

**CONDENSED INTERIM
FINANCIAL INFORMATION**
For the Half Year Ended
DECEMBER 31, 2016



N. P. Spinning Mills Limited

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N. P. SPINNING MILLS LIMITED

DIRECTORS' REPORT

The Directors are pleased to present before you the condensed (un-audited) interim financial information for the half year ended December 31, 2016.

FINANCIAL RESULTS

The financial results of the Company for the period under review are discouraging. Sales for the period amounted to Rs.49,492 million, compared to Rs.398,417 million for the corresponding period last year. The Company sustained a net loss of Rs.121,167 million compared to Rs.69,801 million. As reported earlier, the operations of the Company have been suspended; however the loss for the quarter is mainly due to low selling prices compared to high cost of production and other costs. Had the operations of the Company not been suspended, the loss would have been much higher.

EARNINGS PER SHARE

The earnings per share for the period is Rs. (8.24).

FUTURE OUTLOOK

The prospects of cotton crop for the season 2016-17 are not very bright. Production estimates are lower than local consumption of cotton. This short fall will increase costly imports. Currently we are negotiating with the bank for further financing. If the banks will provide further finance facilities to meet the working capital requirements and to purchase the raw material, the management will bring the project in operations. Further, we are also examining the recently announced rescheduling program for revival of sick textile units and seek the restructuring / revival of our unit under the scheme. Otherwise another solution will be discussed with the bank to settle the outstanding dues through disposal of fixed and current assets or any part thereof as per requirement, as approved by the General Meeting on 31-10-2016.

ACKNOWLEDGEMENT

The Directors wish to acknowledge and appreciate the support of Shareholders, Bankers, Suppliers and the dedication and hard work of the Staff.

On behalf of the Board

(INAMUR REHMAN)
Chairman

Karachi: February 28, 2017

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We were engaged to review the accompanying condensed interim balance sheet of N.P. SPINNING MILLS LIMITED (the Company) as at December 31, 2016, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this 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 the interim financial information based on our review, which we have not been able to form due to the reasons mentioned below.

Scope of review

Our responsibility was to express a conclusion on the interim financial information based on our review, in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. We have not been able to form a conclusion due to the reasons mentioned in basis for disclaimer of conclusion paragraph below.

Basis for disclaimer of conclusion

As disclosed in note 1.2 to the interim financial information, during the period, the Company incurred net loss of Rs. 121.17 million (2015: Rs. 69.80 million), which has resulted in accumulated loss of Rs. 426.98 million (June 30, 2016: Rs. 311.99 million) and deficit in equity of Rs. 279.98 million (June 30, 2016: Rs. 164.99 million). Further, the Company has temporarily suspended its operations since June 2016 and has laid off majority of its workforce in order to minimize its losses and is negotiating with its bank to restructure / settle outstanding borrowings. Furthermore, the shareholders in their Annual General Meeting dated October 31, 2016 have passed a resolution to authorize the Board of Directors to sell property, plant and equipment and other assets of the Company.

In view of the above, management believes that the Company is not a going concern. Accordingly, the Company may not be able to realize its assets or discharge its liabilities in the normal course of business and hence, management has prepared the accompanying interim financial information on a basis other than going concern whereby all assets are stated at their realizable values and all liabilities are stated at amounts payable. However, as of the date of this report, the Company has not received any offer for sale for its property, plant and equipment, which represents over 90% of the Company's total assets. Accordingly, management is not in a position to determine the best estimate of realizable value of such assets. Furthermore, we disclaimed audit opinion in our audit report dated October 06, 2016 on the annual financial statements of the Company for the year ended June 30, 2016. Consequently, we were unable to satisfy ourselves in respect of realizable values of items of property, plant and equipment and were unable to determine whether any adjustments would have been found to be made in this respect.

Disclaimer of conclusion

Because of the significance of the matter described in basis of disclaimer of conclusion above, we were unable to form a conclusion on the accompanying interim financial information.

