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## **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**

<b>Chairman</b>	:	Mr. Inamur Rehman
<b>Directors</b>	:	Mrs. Summayya Rehman Mrs. Asma Khalid Mr. Fakhar Mohiuddin Faruqi Mr. Nazir Ahmed Mr. Ziauddin Zubairi
<b>Chief Executive</b>	:	Mr. Khalid Inam

### **AUDIT COMMITTEE**

<b>Chairman</b>	:	Mr. Inamur Rehman
<b>Members</b>	:	Mr. Fakhar Mohiuddin Faruqi Mr. Ziauddin Zubairi

### **HUMAN RESOURCE & REMUNERATION COMMITTEE**

<b>Chairman</b>	:	Mr. Fakhar Mohiuddin Faruqi
<b>Members</b>	:	Mr. Nazir Ahmed Mr. Ziauddin Zubairi

### **COMPANY SECRETARY**

Mr. Muhammad Siddique

### **CHIEF FINANCIAL OFFICER**

Mr. Muhammad Hanif

### **AUDITORS**

M/s. 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

### **FACTORY**

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



## **NOTICE OF MEETING**

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting of the Shareholders of **N. P. Spinning Mills Limited** will be held Insha Allah on Thursday October 31, 2013 at 9:30 a.m. at 7<sup>th</sup> Floor, Uni Tower, I.I. Chundrigar Road, Karachi, to transact the following business:-

1. To confirm the minutes of Extraordinary General Meeting held on December 29, 2012.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2013 together with Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2014 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 08, 2013

### **NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 25, 2013 to October 31, 2013 (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. Change of address, if any, may please be notified immediately.



## **DIRECTORS' REPORT**

The Directors have the pleasure of presenting before you the 23<sup>rd</sup> Annual Report together with the audited accounts of the Company for the year ended June 30, 2013.

### **FINANCIAL RESULTS**

The operating and financial results of the Company for the year under review are encouraging. Production for the year was 14.087 M.Kgs. at 20/s count compared to 15.915 M.Kgs. for the last year. Sales for the year was Rs.2,172 (M) compared to Rs.1,792 (M). The Company earned a pretax profit of Rs.40.618 (M) as against a loss before tax of Rs.57.557 (M). The low profitability is attributable to 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 have affected industrial & trading activity.

### **FUTURE OUTLOOK**

The cotton production estimates for the year 2012-13 were encouraging. Due to increased arrival of phutti, cotton prices remained stable during first half of the year. Subsequent cotton arrival figures by PCGA showed a decrease of over 10% than last year paving way for likely increase in cotton prices. Consequently the government allowed import of cotton from different countries. The CCAC has revised downward cotton production target for the second time in current season of 2013-14 and set 11.95 million bales against the initial target of 13.22 million bales. The wave of currency falls in Asian countries is a major factor which will ultimately determine the competitive edge of yarn exports & resultant impact on cotton prices. We are carrying out BMR to improve efficiency in our line of production and hope to have improved results in coming years.

### **EARNINGS PER SHARE**

The earnings per share for the year under review is Rs.1.29

### **DIVIDEND**

During the year, the Company has earned a profit of Rs.18.99 million as compared to loss of Rs.75.85 million suffered in 2012. Year 2012-13 has been a challenging year for the Company as it is facing various economical, domestic and international challenges however the Company is expected to have improved performance in coming years.

The Company is consistently incurring capital expenditure in BMR in order to improve efficiency in production of yarn. We are upgrading and modifying our plant and equipment to produce the best quality products and to keep our customer completely satisfied. We work hard at gaining and maintaining our customers' confidence by delivering the best product with matching service.

In order to keep things going, we need to finance this capital expenditure from available resources which limits us from declaring dividend for the year ended June 30, 2013.

### **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, 2013, five Board Meetings and five Audit Committee Meetings were held which were attended as follows:-

NAME OF DIRECTORS	BOARD MEETINGS	AUDIT COMMITTEE
Mr. Inamur Rehman	5	3 (upto 29/12/12)
Mrs. Summayya Rehman	5	—
Mr. Khalid Inam	5	—
Mrs. Asma Khalid	5	—
Mr. Fakhar Mohiuddin Faruqi	5	5
Mr. Nazir Ahmed	5	2 (from 30/12/12)
Mr. Ziauddin Zubairi	5	5

- j) During the year under review, no Human Resource and Remuneration Committee Meeting was held.
- k) The pattern of shareholdings as at June 30, 2013 is annexed to this report.
- l) 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;

	<u>Purchase</u>
<b>Mrs. Summayya Rehman</b>	<b>730</b>
<b>Mrs. Asma Khalid</b>	<b>6,400</b>

**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, 2014.

**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 08, 2013



## Key Operating and Financial Results From 2008 to 2013

	(Rupees in Million)					
	2013	2012	2011	2010	2009	2008
<b>OPERATING DATA</b>						
Sales	2,172.314	1,792.499	2,129.405	1,630.785	1,156.970	1,141.696
Cost of Goods Sold	2,028.228	1,756.286	1,952.540	1,452.039	1,089.125	1,023.993
Gross Profit	144.086	36.213	176.865	178.746	67.845	117.703
Profit/(Loss) Before Taxation	40.618	(57.556)	86.153	122.968	10.124	69.489
Profit/(Loss) After Taxation	18.996	(75.850)	56.043	84.402	5.945	49.047
<b>FINANCIAL DATA</b>						
Paid-up capital	147.000	147.000	147.000	147.000	147.000	147.000
Fixed Assets	366.475	244.421	245.089	227.753	228.040	234.807
Current Assets	853.198	741.500	696.850	527.067	396.091	410.332
Current Liabilities	598.497	509.276	371.149	348.369	301.933	260.941
<b>KEY RATIOS</b>						
Gross Margin (%)	6.63	2.02	8.31	10.96	5.86	10.31
Profit/(Loss) after Tax (%)	0.87	(4.23)	2.63	5.05	0.51	4.30
Current Ratio	1.43	1.46	1.88	1.51	1.31	1.57
Earnings Per Share (Rupees)	1.29	(5.16)	3.81	5.61	0.40	3.34
Cash Dividend (%)	—	—	12	20	—	10



