24th ANNUAL REPORT 2014

N. P.

N. P. Spinning Mills Limited

CONTENTS

VISION

To strive at producing high quality yarn, explore new era to achieve the highest level of commercial success with social & environmental responsibilities.

MISSION

To bring in the best, become more focused on the market, reduce cost of organization, take prompt decisions and make N.P. Spinning Mills Ltd. an Organization with a promising future.

COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	:	Mr. Inamur Rehman
Directors	:	Mrs. Summayya Rehman Mrs. Asma Khalid Mr. Fakhar Mohiuddin Faruqi Mr. Noor Muhammad Mr. Ziauddin Zubairi
Chief Executive	:	Mr. Khalid Inam

AUDIT COMMITTEE

Chairman	:	Mr. Noor Muhammad
Members	:	Mr. Fakhar Mohiuddin Faruqi Mr. Ziauddin Zubairi

HUMAN RESOURCE & REMUNERATION COMMITTEE

Chairman	:	Mr. Fakhar Mohiuddin Faruqi
Members	:	Mr. Noor Muhammad Mr. Ziauddin Zubairi

COMPANY SECRETARY

Mr. Muhammad Siddique

CHIEF FINANCIAL OFFICER

Syed Muhammad Yousuf

AUDITORS

Messrs M. Yousuf Adil Saleem & Co.,
Chartered Accountants

BANKERS

Habib Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited

SHARE REGISTRAR

M/s. F. D. Registrar Services (SMC-Pvt) Ltd.,
17th Floor, Saima Trade Tower - A,
I. I. Chundrigar Road, Karachi.
Phone # 92 21 - 35478192-3

REGISTERED OFFICE

703-Uni Tower, I. I. Chundrigar Road, Karachi.
Phone # 021-32427202-205
website: www.npsm.com.pk

FACTORY

1.5 K.M., Lalyani Road,
Jalalpura, Raiwind, District Lahore.

NOTICE OF MEETING

Notice is hereby given that the 24th Annual General Meeting of the Shareholders of N. P. Spinning Mills Limited will be held Insha Allah on Thursday October 30, 2014 at 9:00 a.m. at 7th Floor, Uni Tower, I.I. Chundrigar Road, Karachi, to transact the following business:-

1. To confirm the minutes of last Annual General Meeting held on October 31, 2013.

2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2014 together with Directors and Auditors reports thereon.

3. To appoint auditors for the year ending June 30, 2015 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

4. To transact any other business with the permission of the Chair.

By Order of the Board

(Muhammad Siddique)
Company Secretary

Karachi: October 04, 2014

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24, 2014 to October 30, 2014 (both days inclusive).

2. A member entitled to attend and vote at this meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. Proxies must be deposited at the registered office of the Company not less than 48 hours before the time of meeting.

3. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant ID to facilitate identification and in case of proxy, must enclose an attested copy of CNIC. Representatives of Corporate Members should bring the usual documents, required for such purpose.

4. Shareholders, who have not yet submitted copy of their valid CNIC are once again requested to send the same to our Share Registrar.

5. Members desirous of getting financial statements through email are requested to send their email address with their consent at Company's registered office.

6. Change of address, if any, may please be notified immediately.

DIRECTORS' REPORT

The Directors are pleased to present before you the 24th Annual Report together with the audited accounts of the Company for the year ended June 30, 2014.

FINANCIAL RESULTS

The operating and financial results of the Company for the year under review are satisfactory. Production for the year was 14.128 M.Kgs. at 20/s count compared to 14.087 M.Kgs. for the last year. Sales for the year was Rs.2,452 (M) compared to Rs.2,172 (M). The Company earned a pretax profit of Rs.11.030 (M) as against Rs.39.540 (M). The low profitability is attributable to high in put costs, production losses caused as a result of scheduled & unscheduled gas & power load shedding in the province of Punjab. Besides, law & order situation and high food prices also affected industrial & trading activity.

FUTURE OUTLOOK

As reported earlier, due to better cotton production for the season 2013-14 than the expected target, cotton was available on reasonable prices. However, availability of cheaper indian cotton in the county had its adverse impact on local yarn market. The government imposed import duty on yarn to have healthy impact.

A bumper cotton crop was expected for the season 2014-15 but due to recent rains / floods, damage has caused to standing crops. However exact quantum of damage is yet to be ascertained. In order to bring stability in cotton prices the government has decided to procure one million cotton bales through TCP & has also approved Rs.3,000/= per 40 kg support price of cotton seed, which will enhance cotton prices in the market.

Textile industry is likely to benefit from the GSP Plus status given by EU, provided law & order situation and energy crisis are redressed soon.

EARNINGS PER SHARE

The earnings per share for the year under review is Rs.0.76

DIVIDEND

During the year, the Company has earned a profit of Rs.11.171 million as compared to Rs.18.181 million in 2013. Year 2013-14 had been a challenging year as we faced various economical, domestic and international challenges.

The Company has consistently incurred capital expenditure in BMR in order to improve efficiency in production of yarn. We have upgraded and modifed our plant and equipment to produce the best quality products and to keep our customer completely satisfied. We are working hard to gain our customers' confidence by delivering the best product with matching service.

In order to keep things going, we financed this capital expenditure from available resources which limits us from declaring dividend for the year ended June 30, 2014. However the Company is expected to have improved performance in future.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The financial statements, present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity.

b) Proper books of account have been maintained.

c) Accounting policies as stated in the attached notes have been consistently applied and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed and non-applicability, if any, has been adequately disclosed.

e) The internal control system of the Company is sound in design and has been effectively implemented. Weakness in controls, if any, will be addressed effectively.

f) There is no significant doubt upon the Company's ability to continue as a going concern.

g) Key operating and financial data of last six years is annexed.

h) Outstanding taxes and levies have been adequately disclosed.

i) During the year ended June 30, 2014, five Board Meetings, five Audit Committee Meetings and one HR&R Committee Meeting were held which were attended as follows:-

NAME OF DIRECTORS	BOARD METTINGS	AUDIT COMMITTEE	HR&R COMMITTEE
Mr. Inamur Rehman	5	–	–
Mrs. Summayya Rehman	5	–	–
Mr. Khalid Inam	5	–	–
Mrs. Asma Khalid	5	–	–
Mr. Fakhar Mohiuddin Faruqi	5	5	1
Mr. Nazir Ahmed	2	3 (upto 03/12/2013)	1
Mr. Ziauddin Zubairi	5	5	1
Mr. Noor Muhammad	2	2 (from 03/12/2013)	–

j) The pattern of shareholdings as at June 30, 2014 is annexed to this report.

k) Disclosure of shares trading by the Directors, CEO, CFO and Company Secretary;

The directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year except disclosed as under;

	Purchase
Mr. Noor Muhammad	**500**

AUDITORS

The present auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment for the financial year ending June 30, 2015.

