

First Quarter Financial Statements

2019



***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. Shehzad Ehsan	Independent Director

Board Audit Committee

Mr. Shehzad Ehsan	(Chairman)
Mrs. Amna Kamran	
Mrs. Sadia Kamran	

Board Human Resource and Remuneration Committee

Mr. Shehzad Ehsan	(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)
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

House No. 8/3, Aziz Avenue,
Canal Road, Gulberg V, Lahore.

Factory

Dhuddiwala, Jaranwala Road, Faisalabad.

Share Registrar

Corplink (pvt.) Ltd.,
Share Registrar & Corporate Consultants,
Wings Arcade, 1-K Commercial, Model Town, Lahore,
Tel: 035916714, 35916719, 035839182 Fax: 92-42-35869037.

Legal Advisor

Sahibzada Muhammad Arif
Advocate High Court,
Chamber No.52, District Courts,
Faisalabad.

Directors' Report

We are pleased to present the Financial Statements of the Company for three months ended September 30, 2019.

FINANCIAL RESULTS

Operating Results	<u>Three Months ended September 30</u>	
	2019	2018
	RUPEES	
Net Sales	159,329,278	209,680,341
Operating Expenses	2,486,550	7,572,565
Operating Profit	(2,492,292)	5,784,134
Operating Profit Margin	(0.16)	0.37

The Country continued to face difficult financial and economic conditions. The uncertain political situation, devaluation of Pak Rupee, rising energy price in international market, upward inflationary trend and depressed economic fundamentals have posed multifarious challenges for the Company.

OUTLOOK

Due to adverse economic conditions, political instability, vulnerable exchange rates and inflationary trend, outlook for rest of the year remains challenging and may have significant pressure on business performance.

However, Pakistan's economy has always shown resilience during unfavorable business environment and there are few positive takeaways like signs of recovery in manufacturing section mainly textile exports and service sector.

While we keep pace with market realities, your Company will strive to maintain its growth through progressive market approach. We have firm belief in our efforts, management skills and capabilities to cope with all the challenges. We remain confident about positive prospects of the Company and motivated to deliver shareholders' value through customer focused approach and high quality of our personnel and business processes.

ACKNOWLEDGEMENT

The management would like to thank our customers being valued assets of the Company for their loyalty and trust. We also recognize the continued support of our shareholders, bankers and suppliers. Our esteemed employees always work with their full dedication and commitment to deliver exceptional and innovative services to all respected business partners.

On behalf of the Board



Sh. Faisal Tauheed Puri
Chief Executive

LAHORE:
October 29, 2019



Sh. Kashif Tauheed
Director

Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2019

EQUITY AND LIABILITIES		Note	September 30, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
SHARE CAPITAL AND RESERVES				
Authorised share capital	4		204,000,000	204,000,000
Issued, subscribed and paid-up share capital	5		155,531,740	155,531,740
Unappropriated profit			133,755,670	136,247,962
Revaluation surplus on land			481,279,091	481,279,091
			770,566,501	773,058,793
NON CURRENT LIABILITIES				
Deferred liabilities	6		9,993,919	7,405,016
CURRENT LIABILITIES				
Trade and other payables			219,248,784	226,340,018
Payable to provident fund			219,636	382,990
Deposits, accrued liabilities and advances			15,787,163	28,703,533
Unclaimed dividend			594,835	594,836
Accrued interest and mark up			1,499,601	1,184,939
Loan from banking companies	7		37,944,815	36,824,625
Loan from related party			71,400,706	50,400,706
			346,695,540	344,431,647
CONTINGENCIES AND COMMITMENTS				
	8		-	-
TOTAL EQUITY AND LIABILITIES				
			1,127,255,960	1,124,895,456
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	9		744,865,585	728,696,962
Long term deposits			21,107,546	21,107,546
			765,973,131	749,804,508
CURRENT ASSETS				
Stores, spares and loose tools			13,683,879	16,585,288
Stock in trade			129,511,971	127,398,160
Trade debts-unsecured but considered good			70,202,348	88,808,870
Loans and advances			11,739,919	5,670,925
Trade deposits , short term prepayments and current account balances with statutory authorities			33,349,444	28,026,581
Accrued interest			6,337	6,590
Due from Government departments			96,957,707	97,485,396
Cash and bank balances			5,831,224	11,109,138
			361,282,829	375,090,948
TOTAL ASSETS				
			1,127,255,960	1,124,895,456

