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

Mr. Fida Hussain

AUDITORS

Messrs Deloitte Yousuf Adil,
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 25th Annual General Meeting of the Shareholders of N. P. Spinning Mills Limited will be held Insha Allah on Friday, October 30, 2015 at 9:30 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 30, 2014.

2- To receive, consider and adopt the Audited Accounts for the year June 30, 2015 together with Directors and Auditors reports thereon.

3- To appoint auditors for the year ending June 30, 2016 and fix their remuneration. The retiring auditors M/s. Deloitte Yousuf Adil, 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 03, 2015

NOTES:

1. The Share Transfer Books of the Company will remain closed from 23/10/2015 to 30/10/2015 (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 have the pleasure to present before you the 25th Annual Report together with the audited accounts of the Company for the year ended June 30, 2015.

FINANCIAL RESULTS

The operating & financial results of the Company for the year under review are not satisfactory. Production for the year was 15.859 M.kgs. at 20/s count compared to 14.128 M.kgs. for the last year. Sales for the year amounted to Rs. 1,375 million compared to Rs. 2,452 million. The Company sustained a pretax loss of Rs. 169 million compared to pretax profit of Rs. 11.030 million. The loss is attributable to scheduled & unscheduled gas & power disruption in the province of Punjab. Besides, energy shortages, high energy rates, increase in minimum wages, decreasing rates of raw material resulting inventory loss in terms of NRV, blockade of I.Tax & Sales Tax refunds have affected business activity, making it difficult to pass on the cost push effects to customers. Also decrease in exports and availability of cheaper yarn from neighbouring countries are other factors that had negative impact on yarn market.

FUTURE OUTLOOK

Due to global pressure of high production of cotton in China, India and the USA, domestic market in Pakistan hardly remained stable. A bumper cotton crop of about 15.1 million bales was expected for the season 2014-15 which was revised thrice and finally set at 13.48 million bales due to multiple reasons including water shortage, rains / floods and shortage of certified seed. However the final production for the season was about 10% higher than last year. We may miss cotton production target for the season 2015-16 fixed for 15.49 million bales after recent heavy rains and floods have damaged the crops. The final data of the losses is yet to be determined.

EARNINGS PER SHARE

The earnings per share for the year under review is Rs. (9.01)

DIVIDEND

During the year, the Company has incurred a pretax loss of Rs. 169 million as compared to a profit of Rs.11.171 million in 2014. Year 2014-15 had been a challenging year as we faced numerous economical, domestic and international challenges.

The Company has invested in BMR in order to improve efficiency in production of yarn, to upgrade and modify our plant and equipment and to produce the best quality products, which were financed from available resources. While the positive signs of this exercise will come to light in near future, we have not been able to declare any dividend for the year.

Every effort is being made to bring out positive change and we hope that the much awaited textile package will provide a sigh of relief for Textile Industry, Insha Allah.

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, 2015, four Board Meetings, five Audit Committee Meetings and two HR&R Committee Meetings were held which were attended as follows:-

NAME OF DIRECTORS	BOARD METTINGS	AUDIT COMMITTEE	HR&R COMMITTEE
Mr. Inamur Rehman	4	–	–
Mrs. Summayya Rehman	4	–	–
Mr. Khalid Inam	4	–	–
Mrs. Asma Khalid	4	–	–
Mr. Fakhar Mohiuddin Faruqi	4	5	2
Mr. Noor Muhammad	4	5	2
Mr. Ziauddin Zubairi	4	5	2

j) The pattern of shareholdings as at June 30, 2015 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.

AUDITORS

The present auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, retire and being eligible offer themselves for reappointment for the financial year ending June 30, 2016.

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 03, 2015

Key Operating and Financial Results
From 2010 to 2015

(Rupees in Million)

	2015	2014	2013	2012	2011	2010
OPERATING DATA						
Sales	1,375.076	2,452.311	2,172.314	1,792.499	2,129.405	1,630.785
Cost of Goods Sold	1,430,200	2,295.611	2,029.305	1,756.286	1,952.540	1,452.039
Gross Profit / (Loss)	(55.124)	156.620	143.009	36.213	176.865	178.746
Profit/(Loss) Before Taxation	(169.000)	11.030	39.540	(57.556)	86.153	122.968
Profit/(Loss) After Taxation	(132.439)	11.171	18.181	(75.850)	56.043	84.402
FINANCIAL DATA						
Paid-up capital	147.000	147.000	147.000	147.000	147.000	147.000
Fixed Assets	1,033.958	538.024	366.475	244.421	245.089	227.753
Current Assets	787.743	1,197.291	853.198	741.500	696.850	527.067
Current Liabilities	797.885	1,063.519	598.497	509.276	371.149	348.369
KEY RATIOS						
Gross Margin (%)	(4.00)	6.39	6.58	2.02	8.31	10.96
Profit/(Loss) after Tax (%)	(9.63)	0.45	0.84	(4.23)	2.63	5.05
Current Ratio	0.99	1.13	1.43	1.46	1.88	1.51
Earnings Per Share (Rupees)	(9.01)	0.76	1.24	(5.16)	3.81	5.61
Cash Dividend (%)	—	—	—	—	12	20