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: October 04, 2014

Key Operating and Financial Results From 2009 to 2014

(Rupees in Million)

	2014	2013	2012	2011	2010	2009
OPERATING DATA						
Sales	2,452.311	2,172.314	1,792.499	2,129.405	1,630.785	1,156.970
Cost of Goods Sold	2,295.611	2,029.305	1,756.286	1,952.540	1,452.039	1,089.125
Gross Profit	156.620	143.009	36.213	176.865	178.746	67.845
Profit/(Loss) Before Taxation	11.030	39.540	(57.556)	86.153	122.968	10.124
Profit/(Loss) After Taxation	11.171	18.181	(75.850)	56.043	84.402	5.945
FINANCIAL DATA						
Paid-up capital	147.000	147.000	147.000	147.000	147.000	147.000
Fixed Assets	538.024	366.475	244.421	245.089	227.753	228.040
Current Assets	1,197.291	853.198	741.500	696.850	527.067	396.091
Current Liabilities	1,063.519	598.497	509.276	371.149	348.369	301.933
KEY RATIOS						
Gross Margin (%)	6.39	6.58	2.02	8.31	10.96	5.86
Profit/(Loss) after Tax (%)	0.45	0.84	(4.23)	2.63	5.05	0.51
Current Ratio	1.13	1.43	1.46	1.88	1.51	1.31
Earnings Per Share (Rupees)	0.76	1.24	(5.16)	3.81	5.61	0.40
Cash Dividend (%)	—	—	—	12	20	—

PATTERN OF SHAREHOLDING

As at June 30, 2014

No. of Shareholders	Shareholding From	To	Total Shares Held	Percentage
221	1	100	15,900	0.11
262	101	500	63,033	0.43
301	501	1,000	214,497	1.46
54	1,001	5,000	120,600	0.82
18	5,001	10,000	119,850	0.81
6	10,001	15,000	80,940	0.55
2	20,001	25,000	44,029	0.30
1	30,001	35,000	34,300	0.23
1	55,001	60,000	57,400	0.39
1	90,001	95,000	94,001	0.64
1	305,001	310,000	307,770	2.09
1	1,195,001	1,200,000	1,197,780	8.15
1	2,280,001	2,285,000	2,280,820	15.52
1	10,065,001	10,070,000	10,069,080	68.50
871			**14,700,000**	**100.00**

CATEGORIES OF SHAREHOLDERS

S.#	Categories of Shareholder(s)	Number	Shares Held	Percentage
1.	**Joint Stock Companies**	4	2,100	0.01
2.	**Directors, CEO, their Spouses and Minor Children**	8	13,972,180	95.05
3.	**Executives**	—	—	—
4.	**Associated Companies, Related Parties etc.**	1	57,400	0.39
5.	**Banks, DFIs, NBFIs, Investment Cos. etc.**	2	1,500	0.01
6.	**Others**	1	500	0.00
7.	**Individuals**	855	666,320	4.54
		971	**14,700,000**	**100.00**

DETAILS OF CATEGORIES OF SHAREHOLDERS

		Number	Shares Held
1.	**Joint Stock Companies**		
	1.1 M/s. ACE Securities (Pvt.) Ltd.	1	600
	1.2 M/s. Y.S. Securities & Services (Pvt.) Ltd.	1	500
	1.3 M/s. Noman Abid & Co. Ltd.	1	500
	1.4 M/s. Highlink Capital (Pvt.) Ltd.	1	500
		4	**2,100**
2.	**Directors, CEO, their Spouses and Minor Children**		
	2.1 Mr. Inamur Rehman	1	2,280,820
	2.2 Mrs. Summayya Rehman	2	1,219,309
	2.3 Mr. Khalid Inam	1	10,069,080
	2.4 Mrs. Asma Khalid	2	401,771
	2.5 Mr. Fakhar Mohiuddin Faruqi	1	700
	2.6 Mr. Noor Muhammad	1	500
	2.7 Mr. Ziauddin Zubairi	—	—
		8	**13,972,180**
3.	**Executives**	—	—
4.	**Associated Companies, Related Parties etc.**		
	4.1 M/s. N. P. Waterproof Industries (Pvt.) Ltd.	**1**	**57,400**
5.	**Banks, DFIs, NBFIs, Investment Cos. etc.**		
	5.1 M/s. Investment Corporation of Pakistan	1	1,000
	5.2 Progressive Investment Management (Pvt.) Ltd	1	500
		2	**1,500**
6.	**Others**		
	6.1 M/s. Karachi Stock Exchange Ltd.	**1**	**500**
7.	**Individuals**	**855**	**666,320**
		871	**14,700,000**

Shareholders holding 5% or more shares

		Shares Held	%
➢ Mr. Inamur Rehman	*(Chairman / Director)*	2,280,820	15.52
➢ Mrs. Summayya Rehman	*(Director)*	1,219,309	8.30
➢ Mr. Khalid Inam	*(Chief Executive)*	10,069,080	68.50

Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2014

This statement is being presented by the Board of Directors (the Board) of **N.P. Spinning Mills Limited** (the Company) to comply with the Code of Corporate Governance (the Code) contained in listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limitedfor the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Non-Executive Directors	Mrs. Summayya Rehman
	Mrs. Asma Khalid
	Mr. Fakhar Mohiuddin Faruqi
	Mr. ZiauddinZubairi
Executive Directors	Mr. Inamur Rehman
	Mr. Khalid Inam
Independent directors	Mr. Noor Muhammad

   The independent director meets the criteria of independence under clause i (b) of the Code.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution and being the member of a stock exchange, has been declared as a defaulter by the stock exchange. None of them are members of any Stock Exchange.
4. Casual vacancy of Director that occurred during the year was duly filled in within 30 days time.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.However, the same has not been placed on the Company's website.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were also circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members are aware of their responsibilities, rules and regulations on laws affecting the Company as they are on the Board since many years. They have been kept aware through orientation programs regarding the changes in the corporate laws particularly in the Code of Corporate Governance. Further, two non executive directors attended the Directors' Training Program during the year conducted by the Institute of Cost & Management Accountants.
10. During the year, there was no new appointment in the office of Company Secretary, CFO and Internal Auditor.
11. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman.
16. The meetings of the audit committee were held at least once in every quarter, prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been determined and approved by the Board and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee, comprising of three members. All members including the chairman of the committee are non-executive directors.
18. Head of internal audit is performing internal audit work. The function is to be strengthened by the Board.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matters in clause 5 and the following:
    a) The Company is in the process of preparing a mechanism for the annual evaluation of the Board's own performance.
    b) The Chairman of the Board of Directors is an executive director.

