

**CONDENSED INTERIM
FINANCIAL INFORMATION**
For the Six-Months Ended
DECEMBER 31, 2015



N. P. Spinning Mills Limited

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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 six month period ended December 31, 2015.

OPERATING & FINANCIAL RESULTS

The operating & financial results of the Company for the period under review are not encouraging. Production for the period was 6.110 Mkg. at 20/s count compared to 6.328 Mkg. for the same period last year. Sales for the period amounted to Rs. 398.417 (M) compared to Rs. 672.808 (M). The Company sustained a pretax loss of Rs. 95.763 (M) compared to pretax loss of Rs. 58.065 (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. (4.75).

FUTURE OUTLOOK

Pakistan's cotton out put for the season 2015-16 has declined by about 34% from 14.593 million bales last year to 9.687 million bales accordingly to PCGA report. If the weight of a cotton bale is at 170 kilograms then the actual output for the current season will be at around 9 million bales. The decline in the cotton production is due to multiple reasons, external as well as internal. The cotton production target for the next 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. We have applied for RLNG connection as there has been an agreement between the Government of Pakistan and the State of Qatar in relation to import of RLNG, which will reduce the cost of gas / electricity and ensure constant supply of gas, provided RLNG is supplied at reasonable rate. 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

Karachi: February 29, 2016

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of N.P. Spinning Mills Limited (the Company) as at December 31, 2015, 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 "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 this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2015.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410. "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquires, primarily of the persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi:
Dated: February 29, 2015

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner: Nadeem Yousuf Adil

N. P. SPINNING MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2015

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
Note	Rupees	
SHARE CAPITAL AND RESERVES		
Authorised capital		
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	55,506,963	118,587,441
	202,506,963	265,587,441
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	363,248,742	369,969,001
NON-CURRENT LIABILITIES		
Loan from directors unsecured - interest free	99,963,464	95,311,423
Deferred liabilities	132,060,320	147,294,653
Liability against import of machinery	—	117,300,000
Long-term loans	4 265,458,333	—
CURRENT LIABILITIES		
Trade and other payables	249,898,988	214,537,761
Mark-up accrued on short-term borrowings	11,010,298	7,059,329
Short-term borrowings	5 455,144,094	571,338,874
Current maturity - long-term loans	4 11,541,667	—
- liability against import of machinery	—	4,948,600
	727,595,047	797,884,564
CONTINGENCIES AND COMMITMENTS		
	6	
	1,790,832,869	1,793,347,082
NON-CURRENT ASSETS		
Property, plant and equipment	7 982,575,908	1,003,958,801
Long-term deposits	1,645,222	1,645,222
CURRENT ASSETS		
Stores, spares and loose tools	31,208,900	28,947,237
Stock-in-trade	8 588,514,003	492,755,530
Trade debts	90,346,538	181,871,683
Advances and other receivables	64,104,463	53,745,264
Sales tax refundable	20,343,266	18,065,059
Cash and bank balances	12,094,569	12,358,286
	806,611,739	787,743,059
	1,790,832,869	1,793,347,082

The annexed notes 1 to 11 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 SIX-MONTHS ENDED DECEMBER 31, 2015

