Third Quarter Financial Statements

2016-17

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Company Information

Board of Directors	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. Shahzad Ehsan	Independent Director
Board Audit Committee	Mr. Shahzad Ehsan	(Chairman)
	Mrs. Amna Kamran	
	Mrs. Sadia Kamran	
Board Human Resource and Remuneration Committee	Mrs. Sadia Kamran	(Chairman)
	Mrs. Amna Kamran	
	Mr. Shahzad Ehsan	
Management Team	Sh. Faisal Tauheed Puri	(Chief Executive)
	Muhammad Islam Haider	(Chief Financial Officer)
	Imran Zafar	(Company Secretary)
	Qaiser Ali Faheem	(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 Quarterly Accounts for the period ended March 31, 2017.

Business Overview:

During the first nine months the Company has achieved a growth of sales volume. The profit after tax is Rs.16.598 million in comparison to Rs.10,803 million of previous year.

Operating Results	March 31, 2017	March 31, 2016
	RUPEES	
Sales	579,288,905	485,944,363
Profit before taxation	27,114,255	22,954,518
Taxation:	10,516,641	12,151,502
Profit after taxation	16,597,614	10,803,016

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:
April 28, 2017

Sh. Faisal Tauheed Puri
Chief Executive

Condensed Interim Balance Sheet

AS AT MARCH 31, 2017

EQUITY AND LIABILITIES	Note	March 31, 2017 Un-audited Rupees	June 30, 2016 Audited Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital	4	204,000,000	204,000,000
Issued, subscribed and paid-up capital	5	155,531,740	155,531,740
Unappropriated profit		89,780,825	73,183,211
		245,312,565	228,714,951
SURPLUS ON REVALUATION OF FIXED ASSETS		481,279,091	481,279,091
DEFERRED INCOME		632,048	3,476,264
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		-	10,000,000
Deferred liabilities	6	14,779,511	23,951,078
		14,779,511	33,951,078
CURRENT LIABILITIES			
Trade and other payables	7	155,637,957	143,952,048
Short term borrowings- Secured	8	69,862,741	94,931,357
Accrued interest and markup		746,062	664,168
Current portion of lease liabilities		2,072,695	10,742,660
Provision for taxation-income tax		-	-
		228,319,455	250,290,233
CONTINGENCIES AND COMMITMENTS	9	-	-
		970,322,670	997,711,617

ASSETS	Note	March 31, 2017 Un-audited Rupees	June 30, 2016 Audited Rupees
NON CURRENT ASSETS			
Property, plant and equipment	10	719,934,558	716,605,631
Long term deposits		20,851,231	30,851,231
		740,785,789	747,456,862
CURRENT ASSETS			
Stores, spares and loose tools		393,478	2,125,846
Stock in trade		29,333,429	49,432,837
Trade debts		38,265,929	59,793,382
Loans and advances		35,193,032	34,056,023
Trade deposits , short term prepayments and current account balances with statutory authorities		13,394,366	10,377,262
Accrued interest		3,415	6,914
Due from Government		104,794,194	79,351,220
Cash and bank balances		8,159,038	15,111,271
		229,536,881	250,254,755
		970,322,670	997,711,617

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 MARCH 31, 2017

	Note	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
		2017	**2016**	**2017**	**2016**
		Rupees	**Rupees**	**Rupees**	**Rupees**
Sales- net	**11**	579,288,905	485,944,363	220,350,624	175,491,832
Cost of sales		519,948,038	434,743,185	200,924,996	160,338,869
Gross profit		59,340,867	51,201,178	19,425,628	15,152,963
Distribution cost		648,119	620,250	160,000	116,047
Administrative expenses		30,377,725	26,118,076	11,415,273	7,529,744
Other operating expenses		1,427,066	1,208,133	301,782	379,488
		32,452,910	27,946,459	11,877,055	8,025,279
		26,887,957	23,254,719	7,548,573	7,127,684
Other income	**12**	3,684,833	4,452,582	1,403,887	1,910,231
		30,572,790	27,707,301	8,952,460	9,037,915
Finance cost		3,458,535	4,752,783	1,081,320	1,623,209
Profit before taxation		27,114,255	22,954,518	7,871,140	7,414,706
Taxation					
Current :					
For the year		5,799,841	4,869,829	2,187,649	1,739,880
Deferred	**6.1**	4,716,800	7,281,673	450,278	3,166,636
		10,516,641	12,151,502	2,637,927	4,906,516
Profit after taxation		16,597,614	10,803,016	5,233,213	2,508,190
		--------Rupees--------		--------Rupees--------	
Earning per share- Basic and Diluted		1.07	0.69	0.34	0.16

