

# **Half Year 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 Half Yearly Accounts for the period ended December 31, 2015.

## Business Overview:

By the blessing of Allah Al Mighty, company earned profit before tax Rs. 15,539,812/- during the first six months ended on December 31, 2015. The operating results are as under:-

Operating Results	December 31, 2015	December 31, 2014
Sales	310,452,531	308,369,838
Profit before taxation	15,539,812	12,005,607
Taxation:	7,244,986	8,376,240
Profit after taxation	8,294,826	3,629,368

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:  
February 29, 2016

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, 2015 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 "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and December 31, 2015 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, 2015.

#### 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 condensed 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 condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

CHARTERED ACCOUNTANTS  
AUDIT ENGAGEMENT PARTNER: MUHAMMAD AMIN  
Lahore:

# Condensed Interim Balance Sheet

AS AT DECEMBER 31, 2015

	Note	December 31, 2015 (Unaudited) Rupees	June 30, 2015 (Audited) Rupees	ASSETS	Note	December 31, 2015 (Unaudited) Rupees	June 30, 2015 (Audited) Rupees
<b>EQUITY AND LIABILITIES</b>							
<b>SHARE CAPITAL AND RESERVES</b>							
Authorized capital	4	204,000,000	204,000,000	<b>NON CURRENT ASSETS</b>	9	390,258,418	387,258,041
Issued, subscribed and paid-up capital	5	155,531,740	155,531,740	Property, plant and equipment		29,868,731	27,591,241
Unappropriated profit		47,117,140	38,561,081	Long term deposits		420,127,149	414,849,282
		202,648,880	194,092,821				
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		176,329,091	176,329,091				
<b>DEFERRED INCOME</b>		5,372,408	7,268,552				
<b>NON CURRENT LIABILITIES</b>							
Liabilities against assets subject to finance lease	6	15,079,548	20,742,660	<b>CURRENT ASSETS</b>		669,479	303,823
Deferred liabilities		37,162,688	32,415,138	Stores, spares and loose tools		38,418,770	26,778,721
		52,242,236	53,157,798	Stock in trade		43,798,731	35,248,672
<b>CURRENT LIABILITIES</b>				Trade debis-unsecured but considered good		35,418,411	30,553,288
Trade and other payables	7	89,054,545	81,276,391	Loans and advances		10,228,437	8,479,405
Short term borrowings		77,944,067	62,361,863	Trade deposits , short term prepayments and current		7,457	9,022
Accrued interest and mark up		758,949	908,354	account balances with statutory authorities		60,206,864	64,045,815
Current portion of lease liabilities		10,888,941	10,048,147	Accrued interest		6,363,819	5,174,989
				Due from Government departments			
				Cash and bank balances		195,111,968	170,593,735
<b>CONTINGENCIES AND COMMITMENTS</b>	8	178,646,502	154,594,755				
<b>TOTAL EQUITY AND LIABILITIES</b>		-	-	<b>TOTAL ASSETS</b>		615,239,117	585,443,017
		615,239,117	585,443,017				

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
		2015	2014	2015	2014
		Rupees		Rupees	
Sales	10	310,452,531	308,369,838	165,033,481	152,495,046
Cost of sales		274,404,316	278,318,492	143,628,241	137,218,973
<b>Gross profit</b>		36,048,215	30,051,346	21,405,240	15,276,073
Distribution costs		504,203	383,457	121,933	3,802
Administrative expenses		18,588,332	15,479,103	9,333,105	7,864,954
Other operating expenses		828,645	678,186	604,156	433,859
		19,921,180	16,540,746	10,059,194	8,302,615
Other income	11	16,127,035	13,510,600	11,346,046	6,973,458
		2,542,351	2,938,763	1,443,159	2,618,581
		18,669,386	16,449,363	12,789,205	9,592,039
Finance costs		3,129,574	4,443,756	1,514,683	2,228,638
<b>Profit before taxation</b>		15,539,812	12,005,607	11,274,522	7,363,401
<b>Taxation :</b>					
Current		3,129,949	3,113,086	1,675,758	1,554,338
Deferred	6.1	4,115,037	5,263,154	2,415,331	3,418,946
		7,244,986	8,376,240	4,091,089	4,973,284
<b>Profit for the period</b>		8,294,826	3,629,368	7,183,432	2,390,117
<b>Earning per share- Basic and Diluted</b>		0.53	0.23	0.46	0.15

