors</b>	Sh. Faisal Tauheed	(Executive Director)
	Sh. Kashif Tauheed	-do-
	Mrs. Samira Faisal	Non Executive Director
	Mrs. Tahira Kashif	-do-
	Mrs. Sadia Kamran	-do-
	Mrs. Amna Kamran	Non Executive Director/Chairman
	Mr. Yasir Munir	Independent Director
<b>Board Audit Committee</b>	Mr. Yasir Munir	(Chairman)
	Mrs. Amna Kamran	
	Mrs. Sadia Kamran	
<b>Board Human Resource and Remuneration Committee</b>	Mrs. Sadia Kamran	(Chairman)
	Mrs. Amna Kamran	
	Mr. Yasir Munir	
<b>Management Team</b>	Sh. Faisal Tauheed Puri	(Chief Executive)
	Muhammad Islam Haider	(Chief Financial Officer)
	Imran Zafar	(Company Secretary)
	Qaiser Ali Faheem	(Internal Auditor)
<b>Auditors</b>	Amin Mudassar and Company Chartered Accountants	
<b>Bankers</b>	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	
<b>Registered Office</b>	4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore.	
<b>Factory</b>	Dhuddiwala, Jaranwala Road, Faisalabad.	
<b>Share Registrar</b>	Orient Software & Management Services (Pvt) Ltd; 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad.	
<b>Legal Advisor</b>	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 September 30, 2015.

## Business Overview:

By the blessing of Allah Al Mighty, company earned profit before tax Rs.4,265,290/- during the first three month ended on September 30, 2015. The operating results are as under:-

Operating Results	September 30, 2015	September 30, 2014
Sales	145,419,050	155,874,792
Profit before taxation	4,265,290	4,642,206
Taxation:	3,153,897	3,402,956
Profit after taxation	1,111,394	1,239,250

By the grace of Almighty, 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:  
October 30, 2015

Sh. Faisal Tauheed Puri  
Chief Executive

# Condensed Interim Balance Sheet

AS AT SEPTEMBER 30, 2015

	Note	Sep. 30, 2015 Un-audited Rupees	June 30, 2015 Audited Rupees	ASSETS	Note	Sep. 30, 2015 Un-audited Rupees	June 30, 2015 Audited Rupees
<b>EQUITY AND LIABILITIES</b>							
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON CURRENT ASSETS</b>			
Authorised capital	4	204,000,000	204,000,000	Property, plant and equipment	8	390,994,949	387,258,041
Issued, subscribed and paid-up capital	5	155,531,740	155,531,740	Long term deposits		27,591,241	27,591,241
Unappropriated profit		39,800,920	38,561,081			418,586,190	414,849,282
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		195,332,660	194,092,821				
<b>DEFERRED INCOME</b>		176,329,091	176,329,091				
		6,320,702	7,268,552				
<b>NON CURRENT LIABILITIES</b>							
Long term loans	6	-	-				
Liabilities against assets subject to finance lease		18,775,662	20,742,660				
Deferred liabilities		34,639,069	32,415,138				
		53,414,731	53,157,798				
<b>CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Trade and other payables		68,972,723	81,276,391	Stores, spares and loose tools		215,663	303,823
Short term borrowings- Secured		60,801,951	62,361,863	Stock in trade		27,044,484	26,778,721
Accrued interest and markup		769,018	908,354	Trade debts		24,572,099	35,248,672
Current portion of lease liabilities		9,652,419	10,048,147	Loans and advances		29,030,852	30,553,288
Provision for taxation-income tax		-	-	Trade deposits , short term prepayments and current account balances with statutory authorities		9,607,902	8,479,405
				Accrued interest		5,942	9,022
				Due from Government		53,142,332	64,045,815
				Cash and bank balances		9,387,831	5,174,989
						153,007,105	170,593,735
<b>CONTINGENCIES AND COMMITMENTS</b>	7	140,196,111	154,594,755				
		-	-				
		571,593,295	585,443,017				

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

CHIEF EXECUTIVE

DIRECTOR

# Condensed Interim Profit and Loss Account (un-audited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

		QUARTER ENDED JULY TO SEPTEMBER	
		2015	2014
		Rupees	Rupees
Sales- net	9	145,419,050	155,874,792
Cost of sales		130,776,075	141,099,519
<b>Gross profit</b>		14,642,975	14,775,273
Distribution cost		382,270	379,655
Administrative expenses		9,255,227	7,614,149
Other operating expenses		224,489	244,327
		9,861,986	8,238,131
		4,780,989	6,537,142
Other income	10	1,099,192	320,182
		5,880,181	6,857,324
Finance cost		1,614,891	2,215,118
<b>Profit before taxation</b>		4,265,290	4,642,206
<b>Taxation</b>			
Current :			
For the year		1,454,191	1,558,748
Deferred	6.1	1,699,706	1,844,208
		3,153,897	3,402,956
<b>Profit after taxation</b>		1,111,394	1,239,250
<b>Earning per share- Basic and Diluted</b>		0.07	0.08