PATTERN OF SHAREHOLDING

As at June 30, 2015

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Percentage
232	1	100	16,379	0.11
256	101	500	61,349	0.42
299	501	1,000	214,192	1.46
56	1,001	5,000	122,110	0.83
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
876			**14,700,000**	**100.00**

CATEGORIES OF SHAREHOLDERS

S.#	Categories of Shareholder(s)	Number	Shares Held	Percentage
1.	**Joint Stock Companies**	3	1,500	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**	2	14,740	0.10
7.	**Individuals**	860	652,680	4.44
		876	**14,700,000**	**100.00**

DETAILS OF CATEGORIES OF SHAREHOLDERS

		Number	Shares Held
1.	**Joint Stock Companies**		
1.1	M/s. Y.S. Securities & Services (Pvt.) Ltd.	1	500
1.2	M/s. Noman Abid & Co. Ltd.	1	500
1.3	M/s. Highlink Capital (Pvt.) Ltd.	1	500
		3	**1,500**
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, DFls, NBFls, 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 Limited	1	500
6.2	The Nazir High Court of Sindh, Karachi	1	14,240
		2	**14,740**
7.	**Individuals**	**860**	**652,680**
		876	**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, 2015

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in listing regulations of Karachi and Lahore Stock Exchanges 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 Codeas follows:-

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

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

   The independent director meets the criteria of independence as contained in 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 an Non-banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange. None of the directors 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.The same is also available on the Company's website.
6. The Board has developed a "Vision/ Mission statement" and overall corporate strategy.The Company is in the process of developing and documenting significant policies that will be approved by the board.
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. The Board is in the process of establishing a level of materiality and a mechanism for its performance evaluation. Accordingly, no annual performance evaluation has been carried out.
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 of the year but no Board meeting was held during the quarter ended September 2014. 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. Further, two non-executive directors namely Mr. Ziauddin Zubairi and Ms. Asma Khalid had attended the Directors' Training Program conducted by The Institute of Cost and Management Accountants in previous years. During the year, Mr. Noor Muhammad has attended Directors' Training Program conducted by the University of Lahore.
10. The Board has approved terms of appointment and remuneration of CFO, Company Secretary and Head of Internal Audit.
11. The directors' report for this year 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 those disclosed in the pattern of shareholding.
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, two of whom are non-executive directors and the chairman is an independent director.
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 Human Resource and Remuneration Committee, comprising of three members, of whom two members including Chairman of the committee are non-executive directors and one is independent director.
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 exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matters described in paragraphs 6,7, 8 and 18 above.

On behalf of the Board

(KHALID INAM)
Chief Executive

Karachi: October 03, 2015

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, 2015 to comply with the requirements of listing regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code is that of the Board of Directors of the Company (the Board). 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 and report if it does not and to highlight any non-compliance with the requirement 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 financial statements we are required to obtain un 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 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 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 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, 2015.

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

i) Paragraph 6 — As per the Code, the Board should ensure that significant policies have been formulated, which are in the process of development

ii) Paragraph 7 — As per the Code, a mechanism was required to be put in place for an annual evaluation of the Board's own performance which is in process of development. Accordingly, no annual performance evaluation has been carried out.

Further as per the Code, the Board was required to define the level of materiality, the determination of which is in process.

iii) Paragraph 8 — As per the Code, the Board is required to meet at least once in every quarter. Although four Board meetings were held during the year however, the Board did not hold any meeting in the quarter ended September 2014.

iv) Paragraph 18 — As per the Code, an effective internal audit function shall be set up by the Company. Currently, the Company does not have an effective internal audit function.

Deloitte Yousuf Adil,
Chartered Accountants

Karachi: October 03, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **N.P. SPINNING MILLS LIMITED** (the Company) as at June 30, 2015 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 for the change in accounting policy as disclosed in note 3.19 to the accompanying financial statements 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, 2015 and of the loss, 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.

Deloitte Yousuf Adil,
Chartered Accountants

Karachi: October 03, 2015

Engagement Partner
Nadeem Yousuf Adil

BALANCE SHEET

	Note	2015 Rupees	2014 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	4	147,000,000	147,000,000
Unappropriated profit		118,587,441	190,203,581
		265,587,441	337,203,581
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	369,969,001	—
NON-CURRENT LIABILITIES			
Loan from directors	6	95,311,423	153,500,000
Deferred liabilities	7	147,294,653	59,174,446
Liability against import of machinery	8	117,300,000	123,564,300
CURRENT LIABILITIES			
Trade and other payables	9	214,537,761	515,283,424
Mark-up accrued on short term borrowings		7,059,329	9,810,286
Short-term borrowings	10	571,338,874	453,004,553
Current portion of liabilities against import of machinery	8	4,948,600	85,420,942
		797,884,564	1,063,519,205
CONTINGENCIES AND COMMITMENTS	11		
		1,793,347,082	**1,736,961,532**

The annexed notes 1 to 36 form an integral part of these financial statements.