## PATTERN OF SHAREHOLDING

*As at June 30, 2013*

No. of Shareholders	Shareholding		Total Shares Held	Percentage
	From	To		
254	1	100	18,298	0.12
282	101	500	66,328	0.45
306	501	1,000	217,685	1.48
58	1,001	5,000	123,719	0.84
16	5,001	10,000	107,350	0.73
6	10,001	15,000	80,940	0.55
2	20,001	25,000	44,529	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
<b>931</b>			<b>14,700,000</b>	<b>100.00</b>

### CATEGORIES OF SHAREHOLDERS

S.#	Categories of Shareholder(s)	Number	Shares Held	Percentage
1.	Joint Stock Companies	4	2,000	0.01
2.	Directors, CEO, their Spouses and Minor Children	8	13,972,380	95.05
3.	Executives	—	—	—
4.	Associated Companies, Related Parties etc.	1	57,400	0.39
5.	Banks, DFIs, NBFIs, Investment Cos. etc.	1	1,000	0.01
6.	Others	1	500	0.00
7.	Individuals	<u>916</u>	<u>666,720</u>	<u>4.54</u>
		<b>931</b>	<b>14,700,000</b>	<b>100.00</b>

### DETAILS OF CATEGORIES OF SHAREHOLDERS

	Number	Shares Held
<b>1. Joint Stock Companies</b>		
1.1 M/s. Progressive Investment Management (Pvt.) Ltd.	1	500
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.	<u>1</u>	<u>500</u>
	<b>4</b>	<b>2,000</b>
<b>2. Directors, CEO, their Spouses and Minor Children</b>		
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. Nazir Ahmed	1	700
2.7 Mr. Ziauddin Zubairi	<u>—</u>	<u>—</u>
	<b>8</b>	<b>13,972,380</b>
<b>3. Executives</b>	<u>—</u>	<u>—</u>
<b>4. Associated Companies, Related Parties etc.</b>		
4.1 M/s. N. P. Waterproof Industries (Pvt.) Ltd.	<u>1</u>	<u>57,400</u>
<b>5. Banks, DFIs, NBFIs, Investment Cos. etc.</b>		
5.1 M/s. Investment Corporation of Pakistan	<u>1</u>	<u>1,000</u>
<b>6. Others</b>		
6.1 M/s. Karachi Stock Exchange Ltd.	<u>1</u>	<u>500</u>
<b>7. Individuals</b>	<u>916</u>	<u>666,720</u>
	<b>931</b>	<b>14,700,000</b>

#### 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, 2013

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 Limited for 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 non-executive directors. At present, the Board includes:

**Category**

**Names**

Non-Executive Directors

1. Mrs. Summayya Rehman
2. Mrs. Asma Khalid
3. Mr. Fakhar Mohiuddin Faruqi
4. Mr. Nazir Ahmed
5. Mr. Ziauddin Zubairi

Executive Directors

1. Mr. Inamur Rehman
2. Mr. Khalid Inam

Independent directors

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. There was no casual vacancy in the Board during the year.
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.
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. No new appointment of CEO, other executive and non-executive directors were made during the year.
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. However, no structured training program was arranged for directors during the year.
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 (3) 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 (3) 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 contained in the Code have been complied with.

On behalf of the Board

**(KHALID INAM)**  
*Chief Executive*

Karachi: October 08, 2013



## **Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **N.P SPINNING MILLS LIMITED** (“the Company”) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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. 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 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’s statement of 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.

Further, Listing Regulations of the Stock Exchange where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

We draw attention to the followings:

- Clause (i) (b) of the Code requires representation of atleast one independent director in the Board and further clause (xxiv) requires independent member of the Board to be the chairman of the audit committee. However, composition of the Board does not have an independent director.
- Clause (xi) of the Code of Corporate Governance which describes that the Company was required to arrange training program during the year. However, no such training programs have been structured by the Company.

Karachi: October 08, 2013

**M. Yousuf Adil Saleem & Co.**  
***Chartered Accountants***



## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **N.P. SPINNING MILLS LIMITED** (the Company) as at June 30, 2013 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;
  - 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, 2013 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 08, 2013

**M. Yousuf Adil Saleem & Co.**  
**Chartered Accountants**

Engagement Partner  
Mushtaq Ali Hirani

**BALANCE SHEET**

	Note	2013 Rupees	2012 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	5	147,000,000	147,000,000
Unappropriated profit		178,726,392	159,730,211
		325,726,392	306,730,211
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors unsecured - interest free		153,500,000	134,000,000
Deferred liabilities	6	60,718,233	37,410,392
Liabilities against import of machinery	7	82,726,442	—
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	211,905,032	150,495,903
Mark-up accrued on short term bank borrowings		7,479,336	8,200,282
Short-term borrowings	9	379,112,692	350,579,804
		598,497,060	509,275,989
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10		
		<u>1,221,168,127</u>	<u>987,416,592</u>

