

**CONDENSED INTERIM
FINANCIAL INFORMATION**

For the Nine Months Ended

MARCH 31, 2016

(Un-Audited)



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 nine months ended March 31, 2016.

OPERATING & FINANCIAL RESULTS

The operating & financial results of the Company for the period under review are not encouraging. Production for the period was 10 784 Mkg. at 20/s count compared to 9.953 Mkg. for the same period last year. Sales for the period amounted to Rs. 772.380 (M) compared to Rs. 960.513 (M). The Company sustained a pretax loss of Rs. 132.918 (M) compared to pretax loss of Rs. 72.463 (M). The loss is mainly attributable to gas and power disruption. Besides, energy shortage, high energy rates, increase in minimum wages, decreasing rates of yarn resulting in inventory loss in terms of net realizable value adjustments, non-recovery of income tax and sales tax refunds have affected business activity, making it difficult to pass on the increase in cost to the customers. Also decrease in exports and availability of cheaper yarn from India despite RD on fine count yarn are other key factors that are having a negative impact on the demand of the Company's products.

EARNINGS PER SHARE

The earnings per share for the period is Rs. (7.39)

FUTURE OUTLOOK

According to latest report of PCGA, Pakistan's cotton output for the season 2015-16 has declined by about 34.28% from 14.864 million bales last year to 9.768 million bales. The decline in the cotton production is due to multiple reasons, viz abnormal weather, floods, seed quality, pests, disease and low prices etc. The cotton production target for the season 2016-17 has been fixed at 14.1 million bales against 15.49 million bales in 2015-16. Low cotton production has increased the imports. High cost of doing business including very high energy cost, law & order situation, an over valued rupee and delays in refunds are impacting negatively. Al-Hamdolillah we have got RLNG connection at reasonable supply rate, which will reduce the cost of gas / electricity and ensure constant supply of gas. The government should take cognizance of the situation and formulate policy to mitigate industry's concerns.

ACKNOWLEDGEMENT

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

On behalf of the Board

(INAMUR REHMAN)
Chairman

N. P. SPINNING MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2016

	(Un-Audited) March 31, 2016	(Audited) June 30, 2015
Note	Rupees	Rupees
SHARE CAPITAL AND RESERVES		
Authorised capital		
32,000,000 (2015 32,000,000) ordinary shares of Rs 10/-each	320,000,000	320,000,000
Issued, subscribed and paid up capital		
14,700,000 ordinary shares of Rs.10/-each	147,000,000	147,000,000
Unappropriated profit	23,363,068	118,587,441
	170,363,068	265,587,441
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	356,576,784	389,969,001
NON-CURRENT LIABILITIES		
Loan from directors		
Unsecured-interest free	95,311,423	95,311,423
Deferred liabilities	133,570,366	147,294,653
Liabilities against import of machinery	—	117,300,000
Long-term loans	221,058,333	—
CURRENT LIABILITIES		
Trade and other payables	200,479,640	214,537,761
Mark-up accrued on short term borrowings	11,421,743	7,059,329
Short-term borrowings	287,063,407	571,338,874
Current maturity		
— long-term loans	55,941,667	—
— liability against import of machinery	—	4,948,600
	554,806,457	797,884,564
CONTINGENCIES AND COMMITMENTS		
	4	—
	<u>1,531,786,411</u>	<u>1,793,347,082</u>
NON-CURRENT ASSETS		
Property, plant and equipment	972,340,852	1,003,958,801
Long-term deposits	1,645,222	1,645,222
CURRENT ASSETS		
Stores, spares and loose tools	36,338,576	28,947,237
Stock-in-trade	338,195,715	492,755,530
Trade debts	96,094,457	181,671,683
Advances and other receivables	59,301,330	53,745,264
Sales tax refundable	16,788,315	18,065,059
Cash and bank balances	13,081,944	12,358,286
	557,800,337	787,743,059
	<u>1,531,786,411</u>	<u>1,793,347,082</u>

The annexed notes form an integral part of this condensed interim financial information

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director

N. P. SPINNING MILLS LIMITED
CONDENSED INTERIM PROFIT
AND LOSS ACCOUNT (Un-Audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2016