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Profit and Loss Account (un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

		QUARTER ENDED JULY TO SEPTEMBER	
		2019	2018
Note		Rupees	
Sales- net	10	159,329,278	209,680,341
Cost of sales		145,955,383	191,374,619
Gross profit		13,373,895	18,305,722
Distribution costs		96,485	318,645
Administrative expenses		9,384,694	10,295,134
Other operating expenses		130,871	400,529
		9,612,050	11,014,308
		3,761,845	7,291,414
Other income	11	266,014	620,207
		4,027,859	7,911,621
Finance costs		1,541,309	339,056
Profit before taxation		2,486,550	7,572,565
Taxation:			
Current		2,389,939	2,628,757
Deferred	6.1	2,588,903	(840,326)
		4,978,842	1,788,431
Profit/(loss) for the period		(2,492,292)	5,784,134
Earnings per share- Basic and Diluted		-----R u p e e s----- (0.16)	0.37

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	QUARTER ENDED JULY TO SEPTEMBER	
	2019	2018
	Rupees	
Profit for the period	(2,492,292)	5,784,134
Other comprehensive income-net of taxation	-	-
Total comprehensive profit for the period	(2,492,292)	5,784,134

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

QUARTER ENDED JULY TO SEPTEMBER	
2019	2018

	Note	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated from Operations	A	2,617,647	(14,995,467)
Taxes Paid		(6,205,770)	(4,450,124)
Finance cost paid		(1,226,647)	(572,836)
Gratuity paid		(230,847)	(1,352,843)
Net cash generated from operating activities		(5,045,617)	(21,371,270)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(22,352,487)	(22,944,579)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term borrowings from directors		21,000,000	-
Net increase in cash and cash equivalents		(6,398,104)	(44,315,849)
Cash and Cash Equivalents at the Beginning of the Period		(25,715,487)	23,919,367
Cash and Cash Equivalents at the End of the Period	B	(32,113,591)	(20,396,482)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

QUARTER ENDED JULY TO SEPTEMBER	
2019	2018
Rupees	
2,486,550	7,572,565
6,183,863 1,541,309	5,551,672 189,380
7,725,172	5,741,052
10,211,722	13,313,617
2,901,409 (2,113,811) 18,606,522 (6,068,994) (1,276,185) 527,689 253 (7,091,234) (163,354) (12,916,370)	1,394,836 3,042,161 (2,117,781) 3,446,013 498,818 (12,110,938) 5,046 (5,825,212) 15,622 (16,657,649)
- (7,594,075)	 (28,309,084)
2,617,647	(14,995,467)
5,831,224 (37,944,815)	2,781,387 (23,177,869)
(32,113,591)	(20,396,482)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	SHARE CAPITAL	REVENUE RESERVE UNAPPROPRIATED PROFIT	REVALUATION SURPLUS ON LAND	TOTAL
	-----R u p e e s-----			
Balance as at June 30, 2018- Audited	155,531,740	118,833,951	481,279,091	755,644,782
Profit for the three months ended September 30, 2018	-	5,784,134	-	5,784,134
Other comprehensive income for the period-net of deferred tax	-	-	-	-
Total comprehensive income	-	5,784,134	-	5,784,134
Balance as at September 30, 2018- Un-audited & Restated	155,531,740	124,618,085	481,279,091	761,428,916
Balance as at June 30, 2019- Audited	155,531,740	136,247,962	481,279,091	773,058,793
Profit for the three months September 30, 2019	-	(2,492,292)	-	(2,492,292)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income	-	(2,492,292)	-	(2,492,292)
Balance as at September 30, 2019- Un-audited	155,531,740	133,755,670	481,279,091	770,566,501

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

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 Act, 2017). The Company is quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at House No.8/3, Aziz Avenue, Canal Road, Gulberg V, 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

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Company's annual audited financial statements for the year ended June 30, 2019.

