

Company Information

Board of Directors	Sh. Faisal Tauheed Sh. Kashif Tauheed Mrs. Samira Faisal Mrs. Tahira Kashif Mrs. Sadia Kamran Mrs. Amna Kamran Mr. Shahzad Ehsan	(Executive Director) -do- Non Executive Director -do- -do- Non Executive Director/Chairman Independent Director
Board Audit Committee	Mr. Shahzad Ehsan Mrs. Amna Kamran Mrs. Sadia Kamran	(Chairman)
Board Human Resource and Remuneration Committee	Mrs. Sadia Kamran Mrs. Amna Kamran Mr. Shahzad Ehsan	(Chairman)
Management Team	Sh. Faisal Tauheed Puri Muhammad Islam Haider Imran Zafar Qaiser Ali Faheem	(Chief Executive) (Chief Financial Officer) (Company Secretary) (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 Half yearly Accounts for the period ended December 31, 2016.

Business Overview:

During the first six months the Company has achieved a growth of sales volume. The profit after tax is Rs.11.364 million in comparison to Rs.8.295 million of previous year.

Operating Results	December 2016	December 2015
RUPEES		
Sales	358,938,281	310,452,531
Profit before taxation	19,243,115	4,265,290
Taxation:	2,443,630	15,539,812
Profit after taxation	11,364,401	8,294,826

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 27, 2017

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, 2016 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, 2015 and December 31, 2016 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, 2016.

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.

Basis for Qualified Conclusion

The company did not pay the contributions to the provident fund trust as referred in note no. 7.1 to the condensed interim financial information.

Qualified Conclusion

Based on our review, with the exception of the matter described in preceding paragraph, 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, 2016 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

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

DIRECTOR

Condensed Interim Profit and Loss Account (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Note	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
		2016	2015	2016	2015
		Rupees		Rupees	
Sales	11	358,938,281	310,452,531	190,782,702	165,033,481
Cost of sales		319,023,042	274,404,316	166,784,080	143,628,241
Gross profit		39,915,239	36,048,215	23,998,622	21,405,240
Distribution costs		488,119	504,203	232,379	121,933
Administrative expenses		18,962,452	18,588,332	9,382,713	9,333,105
Other operating expenses		1,125,284	828,645	822,557	604,156
		20,575,855	19,921,180	10,437,649	10,059,194
		19,339,384	16,127,035	13,560,973	11,346,046
Other income	12	2,280,946	2,542,351	1,151,408	1,443,159
		21,620,330	18,669,386	14,712,381	12,789,205
Finance costs		2,377,215	3,129,574	1,221,086	1,514,683
Profit before taxation		19,243,115	15,539,812	13,491,294	11,274,522
Taxation :					
Current		3,612,192	3,129,949	1,929,428	1,675,758
Deferred	6.1	4,266,522	4,115,037	3,505,656	2,415,331
		7,878,714	7,244,986	5,435,084	4,091,089
Profit for the period		11,364,401	8,294,826	8,056,210	7,183,433
R u p e e s					
Earning per share- Basic and Diluted		0.73	0.53	0.52	0.46

The annexed notes 1 to 17 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, 2016

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2016	2015	2016	2015
	Rupees		Rupees	
Profit for the period	11,364,401	8,294,826	8,056,210	7,183,433
Gain/(loss) on staff retirement benefit obligation - net of deferred tax	-	261,233	(5,645)	132,788
Total comprehensive profit for the period	11,364,401	8,556,059	8,050,565	7,316,221

The annexed notes 1 to 17 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, 2016

		SIX MONTHS ENDED JULY TO DECEMBER	
		2016	2015
	Note	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated from Operations	A	39,147,816	12,759,145
Taxes Paid		(5,221,605)	(2,944,175)
Finance cost paid		(2,170,626)	(3,278,979)
Gratuity paid		(966,430)	(411,594)
Net cash generated from operating activities		30,789,156	6,124,397
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(19,648,731)	(13,452,963)
Long term deposit		10,000,000	(2,277,490)
Proceeds from sale of asset		500,000	35,000
Net cash used investing activities		(9,148,731)	(15,695,453)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		-	14,719,952
Receipt / repayment of lease finance liabilities		(5,663,112)	(4,822,318)
Net cash (used in) / generated from financing activities		(5,663,112)	9,897,634
Net increase in cash and cash equivalents		15,977,313	326,578
Cash and Cash Equivalents at the Beginning of the Period		(79,820,086)	(31,821,874)
Cash and Cash Equivalents at the End of the Period	B	(63,842,773)	(31,495,296)