	Nine Months Ended		Three Months Ended	
	Mar. 31, 2016	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2015
	Rupees			
Note	(July - March)			
	(Jan - March)			
Sales	772,379,987	960,513,435	373,063,261	287,705,762
Cost of sales	(835,794,501)	(943,958,606)	(403,222,157)	(262,161,812)
Gross (loss)/profit	(63,414,504)	17,156,930	(29,258,896)	5,543,950
Other operating income	25,208,319	9,415,802	24,273,653	3,476,016
	(38,206,185)	26,572,732	(4,985,243)	9,019,988
Distribution cost	6,014,429	8,896,567	1,856,927	2,233,211
Administrative expenses	35,958,304	25,299,388	20,868,771	8,657,296
Other operating expenses	4,770,173	19,086,204	119,850	(573,356)
Finance cost	47,969,347	45,783,142	9,326,412	13,100,689
	(94,712,253)	(99,035,301)	(32,169,760)	(23,417,840)
Loss before taxation	(132,818,438)	(72,462,589)	(37,155,003)	(14,397,874)
Taxation				
Current tax				
- for the period	—	(9,605,134)	—	(4,225,108)
- prior year	8,184,775	—	(1,680,870)	—
Deferred tax	16,137,053	21,885,652	—	(654,401)
	24,301,828	12,260,518	(1,660,870)	(4,879,507)
Loss for the period	(108,616,610)	(60,202,051)	(38,815,873)	(19,277,381)
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	(108,616,610)	(60,202,051)	(38,815,873)	(19,277,381)
Earnings per share - basic and diluted	(7.38)	(4.10)	(2.64)	(1.31)

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

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director

N. P. SPINNING MILLS LIMITED
CONDENSED INTERIM CASH FLOW
STATEMENT (Un-Audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2016

	March 31, 2016		March 31, 2015	
	Rupees			
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(132,918,438)	(72,462,589)		
Adjustments for:				
Depreciation on property, plant and equipment	35,354,244	41,841,799		
Gain on disposal of property, plant and equipment	(357,520)	(1,880,018)		
Provision for infrastructure fee	—	515,082		
Provision for staff retirement gratuity	6,641,020	10,416,951		
Exchange loss	109,473	—		
Profit on bank deposits	(407,862)	(4,858,453)		
Finance cost	47,969,347	45,783,142		
Operating cash flows before working capital changes	(43,608,836)	19,355,934		
(Increase)/decrease in current assets				
Stores, spares and loose tools	(7,391,339)	(1,830,319)		
Stock in Trade	156,559,815	300,857,551		
Trade debts	85,777,228	141,893,298		
Advances and other receivables	(5,109,914)	(19,047,804)		
Sales tax refundable	1,276,744	(4,091,283)		
Decrease in current liabilities				
Trade and other payables	(14,058,517)	(313,957,360)		
	217,054,015	103,824,083		
Cash generated from operations	173,444,179	122,980,017		
Finance cost paid	(43,606,933)	(47,671,343)		
Gratuity paid	(3,894,389)	(2,756,462)		
Income tax paid/refund	11,941,294	(10,872,615)		
Net cash generated from operating activities	137,884,151	61,679,597		

N. P. SPINNING MILLS LIMITED

	March 31, 2016	March 31, 2015
Rupees		
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,683,688)	(9,840,200)
Proceed from disposal of property, plant and equipment	500,000	10,988,000
Profit received on bank deposits	407,962	4,858,453
Net cash (used in) / generated from investing activities	(2,975,726)	6,216,253
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Loss on forward contract	(4,680,700)	—
Repayment of liabilities against import of machinery	(122,248,800)	(43,080,918)
Long-term loans received	277,000,000	—
Loan received from directors	—	22,997,705
Net cash generated from/(used in) financing activities	150,090,700	(20,083,213)
Net increase in cash and cash equivalents (A+B+C)	284,999,125	47,612,637
Cash and cash equivalents at the beginning of the period	(558,980,588)	(447,099,936)
Cash and cash equivalents at the end of the period	(273,981,463)	(399,287,199)
Cash and cash equivalents		
Cash and bank balances	13,081,944	68,230,165
Short term borrowings	(287,063,407)	(467,517,364)
	(273,981,463)	(399,287,199)

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

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director

N. P. SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (Un-Audited)
FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2016

	Issued, Subscribed and paid Capital	Unappropriated Profit	Total
Rupees			
Balance at July 01, 2014	147,000,000	190,203,581	337,203,581
Comprehensive Income for the period			
Loss for the period ended March 31, 2015	—	(60,202,051)	(60,202,051)
Other Comprehensive income for the period	—	—	—
	—	(60,202,051)	(60,202,051)
Balance at March 31, 2015	147,000,000	130,001,530	277,001,530
Balance at July 01, 2015	147,000,000	118,587,441	265,587,441
Comprehensive Income for the period			
Loss for the period ended March 31, 2016	—	(108,616,610)	(108,616,610)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	—	13,382,237	13,382,237
	—	(95,224,373)	(95,224,373)
Balance at March 31, 2016	147,000,000	23,363,068	170,363,068