Note	Six-months ended		Three-months ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Sales	398,416,736	672,807,673	214,391,939	443,996,531
Cost of sales	(432,572,344)	(661,194,693)	(231,562,293)	(452,570,643)
Gross (loss)/profit	(34,155,608)	11,612,980	(17,170,354)	(8,574,112)
Other income/(loss)	934,666	5,939,786	(438,884)	1,560,219
	(33,220,942)	17,552,766	(17,609,238)	(7,013,893)
Distribution cost	4,157,502	6,653,355	2,007,278	2,574,072
Administrative expenses	15,091,533	16,642,092	7,684,815	8,159,476
Other operating expenses	4,650,523	19,639,560	1,395,523	18,994,992
Finance cost	38,642,935	32,682,453	22,067,526	18,294,340
	(62,542,493)	(75,617,460)	(33,155,142)	(48,022,880)
Loss before taxation	(95,763,435)	(58,064,694)	(50,764,380)	(55,036,773)
Taxation				
Current tax				
- for the period	(450,465)	(5,380,028)	1,389,783	(3,091,917)
- prior year	10,276,110	—	10,276,110	—
Deferred tax	16,137,053	22,520,053	16,137,053	22,520,053
	25,962,698	17,140,025	27,802,946	19,428,136
Loss for the period	(69,800,737)	(40,924,669)	(22,961,434)	(35,608,637)
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit and loss account	—	—	—	—
Items that will not be reclassified subsequently to profit and loss account	—	—	—	—
Total comprehensive income for the period	(69,800,737)	(40,924,669)	(22,961,434)	(35,608,637)
Earnings per share				
- basic and diluted	(4.75)	(2.78)	(1.56)	(2.42)

The annexed notes 1 to 11 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 SIX-MONTHS ENDED DECEMBER 31, 2015

	Six-months ended	
	December 31, 2015	December 31, 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(95,763,435)	(58,064,694)
Adjustments for:		
Depreciation on property, plant and equipment	23,172,867	27,885,502
Gain on disposal of property, plant and equipment	(357,520)	(282,346)
Provision for staff retirement gratuity	1,298,200	6,944,634
Impact of NRV on finished goods	21,497,802	15,655,438
Exchange loss	4,650,523	16,619,480
Profit on bank deposits	(308,366)	(3,328,237)
Unwinding of discount on directors' loan	4,652,041	—
Finance cost	33,990,894	32,682,453
Operating cash flows before working capital changes	(7,166,994)	38,112,230
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,261,663)	1,619,308
Stock-in-trade	(117,256,275)	269,639,640
Trade debts	91,525,145	(17,359,687)
Advances and other receivables	6,124,006	(12,138,084)
Sales tax refundable	(2,278,207)	(387,957)
Decrease / (Increase) in current liabilities		
Trade and other payables	35,361,227	(181,733,073)
	11,214,233	59,640,147
Cash generated from operations	4,047,239	97,752,377
Finance cost paid	(30,039,925)	(33,731,558)
Gratuity paid	(395,480)	(2,676,462)
Income tax paid - net	(6,657,560)	(4,684,140)
Net cash (used in) / generated from operating activities	(33,045,726)	56,660,217

N. P. SPINNING MILLS LIMITED

	December 31, 2015	December 31, 2014
	Rupees	Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,937,632)	(432,178)
Proceeds from disposal of property, plant and equipment	505,178	600,000
Profit received on bank deposits	308,366	3,328,237
Net cash (used in) / generated from investing activities	(1,124,088)	3,496,059
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Loss on forward contract	—	(34,438,250)
Repayment of liabilities against import of machinery	(126,899,123)	—
Long-term loans received	277,000,000	—
Loan received from directors	—	5,000,000
Net cash generated from / (used in) financing activities	150,100,877	(29,438,250)
Net increase in cash and cash equivalents (A+B+C)	115,931,063	30,718,026
Cash and cash equivalents at the beginning of the period	(558,980,588)	(447,099,836)
Cash and cash equivalents at the end of the period	(443,049,525)	(416,381,810)
Cash and cash equivalents		
Cash and bank balances	12,094,569	67,773,791
Short term borrowings	(455,144,094)	(484,155,601)
	(443,049,525)	(416,381,810)

The annexed notes 1 to 11 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 SIX-MONTHS ENDED DECEMBER 31, 2015

	Issued, Subscribed and Paid-up Capital	Unappropriated Profit	Total
	Rupees		
Balance at July 01, 2014	147,000,000	190,203,581	337,203,581
Total comprehensive income for the period			
Loss for the period ended December 31, 2014	—	(40,924,669)	(40,924,669)
Other comprehensive income for the period	—	—	—
	—	(40,924,669)	(40,924,669)
Balance at December 31, 2014	147,000,000	149,278,912	296,278,912
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 December 31, 2015	—	(69,800,737)	(69,800,737)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	—	6,720,259	6,720,259
	—	(63,080,478)	(63,080,478)
Balance at December 31, 2015	147,000,000	55,506,963*	202,506,963

* This includes unamortized portion amounting to Rs. 53,536,536 (June 30, 2015: Rs. 58,188,577) of interest free loan obtained from directors, which is not available for distribution.