On behalf of the Board

(KHALID INAM)
Chief Executive

Karachi: October 04, 2014

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **N.P SPINNING MILLS LIMITED** ("the Company") for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange and the Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further, we highlight the below instances of non-compliances with the requirement of the Code as reflected in paragraph references where these are stated in the Statement of Compliance:

Paragraph reference	Description
5	Code of Conduct has not been placed on the Company's website
23	Mechanism for the evaluation of the Board's own performance is in the process of preparation and chairman of the Board is an executive director.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: October 04, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **N.P. SPINNING MILLS LIMITED** (the Company) as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except the change as stated in note 4.18 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: October 04, 2014

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

BALANCE SHEET

	Note	2014 Rupees	2013 Rupees (Restated)
SHARE CAPITAL AND RESERVES			
Share capital	5	147,000,000	147,000,000
Unappropriated profit		190,203,581	180,189,749
		337,203,581	327,189,749
NON-CURRENT LIABILITIES			
Loan from directors unsecured - interest free		153,500,000	153,500,000
Deferred liabilities	6	59,174,446	59,254,876
Liabilities against import of machinery	7	123,564,300	82,726,442
CURRENT LIABILITIES			
Liabilities against import of machinery	7	85,420,942	—
Trade and other payables	8	515,283,424	211,905,032
Mark-up accrued on short term borrowings		9,810,286	7,479,336
Short-term borrowings	9	453,004,553	379,112,692
		1,063,519,205	598,497,060
CONTINGENCIES AND COMMITMENTS	10		
		1,736,961,532	**1,221,168,127**

The annexed notes form an integral part of these financial statements.

AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	538,024,396	366,474,683
Long-term deposits		1,645,222	1,495,222
CURRENT ASSETS			
Stores, spares and loose tools	12	28,100,030	33,628,923
Stock-in-trade	13	893,023,992	538,608,200
Trade debts	14	223,102,586	177,667,721
Advances and other receivables	15	35,814,825	25,276,922
Sales tax refundable	16	11,345,764	16,894,274
Cash and bank balances	17	5,904,717	61,122,182
		1,197,291,914	853,198,222
		1,736,961,532	**1,221,168,127**

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

PROFIT AND LOSS ACCOUNT

For the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
Sales	18	2,452,311,500	2,172,313,799
Cost of goods sold	19	(2,295,690,625)	(2,029,305,251)
Gross profit		156,620,875	143,008,548
Other income	20	17,206,937	7,317,337
		173,827,812	150,325,885
Distribution cost	21	50,474,511	22,174,517
Administrative expenses	22	42,011,915	41,922,745
Other operating expenses	23	830,235	14,843,132
Finance cost	24	69,480,881	31,845,366
		(162,797,542)	(110,785,760)
Profit before taxation		11,030,270	39,540,125
Provision for taxation	25	140,734	(21,358,647)
Profit after taxation		11,171,004	18,181,478
Other comprehensive income			
Item that will not be reclassified subsequently to profit and loss			
– Remeasurement of defined benefit obligation		(2,122,389)	(1,548,095)
– Impact of tax		965,216	377,464
		(1,157,173)	(1,170,631)
Total comprehensive income for the year		10,013,832	17,010,847
Earnings per share - basic and diluted	26	0.76	1.24

The annexed notes form an integral part of these financial statements.

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

CASH FLOW STATEMENT

For the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,030,270	39,540,125
Adjustments for			
Depreciation		50,920,928	30,153,770
Gain / loss on disposal of property, plant and equipment		(978,290)	800
Provision for staff retirement gratuity		7,028,491	5,534,543
Liabilities written back		(400,888)	(533,358)
Provision against doubtful sales tax refund		—	3,097,052
Profit on deposits / saving accounts		(6,669,027)	(6,180,528)
Provision against stores and spares		298,768	1,520,688
Provision against doubtful debts and advances		1,583,589	590,091
Finance cost		69,480,881	31,845,366
Operating cash inflows before working capital changes		132,294,722	105,568,549
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		5,230,125	(11,854,882)
Stock-in-trade		(354,415,792)	11,865,033
Trade debts		(46,604,130)	(139,897,658)
Advances and other receivables		3,049,593	24,529,789
Sales tax refundable		5,548,510	(8,407,914)
Decrease in current liabilities			
Trade and other payables		303,779,280	72,823,934
		(83,412,414)	(50,941,698)
Cash generated from operations		48,882,308	54,626,851
Finance cost paid		(67,149,931)	(32,566,312)
Gratuity paid		(5,838,050)	(4,917,013)
Taxes (paid) / refund		(16,289,125)	4,800,992
Net cash (used in) / generated from operating activities		(40,394,798)	21,944,518
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(225,208,355)	(152,249,372)
Proceed from disposal of property, plant and equipment		3,716,000	41,500
Profit received on deposits / saving accounts		6,669,027	6,180,528
Long term deposit		(150,000)	—
Net cash used in investing activities		(214,973,328)	(146,027,344)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan from directors		—	19,500,000
Short-term bank borrowings increased-net		269,233,508	31,517,479
Dividend paid		—	(10,881,444)
Foreign bills payable		126,258,800	82,726,442
Net cash generated from /(used in) financing activities		395,492,308	122,862,477
Net decrease in cash and cash equivalents (A+B+C)		140,124,182	(1,220,350)
Cash and cash equivalents at beginning of the year		(171,776,108)	(170,555,758)
Cash and cash equivalents at end of the year		(31,651,926)	(171,776,108)
Cash and cash equivalents			
Cash and bank balances		5,904,717	61,122,182
Running finance	9	(37,556,643)	(232,898,290)
		(31,651,926)	(171,776,108)

The annexed notes form an integral part of these financial statements.

KHALID INAM	**INAMUR REHMAN**
Chief Executive	***Chairman/Director***

STATEMENT OF CHANGES IN EQUITY
For the Year Ended June 30, 2014

	Share Capital	Unappropriated Profit	Total
	....	Rupees	....
Balance at June 30, 2012 as previously reported	147,000,000	159,730,211	306,730,211
'Effect of remeasurement of defined benefit obligation - net of tax	—	3,448,691	3,448,691
Balance at July 01, 2012 - restated	147,000,000	163,178,902	310,178,902
Comprehensive income			
Profit for the year ended June 30, 2013 - restated	—	18,181,478	18,181,478
Other comprehensive income – net of tax - restated	—	(1,170,631)	(1,170,631)
Total comprehensive income for the year - restated	—	17,010,847	17,010,847
Balance at June 30, 2013 - restated	147,000,000	180,189,749	327,189,749
Comprehensive income			
Profit for the year ended June 30, 2014	—	11,171,004	11,171,004
Other comprehensive income - net of tax	—	(1,157,173)	(1,157,173)
Total comprehensive income for the year	—	10,013,832	10,013,832
Balance at June 30, 2014	147,000,000	190,203,581	337,203,581

The annexed notes form an integral part of these financial statements.