2.3 Critical Accounting Estimates And Judgments

Judgments and estimates made by the management in the preparation of the condensed interim financial statements were the same as those applied to the financial statements as at and for the year ended June 30, 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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, 2019 except those stated in note 3.2 (a) below.

3.2 NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS

a) Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2019

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

In addition to that a new standard (i.e. IFRS 15) have become applicable to the Company effective July 1, 2018. Because of these new standards certain changes to the Company's accounting policies have been made in light of the following paragraphs:

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue', IAS 11 'Construction Contracts', and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by this standard does not have any significant impact on these condensed interim financial statements of the Company.

b) Standards and amendments to published approved accounting standards that are not yet effective

i) There is a new standard, certain amendments and an interpretation to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

ii) There is a new standard that will be mandatory for the Company's annual accounting periods ending on or after June 30, 2019. The standard laid down certain changes which will not have any significant impact on these condensed interim financial statements of the Company and has been disclosed as follows:

- IFRS 9 'Financial instruments' - This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On July 1, 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortised cost').

	Note	September 30, 2019 Rupees (Un-audited)	June 30, 2019 Rupees (Audited)
4 AUTHORIZED SHARE CAPITAL			
20,000,000 (June 30, 2018: 20,000,000) A - Class Ordinary shares of Rs. 10 each		200,000,000	200,000,000
400,000 (June 30, 2018: 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>
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Issued for Cash			
15,051,267 (June 30, 2018: 15,051,267) A - Class Ordinary Shares of Rs.10 each		150,512,670	150,512,670
320,100 (June 30, 2018: 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>
Issued as Bonus Shares			
181,807 (June 30, 2018: 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	9,993,919	7,405,016
6.1 Deferred Taxation			
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		15,817,008	15,785,633
		15,817,008	15,785,633
Deferred tax asset on deductible temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(641,776)	(671,946)
Deferred debits arising in respect of provisions		-	(448)
Turnover tax available for carry forward		(8,635,522)	(12,847,039)
Deferred tax asset not recognised on turnover tax		3,454,209	5,138,816
		<u>(5,823,089)</u>	<u>(8,380,617)</u>
		<u>9,993,919</u>	<u>7,405,016</u>
Balance as at July 01,		7,405,016	3,790,430
Add: Charge / (Reversal) for the year to			
Profit and loss account		2,588,903	3,614,586
Other comprehensive income		-	-
		<u>9,993,919</u>	<u>7,405,016</u>
7 LOAN FROM BANKING COMPANIES			
Secured			
Cash finance		29,964,108	29,133,469
Running finance		7,980,707	7,691,156
		<u>37,944,815</u>	<u>36,824,625</u>
7.1	There is no major change in the terms and conditions of the loan from banking companies as disclosed in the annual audited financial statements of the company as at and for the year ended June 30, 2019.		
8 CONTINGENCIES AND COMMITMENTS			
8.1 Contingencies			
-	There is no change in status of contingencies as disclosed in note 15.1 of the audited annual financial statements of the Company for the year ended June 30, 2019.		
8.2 Commitments			
-	Commitments in respect of letters of credits for capital expenditures were amounting Rs.5.520 million (June 30, 2019: Rs.10.994 million).		
-	Commitments in respect of letters of credits other than for capital expenditures were amounting Rs.33.115 million (June 30, 2019: Rs.7.115 million).		