The annexed notes 1 to 11 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

FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

1. STATUS AND NATURE OF BUSINESS

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 listed on Pakistan Stock Exchange (formerly Karachi Stock Exchange and Lahore 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 six months ended December 31, 2015 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.

2.2 This condensed interim financial information does not include all the information required for the full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2015.

2.3 This condensed interim financial information is unaudited. However, a limited scope review has been carried out by the external auditors of the Company in accordance with the requirements of the Code of Corporate Governance.

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 audited financial statements of the Company for the year ended June 30, 2015.

Certain new IFRSs and amendments to existing IFRSs are effective for periods beginning on or after July 1, 2015, which does not have any impact on this condensed interim financial information except for IFRS 13 "Fair Value Measurement", which results in certain additional disclosures.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this condensed interim financial information except certain additional disclosures as given in note 7.2.

3.2 Financial risk management

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

3.3 Estimates and judgements

During the period, management revised the estimates related to useful lives of buildings on leasehold land, office premises, plant and machinery and electric installations. The change in estimate reflects more accurately the pattern of consumption of economic benefits of the respective assets. These changes have been accounted for prospectively. Had there been no change in estimates for useful life, loss before tax would have been higher by Rs. 25.16 million. The effect on future periods is impracticable to ascertain considering subsequent measurement of assets under revaluation model and inherent uncertainties attached thereto.

All other estimates, judgements 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 audited financial statements of the Company for the year ended June 30, 2015.

N. P. SPINNING MILLS LIMITED

(Un-Audited) (Audited)
December 31, June 30,
2015 2015

..... Rupees

4. LONG-TERM LOANS - SECURED

Long-term loans from Banks	277,000,000	—
Less: Current maturity of long-term loans	(11,541,667)	—
	<u>265,458,333</u>	<u>—</u>

Long-term loans have been obtained against a sanctioned limit of Rs. 277 million. The loans are payable in 5 years from the date of disbursement including a grace period of one year. The facilities carry markup at the rate of 6 months KIBOR plus 2.50% and are secured against first charge over fixed assets of the Company.

(Un-Audited) (Audited)
December 31, June 30,
2015 2015

..... Rupees

5. SHORT TERM BORROWINGS

From a banking company - secured

Running finance	99,999,913	92,175,510
Cash finance	129,979,964	245,814,187
Finance against import merchandise (FIM)	189,918,406	190,141,532
5.1	<u>419,898,283</u>	<u>528,131,229</u>
Book overdraft - unsecured	5.2	
	35,245,811	43,207,645
	<u>455,144,094</u>	<u>571,338,874</u>

5.1 Facilities for running finance, cash finance and FIM are available from a bank up to Rs. 536 million (June 30, 2015: Rs. 550 million). These facilities are subject to mark-up at the rate of 3 month KIBOR plus 1.5% (June 30, 2015: 3 month KIBOR plus 1.5%) per annum payable quarterly. These are secured against first hypothecation charge over fixed assets and pledge of all raw material.

The aggregate unavailed short-term borrowing facilities amounted to Rs. 116.10 million (June 30, 2015: Rs. 21.87 million) as at December 31, 2015.

5.2 This represents book overdraft due to cheques issued by the Company in excess of balances with banks which will be presented for payment in subsequent period, however, after the period end sufficient funds were deposited with the bank to clear the cheques issued.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There were no changes in contingencies since the last audited financial statements.