KHALID INAM	**INAMUR REHMAN**
Chief Executive	***Chairman/Director***

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 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 in 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 The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (the IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of or directives issued under the Ordinance shall prevail.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

2.2.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective for periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

2.2.2 The amendments to IAS 19 - Employee Benefits is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursing paragraph. These changes are considered as change in policy.

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

The impact of amendments to "IAS 19 Employee Benefits" on the financial statements has been disclosed in note 4.18.

2.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	**Effective for periods beginning on or after**
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRS 10 – Consolidated Financial Statements	January 01, 2015.
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IFRIC 21 – Levies	January 01, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

3. Basis of preparation

These financial statements have been prepared under the historical cost convention modified by:

- recognition of certain employee retirement benefits at present value; and
- certain financial instruments at their fair value.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed a minimum qualifying period of service. Provisions are made annually on the basis of actuarial recommendation to cover the obligation under the scheme. The most recent valuation was carried out as at June 30, 2014 using "Project Unit Credit Method".

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

Details of the scheme is given in note 6.2 of these financial statements.

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

4.2 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

4.3 Dividend distribution

Dividend distribution to the Company's share holders is recognised as liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

4.4 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

4.5 Taxation

Current

The charge for current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.6 Property, plant and equipment

Company owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note 11. Depreciation is charged on addition from the month the asset is available-for-use and on disposals upto the month preceding the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the financial year in which they are incurred.

Gains and losses on disposal of assets, if any, are recognised in profit and loss account.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.7 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items (if any). Items in transit are valued at invoice values plus other charges incurred thereon upto balance sheet date.

4.8 Stock in trade

These are valued at lower of cost and net realisable value applying the following basis:

Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realisable value

Average manufacturing cost in relation to work in process and finished goods signifies cost including a portion of related direct overheads.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to finished condition and for the estimated cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in the profit and loss account.

4.9 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value with maturity of three months or less from the date of acquisition, net of short-term running finance under mark-up arrangements.

4.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

— Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

— Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

4.12 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.13 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.14 Foreign currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year.

4.15 Financial Instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account directly.

Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.17 Key accounting estimate and judgment

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which estimates are revised and in any future period affected. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Useful lives of property, plant and equipment (note 11)
- Impairment in property, plant and equipment. (note 11)
- Provision against slow moving and obsolete stores, spares and loose tools (note 12)
- Provision against doubtful debts and receivables (note 14 & 15)
- Provision against staff gratuity (note 6)
- Contingencies and commitments (note 10)

4.18 Change in accounting policy

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has adopted IAS 19 Employees Benefits (as revised in 2011) along with related consequential amendments.

The revised IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension and gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on retrospective basis in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of change in accounting policy for the year ended June 30, 2012 was not material, therefore, third balance sheet for the year 2012 has not been presented. The effect of retrospective application of change in accounting policy is as follows:

	Amount as reported earlier	Effect of change in accounting policy	Amount restated
	.... Rupees in '000'	....	
For the year ended June 30, 2013			
Effect on balance sheet			
Deferred liabilities			
– Provision for gratuity	(10,220,453)	2,246,766	(7,973,687)
– Deferred tax liability	(50,497,780)	(783,409)	(51,281,189)
	(60,718,233)	1,463,357	(59,254,876)
Unappropriated profit	178,726,392	1,463,357	180,189,749
Effect on profit and loss account			
Cost of sales - salaries, wages and benefits *	(150,013,687)	(1,077,399)	(151,091,086)
Taxation	(21,621,343)	262,696	(21,358,647)
Profit for the year	18,996,181	(814,703)	18,181,478
Earning per share	1.29	(0.05)	1.24
Effect on Statement of Comprehensive Income			
Other comprehensive income			
– Remeasurement on defined benefit obligations	—	(1,548,095)	(1,548,095)
– Impact of tax	—	377,464	377,464
	—	(1,170,631)	(1,170,631)

5. SHARE CAPITAL

2014	2013		2014	2013
No. of shares			Rupees	Rupees
		Authorized		
32,000,000	32,000,000	Ordinary shares of Rs. 10/- each	320,000,000	320,000,000
		Issued, subscribed and paid up		
		Ordinary shares of Rs.10/- each fully paid:		
10,500,000	10,500,000	– in Cash	105,000,000	105,000,000
4,200,000	4,200,000	– Issued as bonus shares	42,000,000	42,000,000
14,700,000	14,700,000		147,000,000	147,000,000

- There is no movement during the reporting year.
- The Company has one class of ordinary shares which carry no rights to fixed income. The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meeting of the Company. All shares rank equally with regard to the Company's residual assets.
- The Company has no reserved shares for issuance under options and sales contracts.
- N.P. Waterproof Industries (Private) Limited, an associated undertaking, held 57,400 (2013: 57,400) ordinary shares.

	Note	2014 Rupees	2013 Rupees (Restated)
6. DEFERRED LIABILITIES			
Deferred taxation	6.1	47,887,929	51,281,189
Staff retirement gratuity	6.2	11,286,517	7,973,687
		59,174,446	59,254,876

6.1 Deferred taxation

This comprises of the following:

	2014	2013
Deferred tax liability on taxable temporary differences arising due to accelerated depreciation allowance	86,609,712	78,220,125
Deferred tax asset on deductible temporary differences arising in respect of:		
Provision for staff gratuity	(3,587,590)	(2,780,290)
Provision against doubtful debts	(1,462,419)	(1,196,501)
Provision against doubtful advances	(450,972)	(350,229)
Provision against slow moving and obsolete stores & spares	(2,145,555)	(2,249,398)
Tax loss	(16,915,735)	(5,994,089)
Tax credit	(1,348,049)	(1,556,966)
Minimum tax on turnover	(12,811,463)	(12,811,463)
	(38,721,783)	(26,938,936)
	47,887,929	51,281,189

6.2 Staff retirement gratuity

The latest actuarial valuation was carried out by Actuaries at June 30, 2014 using "Projected Unit Credit Method". The basis of recognition together with details as per actuarial valuation is as under:

		2014 Rupees	2013 Rupees (Restated)
(a)	**Liability recognised in the balance sheet**		
	Present value of defined benefit obligation	11,286,517	7,973,687
(b)	**Movement in liability during the year:**		
	Opening balance	7,973,687	5,808,062
	Expense chargeable to P&L during the year	7,028,491	5,534,543
	Amount chargeable to OCI during the year	2,122,389	1,548,095
	Payments	(5,838,050)	(4,917,013)
	Closing balance	11,286,517	7,973,687
(c)	**Charge for the year:**		
	Current service cost	6,214,081	4,803,080
	Interest cost	814,410	731,463
		7,028,491	5,534,543
(d)	**The principal assumption used in the valuation of gratuity are as follows:**		
	Discount rate (% per annum)	12	10.5
	Expected rate of increase in salary (% per annum)	11	9.5

(e) Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Increase / (decrease) in defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	**8,378,710**	10,521,869
Salary growth rate	1%	**10,521,869**	8,363,144

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

(f) The gratuity scheme exposes the Company to the following risks:

Longevity risk: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	Note	2014 Rupees	2013 Rupees
7. LIABILITIES AGAINST IMPORT OF MACHINERY			
Liabilities against import of machine	7.1	208,985,242	82,726,442
Less : current portion of liabilities against import of machine	7.2	(85,420,942)	—
		123,564,300	82,726,442

7.1 This represents foreign bills payable under letters of credit against import of machinery amounted to EURO 634,000 /- and is payable by March 2015 and are secured against assets of the company and foreign currency account of a director.

7.2 This represents foreign bills payable under letters of credit against import of machinery amounted to Swiss Franc (CHF) 1,115,000 /- and is payable by September 2015 and are secured against assets of the company and foreign currency account of a director.

	Note	2014 Rupees	2013 Rupees
8. TRADE AND OTHER PAYABLES			
Creditors		322,507,339	94,179,104
Foreign bills payable		71,605,178	—
Advance from customers		15,227,575	4,060,374
Accrued liabilities		41,219,049	57,362,333
Commitment charges import of machinery		8,642,374	6,015,999
Unclaimed dividend		3,210,950	3,210,950
Workers' Profit Participation Fund	8.1	3,363,143	2,347,558
Workers' Welfare Fund		1,585,315	1,348,105
Infrastructure fee / cess	8.2	46,647,488	42,423,361
Withholding tax		1,127,766	810,001
Others		147,247	147,247
		515,283,424	211,905,032

8.1 Workers' Profit Participation Fund

As at July 01	2,347,558	—
Allocation for the year	593,025	2,347,558
Interest on funds utilized in Company's business	422,560	—
	3,363,143	2,347,558

8.2 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintainance of infrastructure on goods entering or leaving the province through air or sea at prescribed rates. The company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011 the high court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes - III), for the year ended June 30, 2014, the management has deposited Rs. 4,224,127 in cash and provided a bank guarantee of the remaining amount with the Excise and Taxation department. (Refer note 10).

	Note	2014 Rupees	2013 Rupees
9. SHORT-TERM BORROWINGS			
From a banking company			
Running finance	9.1	37,556,643	232,898,290
Finance against trust receipts	9.2	16,929,699	146,214,402
Cash finance	9.3	178,740,351	—
Finance against import merchandise	9.4	219,777,860	—
		453,004,553	379,112,692

9.1 These are subject to mark-up at the rate of 6 months KIBOR plus 1.5% (2013: KIBOR plus 1.5%) and are secured against 1st hypothecation charge of Rs 133.334 million with 25% markup over fixed assets and 1st charge of Rs. 100 million over fixed assets.

9.2 These are subject to mark-up ranging from 6 months Flat rate of (2.85)% (2013: LIBOR plus (2.3-4.7)%) and are secured against pledge of cotton and polyester staple fiber stock.

9.3 These are subject to mark-up at the rate of 6 months KIBOR plus 1.5% and are secured against pledge of cotton stock bales / polyester / polyester staple fiber and yarn.

9.4 These are subject to mark-up at the rate of 6 months KIBOR plus 1.5% and are secured against pledge of cotton stock bales / polyester / polyester staple fiber and yarn.

The aggregate unavailed running finance and finance against trust receipts facilities available amounted to Rs.87.97 (2013: Rs.121) million.

Effective rate of markup is ranging from 7.3% to 9.6% (2013 : 7.25% to 11%) per annum.

10. CONTINGENCIES AND COMMITMENTS

	2014	2013
Contingencies		
Guarantees issued by bank on behalf of the Company with recourse to:		
– Sui Northern Gas Pipelines Limited	36,068,300	21,100,300
– Excise and Taxation Officer	51,850,000	45,500,000
Commitments		
Letters of credit for import of:		
– raw material	95,439,406	136,531,680
– property, plant and equipment	—	163,799,010
– stores and spares	—	1,120,002

11. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost: At July 01, 2013	Cost: Additions / (deletions)	Cost: At June 30, 2014	Depreciation: Accumulated at July 01, 2013	Depreciation: Charge / (adjustments) for the year	Depreciation: Accumulated at June 30, 2014	Carrying value at June 30, 2014	Depreciation rate %
	Rupees							
Leasehold land	8,492,609	—	8,492,609	—	—	—	8,492,609	—
Buildings on leasehold land	77,471,152	—	77,471,152	56,805,926	2,066,523	58,872,449	18,598,703	10
Office premises	3,732,000	—	3,732,000	2,757,026	97,497	2,854,523	877,477	10
Plant and machinery	729,753,268	219,622,058	947,103,026	423,267,515	45,084,147	468,351,662	478,751,364	10-33
		(2,272,300)			—			
Electric installations	16,260,779	—	16,260,779	14,010,352	225,043	14,235,395	2,025,384	10
Factory equipment	25,690,579	191,177	25,881,756	8,959,741	1,687,777	10,647,518	15,234,238	10
Furniture and fixtures	2,119,613	575,680	2,695,293	1,443,163	102,147	1,545,310	1,149,983	10
Office equipment	3,286,256	1,013,440	4,299,696	1,737,223	194,901	1,932,124	2,367,572	10
Computers	565,406	—	565,406	442,175	40,666	482,841	82,565	33
Vehicles	17,212,894	3,806,000	18,952,894	8,686,756	1,422,227	8,508,393	10,444,501	20
		(2,066,000)			(1,600,590)			
	884,584,556	225,208,355	1,105,454,611	518,109,877	50,920,928	567,430,215	538,024,396	
		(4,338,300)			(1,600,590)			