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

CHIEF EXECUTIVE

DIRECTOR

# Condensed Interim Statement of Comprehensive Income (un-audited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	QUARTER ENDED JULY TO SEPTEMBER	
	2015	2014
	Rupees	Rupees
Profit after taxation	1,111,394	1,239,250
Other comprehensive income-net of taxation	128,445	(372,959)
<b>Total comprehensive income for the year-net of tax</b>	<b>1,239,839</b>	<b>866,291</b>

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

CHIEF EXECUTIVE

DIRECTOR

# Condensed Interim Cash Flow Statement (un-audited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

		QUARTER ENDED JULY TO SEPTEMBER	
	Note	2015	2014
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	20,844,687	13,076,373
Taxes paid		(1,849,881)	(2,807,152)
Finance cost paid		(1,754,227)	(2,186,808)
Gratuity paid		-	(22,416)
Net cash flows from operating activities		17,240,579	8,059,997
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(9,105,100)	(5,590,124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings from directors and associates		7,719,952	-
Repayment of lease finance liabilities		(2,362,726)	(2,011,935)
Net cash flows from financing activities		5,357,226	(2,011,935)
Net (Decrease) in cash and cash equivalents		13,492,705	457,938
Cash and Cash Equivalentents at the Beginning of the Year		(31,821,874)	(16,146,954)
Cash and Cash Equivalentents at the End of the Year	B	(18,329,169)	(15,689,016)

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

CHIEF EXECUTIVE

DIRECTOR

# Notes to the Condensed Interim Cash Flow Statement (un-audited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Note	QUARTER ENDED JULY TO SEPTEMBER	
		2015	2014
		Rupees	Rupees
<b>A - CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		4,265,290	4,642,206
<b>Adjustment of non cash and other items:</b>			
Provision for gratuity		652,670	565,830
Depreciation		5,368,192	4,455,072
Deferred income recognised		(947,850)	-
Finance cost		1,614,891	2,215,118
		6,687,903	7,236,020
<b>Cash flows before working capital changes</b>		10,953,193	11,878,226
<b>EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES</b>			
<b>(Increase)/Decrease in current assets</b>			
Stores, spares and loose tools		88,159	(68,672)
Stocks in trade		(265,763)	11,807,715
Stock in transit		-	-
Trade debts		10,676,573	6,679,132
Loan and advances		1,522,436	3,451,921
Trade deposit and short term prepayments		(732,806)	(4,364,331)
Accrued interest		3,080	5,917
Due from Government		10,903,483	(7,724,646)
<b>Increase/(Decrease) in current liabilities</b>			
Trade and other payables		(12,303,668)	(8,588,889)
		9,891,494	1,198,147
		20,844,687	13,076,373
<b>B - CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		9,387,831	16,823,884
Short term borrowings		(27,716,999)	(32,512,900)
		(18,329,168)	(15,689,016)

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

CHIEF EXECUTIVE

DIRECTOR



# Condensed Interim Statement of Changes in Equity (un-audited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	SHARE CAPITAL	UN- APPROPRIATED PROFIT	TOTAL
	----- R u p e e s -----		
<b>Balance as at June 30, 2014</b>	155,531,740	25,021,743	180,553,483
Profit for the year	-	13,024,443	13,024,443
Other comprehensive income	-	514,895	514,895
<b>Total comprehensive profit</b>	-	13,539,338	13,539,338
<b>Balance as at June 30, 2015</b>	155,531,740	38,561,081	194,092,821
Profit for the year	-	1,111,394	1,111,394
Other comprehensive income	-	128,445	128,445
<b>Total comprehensive profit</b>	-	1,239,839	1,239,839
<b>Balance as at September 30, 2015</b>	155,531,740	39,800,920	195,332,660

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

CHIEF EXECUTIVE

DIRECTOR

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

## 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, 2015.

## 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, 2015.

- 3.1 New standards, amendments to approved accounting standards and new interpretations which became effective during the three months period ended September 30, 2015; 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, 2015.