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 MARCH 31, 2017

	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
	2017	**2016**	**2017**	**2016**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Profit after taxation	16,597,614	10,803,016	5,233,213	2,508,190
Other comprehensive income-net of taxation	-	386,383	-	125,150
Total comprehensive income for the year-net of tax	16,597,614	11,189,399	5,233,213	2,633,340

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 MARCH 31, 2017

	Note	QUARTER ENDED JULY TO MARCH	
		2017	2016
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	64,124,821	36,131,514
Taxes paid		(9,952,527)	(6,556,049)
Finance cost paid		(3,376,641)	(4,904,089)
Gratuity paid		(2,559,413)	(453,594)
Net cash flows from operating activities		48,236,240	24,217,782
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(21,949,884)	(33,835,563)
Long term deposits		10,000,000	(2,277,490)
Proceeds from sale of assets		500,000	1,528,000
		(11,449,884)	(34,585,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings from directors and associates		(31,115,000)	23,219,952
Repayment of lease finance liabilities		(18,669,965)	(7,382,747)
Net cash flows from financing activities		(49,784,965)	15,837,205
Net (Decrease) in cash and cash equivalents		(12,998,609)	5,469,934
Cash and Cash Equivalents at the Beginning of the Year		(13,116,442)	(31,821,874)
Cash and Cash Equivalents at the End of the Year	B	(26,115,051)	(26,351,940)

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 MARCH 31, 2017

	Note	QUARTER ENDED JULY TO MARCH	
		2017	**2016**
A - CASH GENERATED FROM OPERATIONS		**Rupees**	**Rupees**
Profit before taxation		27,114,255	22,954,518
Adjustment of non cash and other items:			
Provision for gratuity		-	1,958,100
Profit on disposal of fixed assets		(135,332)	(554,342)
Depreciation		18,256,288	17,552,833
Deferred income recognised		(2,844,216)	(2,844,240)
Finance cost		3,458,535	4,752,783
		18,735,275	20,865,134
Cash flows before working capital changes		45,849,530	43,819,652
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		1,732,367	(132,141)
Stocks in trade		20,099,408	(3,890,162)
Trade debts		21,527,463	(3,837,417)
Loan and advances		(1,137,009)	1,558,674
Trade deposit and short term prepayments		1,135,582	1,573,453
Accrued interest		3,499	1,029
Due from Government		(25,442,974)	(7,789,867)
Increase/(Decrease) in current liabilities			
Trade and other payables		356,955	4,828,293
		18,275,291	(7,688,138)
		64,124,821	36,131,514
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances		8,159,038	5,208,689
Short term borrowings		(34,274,089)	(31,560,628)
		(26,115,051)	(26,351,939)

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 MARCH 31, 2017

	SHARE CAPITAL	UN-APPROPRIATED PROFIT	TOTAL
	---------------------R	u p e e	s--------------------
Balance as at June 30, 2015	155,531,740	38,561,081	194,092,821
Profit for the nine months ended March 31, 2017	-	10,803,017	10,803,017
Other comprehensive income	-	386,383	386,383
Total comprehensive profit	-	11,189,400	11,189,400
Balance as at March 31, 2016	155,531,740	49,750,481	205,282,221
Balance as at June 30, 2016	155,531,740	73,183,211	228,714,951
Profit for the nine months ended March 31, 2017	-	16,597,614	16,597,614
Other comprehensive income	-	-	-
Total comprehensive profit	-	16,597,614	16,597,614
Balance as at March 31, 2017 - Unaudited	155,531,740	89,780,825	245,312,565

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 MARCH 31, 2017

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 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 March 2017 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. The management is trying 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.

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.

