

**CONDENSED INTERIM
FINANCIAL INFORMATION**

For the Nine Month Period Ended

MARCH 31, 2017

(Un-Audited)



N. P. Spinning Mills Limited

PRINTED MATTER
Book Post Under Postal Certificate

If undelivered, please return to:

N. P. Spinning Mills Limited

703, Uni Tower, I. I. Chundrigar Road, Karachi.

Phones: (92-021) 32427202-05 (4 lines)

E-mail: info@npsm.com.pk Fax: (92-021) 32427210

Website: www.npsm.com.pk

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 month period, ended March 31, 2017

FINANCIAL RESULTS

The financial results of the Company for the period under review are discouraging. Sales for the period amounted to Rs.54.301 million, compared to Rs.772.380 million for the corresponding period last year. The Company sustained a net loss of Rs.134.907 million compared to Rs.108.617 million. As reported earlier, the operations of the Company have been suspended; however the loss for the quarter is mainly due to financial, administrative & other costs. Had the operations of the Company not been suspended, the loss would have been higher.

Due to many core issues like power tariff difference amounting to more than Rs.100 (M) per year between Sindh & Punjab, further different innovative Direct & Indirect Taxes levied on manufacturing in our country which resulted in high cost of doing business in Pakistan as compared to our competitors in the region, unrealistic PKR/US\$ exchange value, friendly policies of uncheck import of yarn is resulting our domestic units to keep on closing down one by one, this will keep continue unless government takes optimistic/drastring action for the survival/revival of domestic textile industry.

EARNINGS PER SHARE

The earnings per share for the period is Rs. (9.18).

FUTURE OUTLOOK

Over last couple of years, Pakistan has been witnessing low Cotton Production. Cotton production for the season 2016-2017 has been less by 25% viz 10.6 million bales against the set target of 14.1 million bales. The short fall will increase costly imports.

Nothing can be done at this moment of time as government is sucking all the liquidity for commercial bank, so the fruit of low interest rate benefit is also not passed to the general industry & commerce, further liquidity crunch is being faced by the textile industry in shape of stuck up refund of sales tax & income tax with government which is resulting in just a book entry for us and heading towards a bad debt if government does not pay us back our refund, everyone was optimistic for long awaited textile package including us as we were expecting/anticipating and prepared our projections for revival/survival of our unit on the basis of the upcoming package but unfortunately the package is just a eye washer, nothing has been addressed from the core issues of textile industry in package. It is worth mentioning here that the textile industry is the back bone of the country and eventually the government has to address the issues of textile industry for their survival/revival in near future, even though we have applied for restructuring to our bank and waiting a favorable out come from them.

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: April 28, 2017

N. P. SPINNING MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET (Un-Audited) AS AT MARCH 31, 2017

	March 31, 2017	June 30, 2016
Note	Rupees	Rupees
SHARE CAPITAL AND RESERVES		
Share capital	147,000,000	147,000,000
Accumulated loss	(425,266,375)	(311,995,610)
	<u>(278,266,375)</u>	<u>(164,995,610)</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	401,522,361	410,798,946
LIABILITIES		
Loan from directors	153,500,000	153,500,000
Deferred liabilities	—	149,813
Long-term finance	277,000,000	277,000,000
Trade and other payables	299,222,827	311,694,575
Accrued mark-up	49,231,367	21,856,108
Short -term borrowings	166,263,375	186,404,971
CONTINGENCIES AND COMMITMENTS		
4		
	<u>1,068,473,555</u>	<u>1,196,408,803</u>
ASSETS		
Property, plant and equipment	5 926,442,662	960,585,894
Long-term deposits	1,645,222	1,645,222
Stores, spares and loose tools	13,091,566	13,534,411
Stock-in-trade	69,178,278	167,892,236
Trade debts	—	2,156,953
Advances and other receivables	26,583,483	29,034,671
Sales tax refundable	9,356,425	9,348,920
Cash and bank balances	22,175,919	12,210,496
	<u>1,068,473,555</u>	<u>1,196,408,803</u>

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

(INAMUR REHMAN)
Chairman/Director

(KHALID INAM)
Chief Executive

N. P. SPINNING MILLS LIMITED
CONDENSED INTERIM PROFIT
AND LOSS ACCOUNT (Un-Audited)

FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2017

Note	Nine Month Ended		Three Month Ended	
	Mar. 31, 2017	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2016
Rupees.....			
Sales	54,300,767	772,379,997	4,809,212	373,963,261
Cost of sales	(147,942,210)	(835,794,501)	(4,069,098)	(403,222,157)
Gross (loss)/profit	(93,641,443)	(63,414,504)	740,114	(29,258,896)
Other income/(loss)	1,162,392	25,208,319	(2,652,488)	24,273,653
	(92,479,052)	(38,206,185)	(1,912,375)	(4,985,243)
Distribution cost	75,805	6,014,429	—	1,856,927
Administrative expenses	11,873,441	35,958,304	2,728,404	20,866,771
Other operating expenses	—	4,770,173	—	119,650
Finance cost	27,409,183	47,969,347	9,051,029	9,326,412
	(39,358,430)	(94,712,253)	(11,779,434)	(32,169,760)
Loss before tax	(131,837,481)	(132,918,438)	(13,691,807)	(37,155,002)
Taxation				
Current tax				
– for the period	(543,008)	—	(48,088)	—
– prior years	(2,526,755)	24,301,828	—	(1,660,870)
Loss for the period	(134,907,244)	(108,616,610)	(13,739,895)	(38,815,872)
Other comprehensive income for the period	—	—	—	—
Total comprehensive income for the period	(134,907,244)	(108,616,610)	(13,739,895)	(38,815,872)
Earnings per share - basic and diluted	(9.18)	(7.39)	(0.93)	(2.64)