### 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.

	September 30, 2015 Rupees (Unaudited)	June 30, 2015 Rupees (Audited)
<b>4 AUTHORIZED SHARE CAPITAL</b>		
20,000,000 A - Class Ordinary shares of Rs. 10/- each.	200,000,000	200,000,000
400,000 B - Class Ordinary shares of Rs. 10/- each.	4,000,000	4,000,000
	<u>204,000,000</u>	<u>204,000,000</u>
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
<b>Issued for Cash</b>		
15,051,267 A - Class Ordinary Shares of Rs. 10. each	150,512,670	150,512,670
320,100 B - Class Ordinary Shares of Rs. 10. each	3,201,000	3,201,000
	<u>153,713,670</u>	<u>153,713,670</u>
<b>Issued as Bonus Shares</b>		
181,807 Ordinary Shares of Rs. 10. each	1,818,070	1,818,070
	<u>155,531,740</u>	<u>155,531,740</u>
<b>6 DEFERRED LIABILITIES</b>		
Provision for staff gratuity	13,186,549	12,722,769
Deferred taxation	<u>21,452,520</u>	<u>19,692,369</u>
	<u>34,639,069</u>	<u>32,415,138</u>
<b>6.1 Deferred Taxation</b>		
<b>This is composed of the following:</b>		
<b>Deferred tax liability on taxable temporary differences arising in respect of:</b>		
Accelerated tax depreciation	23,999,185	23,471,633
Excess of accounting book value of leased assets over liabilities	<u>2,003,038</u>	<u>1,493,405</u>
	26,002,223	24,965,038
<b>Deferred tax asset on deductible temporary differences arising in respect of:</b>		
Deferred debits arising in respect of staff gratuity	(4,219,696)	(4,071,286)
Deferred debits arising on brought forward losses	<u>(330,008)</u>	<u>(1,201,383)</u>
	(4,549,703)	(5,272,669)
	<u>21,452,519</u>	<u>19,692,369</u>
Balance as at July 01,	19,692,369	11,085,316
Add: Charge during the year to:		
Profit and loss account	1,699,706	8,364,750
Other comprehensive income	<u>60,445</u>	<u>242,303</u>
	1,760,151	8,607,053
	<u>21,452,520</u>	<u>19,692,369</u>

## 7 CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

- Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (June 2015:Rs. 39.805 million), which has been contested by the Company as unsubstantiated and unjustified. SNGPL had constituted a Review Committee to examine and resolve the matter and bring the facts on record. The Committee has decided the case against the Company. The Company had filed appeal to Oil & Gas Regulatory Authority (OGRA). The Joint Executive Director (OGRA) has decided the case in favour of the Company. However, SNGPL has filed appeal to OGRA for review against the decision of Joint Executive Director (OGRA). OGRA has decided the case against the company. The company has filed writ petition against the decision of the OGRA. The company is hopeful that the decision of OGRA in respect of appeal filed by SNGPL would be in favour of the Company.

### 7.2 Commitments

- Commitments in respect of letters of credit for capital expenditures were amounting to Rs.Nil million (June 30, 2015: Rs.Nil)
- Commitments in respect of letters of credits other than for capital expenditures were amounting Rs. 32.270 million (June 30, 2015: Rs.35.730 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, 2015.

## 8 PROPERTY, PLANT AND EQUIPMENT

		September 30, 2015 Rupees (Unaudited)	June 30, 2015 Rupees (Audited)
Operating fixed assets	8.1	369,823,673	369,243,706
Capital work in progress	8.2	21,171,276	18,014,335
		<u>390,994,949</u>	<u>387,258,041</u>
<b>8.1 OPERATING FIXED ASSETS</b>			
Opening book value		369,243,706	348,460,460
Add: Additions during the period / year-cost		5,948,159	41,657,165
Less: Disposal during the period/ year-net book value		-	(595,620)
		<u>375,191,865</u>	<u>389,522,005</u>
Less: Depreciation charged for the period / year		5,368,192	20,278,299
		<u>369,823,673</u>	<u>369,243,706</u>
<b>8.2 CAPITAL WORK IN PROGRESS</b>			
Building		11,606,289	8,449,348
Pipeline and electric fitting		9,564,987	9,564,987
		<u>21,171,276</u>	<u>18,014,335</u>

	September 30, 2015 Rupees (Unaudited)	September 30, 2014 Rupees (Audited)
<b>9 SALES</b>		
Exports	-	8,614,744
Processing receipts	145,419,050	147,260,048
	<u>145,419,050</u>	<u>155,874,792</u>
<b>10 OTHER OPERATING INCOME</b>		
<b>Income from non financial assets</b>		
Sale of scrap	145,400	314,605
<b>Income from financial assets</b>		
Profit on TDRs / Bank deposits	5,942	5,577
Deferred income recognised	947,850	-
	<u>1,099,192</u>	<u>320,182</u>

#### 11 TRANSACTIONS WITH RELATED PARTIES

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

#### 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, 2015.

#### 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

# First Quarter Financial Statements 2015-16



***The National Silk & Rayon Mills Ltd.***

Manufacturer & Exporter of Quality Textile Products

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