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,003,958,801	538,024,396
Long-term deposits		1,645,222	1,645,222
CURRENT ASSETS			
Stores, spares and loose tools	13	28,947,237	28,100,030
Stock-in-trade	14	492,755,530	893,023,992
Trade debts	15	181,871,683	223,102,586
Advances and other receivables	16	53,745,264	35,814,825
Sales tax refundable	17	18,065,059	11,345,764
Cash and bank balances	18	12,358,286	5,904,717
		787,743,059	1,197,291,914
		1,793,347,082	**1,736,961,532**

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

PROFIT AND LOSS ACCOUNT
For the Year Ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	19	1,375,076,187	2,452,311,500
Cost of sales	20	(1,430,200,459)	(2,295,690,625)
Gross (loss) / profit		(55,124,272)	156,620,875
Other income	21	12,515,097	17,206,937
		(42,609,175)	173,827,812
Distribution cost	22	10,411,500	50,474,511
Administrative expenses	23	33,686,558	42,011,915
Other operating expenses	24	24,333,536	830,235
Finance cost	25	57,959,624	69,480,881
		(126,391,218)	(162,797,542)
(Loss) / profit before tax		(169,000,393)	11,030,270
Taxation	26	36,561,012	140,734
(Loss) / profit for the year		(132,439,381)	11,171,004
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss		—	—
Item that will not be reclassified subsequently to profit and loss			
– Remeasurement of defined benefit obligation	7.2.4	3,874,506	(2,122,389)
– Impact of tax		(1,239,842)	965,216
		2,634,664	(1,157,173)
Total comprehensive income for the year		(129,804,717)	10,013,832
Earnings per share - basic and diluted	27	(9.01)	0.76

The annexed notes 1 to 36 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, 2015

	Note	2015 Rupees	2014 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(169,000,393)	11,030,270
Adjustments for			
Depreciation		56,035,132	50,920,928
Gain on disposal of property, plant and equipment		(2,163,863)	(978,290)
Provision for staff retirement gratuity		2,433,974	7,028,491
Liabilities written back		—	(400,888)
Profit on deposits / saving accounts		(5,725,704)	(6,669,027)
Provision against stores, spares and loose tools		1,548,398	298,768
Provision against advances		41,803	1,169,269
Provision against trade debts		948,893	414,320
Finance cost		57,959,624	69,480,881
		(57,922,136)	132,294,722
(Increase) / decrease in current assets			
Stores, spares and loose tools		(2,395,605)	5,230,125
Stock-in-trade		400,268,462	(354,415,792)
Trade debts		40,282,010	(46,604,130)
Advances and other receivables		(11,816,121)	3,049,593
Sales tax refundable		(6,719,295)	5,548,510
(Decrease) / increase in current liabilities			
Trade and other payables		(300,745,663)	303,779,280
		118,873,788	(83,412,414)
Cash generated from operations		60,951,652	48,882,308
Finance cost paid		(60,710,581)	(67,149,931)
Gratuity paid		(3,427,462)	(5,838,050)
Taxes paid		(16,417,694)	(16,289,125)
Net cash used in operating activities		(19,604,085)	(40,394,798)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(21,826,192)	(225,208,355)
Proceed from disposal of property, plant and equipment		10,575,000	3,716,000
Profit received on deposits / saving accounts		5,711,167	6,669,027
Long-term deposit		—	(150,000)
Net cash used in investing activities		(5,540,025)	(214,973,328)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Liability against import of machinery (repaid) / received		(86,736,642)	126,258,800
Net cash (used in) / generated from financing activities		(86,736,642)	126,258,800
Net decrease in cash and cash equivalents (A+B+C)		(111,880,752)	(129,109,326)
Cash and cash equivalents at beginning of the year		(447,099,836)	(317,990,510)
Cash and cash equivalents at end of the year		(558,980,588)	(447,099,836)
Cash and cash equivalents			
Cash and bank balances	18	12,358,286	5,904,717
Short term borrowings	10	(571,338,874)	(453,004,553)
		(558,980,588)	(447,099,836)

The annexed notes 1 to 36 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, 2015

	Note	Share Capital	Unappropriated Profit	Total
		....	Rupees	....
Balance as at July 01, 2013		147,000,000	180,189,749	327,189,749
Total comprehensive income for the year				
Profit for the year		—	11,171,004	11,171,004
Other comprehensive income for the year		—	(1,157,173)	(1,157,173)
		—	10,013,832	10,013,832
Balance as at June 30, 2014		147,000,000	190,203,581	337,203,581
Total comprehensive income for the year				
Loss for the year		—	(132,439,381)	(132,439,381)
Other comprehensive income for the year		—	2,634,664	2,634,664
		—	(129,804,717)	(129,804,717)
Transactions with owners recognised directly in equity				
Present value adjustment on interest free loan from directors *	6	—	58,188,577	58,188,577
Balance as at June 30, 2015		**147,000,000**	**118,587,441**	**265,587,441**

* This represents unamortized portion of interest free loan obtained from directors, which is not available for distribution.

