

**CONDENSED INTERIM
FINANCIAL INFORMATION**
For the Six-Months Ended
DECEMBER 31, 2014



N. P. Spinning Mills Limited

BOOK POST

Printed Matter (UPC)

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

N. P. SPINNING MILLS LIMITED

DIRECTORS' REPORT

The Directors are pleased to present before you the condensed (un-audited) interim financial information for six months period ended December 31, 2014.

OPERATING & FINANCIAL RESULTS

The operating & financial results of the Company for the period under review are not encouraging. Production for the period was 6.328 Mkg. at 20/s count compared to 6.850 MKg. for the same period last year. Sales for the period amounted to Rs. 672.808 (M) compared to Rs.1,251.138 (M), The Company sustained a pretax loss of Rs. 58.065 (M) compared to pretax profit of Rs.42.739 (M). The loss is attributable to scheduled & unscheduled gas & power disruption in the province of Punjab. Also, because of the law & order situation, industrial & trading activity has shown down turn, making it difficult to pass on the cost push effect completely to the customers. Resultantly we suffered a production loss of about 17% compared to our capacity to produce.

EARNINGS PER SHARE

The earnings per share for the period is Rs. (2.78).

FUTURE OUTLOOK

Due to global pressure of high production of cotton in China, India and the USA, domestic market in Pakistan for the time being is hardly stable. A bumper cotton crop of about 15.1 million bales was expected for the season 2014-15 which was revised thrice and finally set at 13.48 million bales due to multiple reasons including water shortage, rains/floods and shortage of certified seed. Cotton production target for the season 2015-16 has been fixed for 15.49 million bales, however the exact cotton scenario will emerge later. Textile Industry is likely to benefit from the GSP Plus status given by EU, provided law & order situation and energy crisis are redressed soon.

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 27, 2015

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, 2014, 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, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2014.

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 inquiries, 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, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi:

Dated: February 27, 2015

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Nadeem Yousuf Adil

N. P. SPINNING MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2014

	(Un-Audited) December 31, 2014	(Audited) June 30, 2014
Note	Rupees	
SHARE CAPITAL AND RESERVES		
Authorised capital		
32,000,000 ordinary shares of Rs. 10/-each	<u>320,000,000</u>	<u>320,000,000</u>
Issued, subscribed and paid up capital		
14,700,000 Ordinary shares of Rs.10/- each	<u>147,000,000</u>	147,000,000
Unappropriated profit	<u>149,278,912</u>	190,203,581
	296,278,912	337,203,581
NON-CURRENT LIABILITIES		
Loan from directors		
unsecured - interest free	158,500,000	153,500,000
Deferred liabilities	40,922,565	59,174,446
Liabilities against import of machinery	—	123,564,300
CURRENT LIABILITIES		
Trade and other payables	333,550,351	515,283,424
Mark-up accrued on short term borrowings	8,761,181	9,810,286
Short term borrowings	484,155,601	453,004,553
Current portion of liabilities against import of machinery	191,166,472	85,420,942
	1,017,633,605	1,063,519,205
CONTINGENCIES AND COMMITMENTS		
	<u>4</u>	<u>1,736,961,532</u>
NON-CURRENT ASSETS		
Property, plant and equipment	510,253,418	538,024,396
Long-term deposits	1,645,222	1,645,222
CURRENT ASSETS		
Stores, spares and loose tools	26,480,722	28,100,030
Stock-in-trade	607,728,914	893,023,992
Trade debts	240,462,273	223,102,586
Advances and other receivables	47,257,021	35,814,825
Sales tax refundable	11,733,721	11,345,764
Cash and bank balances	67,773,791	5,904,717
	1,001,436,442	1,197,291,914
	<u>1,513,335,082</u>	<u>1,736,961,532</u>

The annexed notes 1 to 9 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, 2014