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2015	2014	2015	2014
	Rupees		Rupees	
Profit for the period	8,294,826	3,629,368	7,183,432	2,390,117
Gain/(loss) on staff retirement benefit obligation - net of deferred tax	261,233	(745,918)	132,788	(372,959)
Total comprehensive profit for the period	8,556,059	2,883,450	7,316,220	2,017,158

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

# Condensed Interim Cash Flow Statement (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

		SIX MONTHS ENDED JULY TO DECEMBER	
		2015	2014
	Note	Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash Generated from Operations</b>	<b>A</b>	12,759,145	60,507,492
Taxes Paid		(2,944,175)	(4,805,308)
Finance cost paid		(3,278,979)	(4,283,263)
Gratuity paid		(411,594)	(22,416)
Net cash flow from operating activities		6,124,397	51,396,505
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(13,452,963)	(30,445,478)
Long term deposit		(2,277,490)	-
Proceeds from sale of asset		35,000	460,000
Net cash flow from investing activities		(15,695,453)	(29,985,478)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	-
Short term loans		14,719,952	-
Receipt / repayment of lease finance liabilities		(4,822,318)	(4,106,355)
Net cash flow from financing activities		9,897,634	(4,106,355)
Net increase/(decrease) in cash and cash equivalents		326,578	17,304,672
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		(31,821,874)	(46,746,954)
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>B</b>	(31,495,296)	(29,442,282)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR



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

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

		SIX MONTHS ENDED JULY TO DECEMBER	
		2015	2014
		Rupees	
<b>A - CASH GENERATED FROM OPERATIONS</b>	<b>Note</b>		
Profit before taxation		15,539,812	12,005,607
<b>Adjustment of non cash and other items:</b>			
Provision for gratuity		1,305,340	1,131,660
Loss on disposal of fixed asset		10,760	(399,244)
Depreciation		10,406,827	9,628,163
Deferred income recognized		(1,896,144)	(1,896,144)
Finance cost		3,129,574	4,443,756
		12,956,357	12,908,192
<b>Cash Flow Before Working Capital Changes</b>		28,496,169	24,913,799
<b>EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES</b>			
<b>(Increase)/Decrease in current assets</b>			
Stores, spares and loose tools		(365,656)	(656,051)
Stocks in trade		(11,640,049)	21,027,970
Stocks in transit		-	-
Trade debts		(8,550,059)	22,723,865
Loan and advances		(4,865,123)	16,658,916
Trade deposit and short term prepayments		(1,934,806)	(2,362,971)
Due from Government Department		3,838,951	(14,908,076)
Other receivables		1,565	(62)
<b>Increase/(Decrease) in current liabilities</b>			
Trade and other payables		7,778,154	(6,889,898)
		(15,737,024)	35,593,693
		12,759,145	60,507,492
<b>B - CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		6,363,819	5,727,515
Short term borrowings	7.1	(37,859,115)	(35,169,796)
		(31,495,296)	(29,442,281)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	SHARE CAPITAL	UNAPPROPRIATED PROFIT	TOTAL
	-----R u p e e s-----		
<b>Balance as at June 30, 2014-Audited</b>	155,531,740	25,021,743	180,553,483
Total comprehensive profit for half year ended December 31, 2014	-	2,883,449	2,883,449
<b>Balance as at December 31, 2014-Unaudited</b>	155,531,740	27,905,192	183,436,932
Total comprehensive profit for the period	-	10,655,889	10,655,889
<b>Balance as at June 30, 2015-Audited</b>	155,531,740	38,561,081	194,092,821
Total comprehensive profit for the half year ended December 31, 2015	-	8,556,059	8,556,059
<b>Balance as at December 31, 2015-Unaudited</b>	155,531,740	47,117,140	202,648,880

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

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

FOR THE HALF YEAR ENDED DECEMBER 31, 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 six months period ended December 31, 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, 2015, 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 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.

##### 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.

## 4 AUTHORIZED SHARE CAPITAL

20,000,000 A - Class Ordinary shares of Rs. 10/- each.  
400,000 B - Class Ordinary shares of Rs. 10/- each.