The annexed notes 1 to 36 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, 2015

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. The shares of the Company are quoted on Karachi Stock Exchange and Lahore Stock Exchange. The principal business activity of the Company is manufacturing and sale of yarn. The Mill is located in Raiwind, District Lahore in the province of Punjab. The registered office of the Company is located at 703 - Uni Tower, I.I. Chundrigar Road, Karachi in the province of Sindh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except that certain categories of property, plant and equipment are stated at revalued amounts and the Company's liability under defined benefit plan (gratuity) is stated at present value of defined benefit obligation.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

— assumptions and estimates used in accounting for defined benefit plan (notes 3.1 and 7.2);

— assumptions and estimates used in determining provision for taxation including deferred taxation (notes 3.2, 7.1 and 26)

— assumptions and estimates used in determining revalued amounts of certain items of property, plant and equipment (notes 3.5 and 12)

- assumptions and estimates used in determining residual values, useful lives and recoverable amount of property, plant and equipment (notes 3.5, 3.13.2 and 12);
- assumptions and estimates used in determining the provision for slow moving stores and spares (notes 3.7 and 13.1)
- assumptions and estimates used in writing down items of stock-in-trade to their net realizable value (notes 3.8 and 14); and
- assumptions and estimates used in calculating the provision for impairment for trade debts (notes 3.9 and 15.1)

2.5 Amendments to accounting standards and new IFRS interpretation that are effective for the year ended June 30, 2015

The following amendments and interpretation are effective for the year ended June 30, 2015. These amendments and interpretation 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.

- Amendments to IAS 19 'Employee Benefits' - Employee contributions
- Amendments to IAS 32 'Financial Instruments: Presentation' - Offsetting financial assets and financial liabilities
- Amendments to IAS 36 'Impairment of Assets' - Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39 'Financial Instruments Recognition and measurement' - Novation of derivatives and continuation of hedge accounting
- IFRIC 21 'Levies'

2.6 New / amended 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.

— Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ - Clarification of acceptable methods of depreciation and amortization	Effective from accounting periods beginning on or after January 01, 2016
— Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 41 ‘Agriculture’ - Bearer plants	Effective from accounting periods beginning on or after January 01, 2016
— IAS 27 (Revised 2011) ‘Separate Financial Statements’	Effective from accounting periods beginning on or after January 01,2015
— IAS 28 (Revised 2011) ‘Investments in Associates and Joint Ventures’	Effective from accounting periods beginning on or after January 01, 2015
— IFRS 10 ‘Consolidated Financial Statements'	Effective from accounting periods beginning on or after January 01, 2015
— IFRS 11 ‘Joint Arrangements’	Effective from accounting periods beginning on or after January 01, 2015
— IFRS 12 ‘Disclosure of Interests in Other Entities’	Effective from accounting periods beginning on or after January 01, 2015
— IFRS 13 ‘Fair Value Measurement’	Effective from accounting periods beginning on or after January 01, 2015

Other than the aforesaid standards, interpretations and amendments, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2014 (except for the change mentioned in note 3.19) and are enumerated as follows:

3.1 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. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and current service cost are recognized in profit and loss account. The most recent valuation of the scheme was carried out as at June 30, 2015. Details of the scheme are given in note 7.2 of these financial statements.

3.2 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

3.2.1 Current tax

Provision for current taxation is based on the taxability of certain income streams of the Company under the Final Tax Regime at the applicable tax rates and the remaining income streams chargeable at current rate of taxation under the Normal Tax Regime after taking into account available tax credits and tax rebates, if any, or on turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalized during the year.

3.2.2 Deferred tax

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, the Company also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.3 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.4 Markup bearing borrowings

Markup bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, markup bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit and loss account over the period of borrowings on an effective interest basis.

3.5 Property, plant and equipment

3.5.1 Property, plant and equipment are stated as follows:

— Leasehold land is stated at revalued amount less impairment loss, if any;

— Building on leasehold land , office premises, plant and machinery and electric installations are stated at revalued amounts less accumulated depreciation and impairment losses, if any; and

— Factory equipment, furniture and fixtures, office equipment, computers and vehicles are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any.

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 its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to the profit and loss account applying the reducing balance method at the rates specified in note 12. Depreciation on additions is charged from the month an asset is available for use upto the month prior to its disposal.

Depreciation methods, useful lives and residual values of each item of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed and adjusted, if appropriate at each balance sheet date.

Surplus on revaluation of assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of assets (net of deferred taxation) is transferred directly to retained earnings (unappropriated profit).

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in other income / other expenses in the profit and loss account. When revalued assets are sold, any related amount included in the surplus on revaluation is transferred to retained earnings (unappropriated profit).

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any, and consists of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

3.6 Borrowing costs

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 capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

3.7 Stores, spares and loose tools

These are stated at lower of moving average cost and net realizable value, less allowance for obsolete and slow moving items (if any). Items in transit are stated at cost comprising invoice value plus other charges incurred thereon upto balance sheet date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on the management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

3.8 Stock-in-trade

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

– Raw material	Weighted average cost
– Stock-in-transit	Cost accumulated upto balance sheet date
– Work in process and 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) signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

3.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, balances with banks in current and deposit accounts and book overdraft. Short-term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management, are included as part of cash and cash equivalents for the purpose of the cash flow statement.