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

**AS AT JUNE 30, 2013**

	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	366,474,683	244,421,383
Long-term deposits		1,495,222	1,495,222
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	12	33,628,923	23,294,729
Stock-in-trade	13	538,608,200	550,473,233
Trade debts	14	177,667,721	37,869,837
Advances and other receivables	15	25,276,922	52,951,653
Sales tax refundable	16	16,894,274	11,583,412
Cash and bank balances	17	61,122,182	65,327,123
		853,198,222	741,499,987
		<b><u>1,221,168,127</u></b>	<b><u>987,416,592</u></b>

**KHALID INAM**  
*Chief Executive*

**INAMUR REHMAN**  
*Chairman/Director*

**PROFIT AND LOSS ACCOUNT*****For the Year Ended June 30, 2013***

	Note	2013 Rupees	2012 Rupees
Sales	18	2,172,313,799	1,792,499,017
Cost of goods sold	19	(2,028,227,852)	(1,756,285,594)
Gross profit		<u>144,085,947</u>	<u>36,213,423</u>
Other income	20	7,317,337	12,072,712
		<u>151,403,284</u>	<u>48,286,135</u>
Distribution cost	21	22,174,517	13,483,352
Administrative expenses	22	41,922,745	45,997,162
Other operating expenses	23	14,843,132	20,491,115
Finance cost	24	31,845,366	25,871,026
		<u>(110,785,760)</u>	<u>(105,842,655)</u>
Profit/(loss) before taxation		<u>40,617,524</u>	<u>(57,556,520)</u>
Provision for taxation	25	(21,621,343)	(18,293,414)
Profit/(loss) after taxation		<u>18,996,181</u>	<u>(75,849,934)</u>
<b>Other comprehensive income</b>			
Other comprehensive income for the year		—	—
Total comprehensive income for the year		<u><u>18,996,181</u></u>	<u><u>(75,849,934)</u></u>
Earnings per share - basic and diluted	26	<u><u>1.29</u></u>	<u><u>(5.16)</u></u>

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, 2013*

	<b>2013</b>	<b>2012</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (loss) before taxation	40,617,524	(57,556,520)
Adjustments for:		
Depreciation	30,153,770	26,882,131
Loss on disposal of property, plant and equipment	800	2,272
Provision for staff retirement gratuity	4,457,144	5,125,217
Liabilities written back	(533,358)	(1,830,836)
Provision against doubtful sales tax refund	3,097,052	2,057,993
Profit on deposits / saving accounts	(6,180,528)	(6,977,241)
Provision against stores and spares	1,520,688	—
Provision against doubtful debts and advances	590,091	—
Finance cost	31,845,366	25,871,026
Operating cash inflows/ (outflows) before working capital changes	105,568,549	(6,425,958)
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(11,854,882)	5,303,072
Stock-in-trade	11,865,033	(87,356,857)
Trade debts	(139,897,658)	38,375,590
Advances and other receivables	24,529,789	(24,980,841)
Sales tax refundable	(8,407,914)	(3,022,074)
Decrease in current liabilities		
Trade and other payables	72,823,934	(1,206,493)
	(50,941,698)	(72,887,603)
Cash generated from/(used in) operations	54,626,851	(79,313,561)
Finance cost paid	(32,566,312)	(20,792,339)
Gratuity paid	(4,917,013)	(3,758,403)
Taxes refund / paid	4,800,992	(18,655,814)
<b>Net cash generated from/(used in) operating activities</b>	21,944,518	(122,520,117)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(152,249,372)	(27,423,039)
Proceed from disposal of property, plant and equipment	41,500	1,206,000
Profit received on deposits / saving accounts	6,180,528	6,977,241
<b>Net cash used in investing activities</b>	(146,027,344)	(19,239,798)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loan from directors	19,500,000	—
Short-term bank borrowings increased/(decreased)-net	31,517,479	(110,810,999)
Dividend paid	(10,881,444)	(6,625,762)
Foreign bills payable	82,726,442	—
<b>Net cash generated from /(used in) financing activities</b>	122,862,477	(117,436,761)
Net decrease in cash and cash equivalents (A+B+C)	(1,220,350)	(259,196,676)
<b>Cash and cash equivalents at beginning of the year</b>	(170,555,758)	88,640,918
<b>Cash and cash equivalents at end of the year</b>	(171,776,108)	(170,555,758)
<b>Cash and cash equivalents</b>		
Cash and bank balances	61,122,182	65,327,123
Running finance	(232,898,290)	(235,882,881)
	(171,776,108)	(170,555,758)

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

**KHALID INAM**  
*Chief Executive*

**INAMUR REHMAN**  
*Chairman/Director*



**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended June 30, 2013**

	<b>Share Capital</b>	<b>Unappropriated Profit</b>	<b>Total</b>
	<b>..... Rupees .....</b>		
Balance at July 01, 2011	147,000,000	253,220,145	400,220,145
<b>Comprehensive income</b>			
Loss for the year ended June 30, 2012	—	(75,849,934)	(75,849,934)
Other comprehensive income - net of tax	—	—	—
	—	(75,849,934)	(75,849,934)
<b>Transactions with owners</b>			
Final cash dividend for the year ended June 30, 2011 @ Rs. 1.2/- per share	—	(17,640,000)	(17,640,000)
Balance at June 30, 2012	147,000,000	159,730,211	306,730,211
<b>Comprehensive income</b>			
Profit for the year ended June 30, 2013	—	18,996,181	18,996,181
Other comprehensive income - net of tax	—	—	—
	—	18,996,181	18,996,181
Balance at June 30, 2013	147,000,000	178,726,392	325,726,392

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

**KHALID INAM**  
*Chief Executive*

**INAMUR REHMAN**  
*Chairman/Director*



**NOTES TO THE FINANCIAL STATEMENTS*****For the Year Ended June 30, 2013*****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. The total average number of employees during the year were 894.