For comparative period

Particulars	Cost: At July 01, 2012	Cost: Additions / (deletions)	Cost: At June 30, 2013	Depreciation: Accumulated at July 01, 2012	Depreciation: Charge / (adjustments) for the year	Depreciation: Accmulated at June 30, 2013	Carrying value at June 30, 2013	Depreciation rate %
	Rupees							
Leasehold land	8,492,609	—	8,492,609	—	—	—	8,492,609	—
Buildings on leasehold land	76,565,861	905,291	77,471,152	54,512,340	2,293,586	56,805,926	20,665,226	10
Office premises	3,732,000	—	3,732,000	2,648,695	108,331	2,757,026	974,974	10
Plant and machinery	579,548,570	150,204,698	729,753,268	399,971,131	23,296,384	423,267,515	306,485,754	10-33
Electric installations	16,177,179	83,600	16,260,779	13,764,949	245,403	14,010,352	2,250,427	10
Factory equipment	25,655,779	34,800	25,690,579	7,101,400	1,858,338	8,959,738	16,730,841	10
Furniture and fixtures	1,723,253	396,360	2,119,613	1,385,905	57,258	1,443,163	676,450	10
Office equipment	2,906,627	379,629	3,286,256	1,593,346	143,877	1,737,223	1,549,033	10
Computers	455,506	109,900	565,406	400,512	41,663	442,175	123,231	33
Vehicles	17,122,304	135,090	17,212,894	6,580,026	2,108,930	8,686,756	8,526,138	20
		(44,500)			(2,200)			
	732,379,688	152,249,368	884,584,556	487,958,304	30,153,770	518,109,874	366,474,683	
		(44,500)			(2,200)			

	Note	2014 Rupees	2013 Rupees
11.1 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	19.1	49,165,635	27,750,969
Administrative expenses	22	1,755,293	2,402,801
		50,920,928	**30,153,770**

11.2 Disposal of property, plant and equipment

The following asset were disposed of during the year.

Mode of Disposal - Negotiation

Particulars	Cost	Accumulated Depreciation	Carrying Value	Sale Proceeds	Name and Address of Buyer
	..... *Rupees*				
Plant and machinery	2,272,300	—	2,272,300	2,100,000	Ismail Industries - Karachi
Vehicles	2,066,000	1,600,590	465,410	1,616,000	Irshad Ahmed and Nazim Ahmed -Karachi
	4,338,300	1,600,590	2,737,710	3,716,000	
2013	44,500	2,200	42,300	41,500	New Jubilee Insurance Company Limited Karachi

	Note	2014 Rupees	2013 Rupees
12. STORES, SPARES AND LOOSE TOOLS			
Stores		4,854,996	5,583,613
Spares		29,880,396	34,364,716
Loose tools		114,530	131,718
		34,849,922	40,080,047
Less: Provision for slow-moving and obsolete items	12.1	(6,749,892)	(6,451,124)
		28,100,030	33,628,923
12.1 Provision for slow-moving and obsolete items			
Opening balance		6,451,124	4,930,436
Add: Provision made during the year		298,768	1,520,688
		6,749,892	6,451,124
13. STOCK-IN-TRADE			
Raw material			
– In hand		432,632,039	400,065,365
– In transit		77,475,969	19,253,021
Work-in-process		32,097,555	27,536,387
Finished goods		350,564,927	91,420,891
Waste		253,502	332,536
		893,023,992	538,608,200

13.1 Net realizable value of finished goods were lower than its cost, which resulted in write-downs of Rs.7,779,259 (2013: Rs. Nil) and were charged to cost of good sold.

	Note	2014 Rupees	2013 Rupees
14. TRADE DEBTS			
Local - unsecured			
Considered good		223,102,586	177,667,721
Considered doubtful		4,600,753	3,431,484
		227,703,339	181,099,205
Provision for doubtful debts	14.1	(4,600,753)	(3,431,484)
		223,102,586	177,667,721
14.1 Provision for doubtful debts			
Balance at July 1		3,431,484	3,331,710
Add: Provision made during the year		1,169,269	99,774
Balance at June 30		4,600,753	3,431,484

14.2 Ageing of past due but not impaired

As at June 30, 2014, trade debts of Rs. 49,686,116 (2013: Rs.5,414,877) were past due but not impaired. These relate to a number of independent customers for whom there is a no recent history of default. The ageing analysis of of these trade debts is as follows:

	Note	2014 Rupees	2013 Rupees
121 - 365 days		49,034,502	5,414,877
Above 365 days		651,614	—
		49,686,116	5,414,877

15. ADVANCES AND OTHER RECEIVABLE

	Note	2014 Rupees	2013 Rupees
Considered good			
– To suppliers		4,381,833	4,257,012
– To employees		10,000	65,000
– Income tax		31,241,593	17,239,777
– Fee and charges against letters of credit		105,223	1,559,758
– Profit accrued on deposits		76,176	2,155,375
Considered doubtful			
– To suppliers		1,418,753	1,004,433
		37,233,578	26,281,355
Less: provision for doubtful advances	15.1	(1,418,753)	(1,004,433)
		35,814,825	25,276,922

15.1 Movement of provision

Balance at July 01		1,004,433	514,116
Provision made during the year		414,320	490,317
		1,418,753	1,004,433

16. SALES TAX REFUNDABLE

Considered good		11,345,764	16,894,274
Considered doubtful		5,155,045	5,155,045
		16,500,809	22,049,319
Provision against sales tax refundable	16.1	(5,155,045)	(5,155,045)
		11,345,764	16,894,274

16.1 Movement of provision

Balance at July 01		5,155,045	2,057,993
Provision during the year		—	3,097,052
		5,155,045	5,155,045

17. CASH AND BANK BALANCES

Cash in hand		1,000,000	1,000,000
Cash at bank			
in current accounts			
– local currency		1,598,623	528,699
– foreign currency		15,630	15,630
in saving accounts			
– local currency	17.1	3,290,464	59,577,853
		5,904,717	61,122,182

17.1 Effective mark-up rate ranges from 7.3% to 9.6% (2013: 7.25% to 11%) per annum. There is lien on Rs. NIL (2013: 40 million) in respect of security against short term borrowings (note 9.1, 9.2 , 9.3 and 9.4).