3.11 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provision of instruments. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of the financial assets or liabilities is taken to profit and loss account.

3.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only where there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.13 Impairment

3.13.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3.13.2 Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.14 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date.

Exchange differences are included in the profit and loss account currently.

3.15 Provisions

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

3.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

– Revenue from sales of goods is recognized 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 recognized on a time-apportioned basis using the effective rate of return.

3.17 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriations to / from reserves is recognized in the period in which these are approved.

3.18 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.

3.19 Change in accounting policy in respect of property, plant and equipment

During the year, the Company changed its accounting policy in respect of recording of leasehold land, building on leasehold land, office premises, plant and machinery and electric installations from cost to revalued amount (refer note 12). Surplus recorded on revaluation of leasehold land, building on leasehold land, office premises, plant and machinery and electric installations is Rs. 508.55 million. Had there been no change in accounting policy, the carrying value of operating fixed assets would have been lower by Rs. 508.55 million, surplus on revaluation of property, plant and equipment - net of tax would have been lower by Rs. 369.97 million and deferred taxation would have been lower by Rs. 138.58 million.

This change in accounting policy has been applied prospectively, which is in accordance with the requirements of IAS-8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

4. SHARE CAPITAL

2015	2014		2015	2014
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

4.1 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.

4.2 N.P. Waterproof Industries (Private) Limited, an associated undertaking, held 57,400 (2014: 57,400) ordinary shares.

	Note	2015 Rupees	2014 Rupees
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of tax			
Balance as at July 01		—	—
Effect of revaluation carried out during the year	5.1	**508,554,482**	—
Less: Related deferred tax liability	7.1	**(138,585,481)**	—
Balance as at June 30		**369,969,001**	**—**

5.1 During the year, the Company has revalued certain items of property, plant and equipment and has recorded surplus on revaluation (refer notes 3.19 and 12.1).

	Note	2015 Rupees	2014 Rupees
6. LOAN FROM DIRECTORS			
Unsecured			
Interest free loan	6.1	**153,500,000**	153,500,000
Present value adjustment		**(58,188,577)**	—
		95,311,423	153,500,000

6.1 During the year, the Company entered into agreements with directors / shareholders in their capacity as sponsors, whereby the repayment of loan was deferred for a period of five years from the date of the agreement i.e. June 22, 2015. The loans are interest free, unsecured and are repayable in full at the end of five-year period until further extended by mutual agreement. Using the discount rate of 10% per annum, the fair value of the loans is estimated at Rs. 95.31 million. The difference of Rs. 58.19 million between the gross proceeds and the fair value of loans has been recognized in equity through a transfer to unappropriated profit (the unamortized portions is not available for distribution). Subsequently, the interest (i.e., unwinding of the difference between present value on initial recognition and the amount received) will be recognized on the loan in the profit and loss account using the effective interest method.

	Note	2015 Rupees	2014 Rupees
7. DEFERRED LIABILITIES			
Deferred taxation	7.1	**140,876,130**	47,887,929
Staff retirement gratuity	7.2	**6,418,523**	11,286,517
		147,294,653	59,174,446

7.1 Deferred taxation

	June 30, 2015				June 30, 2014			
	OpeningLiability /(Asset)	**Recognised in Profit & Loss account**	**Recognised inbelow equity / OCI**	**ClosingLiability /(Asset)**	OpeningLiability /(Asset)	Recognised in Profit & Loss account	Closing Liability /(Asset)	Recognised inbelow equity / OCI
Deferred tax credits								
Accelerated tax depreciation	86,609,712	(8,125,791)	—	78,483,921	78,220,125	8,389,587	—	86,609,712
Surplus on property, plant and equipment	—	—	138,585,481	138,585,481	—	—	—	—
Deferred tax debits								
Provision for staff gratuity	(3,587,590)	422,191	1,239,842	(1,925,557)	(2,780,290)	157,916	(965,216)	(3,587,590)
Provision against doubtful debts	(1,462,419)	(202,475)	—	(1,664,894)	(1,196,501)	(265,918)	—	(1,462,419)
Provision against doubtful advances	(450,972)	12,805	—	(438,167)	(350,229)	(100,743)	—	(450,972)
Provision against slow moving and obsolete stores and spares	(2,145,555)	(343,932)	—	(2,489,487)	(2,249,398)	103,843	—	(2,145,555)
Tax losses	(16,915,735)	(42,483,322)	—	(59,399,057)	(5,994,089)	(10,921,646)	—	(16,915,735)
Tax credit	(1,348,049)	1,348,049	—	—	(1,556,966)	208,917	—	(1,348,049)
Minimum tax on turnover	(12,811,463)	2,535,353	—	(10,276,110)	(12,811,463)	—	—	(12,811,463)
	47,887,929	**(46,837,122)**	**139,825,323**	**140,876,130**	51,281,189	(2,428,044)	(965,216)	47,887,929