The annexed notes 1 to 17 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, 2016

	SIX MONTHS ENDED JULY TO DECEMBER	
	2016	2015
	Rupees	
A - CASH GENERATED FROM OPERATIONS		
Profit before taxation	19,243,115	15,539,812
Adjustment of non cash and other items:		
Provision for gratuity	-	1,305,340
(Profit)/loss on disposal of fixed asset	(135,332)	10,760
Depreciation	11,515,956	10,406,827
Deferred income recognised	(1,896,144)	(1,896,144)
Finance cost	2,377,215	3,129,574
	11,861,696	12,956,357
Cash Flow Before Working Capital Changes	31,104,810	28,496,169
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGE S		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	1,708,165	(365,656)
Stocks in trade	21,644,937	(11,640,049)
Trade debts	28,702,520	(8,550,059)
Loan and advances	(3,762,450)	(4,865,123)
Trade deposit and short term prepayments	(10,197,178)	(1,934,806)
Due from Government Department	(18,552,410)	3,838,951
Other receivables	244	1,565
Increase/(Decrease) in current liabilities		
Trade and other payables	(11,500,821)	7,778,154
	8,043,006	(15,737,024)
CASH GENERATED FROM OPERATIONS	39,147,816	12,759,145
B - CASH AND CASH EQUIVALENTS		
Cash and bank balances	9,641,328	6,363,819
Short term borrowings	(73,484,101)	(37,859,115)
	(63,842,773)	(31,495,296)

The annexed notes 1 to 17 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, 2016

	SHARE CAPITAL	UNAPPROPRIATED PROFIT	TOTAL
	-----R u p e e s-----		
Balance as at June 30, 2015-Audited	155,531,740	38,561,081	194,092,821
Profit for the six months ended December 31, 2015	-	8,294,826	8,294,826
Other comprehensive income for the period-net of deferred tax	-	261,233	261,233
Total comprehensive income	-	8,556,059	8,556,059
Balance as at December 31, 2015-Unaudited	<u>155,531,740</u>	<u>47,117,140</u>	<u>202,648,879</u>
Balance as at June 30, 2016-Audited	155,531,740	73,183,211	228,453,718
Profit for the six months ended December 31, 2016	-	11,364,401	11,364,401
Other comprehensive income for the period	-	-	-
	-	11,364,401	11,364,401
Balance as at December 31, 2016-Unaudited	<u>155,531,740</u>	<u>84,547,612</u>	<u>239,818,119</u>

The annexed notes 1 to 17 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, 2016

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 but subject to limited scope review by the statutory auditors 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 December 2016 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. It also requires the management 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.

The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

- IAS 12 - Income Taxes	01 January, 2017
- IAS 7 - Statement of Cash Flows	01 January, 2017

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

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

Ordinary shares of Rs. 10/- each.

Note

December 31, 2016 Rupees (Unaudited)	June 30, 2016 Rupees (Audited)
200,000,000	200,000,000
4,000,000	4,000,000
<u>204,000,000</u>	<u>204,000,000</u>

The National Silk & Rayon Mills Ltd.