**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 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:**

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

**Standard or Interpretation****Effective for periods  
beginning on or after**

IAS 1 - Presentation of Financial Statements (Amendment)

July 01, 2012

IFRS 7 - Financial Instruments

Disclosures on transfer of assets

April 01, 2012

**Standards, interpretations and amendments to the published approved accounting standards 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. Except for amendments to IAS 19 'Employee Benefits', 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.

**2.3 Standard or Interpretation****Effective for periods  
beginning on or after**

IAS 1 - Presentation of Financial Statements – Clarification of

Requirements for Comparative information (Amendment)

January 01, 2013

IAS 16 - Property, Plant and Equipment

Classification of servicing equipment (Amendment)

January 01, 2013

IAS 19 - Employee Benefits

January 01, 2013

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. However, management has not performed detailed analysis of the impact of the application of the amendments and hence not yet quantified the extent of the impact.

IAS 32 - Financial Instruments: Presentation

Tax effects of distributions to holders of an equity instrument,  
and transaction costs of an equity transaction

January 01, 2014



IAS 32 - Financial Instruments: Presentation  
Offsetting financial assets and financial liabilities January 01, 2014

IAS 34 - Interim Financial Reporting  
Interim reporting of segment information for  
total assets and total liabilities (Amendment) January 01, 2013

IFRS 7 - Financial Instruments  
Disclosures - Offsetting financial assets and  
financial liabilities (Amendment) January 01, 2013

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments 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 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11

IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

### **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, 2013 using “Project Unit Credit Method”.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's obligation is amortised over the average expected remaining working lives of the employees.

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 10. 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 Provision for current taxation is based on taxable income at the current tax rates after taking into account tax rebates and tax credit available, if any.****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.

Upto September 30, 2004, the exchange differences on foreign currency loans obtained for acquisition of fixed assets were capitalized in the carrying amount of relevant assets. During the prior period, this policy has been changed to bring it in line with the International Accounting Standard "The effects of changes in foreign exchange rates- (IAS-21)" and henceforth, such exchange differences are charged to profit and loss account. Since the impact of amount capitalised in prior years cannot be quantified reliably, this policy has been applied prospectively.

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 period.

#### **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**

All transactions with related parties are carried out by the company at arm's length prices using the method prescribed under Companies Ordinance, 1984.

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 Key accounting judgment and estimate**

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 10)
- Impairment in property, plant and equipment.
- Provision against slow moving and obsolete stores, spares and loose tools (note 11)
- Provision against doubtful debts and receivables (note 13 );
- Provision against staff gratuity (note 6 );


**5. SHARE CAPITAL**

2012	2013		2013	2012
No. of shares			Rupees	Rupees
<u>32,000,000</u>	<u>32,000,000</u>	<b>Authorized</b>		
		Ordinary shares of Rs. 10/- each	<u>320,000,000</u>	<u>320,000,000</u>
		<b>Issued, subscribed and paid up capital</b>		
		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
<u>14,700,000</u>	<u>14,700,000</u>		<u>147,000,000</u>	<u>147,000,000</u>

- 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 (2012: 57,400) ordinary shares.

**6. DEFERRED LIABILITIES**

	Note	2013 Rupees	2012 Rupees
Deferred taxation	6.1	50,497,780	26,730,070
Staff retirement gratuity	6.2	10,220,453	10,680,322
		<u>60,718,233</u>	<u>37,410,392</u>

**6.1 Deferred taxation**

This comprises of the following:

Deferred tax liability on taxable temporary differences arising due to accelerated depreciation allowance

78,220,125      45,226,328

Deferred tax asset on deductible temporary differences arising in respect of:

Provision for staff gratuity  
Provision against doubtful debts  
Provision against doubtful advances  
Provision against slow moving and obsolete stores & spares  
Tax loss  
Tax credit  
Minimum tax on turnover

(3,563,699)	(3,120,560)
(1,196,501)	(973,454)
(350,229)	(150,214)
(2,249,398)	(1,440,567)
(5,994,089)	—
(1,556,966)	—
(12,811,463)	(12,811,463)
<u>(27,722,345)</u>	<u>(18,496,258)</u>
<u>50,497,780</u>	<u>26,730,070</u>

**6.2 Staff retirement gratuity**

The latest actuarial valuation was carried out by Actuaries at June 30, 2013 using “Projected Unit Credit Method”. The basis of recognition together with details as per actuarial valuation is as under:

**(a) Movement in liability:**

Opening balance	10,680,322	9,313,508
Charge for the year	4,457,144	5,125,217
Payments made during the year	<u>(4,917,013)</u>	<u>(3,758,403)</u>
Closing balance	<u>10,220,453</u>	<u>10,680,322</u>

**(b) Reconciliation:**

Present value of defined benefit obligation	7,973,687	5,808,062
Actuarial gains to be recognized in later periods	2,246,766	4,872,260
	<u>10,220,453</u>	<u>10,680,322</u>