7.2 Staff retirement gratuity

The latest actuarial valuation was carried out by Actuaries at June 30, 2015 using "Projected Unit Credit Method". The basis of recognition together with details as per actuarial valuation are as under:

	Note	2015 Rupees	2014 Rupees
7.2.1 Liability recognised in the balance sheet			
Present value of defined benefit obligation	7.2.2	**6,418,523**	11,286,517

		Note	2015 Rupees	2014 Rupees
7.2.2	**Movement in liability during the year**			
	Opening balance		**11,286,517**	7,973,687
	Expense recognized in profit and loss account	7.2.3	**2,433,974**	7,028,491
	Remeasurements recognized in other comprehensive income	7.2.4	**(3,874,506)**	2,122,389
	Payments		**(3,427,462)**	(5,838,050)
	Closing balance		**6,418,523**	11,286,517
7.2.3	**Expense recognized in profit and loss account**			
	Current service cost		**1,519,604**	6,214,081
	Interest cost		**914,370**	814,410
			2,433,974	7,028,491
7.2.4	**Total remeasurements recognized in other comprehensive income**			
	Actuarial (gain) / loss on liability arising on			
	– demographic assumptions		—	(9,866)
	– experience adjustments		**(3,874,506)**	2,132,255
			(3,874,506)	**2,122,389**

		2015	2014
7.2.5	**The principal assumptions used in the valuation of gratuity are as follows**		
	Discount rate (% per annum)	**9**	12
	Expected rate of increase in salary (% per annum)	**8**	11
	Mortality rate	**SLIC 2001-2005 set back one year**	SLIC 2001-2005 set back one year

7.2.6 Sensitivity analysis

The sensitivity analysis below has 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%	**(649,789)**	809,166
Salary growth rate	1%	**809,166**	(660,680)

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.

7.2.7 The gratuity scheme exposes the Company to the following risk

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 thebenefit obligation. The movement of the liability can go either way.

	Note	2015 Rupees	2014 Rupees
8. LIABILITY AGAINST IMPORT OF MACHINERY			
Liability against import of machinery	8.1	**122,248,600**	208,985,242
Less : current portion of liabilities against import of machinery		**(4,948,600)**	(85,420,942)
		117,300,000	123,564,300

8.1 This represents CHF 1.115 million payable to a supplier against import of machinery due on September 21, 2015 (maturity date). The liability is secured against assets of the Company and foreign currency account of a director.

On June 4, 2015, the Company entered into an arrangement with a bank to disburse term finance to the extent of Rs. 117.67 million on the date of maturity of above loan. The term finance is payable in 5 years from the date of disbursement, including grace period of 1 year. The facility will carry markup at the rate of 6 months KIBOR plus 3.0% and will be secured against first charge over fixed assets of the Company.

	Note	2015 Rupees	2014 Rupees
9. TRADE AND OTHER PAYABLES			
Creditors		**75,142,075**	322,507,339
Foreign bills payable		—	71,605,178
Advance from customers		**12,518,793**	15,227,575
Accrued liabilities	9.1	**71,545,769**	41,219,049
Commitment charges for import of machinery		**903,376**	8,642,374
Unclaimed dividend		**3,210,950**	3,210,950
Workers' Profit Participation Fund	9.2	—	3,363,143
Workers' Welfare Fund		**1,585,315**	1,585,315
Infrastructure fee / cess	9.3	**48,296,973**	46,647,488
Withholding tax		**1,316,960**	1,127,766
Others		**17,550**	147,247
		214,537,761	515,283,424

9.1 This includes amounts of Rs. 15.42 million and Rs. 2.42 million which are payable to Lahore Electric Supply Company and Sui Northern Gas Pakistan Limited respectively against imposition of additional tariff. The imposition of tariff is being contested in Lahore High Court, however, being prudent management has recorded the amounts payable.

	Note	2015 Rupees	2014 Rupees
9.2 Workers' Profit Participation Fund			
As at July 01		**3,363,143**	2,347,558
Allocation for the year	24	**—**	**593,025**
Interest on funds utilized in Company's business	25	**99,287**	422,560
		3,462,430	3,363,143
Payment made during the year		**(3,462,430)**	—
		—	3,363,143

9.3 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for the development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. 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. 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 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.

Management is confident for a favorable outcome. However, as a matter of prudence, the Company has made provision as follows:

	2015 Rupees	2014 Rupees
Balance as at July 1,	**46,647,488**	42,423,361
Provision during the year	**1,649,485**	4,224,127
	48,296,973	46,647,488
Payments made during the year	—	—
Balance as at June 30,	**48,296,973**	46,647,488

10. SHORT-TERM BORROWINGS

From a banking company - secured

	Note	2015 Rupees	2014 Rupees
Running finance		**92,175,510**	37,556,643
Finance against trust receipts		—	16,929,699
Cash finance		**245,814,187**	178,740,351
Finance against import merchandise (FIM)		**190,141,532**	219,777,860
	10.1	**528,131,229**	453,004,553
Book overdraft - unsecured	10.2	**43,207,645**	—
		571,338,874	453,004,553

10.1 Facilities for running finance, finance against trust receipts, cash finance and FIM are available from bank up to Rs. 550 million (2014: Rs. 540 million). These facilities are subject to mark-up at the rate of 3 month KIBOR plus 1.5% (2014: 3 month KIBOR plus 1.5%) per annum payable quarterly. These are secured against first hypothecation charge over fixed assets and pledge of all raw material.