18. SALES - net

	Note	2014 Rupees	2013 Rupees
Yarn			
– Local		2,333,910,384	2,126,274,894
– Indirect export		70,076,100	8,173,400
Local			
– Raw material		98,593,166	47,314,432
– Waste		4,102,590	3,833,446
		2,506,682,240	2,185,596,172
Less : Sales tax @ 2% on local sales		(54,370,740)	(13,282,373)
		2,452,311,500	2,172,313,799

19. COST OF GOODS SOLD

	Note	2014 Rupees	2013 Rupees
Cost of goods manufactured	19.1	2,554,755,627	1,967,401,996
Finished goods			
Opening stock		91,753,427	153,656,682
Closing stock		(350,818,429)	(91,753,427)
		(259,065,002)	61,903,255
		2,295,690,625	2,029,305,251

19.1 Cost of goods manufactured

	Note	2014 Rupees	2013 Rupees (Restated)
Raw material consumed	19.1.1	1,898,827,123	1,444,825,034
Packing material		40,795,486	32,763,852
Stores and spares		87,116,903	67,087,210
Salaries, wages and benefits	19.1.2	198,904,433	151,091,086
Fuel and power		243,646,742	203,695,673
Insurance		6,806,641	6,081,781
Repairs and maintenance		16,160,952	8,304,924
Depreciation	11.1	49,165,635	27,750,969
Provision for slow-moving and obsolete stores and spares		298,768	1,520,688
Other manufacturing overheads		17,594,112	22,755,201
		2,559,316,795	1,965,876,418
Work-in-process			
Opening stock		27,536,387	29,061,965
Closing stock		(32,097,555)	(27,536,387)
		(4,561,168)	1,525,578
		2,554,755,627	1,967,401,996

19.1.1 Raw material consumed

	2014 Rupees	2013 Rupees
Opening stock	400,065,365	367,718,865
Purchases and purchase expenses	1,931,393,797	1,477,171,534
	2,331,459,162	1,844,890,399
Closing stock	(432,632,039)	(400,065,365)
	1,898,827,123	1,444,825,034

19.1.2 Salaries, wages and benefits include Rs. 6,659,752/- (2013: Rs. 5,311,830) in respect of staff retirement benefits.

	Note	2014 Rupees	2013 Rupees
20. OTHER INCOME			
Income from financial assets			
Profit on deposits / saving accounts		6,669,027	6,180,528
Income from assets other than financial assets			
Scrap sale		577,174	603,451
Gain on disposal of assets		978,290	—
Liabilities written back		400,888	533,358
Exchange gain -net		3,796,537	—
Reversal of provision for Gas Infrastructure Development Cess (GIDC)		4,785,021	—
		17,206,937	7,317,337
21. DISTRIBUTION COST			
Freight		15,718,061	16,053,278
Commission		33,098,692	5,290,554
Others		1,657,758	830,685
		50,474,511	22,174,517
22. ADMINISTRATIVE EXPENSES			
Directors' remuneration	27	6,997,004	6,982,409
Salaries and benefits	22.1	13,382,035	11,772,774
Travelling and conveyance		3,333,408	3,766,607
Printing and stationery		1,260,006	1,300,294
Postage and telephone		1,456,166	1,232,023
Legal and professional		1,590,083	2,324,238
Advertisement		61,898	30,139
Repairs and maintenance		1,661,166	1,023,991
Vehicles running		2,570,564	2,161,696
Fees, subscription and periodicals		1,898,182	1,027,356
Auditors' remuneration	22.2	915,000	915,000
Donation	22.3	770,000	985,000
Depreciation	11.1	1,755,293	2,402,801
Provision against doubtful sales tax refundable		—	3,097,052
Provision against doubtful debts and advances		1,583,589	590,091
Others		2,777,521	2,311,274
		42,011,915	41,922,745

22.1 Salaries and benefits include Rs. 368,739/- (2013: Rs. 222,713/-) in respect of staff gratuity.

22.2 Auditors' remuneration

	2014	2013
Annual audit fee	600,000	600,000
Half yearly review fee	115,000	115,000
Code of Corporate Governance review fee	50,000	50,000
Tax and other services	100,000	100,000
Out of pocket expenses	50,000	50,000
	915,000	915,000

22.3 None of the directors and their spouses have any interest in the donees' fund.

	2014 Rupees	2013 Rupees
23. OTHER OPERATING EXPENSES		
Exchange loss	—	11,555,751
Workers' Welfare Fund	237,210	939,023
Workers' Profit Participation Fund	593,025	2,347,558
Loss on disposal of property, plant and equipment	—	800
	830,235	14,843,132
24. FINANCE COST		
Mark-up / interest on:		
Short-term borrowings	64,908,945	29,980,095
Workers' Profit Participation Fund	422,560	—
Bank charges and commission	4,149,376	1,865,271
	69,480,881	31,845,366
25. PROVISION FOR TAXATION		
Current		
– for the year	—	—
– for prior years	2,287,309	(2,146,367)
Deferred	(2,428,043)	23,505,014
	(140,734)	21,358,647

25.1 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year in these financial statements as the total income of the Company for the current year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001.

26. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the company which is based on :-

		2014	2013 (Restated)
Profit for the year	Rupees	11,171,004	18,181,478
Weighted average number of ordinary shares outstanding during the year		14,700,000	14,700,000
Earnings per share - basic and diluted	Rupees	0.76	1.24

27. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	2014			2013		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Managerial remuneration	2,842,759	1,462,729	5,015,395	2,842,759	1,455,698	3,170,033
House rent	1,279,241	658,229	2,256,928	1,279,241	655,065	1,426,515
Bonus	236,897	142,086	150,000	236,897	138,166	25,000
Leave encashment	236,897	138,166	165,000	236,897	137,686	110,000
	4,595,794	2,401,210	7,587,323	4,595,794	2,386,615	4,731,548
No. of persons	1	2	13	1	2	7

Chief Executive Officer and Directors are provided with free use of Company maintained cars and reimbursement of telephone bills in accordance with the terms of their appointment.

28. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

Chief Executive Officer considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

29. TRANSACTIONS WITH RELATED PARTIES

The related party comprises of associated undertakings, key management personnel and post employment benefit scheme. The Company in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 27 and amount due in respect of staff gratuity disclosed in note 6. Other significant transactions with related parties are as follows:

		2014	2013
Relationship with the party	**Nature of transactions**	**Rupees**	**Rupees**
Associated Undertakings	Share of common expenses paid	677,568	839,871
Directors	Loan obtained	—	19,500,000

30. PLANT CAPACITY AND ACTUAL PRODUCTION

Installed production capacity 20/s count - yarn in kgs	15,248,530	15,248,530
Actual production during the year at 20/s count-yarn in kgs	14,127,730	14,087,437

It is difficult to describe precisely the production capacity and compare it with actual production in textile industry since it fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The Company finance its operation through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimise risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments:

Assets as per balance sheet		
Loans and receivables		
Long-term deposits	1,645,222	1,495,222
Trade debts	223,102,586	177,667,721
Advances and other receivables	86,176	2,220,375
Sales tax refundable	11,354,764	16,894,274
Cash and bank balances	5,904,717	61,122,182
Liabilities as per balance sheet		
Financial liabilities measured at amortised cost		
Loan from directors	153,500,000	153,500,000
Trade and other payables	500,055,849	207,844,658
Mark-up accrued on short term bank borrowings	9,810,286	7,479,336
Short-term borrowings	453,004,553	379,112,692

32. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise long term loans and short term borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has deposits, trade debts, other receivables, cash and bank balances that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's board of directors oversees the management of these risks. Financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and company risk appetite. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

32.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs.242,074,465/- (2013 : Rs. 259,334,774/-), the financial assets which are subject to credit risk amounted to Rs.241,074,465/- (2013 : Rs.258,334,774/-).