Note

December 31, 2015 Rupees (Unaudited)	June 30, 2015 Rupees (Audited)
200,000,000	200,000,000
4,000,000	4,000,000
<u>204,000,000</u>	<u>204,000,000</u>

	Note	December 31, 2015 Rupees (Unaudited)	June 30, 2015 Rupees (Audited)
<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>			
Deferred taxation	<b>6.1</b>	23,924,772	19,692,369
Gratuity		13,237,916	12,722,769
		<u>37,162,688</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		23,034,093	23,471,633
Excess of accounting book value of leased asset over liabilities		2,427,195	1,493,405
		<u>25,461,288</u>	<u>24,965,038</u>
<b>Deferred tax asset on deductible temporary differences arising in respect of:</b>			
Deferred debits arising in respect of staff gratuity		(4,103,754)	(4,071,286)
Deferred debits arising on brought forward losses		2,567,239	(1,201,383)
		<u>(1,536,515)</u>	<u>(5,272,669)</u>
		<u>23,924,772</u>	<u>19,692,369</u>
Balance as at July 01,		19,692,369	11,085,316
Add: Charge / (Reversal) for the year to			
Profit and loss account		4,115,037	8,364,750
Other comprehensive income		117,366	242,303
		<u>23,924,772</u>	<u>19,692,369</u>
<b>7 SHORT TERM BORROWINGS</b>			
<b>7.1 From banking companies-secured:</b>			
Cash finance		29,911,889	29,052,673
Running finance		7,947,226	7,944,190
		<u>37,859,115</u>	<u>36,996,863</u>
<b>7.2 From related parties:</b>			
Directors and their associates - unsecured and interest free		40,084,952	25,365,000
		<u>77,944,067</u>	<u>62,361,863</u>
<b>8 CONTINGENCIES AND COMMITMENTS</b>			
<b>8.1 Contingencies</b>			
<p>- Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (June 30, 2015: Rs. 39.805 million), which has been contested by the Company as unsubstantiated and unjustified. The Company has deposited Rs.Nil (June, 30 2015 :Rs.6.858 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. Hearing was fixed on February 11, 2016. However, decision has not been passed yet. The Company is hopeful that the decision of OGRA would be in favour of the Company.</p>			
<b>8.2 Commitments</b>			
<p>- Commitments in respect of letters of credits for capital expenditures were amounting Rs.10.432 million (June 30, 2015: Rs.Nil)</p> <p>- Commitments in respect of letters of credits other than for capital expenditures were amounting Rs.38.275 million (June 30, 2015: Rs.35.730 million)</p> <p>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.</p>			

	Note	December 31, 2015 (Unaudited) Rupees	June 30, 2015 (Audited) Rupees
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	9.1	365,801,272	369,243,706
Capital work in progress	9.2	24,457,146	18,014,335
		<u>390,258,418</u>	<u>387,258,041</u>
<b>9.1 OPERATING FIXED ASSETS</b>			
Opening book value		369,243,706	348,460,460
Add: Additions during the period / year-cost		7,010,154	41,657,165
Less: Disposal during the period/ year-net book value		(45,760)	(595,620)
		<u>376,208,100</u>	<u>389,522,005</u>
Less: Depreciation charged for the period / year		10,406,828	20,278,299
		<u>365,801,272</u>	<u>369,243,706</u>
<b>9.2 CAPITAL WORK IN PROGRESS</b>			
Building		14,892,158	18,014,335
Plant and machinery		9,564,988	-
		<u>24,457,146</u>	<u>18,014,335</u>

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2015	2014	2015	2014
	Rupees		Rupees	
<b>10 SALES</b>				
Exports	-	8,742,820	-	128,076
Processing receipts	310,452,531	299,627,018	165,033,481	152,366,970
	<u>310,452,531</u>	<u>308,369,838</u>	<u>165,033,481</u>	<u>152,495,046</u>
<b>11 OTHER OPERATING INCOME</b>				
<b>Income from non financial assets</b>				
Sale of scrap	638,750	631,820	493,350	317,215
Profit on disposal of fixed asset	-	399,244	-	399,243
Deferred income recognized	1,896,144	1,896,144	948,294	1,896,144
<b>Income from financial assets</b>				
Profit on TDRs / Bank deposits	7,457	11,556	1,515	5,979
	<u>2,542,351</u>	<u>2,938,764</u>	<u>1,443,159</u>	<u>2,618,581</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 authorized for issued on February 29, 2016 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

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

DIRECTOR

# Half Year Financial Statements 2015-16



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

Manufacturer & Exporter of Quality Textile Products

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Jaranwala Road, Faisalabad-Pakistan  
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Email: [info@nationalsilk.com](mailto:info@nationalsilk.com) - [www.nationalsilk.com](http://www.nationalsilk.com)