	<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>(c) Charge for the year:</b>		
Current service cost	4,803,080	4,621,337
Interest cost	731,463	912,159
Actuarial gains recognized during the year	(1,077,399)	(408,279)
	<u>4,457,144</u>	<u>5,125,217</u>
<b>(d) Changes in the present value of the defined benefit obligation:</b>		
Opening defined benefit obligation	5,808,062	6,620,572
Current service cost	4,803,080	4,621,337
Interest cost	731,463	912,159
Benefits paid	(4,917,013)	(3,758,403)
Actuarial loss/ (gain) recognized	1,548,095	(2,587,603)
Closing defined benefit obligation	<u>7,973,687</u>	<u>5,808,062</u>
<b>(e) The principal assumption used in the valuation of gratuity are as follows:</b>	<b>2013</b>	<b>2012</b>
Discount rate (% Per annum)	10.5	13
Expected rate of increase in salary (% Per annum)	9.5	12

**(f) Amounts for the current and previous four years and experience adjustments are as follows::**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>.....Rupees .....</b>				
Present value of the defined benefit obligation	<u>7,973,687</u>	<u>5,808,062</u>	<u>6,620,572</u>	<u>4,671,506</u>	<u>1,716,598</u>

**7. LIABILITIES AGAINST IMPORT OF MACHINERY**

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.

	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>8. TRADE AND OTHER PAYABLES</b>			
Creditors		94,179,104	63,841,746
Advance from customers		4,060,374	4,913,068
Accrued liabilities		57,362,333	28,110,458
Commission against import of machinery		6,015,999	—
Unclaimed dividend		3,210,950	14,092,394
Workers' Profit Participation Fund	8.1	2,347,558	—
Workers' Welfare Fund		1,348,105	409,082
Infrastructure fee / cess	8.2	42,423,361	38,575,769
Withholding tax		810,001	484,013
Others		147,247	147,247
		<u>211,905,032</u>	<u>150,573,777</u>
<b>8.1 Workers' Profit Participation Fund</b>			
As at July 01		—	4,651,613
Allocation for the year		2,347,558	—
Interest on funds utilized in Company's business		—	237,232
		<u>2,347,558</u>	<u>4,888,845</u>
Payments made during the year		—	(4,888,845)
As at June 30		<u>2,347,558</u>	<u>—</u>





- 8.2** It represents infrastructure fee / cess payable to Excise and Taxation Officer (ETO) for the development and maintenance of infrastructure on goods entering or leaving the province of Sindh through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was challenged by the company along with other companies in the High Court of Sindh through civil suits which were dismissed by the single judge of the High Court of Sindh through its decision in October 2003. On appeal filed there against, the High Court of Sindh has held through an order passed in September 2008, that the levy as imposed through the Sindh Finance Act, 1994 and amended time to time was not valid till December 28, 2006, however, thereafter on account of an amendment in the Sindh Finance (Amendment) Ordinance, 2006, it had become valid and is payable by the Appellants. The company, along with other companies, filed an appeal in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh.

The Supreme Court granted stay by passing an interim order on January 22, 2009. During last financial year the order passed by the High Court of Sindh was set aside by the Supreme Court vide its order dated May 20, 2011. Consequently a new petition has been filed in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court of Sindh 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.

The management of the company is confident for a favorable outcome. However, as a matter of prudence, the company has made provision as follows:

	Note	2013 Rupees	2012 Rupees
Balance at July 01,		38,575,769	34,756,354
Provision made during the year		7,695,184	7,638,830
		46,270,953	42,395,184
Payment made during the year		(3,847,592)	(3,819,415)
Balance at June 30,		42,423,361	38,575,769

## 9. SHORT-TERM BORROWINGS

### From banking company:

Running finance	9.1	232,898,290	235,882,881
Finance against trust receipts	9.2	146,214,402	114,696,923
		379,112,692	350,579,804

- 9.1** These are subject to mark-up at the rate of 6 months KIBOR plus 1.5% (2012: KIBOR plus 1.5%) and are secured against pledge of cotton stock and lien on balance in the saving account upto Rs. 40 million.
- 9.2** These are subject to mark-up ranging from 6 months LIBOR plus (2.3-4.7 )% (2012: LIBOR plus 4.5%) and are secured against pledge of cotton and polyester staple fiber stock and lien on balance in the saving account upto Rs.40 million.
- 9.3** The aggregate unavailed running finance and finance against trust facilities available amounted to Rs. 121 (2012: Rs.157) million.
- 9.4** Effective rate of markup is ranging from 7.25% to 11% (2012 : 13.45% to 15.31%) per annum.

## 10. CONTINGENCIES AND COMMITMENTS

### Contingencies

Guarantees issued by bank on behalf of the Company with recourse to:

– Sui Northern Gas Pipelines Limited	21,100,300	21,100,300
– Excise and Taxation Officer	45,500,000	41,500,000

### Commitments

Letters of credit for import of:

– property, plant and equipment	163,799,010	—
– raw material	136,531,680	23,952,200
– stores and spares	1,120,002	3,301,883





### 11. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Depreciation			Carrying value at June 30, 2013	Depreciation rate %
	At July 01, 2012	Additions / (Deletions)	At June 30, 2013	Accumulated at July 01, 2012	Charge / (adjustments) for the year	Accumulated at June 30, 2013		
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)			
2013	732,379,688	152,249,368	884,584,556	487,958,304	30,153,770	518,109,874	366,474,686	
		(44,500)			(2,200)			