Karachi:
Dated: February 28, 2017

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner: Nadeem Yousuf Adil

N. P. SPINNING MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET (Un-Audited)

AS AT DECEMBER 31, 2016

	December 31, 2016	June 30, 2016
Note	Rupees	
SHARE CAPITAL AND RESERVES		
Share capital	147,000,000	147,000,000
Accumulated loss	(426,978,568)	(311,995,610)
	<u>(279,978,568)</u>	<u>(164,995,610)</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	404,614,556	410,798,946
LIABILITIES		
Loan from directors	153,500,000	153,500,000
Deferred liabilities	5,813	149,813
Long-term finance	4 277,000,000	277,000,000
Trade and other payables	290,369,655	311,694,575
Accrued mark-up	40,187,338	21,856,108
Short-term borrowings	5 166,263,375	186,404,971
CONTINGENCIES AND COMMITMENTS		
6		
	<u>1,051,962,169</u>	<u>1,196,408,803</u>
ASSETS		
Property, plant and equipment	7 938,096,380	960,585,894
Long-term deposits	1,645,222	1,645,222
Stores, spares and loose tools	13,091,565	13,534,411
Stock-in-trade	8 48,040,089	167,892,236
Trade debts	—	2,156,953
Advances and other receivables	25,576,292	29,034,671
Sales tax refundable	9,356,425	9,348,920
Cash and bank balances	16,156,196	12,210,496
	<u>1,051,962,169</u>	<u>1,196,408,803</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director

N. P. SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-Audited) FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

1. STATUS AND NATURE OF BUSINESS

1.1 N.P. Spinning Mills Limited (the Company) was incorporated in Pakistan on February 17, 1991 as public limited company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange. The principal business of the Company is manufacturing and sale of yarn. The mill is located at Raiwand, District Lahore in the province of Punjab. The registered and head office of the Company is located at 703 - Uni Tower, I.I. Chundrigar Road, Karachi in the province of Sindh.

1.2 During the period, the Company incurred net loss of Rs. 121.17 million (2015: Rs. 69.80 million), which has resulted in accumulated loss of Rs. 426.98 million (June 30, 2016: Rs. 311.99 million) and deficit in equity of Rs. 279.98 million (June 30, 2016: Rs. 164.99 million). Further, as disclosed in detail in the annual financial statements for the year ended June 30, 2016, the Company has temporarily suspended its operations since June 2016 and has laid off majority of its workforce in order to minimize its losses and is negotiating with its bank to restructure / settle outstanding borrowings. Furthermore, the shareholders in their Annual General Meeting dated October 31, 2016 have passed a resolution to authorize the Board to sell property, plant and equipment and other assets of the Company.

In view of the above, management believes that the Company is not considered a going concern. Accordingly, the Company may not be able to realize its assets or discharge its liabilities in the normal course of business and hence, these financial statements have been prepared on a basis other than going concern as explained in note 2.3.

1.3 The external auditors of the Company did not express an audit opinion on the annual financial statements of the Company for the year ended June 30, 2016. Accordingly, corresponding figures as at June 30, 2016 are not audited.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information for the six months ended December 31, 2016 has been prepared in accordance with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case 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 the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2016.

2.2 This condensed interim financial information is unaudited. However, the external auditors of the Company were engaged to carry out a limited scope review in accordance with the requirements of the Code of Corporate Governance.

2.3 As disclosed in note 1.2 to this condensed interim financial information and also disclosed in the annual financial statements for the year ended June 30, 2016, the Company is not considered a going concern, therefore, these financial statements have been prepared on a basis other than going concern, which is as follows:

- All assets are stated at their realizable values; and
- All liabilities are stated at amounts payable.

While preparing this condensed financial information on aforementioned basis, management has applied the approved accounting standards as applicable in Pakistan, as disclosed in note 2.1.

At present, the Company has not received any offers for sale for its property, plant and equipment, therefore, management is not in a position to determine the best estimate of realizable value of such assets. However, based on its judgment and estimates, management has estimated the realizable value of other assets (such as stores and spares, stock in trade, trade debts, advances, etc.) and amounts payable for certain liabilities. Accordingly, the Company has recorded certain provisions, using management's best estimate, in this condensed interim financial information.

N. P. SPINNING MILLS LIMITED

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Significant accounting policies

The significant accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2016.

3.2 Financial risk management

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended June 30, 2016.

3.3 Estimates and judgements

The estimates, judgments and methods of computation adopted in the preparation of this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2016.

	December 31, 2016	June 30, 2016
Note Rupees

4. LONG-TERM FINANCE - SECURED

Term finance	4.1	<u>277,000,000</u>	<u>277,000,000</u>
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4.1 During the period, grace period of the long-term finance ended on September 3, 2016 and the first instalment became due on October 3, 2016. However, the Company has not been able to make any payment to the bank. As of December 31, 2016, three monthly instalments aggregating to Rs. 7.33 million are outstanding. The Company is currently in negotiations with the bank to restructure / settle the liability. However, the bank has not made any call for repayment of the entire amount of the loan.