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 MONTH PERIOD ENDED MARCH 31, 2017

	March 31, 2017	March 31, 2016
.....Rupees.....		
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(131,837,481)	(132,918,438)
Adjustments for:		
Depreciation	33,245,033	35,354,244
Gain on disposal of property, plant & equipment	(111,103)	(357,520)
Provision for staff retirement gratuity	—	6,641,020
Adjustment for wip	12,359,894	—
Exchange loss	—	109,473
Profit on deposits/saving accounts	(385,942)	(407,962)
Finance cost	27,409,183	47,969,347
Operating cash flows before changes in working capital	(59,320,416)	(43,609,836)
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	442,845	(7,391,339)
Stock in Trade	98,713,958	156,559,815
Trade debts	2,156,953	85,777,226
Advances and other receivables	(357,259)	(5,109,914)
Sales tax refundable	(7,505)	1,276,744
(Decrease)/increase in current liabilities		
Trade and other payables	(12,633,670)	(14,058,517)
	88,315,321	217,054,015
Cash generated from operations	28,994,905	173,444,179
Finance cost paid	(33,925)	(43,606,933)
Gratuity paid	(149,813)	(3,894,389)
Tax paid	(99,391)	11,941,294
Net cash generated from operating activities	28,711,776	137,884,151

N. P. SPINNING MILLS LIMITED

March 31, 2017
 March 31, 2016
Rupees.....

B. CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	—	(3,883,688)
Proceeds from disposal of property, plant and equipment	1,009,300	500,000
Profit received on deposits/saving accounts	385,942	407,962
Net cash generated from / (used in) investing activities	1,395,242	(2,975,726)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Loss on forward contract	—	(4,660,700)
Repayments of liabilities against import of machinery	—	(122,248,600)
Long term loan received	—	277,000,000
Net cash generated from financing activities	—	150,090,700
Net Increase in cash and cash equivalents (A+B+C)	30,107,019	284,999,125
Cash and cash equivalents at the beginning of the period	(174,194,475)	(558,980,588)
Cash and cash equivalents at the end of the period	(144,087,456)	(273,981,463)
Cash and cash equivalents		
Cash and bank balances	22,175,919	13,081,944
Short-term borrowings	(166,263,375)	(287,063,407)
	(144,087,456)	(273,981,463)

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, 2017

	Share Capital	Unappropriated Profit/(Accumulated loss)	Total
Rupees.....		
Balance at July 01, 2015	147,000,000	118,587,441	265,587,441
Total comprehensive income for the period			
Loss for the period ended March 31, 2016	—	(108,616,610)	(108,616,610)
Other comprehensive income	—	—	—
	—	(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	—	13,392,237	13,392,237
Balance at March 31, 2016	147,000,000	23,363,068	170,363,068
Balance at July 01, 2016	147,000,000	(311,995,610)	(164,995,610)
Total comprehensive income for the period			
Loss for the period ended March 31, 2017	—	(134,907,244)	(134,907,244)
Reclassification of wip	—	12,359,894	12,359,894
Other comprehensive income	—	—	—
	—	(122,547,350)	(122,547,350)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon-net of tax	—	9,276,585	9,276,585
Balance at March 31, 2017	147,000,000	(425,266,375)	(278,266,375)

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 MONTH PERIOD ENDED MARCH 31, 2017

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 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.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the nine months ended March 31, 2017 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, 2016.

2.2 This condensed interim financial information has been prepared on a basis as follows:-

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

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, 2016, 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, 2017.

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 Pakistan Stock Exchange.

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.

4. CONTINGENCIES AND COMMITMENTS

There is no material change in the status of commitments and contingencies as disclosed in the annual financial statement of the Company for the year ended June 30, 2016 other than those disclosed in note 7.

N. P. SPINNING MILLS LIMITED

5. PROPERTY, PLANT AND EQUIPMENT

During the period, following additions and disposals were made:

	Nine Month Period Ended		Nine Month Period Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Additions		Disposals	
	(Rupees)			
Operating assets				
Plant and machinery	—	1,933,688	—	—
Vehicle	—	1,950,000	2,920,500	1,198,000
	—	3,883,688	2,920,500	1,198,000

6. COST OF SALES

	Nine Month Period Ended		Nine Month Period Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees)			
Opening stock of finished goods	125,218,953	92,200,408	190,596,030	190,596,030
Cost of goods manufactured	41,164,291	880,312,493	(489,803,675)	349,344,527
	166,383,244	972,512,901	(299,207,645)	539,940,557
Closing stock of finished goods	(18,441,034)	(136,718,400)	(136,718,400)	(136,718,400)
	147,942,210	835,794,501	(435,926,045)	403,222,157

7. TAXATION - CURRENT

7.1 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.

7.2 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.

8. 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:

	March 31, 2017	March 31, 2016
	Rupees	
Associated undertakings		
Share of common expenses	—	391,837
Transaction with key management personnel		
Remuneration to :		
Chief Executive	3,091,500	3,091,500

9. DATE OF AUTHORISATION FOR ISSUE

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

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director