#### For comparative period

Particulars	Cost			Depreciation			Carrying value at June 30, 2012	Depreciation Rate %
	At July 01, 2011	Additions / (Deletions)	At June 30, 2012	Accumulated at July 01, 2011	Charge / (adjustments) for the year	Accumulated at June 30, 2012		
Rupees								
Leasehold land	8,492,609	—	8,492,609	—	—	—	8,492,609	—
Buildings on leasehold land	71,547,281	5,018,580	76,565,861	52,387,226	2,125,114	54,512,340	22,053,521	10
Office premises	3,732,000	—	3,732,000	2,528,328	120,367	2,648,695	1,083,305	10
Plant and machinery	558,084,894	21,463,676	579,548,570	380,434,057	19,537,074	399,971,131	179,577,439	10
Electric installations	16,177,179	—	16,177,179	13,496,923	268,026	13,764,949	2,412,230	10
Factory equipment	24,858,099	797,680	25,655,779	5,053,683	2,047,717	7,101,400	18,554,379	10
Furniture and fixtures	1,723,253	—	1,723,253	1,348,422	37,483	1,385,905	337,348	10
Office equipment	2,719,227	187,400	2,906,627	1,462,346	131,000	1,593,346	1,313,281	10
Computers	455,506	—	455,506	373,426	27,086	400,512	54,994	33
Vehicles	16,825,139	3,033,500	17,122,304	5,519,825	2,588,264	6,580,026	10,542,278	20
		(2,736,335)			(1,528,063)			
2012	704,615,187	30,500,836	732,379,688	462,604,236	26,882,131	487,958,304	244,421,383	
		(2,736,335)			(1,528,063)			

#### 11.1 Depreciation for the year has been allocated as under:

	Note	2013 Rupees	2012 Rupees
Cost of goods manufactured	18.1	27,750,969	24,015,412
Administrative expenses	21	2,402,801	2,866,719
		<b>30,153,770</b>	<b>26,882,131</b>


**11.2 Disposal of property, plant and equipment**

The following asset were disposed of during the year.

Mode of Disposal - Insurance claim

Particulars	Cost	Accumulated Depreciation	Carrying Value	Sale Proceeds	Name and Address of Buyer
	<i>Rupees</i>				
Vehicle	44,500	2,200	42,300	41,500	New Jubilee Insurance Company Limited Karachi
<b>2013</b>	<u>44,500</u>	<u>2,200</u>	<u>42,300</u>	<u>41,500</u>	
<b>2012</b>	<u>2,736,335</u>	<u>1,528,063</u>	<u>1,208,272</u>	<u>1,206,000</u>	

	Note	2013 Rupees	2012 Rupees
<b>12. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		5,583,613	4,215,249
Spares		34,364,716	23,919,069
Loose tools		131,718	90,847
		<u>40,080,047</u>	<u>28,225,165</u>
Less: Provision for slow-moving and obsolete items		<u>(6,451,124)</u>	<u>(4,930,436)</u>
		<u>33,628,923</u>	<u>23,294,729</u>
<b>12.1 Provision for slow-moving and obsolete items</b>			
Opening balance		4,930,436	4,930,436
Add: Provision made during the year		1,520,688	—
		<u>6,451,124</u>	<u>4,930,436</u>
<b>13. STOCK-IN-TRADE</b>			
Raw material			
— In hand		400,065,365	367,718,865
— In transit		19,253,021	35,721
Work-in-process		27,536,387	29,061,965
Finished goods		91,420,891	152,883,786
Waste		332,536	772,896
		<u>538,608,200</u>	<u>550,473,233</u>
<b>14. TRADE DEBTS</b>			
<b>Local - unsecured</b>			
Considered good		177,667,721	37,248,209
Considered doubtful		3,431,484	3,953,338
		<u>181,099,205</u>	<u>41,201,547</u>
Provision for doubtful debts	14.1	<u>(3,431,484)</u>	<u>(3,331,710)</u>
		<u>177,667,721</u>	<u>37,869,837</u>
<b>14.1 Provision for doubtful debts</b>			
Balance at July 1		3,331,710	3,514,321
Add: Provision made during the year		99,774	(182,611)
Balance at June 30		<u>3,431,484</u>	<u>3,331,710</u>



		<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>15. ADVANCES AND OTHER RECEIVABLE</b>	<b>Note</b>		
<i>Considered good</i>			
– To suppliers		4,257,012	14,291,730
– To employees		65,000	25,000
– Income tax		17,239,777	19,894,402
– Fee and charges against letters of credit		1,559,758	—
– Quality claim receivable		—	16,470,000
– Profit accrued on deposits		2,155,375	2,270,521
<i>Considered doubtful</i>			
– To suppliers		1,004,433	514,116
		<u>26,281,355</u>	<u>53,465,769</u>
Less: provision for doubtful advances	15.1	<u>(1,004,433)</u>	<u>(514,116)</u>
		<u>25,276,922</u>	<u>52,951,653</u>
<b>15.1 Movement of provision</b>			
Balance at July 1		514,116	514,116
Provision during the year		490,317	—
		<u>1,004,433</u>	<u>514,116</u>
Less: Reversal during the year		—	—
Balance at June 30		<u>1,004,433</u>	<u>514,116</u>
<b>16. SALES TAX REFUNDABLE</b>			
Considered good		19,991,326	11,583,412
Considered doubtful		2,057,993	2,057,993
		<u>22,049,319</u>	<u>13,641,405</u>
Provision against sales tax refundable	16.1	<u>(5,155,045)</u>	<u>(2,057,993)</u>
		<u>16,894,274</u>	<u>11,583,412</u>
<b>16.1 Movement of provision</b>			
Balance at July 01		2,057,993	—
Provision during the year		3,097,052	2,057,993
		<u>5,155,045</u>	<u>2,057,993</u>
Less: Reversal during the year		—	—
Balance at June 30		<u>5,155,045</u>	<u>2,057,993</u>
<b>17. CASH AND BANK BALANCES</b>			
Cash in hand		1,000,000	999,992
Cash at bank			
in current accounts			
– local currency		528,699	748,652
– foreign currency		15,630	14,973
in saving accounts			
– local currency	17.1	<u>59,577,853</u>	<u>63,563,506</u>
		<u>61,122,182</u>	<u>65,327,123</u>
<b>16.1</b>	Effective mark-up rate ranges from 7.25% to 11% (2012: 7.1% to 11%) per annum. There is lien on Rs. 40 million (2012: 40 million) in respect of security against short term borrowings (note 8.1 and 8.2).		
<b>18. SALES - Net</b>			
Yarn			
– Local		2,126,274,894	1,229,409,838
– Indirect export		8,173,400	511,352,700
Local			
– Raw material		47,314,432	49,794,452
– Waste		3,833,446	1,942,027
		<u>2,185,596,172</u>	<u>1,792,499,017</u>
Less : Sales tax @ 2% on local sales [from March 01, 2013 to June 30, 2013]		<u>(13,282,373)</u>	<u>—</u>
		<u>2,172,313,799</u>	<u>1,792,499,017</u>