		Note	March 31, 2017 Rupees (Unaudited)	June 30, 2016 Rupees (Audited)
4	**AUTHORIZED SHARE CAPITAL**			
	20,000,000 (June 30, 2016 20,000,000) A - Class Ordinary shares of Rs. 10/- each.		200,000,000	200,000,000
	400,000 (June 30, 2016 400,000) B - Class Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
			204,000,000	204,000,000
5	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	Issued for Cash			
	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
			153,713,670	153,713,670
	Issued as Bonus Shares			
	181,807 (June 30, 2016 181,807) Ordinary Shares of Rs. 10. each		1,818,070	1,818,070
			155,531,740	155,531,740
6	**DEFERRED LIABILITIES**			
	Deferred taxation	6.1	14,779,511	10,062,711
	Gratuity		-	13,888,367
			14,779,511	23,951,078
6.1	**Deferred Taxation**			
	This is composed of the following:			
	Deferred tax liability on taxable temporary differences arising in respect of:			
	Accelerated tax depreciation		13,627,370	12,633,342
	Excess of accounting book value of leased asset over liabilities		3,012,356	1,734,763
			16,639,726	14,368,105
	Deferred tax asset on deductable temporary differences arising in respect of:			
	Deferred debits arising in respect of staff gratuity		(1,860,216)	(4,305,394)
			14,779,511	10,062,711
	Balance as at July 01,		10,062,711	19,692,369
	Add: Charge / (Reversal) for the year to			
	Profit and loss account		4,716,800	(9,639,802)
	Other comprehensive income		-	10,144
			14,779,511	10,062,711

7 TRADE AND OTHER PAYABLES

Trade and other payable includes the contribution of employees of the company and the company for the provident fund amounting Rs.2,239,662/-. The Company has registered the provident fund trust and applied for opening the bank account. As soon as bank account opened, funds would be transferred to the trust's bank account. However the company has bveen paying mark up on unpaid balance of provident fund @ 10%.

		March 31, 2017	June 30, 2016
8	**SHORT TERM BORROWINGS**		
	From banking companies-secured:		
	Cash finance	28,838,308	25,781,924
	Running finance	5,435,781	2,445,781
		34,274,089	28,227,705
	From related parties:		
	Directors - unsecured and interest free	35,588,652	66,703,652
		69,862,741	94,931,357

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.25.695 million (June 30, 2016: Rs.17.392 million)

- Commitments in respect of letters of credits for capital expenditures were amounting Rs.Nil (June 30, 2016: Rs.11.936 million)

	Note	March 31, 2017 (Unaudited) Rupees	June 30, 2016 (Audited) Rupees
10 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**10.1**	692,899,019	690,359,148
Capital work in progress	**10.2**	27,035,540	26,246,483
		719,934,559	716,605,631
10.1 OPERATING FIXED ASSETS			
Opening book value		690,359,148	369,243,706
Add: Additions during the period / year-cost		21,160,827	344,276,030
Less: Disposal during the period/ year-net book value		(364,668)	(793,999)
		711,155,307	712,725,737
Less: Depreciation charged for the period / year		18,256,288	22,366,589
		692,899,019	690,359,148
10.2 CAPITAL WORK IN PROGRESS			
Building		17,470,553	16,681,496
Plant and machinery		9,564,987	9,564,987
		27,035,540	26,246,483

11 SALES

	NINE MONTHS ENDED JULY TO MARCH		QUARTER ENDED JANUARY TO MARCH	
	2017	2016	2017	2016
	Rupees		Rupees	
Exports	5,633,954	-	-	-
Processing receipts	573,654,951	485,944,363	220,350,624	175,491,832
	579,288,905	485,944,363	220,350,624	175,491,832

12 OTHER INCOME

Income from financial assets				
Profit on bank deposits	10,085	15,450	3,415	7,993
Income from non financial assets				
Sale of scrap	695,200	1,038,550	452,400	399,800
Profit on disposal of fixed asset	135,332	554,342	-	554,342
Deferred income recognised	2,844,216	2,844,240	948,072	948,096
	3,684,833	4,452,582	1,403,887	1,910,231

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 April 28, 2017 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**

Jaranwala Road, Faisalabad-Pakistan
Tel: 0092418721760-61 Fax:0092418712216
Email: info@nationalsilk.com - www.nationalsilk.com