The aggregate unavailed short-term borrowing facilities amounted to Rs. 21.87 million (2014: Rs. 87.97) million

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

	2015 Rupees	2014 Rupees
11. CONTINGENCIES AND COMMITMENTS		
11.1 Contingencies		
Guarantees issued by bank on behalf of the Company with recourse to:		
– Sui Northern Gas Pipelines Limited	**36,639,300**	36,068,300
– Sindh Cess	**53,850,000**	51,850,000

11.2 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU.

The Company along with group of other plaintiffs filed a suit before the High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act, 2011. The Sindh High Court had restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. On August 22, 2014, the Supreme Court of Pakistan declared that the levy of GID Cess as a tax was not validly levied in accordance with the Constitution.

In September 2014, the Federal Government promulgated Gas Infrastructure Cess (GIDC) Ordinance No. VI of 2014. In May 2015, the said Ordinance was approved in the parliament and became an Act. Under the Act, GID Cess at the rate of Rs. 100 per MMBTU on all industrial consumers and Rs. 200 per MMBTU on all Captive Power Plant (CPP) has been levied.

Subsequent to the approval of the Act, the Company received gas bills at the rate of Rs. 200 per MMBTU, as the Company was considered a CPP by the utility company. The Company along with other plaintiffs has challenged GIDC Act, 2015 including retrospective levy of the GID Cess and have filed a writ petition in the Sindh High Court. Considering the ongoing writ petition, the Company has not recorded GIDC in these financial statements, as it is confident that the decision of the case will be in its favor.

11.3 For assessment year 2012, the Company had received notice of demand of Rs. 1.9 million under section 122(5A) of the Income tax Ordinance, 2001, in respect of levy of turnover tax. An appeal has been filed by the Company in front of Commissioner Inland Revenue (Appeals-II) which is pending adjudication as at year end. No provision has been made in these financial statements, as management is of the view that the case will be decided in the favour of the Company.

	2015 Rupees	2014 Rupees
11.4 Commitments		
Letters of credit for import of:		
- raw material	129,511,067	95,439,406
- stores and spares	3,747,086	—

12. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost/Revaluation				Depreciation					
	At July 01, 2014	Additions / (deletions)	Revaluation	At June 30, 2015	Accumulated at July 01, 2014	Charge / (adjust-ments) for the year	Revaluation	Accumu-lated at June 30, 2015	Carrying value at June 30, 2015	Depre-ciation rate %
	……… Rupees ………									
Leasehold land	8,492,609	—	56,507,391	65,000,000	—	—	—	—	65,000,000	—
Buildings on leasehold land	77,471,152	—	175,625,340	253,096,492	58,872,449	1,859,870	(60,732,319)	—	253,096,492	10
Office premises	3,732,000	—	—	3,732,000	2,854,523	87,748	(944,271)	1,998,000	1,734,000	10
Plant and machinery	947,103,026	19,409,642	—	953,895,113	468,351,662	49,827,049	(184,378,371)	328,985,113	624,910,000	10-33
		(12,617,555)				(4,815,227)				
Electric installations	16,260,779	706,250	15,922,971	32,890,000	14,235,395	208,424	(14,443,819)	—	32,890,000	10
Factory equipment	25,881,756	11,000	—	25,892,756	10,647,518	1,523,607	—	12,171,125	13,721,631	10
Furniture and fixtures	2,695,293	439,300	—	3,134,593	1,545,310	149,481	—	1,694,791	1,439,802	10
Office equipment	4,299,696	39,000	—	4,338,696	1,932,124	237,407	—	2,169,531	2,169,165	10
Computers	565,406	—	—	565,406	482,841	27,246	—	510,087	55,319	33
Vehicles	18,952,894	1,221,000	—	18,473,894	8,508,393	2,114,300	—	9,531,502	8,942,392	20
		(1,700,000)				(1,091,191)				
	1,105,454,611	21,826,192	248,055,702	1,361,018,950	567,430,215	56,035,132	(260,498,780)	357,060,149	1,003,958,801	
		(14,317,555)				(5,906,418)				

For comparative period

Particulars	Cost			Depreciation				
	At July 01, 2013	Additions / (deletions)	At June 30, 2014	Accumulated at July 01, 2013	Charge / (adjustments) for the year	Accumulated at June 30, 2014	Carrying value at June 30, 2014	Depre-ciation 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)			

12.1 As disclosed in note 3.19, the Company changed its accounting policy during the year with respect to the subsequent measurement of leasehold land, buildings on leasehold land, office premises, plant and machinery and electric installations from ‘Cost Model’ to ‘Revaluation Model’. The revaluation of these assets was carried out as of June 30, 2015 by Joesph Lobo (Private) Limited (an independent valuer) on the basis of their professional assessment of present market values based on enquiries made about the cost of similar nature assets, size and location including consideration of current cost of acquisition or construction, net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus on revaluation of Rs. 508.55 million which has been incorporated in the books of the Company as at June 30, 2015.