Note	Six-months ended		Three-months ended	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
	Rupees			
Sales	672,807,673	1,251,138,253	443,996,531	678,042,393
Cost of sales	(661,194,693)	(1,127,539,443)	(452,570,643)	(618,424,351)
Gross profit	11,612,980	123,598,810	(8,574,112)	59,618,042
Other income	5,939,786	3,495,851	1,560,219	1,863,884
	17,552,766	127,094,661	(7,013,893)	61,481,926
Distribution cost	6,653,355	21,689,474	2,574,072	10,396,191
Administrative expenses	16,642,092	20,348,339	8,159,476	9,149,633
Other operating expenses	19,639,560	14,094,833	18,994,992	2,214,228
Finance cost	32,682,453	28,222,529	18,294,340	16,050,043
	(75,617,460)	(84,355,175)	(48,022,880)	(37,810,095)
(Loss) / Profit before taxation	(58,064,694)	42,739,486	(55,036,773)	23,671,831
Current tax	(5,380,028)	—	(3,091,917)	5,730,958
Prior year tax	—	(2,287,309)	—	(2,287,309)
Deferred tax	22,520,053	8,766,387	22,520,053	8,766,387
Taxation	17,140,025	6,479,078	19,428,136	12,210,036
(Loss) / Profit after taxation	(40,924,669)	49,218,564	(35,608,637)	35,881,867
Other comprehensive income				
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	(40,924,669)	49,218,564	(35,608,637)	35,881,867
Earnings per share basic and diluted	(2.78)	3.35	(2.42)	2.44

The annexed notes 1 to 9 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, 2014

	December 31, 2014	December 31, 2013
	Rupees	Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(58,064,694)	42,739,486
Adjustments for:		
Depreciation on property, plant and equipment	27,885,502	21,809,362
Gain on disposal of property, plant and equipment	(282,346)	—
Provision for staff retirement gratuity	6,944,634	3,514,246
Impact of NRV on finished goods	15,655,438	—
Exchange loss on liabilities against import of machinery	16,619,480	—
Provision for infrastructure fee	—	2,135,866
Profit on bank deposits	(3,328,237)	(3,220,975)
Finance cost	32,682,453	28,222,529
Operating cash flows before changes in working capital	38,112,230	95,200,514
Changes in working capital (Increase) / decrease in current assets		
Stores, spares and loose tools	1,619,308	1,070,139
Stock in trade	269,639,640	(231,044,000)
Trade debts	(17,359,687)	(54,703,302)
Advances and other receivables	(12,138,084)	(11,762,647)
Sales tax refundable	(387,957)	6,407,230
Increase / (decrease) in current liabilities		
Trade and other payables	(181,733,073)	141,580,119
	59,640,147	(148,452,461)
Cash generated from / (used in) operations	97,752,377	(53,251,947)
Finance cost paid	(33,731,558)	(24,564,413)
Gratuity paid	(2,676,462)	(3,513,547)
Income tax paid - net	(4,684,140)	(6,692,072)
Net cash from / (used in) operating activities	56,660,217	(88,021,979)

N. P. SPINNING MILLS LIMITED

	December 31, 2014	December 31, 2013
	Rupees	Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(432,178)	(48,098,765)
Proceeds from disposal of property, plant and equipment	600,000	—
Profit received on bank deposits	3,328,237	2,868,230
Net cash from / (used in) investing activities	3,496,059	(45,230,535)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Loss on forward contract	(34,438,250)	—
Short-term borrowings decreased - net	(31,267,543)	(146,214,402)
Loan received from directors	5,000,000	—
Net cash used in financing activities	(60,705,793)	(146,214,402)
Net decrease in cash and cash equivalents (A+B+C)	(549,517)	(279,466,916)
Cash and cash equivalents at the beginning of the period	(31,651,926)	(171,776,108)
Cash and cash equivalents at the end of the period	(32,201,443)	(451,243,024)
Cash and cash equivalents		
Cash and bank balances	67,773,791	73,044,387
Running finance	(99,975,234)	(524,287,411)
	(32,201,443)	(451,243,024)