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

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director

N. P. SPINNING MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-Audited) FOR THE NINE MONTHS ENDED MARCH 31, 2016

1. GENERAL INFORMATION

N.P. Spinning Mills Limited (the Company) was incorporated in Pakistan on February 17, 1991 as public company limited by shares under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges in Pakistan. The principal business of the Company is manufacturing and sale of yarn. The mill is located at Rawarid, 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.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the nine months ended March 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 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 have been followed. This condensed interim financial information does not include all the information required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2015.

2.2 This condensed interim financial information has been prepared under historical cost convention modified by:-

- revaluation of property, plant & equipment
- recognition of certain staff retirement benefits at fair value

2.3 This condensed interim financial information is presented in Pak Rupee which is also the Company's functional currency and figures presented in this condensed interim financial information has been rounded off to the nearest thousand rupee.

2.4 The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2015, whereas comparative condensed profit and loss account, condensed cash flow statement and condensed statement of changes in equity are stated from the unaudited condensed interim financial information for the nine months ended March 31, 2015.

2.5 This condensed interim financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and also presented in accordance with the listing regulations of Karachi and Lahore Stock Exchanges.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies, estimates, judgments and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published annual audited financial information for the year ended June 30, 2015 except change in depreciation rate as under w.e.f. July 01, 2015, owing to remaining useful life of building and major capex in plant & machinery and electrical installations during last many years:-

- Building & office premises at 3% p.a. instead of 10%
- Plant & machinery and electrical installations at 5% p.a. instead of 10%

3.2 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2015.

N. P. SPINNING MILLS LIMITED

	(Un-Audited)	(Audited)
	March 31,	June 30,
	2016	2015
	Rupees	Rupees

4. CONTINGENCIES & COMMITMENTS

4.1 Contingencies

Guarantees issued by bank on behalf of the company to:

Sul Northern Gas Pipelines Limited	36,639,300	36,639,300
Excise and Taxation officer	<u>54,950,000</u>	<u>53,850,000</u>
	<u>91,589,300</u>	<u>90,489,300</u>

4.2 Commitments

Letters of credit for import of:

- raw material	73,722,850	129,511,067
- stores & spares	551,250	3,747,098

5. PROPERTY, PLANT AND EQUIPMENT

During the period following additions and disposals were made:-

	(Un-Audited)		(Un-Audited)	
	Nine Months Ended		Nine Months Ended	
	Additions		Disposals	
	March 31,	March 31,	March 31,	March 31,
	2016	2015	2016	2015
	(Rupees)			
Operating assets				
Plant & Machinery	1,933,688	8,000,000	—	12,617,565
Furniture & Fixture	—	419,200	—	—
Vehicle	1,950,000	1,221,000	1,198,000	876,000
	<u>3,883,688</u>	<u>9,640,200</u>	<u>1,198,000</u>	<u>13,293,565</u>

6. COST OF SALES

	(Un-Audited)		(Un-Audited)	
	Nine Months Ended		Three Months Ended	
	March 31,	March 31,	March 31,	March 31,
	2016	2015	2016	2015
	(July - March)		(Jan - March)	
	(Rupees)			
Opening stock of finished goods	92,200,408	350,818,429	190,596,030	228,851,099
Cost of goods manufactured	<u>680,312,483</u>	<u>815,362,264</u>	<u>348,344,527</u>	<u>276,134,901</u>
	972,512,901	1,166,180,693	538,940,557	504,986,000
Closing stock of finished goods	<u>(136,718,400)</u>	<u>(222,824,188)</u>	<u>(136,718,400)</u>	<u>(222,824,188)</u>
	<u>835,794,501</u>	<u>943,356,505</u>	<u>402,222,157</u>	<u>282,161,812</u>

7. TRANSACTIONS WITH RELATED PARTIES

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

	(Un-Audited)	
	Nine Months Ended	
	March 31,	March 31,
	2016	2015
	Rupees	
Associated undertakings		
Share of common expenses	391,837	500,387
Transaction with key management personnel		
Remuneration to:		
Chief Executive	3,091,500	3,091,500
Director	—	430,500

8. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 29, 2016 by the Board of Directors of the Company.

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director