	Note	September 30, 2019 Rupees (Un-audited)	June 30, 2019 Rupees (Audited)
9 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	717,830,046	701,661,422
Capital work in progress	9.2	27,035,540	27,035,540
		<u>744,865,586</u>	<u>728,696,962</u>
9.1 OPERATING FIXED ASSETS			
Opening book value		701,661,422	671,266,808
Add: Additions during the period / year-cost		22,352,487	54,350,932
Less: Disposal during the period/ year-net book value		-	(773,267)
		<u>724,013,909</u>	<u>724,844,473</u>
Less: Depreciation charged for the period / year		6,183,863	23,183,051
		<u>717,830,046</u>	<u>701,661,422</u>
9.2 CAPITAL WORK IN PROGRESS			
Building		17,470,553	17,470,553
Plant and machinery		9,564,987	9,564,987
		<u>27,035,540</u>	<u>27,035,540</u>
10 SALES			
Processing receipts		187,430,961	210,553,026
Less Sales Tax		(28,101,683)	(872,685)
		<u>159,329,278</u>	<u>209,680,341</u>
11 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		16,054	13,207
Income from non financial assets			
Sale of scrap		299,952	722,330
Less: Sales Tax		(49,992)	(115,330)
		<u>249,960</u>	<u>607,000</u>
Profit on disposal of fixed assets		-	-
		<u>266,014</u>	<u>620,207</u>
		(Un-audited)	(Un-audited)
		-----Rupees-----	
12 TRANSACTIONS WITH RELATED PARTIES			
Transactions with related parties have been disclosed in the relevant notes to the financial statements, except that:			
Loan received from Chief Executive- Mr. Faisal Tauheed		9,000,000	-
Loan received from Director- Mr. Sheikh Kashif Tauheed		12,000,000	-
Remuneration paid to Chief Executive- Mr. Faisal Tauheed		1,500,000	1,500,000
Remuneration paid to Director- Mr. Sheikh Kashif Tauheed		1,500,000	1,500,000
13 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 2019.			
14 DATE OF AUTHORISATION			
The condensed interim financial statements were authorised for issued on 29-10-2019 by the Board of Directors of the Company .			
15 FIGURES			
Figures in these condensed interim financial statements have been rounded off to the nearest of rupee.			



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

ڈائریکٹرز کی جائزہ رپورٹ

ہم انتہائی مسرت کے ساتھ آپ کی کمپنی کی ششماہی رپورٹ بابت 30 ستمبر 2019 آپ کی خدمت میں پیش کر رہے ہیں۔

مالیاتی کارکردگی کا خلاصہ

2018	2019	مالیاتی کارکردگی
RUPEES		
209,680,341	159,329,278	کاروباری سیل
7,572,565	2,486,550	منافع قبل از ٹیکس
5,784,134	(2,492,292)	منافع / (نقصان) بعد از ٹیکس
0.37	(0.16)	منافع / (نقصان) فی حصص

ملک مستقل مالی اور اقتصادی مشکلات سے دوچار ہے۔ بے یقینی سیاسی حالات پاکستان کے روپے کی قدر میں کمی انٹرنیشنل مارکیٹ میں توانائی کی قیمتوں میں اضافہ اور بنیادی اقتصادی پستی جیسے کمپنی کو مختلف چیلنجز لاحق ہیں۔

آؤٹ لک

منفی اقتصادی حالات، سیاسی عدم استحکام، کمزور آپجینج ریٹ، اور افراد زر کی وجہ سے باقی مالی سال میں کاروباری کی پرفارمنس کیلئے بہت اہم چیلنج ہے۔ البتہ پاکستان نے ان حالات میں پلک دکھاتے ہوئے مینوفیکچرنگ یونٹ سچیشلی ٹیکسٹائل ایکسپورٹ اور سروس سیکٹر میں ایکوری دکھائی ہے۔ جبکہ مارکیٹ کی رفتار کے حساب سے آپ کی کمپنی ترقی کیلئے کوشش کرتی رہے گی۔ ہم اپنی کوششوں اور مینجمنٹ کی مہارت کی وجہ سے ان چیلنجز کے ساتھ نبھنے کے قائل ہیں۔ ہمیں اپنی بہترین کواٹ کی وجہ سے مستقبل میں ہم اپنے شیئر ہولڈرز کیلئے حوصلہ افزا رزلٹ دیں گے۔

اظہار تشکر

ہم تمام حصص داران، صارفین، سپلائروں اور ملازمین کی جانب سے بھرپور حمایت کو تسلیم کرتے ہیں اور تہہ دل سے ان کے مشکور ہیں۔

منجانب بورڈ



شیخ فیصل توحید
چیف ایگزیکٹو



شیخ کاشف توحید
ڈائریکٹر

29 اکتوبر، 2019

First Quarter Financial Statements **2019**



The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

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