The annexed notes 1 to 9 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, 2014

	Issued, Subscribed and Paid-up Capital	Unappropriated Profit	Total
	Rupees		
Balance at July 01, 2013	147,000,000	180,189,749	327,189,749
Total comprehensive income for the period			
Profit for the period ended December 31, 2013	—	49,218,564	49,218,564
Other comprehensive income for the period	—	—	—
	—	49,218,564	49,218,564
Balance at December 31, 2013	147,000,000	229,408,313	376,408,313
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	—	—	—
	—	(40,924,669)	(40,924,669)
Balance at December 31, 2014	147,000,000	149,278,912	296,278,912

The annexed notes 1 to 9 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, 2014

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 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 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, 2014 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 annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2014.

2.2 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, 2014.

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, 2014.

3.3 Estimates and judgements

The 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, 2014.

	(Un-Audited) December 31, 2014	(Audited) June 30, 2014
..... Rupees		

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

Guarantees issued by bank on behalf of the Company to:

– Sui Northern Gas Pipelines Limited	36,639,300	36,068,300
– Excise and Taxation officer for infrastructure cess	52,850,000	51,850,000

4.2 Commitments

Letters of credit for import of:

– raw material	71,395,820	95,439,406
– stores and spares	980,850	—

5. PROPERTY, PLANT AND EQUIPMENT

During the period, following additions and disposals were made:

	(Un-Audited) Six-months ended		(Un-Audited) Six-months ended	
..... Additions Disposals			
Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	
.....(Rupees).....				
Operating assets				
Plant and machinery	—	192,137,865	—	—
Furniture and fixtures	422,058	276,380	—	—
Office equipment	10,120	276,350	—	—
Vehicles	—	—	317,654	—
	<u>432,178</u>	<u>192,690,595</u>	<u>317,654</u>	<u>—</u>

N. P. SPINNING MILLS LIMITED

	(Un-Audited) December 31, 2014	(Audited) June 30, 2014
..... Rupees		

6. STOCK IN TRADE

Raw material				
– In hand	351,954,645		432,632,039	
– In transit	—		77,475,969	
Work in process	26,923,170		32,097,555	
Finished goods	6.1	228,821,762	350,564,927	
Waste		29,337	253,502	
		<u>607,728,914</u>	<u>893,023,992</u>	

6.1 At period end, net realizable value of certain stocks of finished goods were lower than their cost, which resulted in write down of Rs. 15.66 million which has been charged to cost of sales

7. COST OF SALES

	(Un-Audited) Six-months ended		(Un-Audited) Three-months ended	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
.....(Rupees).....				
Opening stock of finished goods	350,818,429	91,420,891	368,914,675	236,743,309
Cost of goods manufactured	539,227,363	1,267,098,604	312,507,067	612,661,094
	<u>890,045,792</u>	<u>1,358,519,495</u>	<u>681,421,742</u>	<u>849,404,403</u>
Closing stock of finished goods	(228,851,099)	(230,980,052)	(228,851,099)	(230,980,052)
	<u>661,194,693</u>	<u>1,127,539,443</u>	<u>452,570,643</u>	<u>618,424,351</u>

8. TRANSACTIONS WITH RELATED PARTIES

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

	(Un-Audited) Six months ended	
	December 31, 2014	December 31, 2013
..... Rupees		

Associated undertakings

Share of common expenses	318,326	389,917
--------------------------	---------	---------

Transactions with key management personnel

Remuneration to:

Chief Executive Officer	2,061,000	2,061,000
Directors	430,518	1,094,029

Payment made to post

employment benefit plan	2,676,462	3,513,547
-------------------------	-----------	-----------

The Chief Executive Officer 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.

9. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 27, 2015 by the Board of Directors of the Company.

(KHALID INAM)
Chief Executive

(INAMUR REHMAN)
Chairman/Director