	Note	2013 Rupees	2012 Rupees
<b>19. COST OF GOODS SOLD</b>			
Cost of goods manufactured	19.1	1,966,324,597	1,738,352,436
Finished goods			
Opening stock		153,656,682	171,589,840
Closing stock		(91,753,427)	(153,656,682)
		61,903,255	17,933,158
		<u>2,028,227,852</u>	<u>1,756,285,594</u>
<b>19.1 Cost of goods manufactured</b>			
Raw material	19.1.1	1,444,825,034	1,245,338,269
Packing material		32,763,852	27,892,442
Stores and spares		67,087,210	75,000,165
Salaries, wages and benefits	19.1.2	150,013,687	145,592,739
Fuel and power		203,695,673	193,969,723
Insurance		6,081,781	5,139,242
Repairs and maintenance		8,304,924	15,435,996
Depreciation	11.1	27,750,969	24,015,412
Provision for slow-moving and obsolete stores and spares		1,520,688	—
Other manufacturing overheads		22,755,201	15,648,017
		<u>1,964,799,019</u>	<u>1,748,032,005</u>
Work-in-process			
Opening stock		29,061,965	19,382,396
Closing stock		(27,536,387)	(29,061,965)
		1,525,578	(9,679,569)
		<u>1,966,324,597</u>	<u>1,738,352,436</u>
<b>19.1.1 Raw material consumed</b>			
Opening stock		367,718,865	241,848,779
Purchases and purchase expenses		1,477,171,534	1,371,208,355
		<u>1,844,890,399</u>	<u>1,613,057,134</u>
Closing stock		(400,065,365)	(367,718,865)
		<u>1,444,825,034</u>	<u>1,245,338,269</u>
<b>19.1.2 Salaries, wages and benefits include Rs. 4,234,431/- (2012 : Rs. 4,796,059) in respect of     staff retirement benefits.</b>			
<b>20. OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Profit on deposits / saving accounts		6,180,528	6,977,241
<b>Income from assets other than financial assets</b>			
Scrap sale		603,451	344,699
Liabilities written back		533,358	1,830,836
Others		—	2,919,936
		<u>7,317,337</u>	<u>12,072,712</u>
<b>21. DISTRIBUTION COST</b>			
Freight		16,053,278	12,521,200
Commission		5,290,554	265,742
Others		830,685	696,410
		<u>22,174,517</u>	<u>13,483,352</u>



	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>22. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration	27	6,982,409	6,979,590
Salaries and benefits	22.1	11,772,774	12,370,002
Travelling and conveyance		3,766,607	6,207,654
Printing and stationery		1,300,294	365,451
Postage and telephone		1,232,023	3,640,547
Legal and professional		2,324,238	268,816
Advertisement		30,139	37,215
Repairs and maintenance		1,023,991	1,539,970
Vehicles running		2,161,696	3,463,944
Fees, subscription and periodicals		1,027,356	1,352,896
Auditors' remuneration	22.2	915,000	847,750
Donation	22.3	985,000	1,593,000
Depreciation	11.1	2,402,801	2,866,719
Provision against doubtful sales tax refundable		3,097,052	2,057,993
Provision against doubtful debts and advances		590,091	—
Others		2,311,274	2,405,615
		<u>41,922,745</u>	<u>45,997,162</u>

**22.1** Salaries and benefits include Rs. 222,713/- (2012: Rs. 329,158/-) in respect of staff gratuity.

**22.2 Auditors' remuneration**

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	32,250
Out of pocket expenses	50,000	50,000
	<u>915,000</u>	<u>847,250</u>

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

**23. OTHER OPERATING EXPENSES**

Exchange loss-net	11,555,751	20,079,761
Workers' Welfare Fund	939,023	409,082
Workers' Profit Participation Fund	2,347,558	—
Loss on disposal of property, plant and equipment	800	2,272
	<u>14,843,132</u>	<u>20,491,115</u>

**24. FINANCE COST**

Mark-up / interest on:		
Short-term borrowings	29,980,095	23,913,278
Workers' Profit Participation Fund	—	237,232
Bank charges and commission	1,865,271	1,720,516
	<u>31,845,366</u>	<u>25,871,026</u>