	December 31, 2016	June 30, 2016
..... Rupees

5. SHORT TERM BORROWINGS

From a banking company - secured

Running finance	99,947,982	99,872,037
Cash finance	35,370,928	43,744,178
Finance against import merchandise (FIM)	<u>30,944,465</u>	<u>31,671,465</u>
5.1	<u>166,263,375</u>	175,287,680
Book overdraft - unsecured	—	11,117,291
	<u>166,263,375</u>	<u>186,404,971</u>

5.1 Facilities for running finance, cash finance and FIM expired during prior year and the Company has not been able to repay the outstanding amount of these borrowings during the period and is currently in negotiations with the bank to restructure / settle the liability. These facilities are subject to mark-up at the rate of 3 month KIBOR plus 1.5% (June 30, 2016: 3 month KIBOR plus 1.5%) per annum payable quarterly and are secured against first hypothecation charge over fixed assets and pledge of all raw material.

6. CONTINGENCIES AND COMMITMENTS

There is no material change in the status of commitments and contingencies as disclosed in the annual financial statements of the Company for the year ended June 30, 2016 other than those disclosed in note 10.

N. P. SPINNING MILLS LIMITED

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7. PROPERTY, PLANT AND EQUIPMENT

During the period, following additions and disposals were made:

	Six-months ended		Six-months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
..... Additions (Cost) Disposals (Cost)	
.....(Rupees).....		(Rupees).....	
Operating assets				
Plant and machinery	—	1,937,632	—	—
Vehicles	—	—	2,920,500	1,198,000
	—	1,937,632	2,920,500	1,198,000

	December 31, 2016	June 30, 2016
Note Rupees Rupees

8. STOCK IN TRADE

Raw material - in hand	34,138,614	42,673,283
Finished goods	13,901,475	125,218,953
8.1	<u>48,040,089</u>	<u>167,892,236</u>

- 8.1 The Company has recognized a write down of Rs. 12.01 million (June 30, 2016: 72.10 million) to adjust the carrying value of stock-in-trade to net realizable value.

	Six-months ended		Three-months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
..... Rupees				

9. COST OF SALES

Opening stock of finished goods	125,218,953	92,200,409	40,503,522	163,815,704
Cost of goods manufactured	32,555,634	530,967,965	20,205,065	258,342,619
	157,774,587	623,168,374	60,708,587	422,158,323
Closing stock of finished goods	(13,901,475)	(190,596,030)	(13,901,475)	(190,596,030)
	<u>143,873,112</u>	<u>432,572,344</u>	<u>46,807,112</u>	<u>231,562,293</u>

10. TAXATION - CURRENT

- 10.1 During the period, certain amendments were made to the Income Tax Ordinance, 2001 vide Finance Act, 2016 whereby companies incurring gross loss have also been subjected to minimum tax on turnover. Accordingly, the Company has made provision for minimum tax at the rate of 1% of turnover.
- 10.2 During prior year, the Company had received notice of demand of Rs. 1.92 million under section 122(5A) of the Income Tax Ordinance, 2001, in respect of levy of turnover tax. An appeal was filed by the Company in front of Commissioner Inland Revenue (Appeals-II) (CIR-Appeals), however, during the period, the appeal was rejected by the CIR-Appeals and accordingly, management has recorded a prior year tax charge of Rs. 1.92 million.

Further, the Company has also received tax demands under section 161 of the Income Tax Ordinance, 2001, amounting to Rs. 0.61 million for the tax years 2010, 2011, 2012, 2014 and 2015 from Assistant Commissioner - Inland Revenue for short deduction of withholding tax. The Company has decided not to file an appeal against the demand and accordingly, has recorded a prior year tax charge of Rs. 0.61 million.

11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors and key management personnel. Significant transactions with related parties carried out during the period are as follows:

	Six months ended	
	Dec. 31, 2016	Dec. 31, 2015
..... Rupees		

Associated undertakings

Share of common expenses	—	283,584
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Transactions with key management personnel

Remuneration to Chief Executive	2,061,000	2,061,000
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The Chief Executive and a director are provided with free use of Company maintained cars and reimbursement of telephone bills in accordance with the terms of their employment.

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on **February 28, 2017** by the Board of Directors of the Company.

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director