		December 31, 2016 Rupees (Unaudited)	June 30, 2016 Rupees (Audited)
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Issued for Cash	Note		
15,051,267 (June 30, 2016 15,051,267) A - Class Ordinary Shares of Rs. 10. each		150,512,670	150,512,670
320,100 (June 30, 2016 320,100) B - Class Ordinary Shares of Rs. 10. each		3,201,000	3,201,000
Issued as Bonus Shares		153,713,670	153,713,670
181,807 (June 30, 2016 181,807) Ordinary Shares of Rs. 10. each		1,818,070	1,818,070
		<u>155,531,740</u>	<u>155,531,740</u>
6 DEFERRED LIABILITIES			
Deferred taxation	6.1	14,329,233	10,062,711
Gratuity		-	13,888,367
		<u>14,329,233</u>	<u>23,951,078</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		13,932,386	12,633,342
Excess of accounting book value of leased asset over liabilities		2,518,631	1,734,763
		16,451,017	14,368,105
Deferred tax asset on deductible temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(2,121,784)	(4,305,394)
		<u>14,329,233</u>	<u>10,062,711</u>
Balance as at July 01,		10,062,711	19,692,369
Add: Charge / (Reversal) for the year to			
Profit and loss account		4,266,522	(9,639,802)
Other comprehensive income		-	10,144
		<u>14,329,233</u>	<u>10,062,711</u>
7 TRADE AND OTHER PAYABLES			
Sundry creditors		55,463,916	51,118,452
Accrued expenses		16,460,121	13,965,901
Advance from customers		34,929,295	23,641,267
Unclaimed dividend		508,826	508,826
Due to provident fund	7.1	1,410,860	-
Gratuity payable		12,921,937	-
Letter of credit payable		20,125,443	51,248,873
Income tax withheld		317,229	266,789
Sales tax withheld		377,484	1,469,171
Workers' (Profit) Participation fund		2,751,189	1,732,769
Workers' Welfare Fund		106,864	-
		<u>145,373,164</u>	<u>143,952,048</u>
7.1	This represents the contribution of employees of the company and the company for provident fund. The Company is in process of registration of provident fund trust. As soon as trust is established, 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		29,984,668	25,781,924
Running finance		7,910,781	2,445,781
		37,895,449	28,227,705
From related parties:			
Directors - unsecured and interest free		35,588,652	66,703,652
		<u>73,484,101</u>	<u>94,931,357</u>
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.22.272 million (June 30, 2016: Rs.17.392 million)		
-	Commitments in respect of letters of credits other than for capital expenditures were amounting Rs.Nil (June 30, 2016: Rs.11.96 million)		

	Note	December 31, 2016 Rupees (Unaudited)	June 30, 2016 Rupees (Audited)
10 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	10.1	697,338,197	690,359,148
Capital work in progress	10.2	27,035,540	26,246,483
		<u>724,373,737</u>	<u>716,605,631</u>
10.1 OPERATING FIXED ASSETS			
Opening book value		690,359,148	369,243,706
Add: Additions during the period / year-cost		18,859,674	344,276,030
Less: Disposal during the period/ year-net book value		(364,668)	(793,999)
		<u>708,854,154</u>	<u>712,725,737</u>
Less: Depreciation charged for the period / year		11,515,956	22,366,589
		<u>697,338,197</u>	<u>690,359,148</u>
10.2 CAPITAL WORK IN PROGRESS			
Building		17,470,553	16,681,496
Plant and machinery		9,564,987	9,564,987
		<u>27,035,540</u>	<u>26,246,483</u>

11 SALES

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2016	2015	2016	2015
	Rupees		Rupees	
Exports	5,633,954	-	263,618	-
Processing receipts	353,304,327	310,452,531	190,519,084	165,033,481
	<u>358,938,281</u>	<u>310,452,531</u>	<u>190,782,702</u>	<u>165,033,481</u>
12 OTHER INCOME				
Income from financial assets				
Profit on bank deposits	6,670	7,457	4,845	1,515
Income from non financial assets				
Sale of scrap	242,800	638,750	122,000	493,350
Profit on disposal of fixed asset	135,332	-	(2,515)	-
Deferred income recognised	1,896,144	1,896,144	1,027,078	948,294
	<u>2,274,276</u>	<u>2,534,894</u>	<u>1,146,563</u>	<u>1,441,644</u>
	<u>2,280,946</u>	<u>2,542,351</u>	<u>1,151,408</u>	<u>1,443,159</u>

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 _____ 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.

CHIEF EXECUTIVE

DIRECTOR

The National Silk & Rayon Mills Ltd.