(Un-Audited) (Audited)
December 31, June 30,
2015 2015

..... Rupees

6.2 Commitments

Letters of credit for import of:

– raw material	67,975,481	129,511,067
– stores and spares	—	3,747,086

N. P. SPINNING MILLS LIMITED

7. PROPERTY, PLANT AND EQUIPMENT

7.1 During the period, following additions and disposals were made:

	(Un-Audited) Six-month ended		(Un-Audited) Six-month ended	
 Additions (Cost) Dec. 31, 2015(Rupees)..... Disposals (Cost) Dec. 31, 2014(Rupees)..... Additions (Cost) Dec. 31, 2015(Rupees)..... Disposals (Cost) Dec. 31, 2014(Rupees).....
Operating assets				
Plant and machinery	1,937,632	—	—	—
Furniture and fixtures	—	422,058	—	—
Office equipment	—	10,120	—	—
Vehicles	—	—	1,198,000	317,654
	1,937,632	432,178	1,198,000	317,654

7.2 During the year ended June 30, 2015, the Company changed its accounting policy with respect to the subsequent remeasurement of leasehold land, buildings on leasehold land, office premises, plant and machinery and electric installations from 'Cost Model' to 'Revaluation Model'. Details of the revaluation method have been disclosed in the annual audited financial statements of the Company for the year ended June 30, 2015.

Levels of fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Information about the fair value hierarchy as at the end of the reporting period is as follows:

	(Un-audited) December 31, 2015			Total
	Level 1	Level 2	Level 3	
(Rupees).....			
Leasehold land	—	65,000,000	—	65,000,000
Buildings on leasehold land	—	249,300,045	—	249,300,045
Office premises	—	1,707,990	—	1,707,990
Plant and machinery	—	610,079,284	—	610,079,284
Electric installations	—	32,067,750	—	32,067,750
	—	958,155,069	—	958,155,069

	(Audited) June 30, 2015			Total
	Level 1	Level 2	Level 3	
(Rupees).....			
Leasehold land	—	65,000,000	—	65,000,000
Buildings on leasehold land	—	253,096,492	—	253,096,492
Office premises	—	1,734,000	—	1,734,000
Plant and machinery	—	624,910,000	—	624,910,000
Electric installations	—	32,890,000	—	32,890,000
	—	977,630,492	—	977,630,492

There were no changes in valuation techniques during the year/period.

N. P. SPINNING MILLS LIMITED

(Un-Audited) (Audited)
December 31, June 30,
2015 2015

Note Rupees

8. STOCK IN TRADE

Raw material			
- In hand		337,357,941	352,321,546
- In transit		36,784,800	25,460,820
Work in process		23,775,232	22,772,755
Finished goods	8.1	189,938,424	92,124,807
Waste		657,606	75,602
		588,514,003	492,755,530

8.1 The Company has recognized a write down of Rs. 21.5 million (June 30, 2015: 45.66 million) to adjust the carrying value of stock-in-trade to net realizable value.

	(Un-Audited) Six-months ended		(Un-Audited) Three-months ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
 Rupees			

9. COST OF SALES

Opening stock of finished goods	92,200,409	350,818,429	163,815,704	368,914,675
Cost of goods manufactured	530,967,965	539,227,363	258,342,618	312,507,067
	623,168,374	890,045,792	422,158,322	681,421,742
Closing stock of finished goods	(190,596,030)	(228,851,099)	(190,596,030)	(228,851,099)
	432,572,344	661,194,693	231,562,292	452,570,643

10. TRANSACTIONS WITH RELATED PARTIES

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

	(Un-Audited) Six months ended	
	Dec. 31, 2015	Dec. 31, 2014
 Rupees	

Associated undertakings

Share of common expenses	283,584	318,326
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Transactions with key management personnel

Unwinding of discount on loan from directors	4,652,041	—
Remuneration to:		
Chief Executive	2,061,000	2,061,000
Directors	—	430,518

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.

11. DATE OF AUTHORISATION FOR ISSUE

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

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director