25. PROVISION FOR TAXATION	Note	2013 Rupees	2012 Rupees
Current			
– for the year		—	17,924,990
– for prior years		(2,146,367)	2,390,167
Deferred		23,767,710	(2,021,743)
		<u>21,621,343</u>	<u>18,293,414</u>
<b>25.1 Relationship between accounting profit and tax expense</b>			
Accounting profit / (loss) before taxation		<u>40,617,524</u>	<u>(57,556,520)</u>
Tax at the applicable tax rate of 35% (2012: 35%)		14,216,133	(20,144,782)
Tax effect of:			
– Lower rate applicable to certain income		—	5,113,527
– Adjustable expenses		9,551,576	18,123,039
– Adjustments relating to prior years		(2,146,367)	2,390,167
– Minimum tax		—	12,811,463
		<u>21,621,343</u>	<u>18,293,414</u>

**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 :-

		2013	2012
Profit/(loss) for the year	Rupees	18,996,181	(75,849,934)
Weighted average number of ordinary shares outstanding during the year		14,700,000	14,700,000
Earnings per share - basic and diluted	Rupees	1.29	(5.16)

**27. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS**

	2013			2012		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	.....Rupees.....					
Managerial remuneration	2,842,759	1,455,698	3,170,033	2,842,759	1,460,418	2,703,387
House rent	1,279,241	655,065	1,426,515	1,279,241	657,196	1,216,524
Bonus	236,897	138,166	25,000	236,897	131,466	128,200
Leave encashment	236,897	137,686	110,000	236,897	134,716	182,120
	<u>4,595,794</u>	<u>2,386,615</u>	<u>4,731,548</u>	<u>4,595,794</u>	<u>2,383,796</u>	<u>4,230,231</u>
No. of persons	1	2	7	1	2	7

Chief Executive Officer and the 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. Amounts due to related parties is shown under note 8 as short term loan from director. The Company in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 26 and amount due in respect of staff gratuity disclosed in note 6. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	2013 Rupees	2012 Rupees
<b>Associated Undertakings</b>	Share of common expenses paid	839,871	1,284,754
	Dividend paid	—	68,880
<b>Directors</b>	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	14,087,437	15,915,046

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:

	2013 Rupees	2012 Rupees
<b>Assets as per balance sheet</b>		
<b>Loans and receivables</b>		
Long-term deposits	1,495,222	1,495,222
Trade debts	177,667,721	37,869,837
Advances and other receivables	2,155,375	18,740,521
Sales tax refundable	16,894,274	11,583,412
Cash and bank balances	61,122,182	65,327,123
<b>Liabilities as per balance sheet</b>		
<b>Financial liabilities measured at amortised cost</b>		
Loan from directors	153,500,000	134,000,000
Trade and other payables	207,844,658	145,582,835
Mark-up accrued on short term bank borrowings	7,479,336	8,200,282
Short-term borrowings	379,112,692	350,579,804

**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 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.259,334,774/- (2012 : Rs. 135,016,115/-), the financial assets which are subject to credit risk amounted to Rs.258,334,774/- (2012 : Rs.134,016,123/-).

The Company is exposed to credit risk from its operating activities primarily for trade receivables, including 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. 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. 172,252,844 (2012: Rs.38,540,763) which are neither past due nor impaired.

Trade receivables include Rs. 5,414,877 (2012: Rs. 431,217) 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. 3,431,484 (2012: Rs. 3,331,710) which are past due and impaired. The provision exist against the receivables amounts of Rs. 3,431,484 (2012: Rs. 3,331,710).

#### **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.

### **32.2 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. 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 8.

#### **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.



**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
<b>2013</b>		<b>Rupees</b>			
Long term financing		—	—	153,500,000	153,500,000
Trade and other payables		211,905,032	—	—	211,905,032
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 %	—	384,988,939	—	384,988,939
		<b>219,384,368</b>	<b>384,988,939</b>	<b>153,500,000</b>	<b>757,873,307</b>
<b>2012</b>					
Long term financing		—	—	134,000,000	134,000,000
Trade and other payables		150,495,903	—	—	150,495,903
Mark-up accrued on short term bank borrowings		8,200,282	—	—	8,200,282
Short-term borrowings	Six months KIBOR / LIBOR plus 1.50 % to 4.50 %	—	355,838,501	—	355,838,501
		<b>158,696,185</b>	<b>355,838,501</b>	<b>134,000,000</b>	<b>648,534,686</b>

**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	
	2013	2012
<b>Variable rate instrument</b>		
<b>Financial Liabilities</b>		
– Kibor based	232,898,290	235,882,881
– Libor based	146,214,402	114,696,923
	<b>379,112,692</b>	<b>350,579,804</b>

**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. 1,548,389/- (2012: 1,854,554/-). This is mainly attributable to the Company's exposure to interest rates on its variable 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).

**Foreign currency sensitivity analysis**

At June 30, 2013, 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. 8,214,104/- (2012: 0) mainly as a result of foreign exchange gains/(losses) on translation of foreign currency-denominated in Euros against foreign bills payable. As at June 30, 2013 financial assets and liabilities exposed to currency risk are as follows:

	2013 ..... EURO.....	2012	2013 ..... PKR .....	2012
Foreign bills payable	634,000	—	82,726,442	—

**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, 2013 and 2012 were as follows:

	2013 Rupees	2012 Rupees
Total borrowings	532,612,692	484,579,804
Less: cash and bank balances (note 16)	(61,122,182)	(65,327,123)
Net debt	471,490,510	419,252,681
Total equity	325,726,392	306,730,211
Total capital	797,216,902	725,982,892
Gearing ratio	59%	58%

**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 08, 2013.

**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

## 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 23<sup>rd</sup> Annual General Meeting of the Company to be held at 7<sup>th</sup> Floor, Uni Tower, I. I. Chundrigar Road, Karachi, on Thursday the 31<sup>st</sup> October, 2013 at 9:30 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2013

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.