The Company is exposed to credit risk from its operating activities primarily for trade debts and balances/ deposits with banks.

32.1.1 Credit risk related to receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management.The Company has a policy of dealing with creditworthy counter parties and continually assessing their credit worthiness. The Company has adopted a policy to supply goods mostly on advance payments to mitigate risk of financial loss from defaults. Trade receivables include Rs. 173,416,470 (2013: Rs.172,252,844) which are neither past due nor impaired. Trade receivables include Rs. 49,686,116 (2013: Rs.5,414,877) which are past due but not impaired. The Company has not provided receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. Trade receivables include Rs. 4,600,753 (2013: Rs. 3,431,484) which are past due and impaired. The provision exist against the receivables amounts of Rs. 4,600,753 (2013: Rs. 3,431,484).

32.1.2 Concentration of credit risk related to receivables

Trade debts consist of a large number of customers and are generally for 45 - 60 days term. Ongoing credit evaluation is performed on the financial condition of accounts receivable where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

32.1.2 Credit risk related to financial instruments and cash deposits

The Company credit risk is primarily attributable to its bank balances. The credit risk on bank balances is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank as per credit rating agencies are as follows:

Name of the Bank	Credit Rating	
	Short term	Long Term
National Bank of Pakistan	A-1+	AAA
Habib Metropolitan Bank Limited	A1+	AA+
MCB Bank Limited	A1+	AAA
Habib Bank Limited	A1+	AAA
Soneri Bank Limited	A1+	AA-

The total credit risk related to financial instrument and cash deposit which the company is exposed to amounting to Rs. 4,904,717 (2013 : 60,122,182).

32.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity and current ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Unavailed facilities that the Company has at its disposal to further reduce liquidity risk are disclosed in Note 9.

32.2.1 Liquidity and interest risk

Following tables detail Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Interest rate	Up to 3 months	3 months - 1 years	More than 1 year	Total
2014		.... Rupees			
Long term financing		—	—	153,500,000	153,500,000
Liabilities against import of machinery		—	85,420,942	123,564,300	208,985,242
Trade and other payables		495,107,391	—	—	495,107,391
Mark-up accrued on short term bank borrowings		9,810,286	—	—	9,810,286
Short-term borrowings	Six months KIBOR / FLAT plus 1.50 % to 2.05 %	—	453,004,553	—	453,004,553
		504,917,677	538,425,495	277,064,300	1,320,407,472

	Interest rate	Up to 3 months	3 months - 1 years	More than 1 year	Total
2013		.... Rupees			
Long term financing		—	—	153,500,000	153,500,000
Liabilities against import of machinery		—	—	82,726,442	82,726,442
Trade and other payables		204,148,995	—	—	204,148,995
Mark-up accrued on short term bank borrowings		7,479,336	—	—	7,479,336
Short-term borrowings	Six months KIBOR / LIBOR plus 1.50 % to 4.70 %	—	379,112,692	—	379,112,692
		211,628,331	379,112,692	236,226,442	826,967,465

32.3 Market risk management

Market Risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

The company is exposed to interest rate risk and foreign exchange risk.

32.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations with floating interest rates.

	Carrying amount	
	2014	**2013**
Variable rate instrument		
Financial Liabilities		
– Kibor based	436,074,854	232,898,290
– Libor based	16,929,699	146,214,402
	453,004,553	379,112,692

Interest rate sensitivity

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year would decrease/increase by Rs. 4,429,437/- (2013: 1,051,448/-). This is mainly attributable to the Company's exposure to interest rates on its KIBOR rate borrowings.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year would decrease/increase by Rs. 89,185/- (2013: 496,941/-). This is mainly attributable to the Company's exposure to interest rates on its LIBOR rate borrowings.

32.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency). As at June 30, 2014 financial assets and liabilities exposed to currency risk are as follows:

	2014	**2013**	**2014**	**2013**
	..........**Currency**..........		...............**PKR**...............	
Foreign bills payable - EURO	634,000	634,000	85,420,942	82,726,442
Foreign bills payable - CHF	1,115,000	—	123,564,300	—
Foreign bills payable - USD	718,045	—	71,605,178	—

Foreign currency sensitivity analysis

At June 30, 2014, if the Rupee had weakened/strengthened by 10% against the foreign currency with all other variables held constant, profit for the year would have been higher/lower by Rs. 28,059,042/- (2013: 8,214,104) mainly as a result of foreign exchange gains/(losses) on translation of foreign currency-denominated in Euros and Swiss Franc against foreign bills payable. As at June 30, 2014 financial assets and liabilities exposed to currency risk are as follows:

32.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33. CAPITAL DISCLOSURE

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2014 and 2013 were as follows:

	2014 Rupees	2013 Rupees
Total borrowings	606,504,553	532,612,692
Less: cash and bank balances (note 17)	(5,904,717)	(61,122,182)
Net debt	600,599,836	471,490,510
Total equity	337,203,581	325,726,392
Total capital	937,803,417	797,216,902
Gearing ratio	64%	59%

34. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2014 and 2013 respcetively are as follows :

	2014	2013
Average number of employees during the year	1,283	894
Number of employees as at June 30	1,324	1,102

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 04, 2014.

35. GENERAL

Figures have been rounded off to the nearest Rupee.

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

Please quote your Folio No. /
CDC Account / Participant I.D. Number

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PROXY FORM

I/We ....

of .... (FULL ADDRESS)

being a member/members of **N.P. Spinning Mills Limited** hereby appoint..

....(NAME)

of..(FULL ADDRESS)

another member of the Company or failing him/her

.... (NAME)

of .... (FULL ADDRESS)

another member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf, at the 24th Annual General Meeting of the Company to be held at 7th Floor, Uni Tower, I. I. Chundrigar Road, Karachi, on Thursday the 30th October, 2014 at 9:00 a.m. and at any adjournment thereof.

Signed this .... day of 2014

Signature on Five Rupees Revenue Stamp

(Signature should agree with specimen signature registered with the Company).

IMPORTANT:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the Company except that a corporation may appoint a person who is not a member.

2. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, 703 – Uni Tower, I. I. Chundrigar Road, Karachi not less than 48 hours before the time for holding the meeting.