The carrying amount of the aforementioned assets as at June 30, 2015, if the said assets had been carried at historical cost, would have been as follows :

	June 30, 2015		
	Cost	Accumulated depreciation	Net book value
	.... Rupees		....
Leasehold land	8,492,609	—	8,492,609
Buildings on leasehold land	77,471,152	60,732,319	16,738,833
Office premises	3,732,000	2,942,271	789,729
Plant and machinery	953,895,113	513,363,484	440,531,629
Electric installations	16,967,029	14,443,819	2,523,210
As at 30 June 2015	**1,060,557,903**	**591,481,893**	**469,076,010**

	Note	2015 Rupees	2014 Rupees
12.2 Depreciation for the year has been allocated as under:			
Cost of sales	20	**53,568,431**	49,165,635
Administrative expenses	23	**2,466,701**	1,755,293
		56,035,132	50,920,928

12.3 Disposal of property, plant and equipment

The following assets were disposed of during the year:

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceed	Name and address of buyer	Mode of disposal
	....	Rupees	....			
Plant and machinery	10,620,838	3,260,597	7,360,241	8,000,000	International Textile - Karachi	Negotiation
Plant and machinery	1,996,717	1,554,630	442,087	1,400,000	Lyallpur Textile -Faisalabad	Negotiation
Vehicles	676,000	358,346	317,654	600,000	Mr. Muhammad Saeed Alvi -Karachi	Negotiation
Vehicles	1,024,000	732,845	291,155	575,000	Mr. Muhammad Shahzad -Karachi	Negotiation
2015	**14,317,555**	**5,906,418**	**8,411,137**	**10,575,000**		
2014	4,338,300	1,600,590	2,737,710	3,716,000		

	Note	2015 Rupees	2014 Rupees
13. STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		**37,245,527**	34,849,922
Less: Provision for slow-moving and obsolete items	13.1	**(8,298,290)**	(6,749,892)
		28,947,237	28,100,030

	Note	2015 Rupees	2014 Rupees
13.1 Provision for slow-moving and obsolete items			
Opening balance		**6,749,892**	6,451,124
Provision for slow moving and obsolete items		**2,461,910**	298,768
Reversal of provision		**(913,512)**	—
	20.1	**1,548,398**	298,768
		8,298,290	6,749,892

	Note	2015 Rupees	2014 Rupees
14. STOCK-IN-TRADE			
Raw material			
- In hand		**352,321,546**	432,632,039
- In transit		**25,460,820**	77,475,969
Work-in-process		**22,772,755**	32,097,555
Finished goods		**92,124,807**	350,564,927
Waste		**75,602**	253,502
	14.1	**492,755,530**	893,023,992

14.1 The Company has recognized a write down of Rs. 45.66 million (2014: Rs. 7.78 million) to adjust the carrying value of stock-in-trade to net realizable value.

15. TRADE DEBTS

	Note	2015 Rupees	2014 Rupees
Local - unsecured			
Considered good		**181,871,683**	223,102,586
Considered doubtful		**5,549,646**	4,600,753
		187,421,329	227,703,339
Provision for doubtful debts	15.1	**(5,549,646)**	(4,600,753)
		181,871,683	223,102,586

15.1 Movement of provision for doubtful debts

	Note	2015 Rupees	2014 Rupees
Balance at July 1		**4,600,753**	3,431,484
Provision made during the year		**1,586,389**	1,169,269
Reversal of provision		**(637,496)**	—
	23	**948,893**	1,169,269
Balance at June 30		**5,549,646**	4,600,753

15.2 Trade debts are non-interest bearing and are generally on 90 - 120 days term.

15.3 Ageing of past due but not impaired

As at June 30, 2015, trade debts of Rs. 74.17 (2014: Rs.49.69) million 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 these trade debts is as follows:

	2015 Rupees	2014 Rupees
121 - 365 days	**63,256,697**	49,034,502
Above 365 days	**10,917,420**	651,614
	74,174,117	49,686,116

		Note	2015 Rupees	2014 Rupees
16.	**ADVANCES AND OTHER RECEIVABLES**			
	Advances - Considered good			
	- To suppliers		**10,777,310**	4,381,833
	- To employees	16.1	**364,890**	10,000
	- Income tax		**37,383,177**	31,241,593
	- Fee and charges against letters of credit		**5,129,174**	105,223
	Advances - Considered doubtful			
	- To suppliers		**1,460,556**	1,418,753
	Other receivables			
	- Profit accrued on deposits		**90,713**	76,176
			55,205,820	**37,233,578**
	Less: provision for doubtful advances	16.2	**(1,460,556)**	(1,418,753)
		16.3	**53,745,264**	**35,814,825**

16.1 This includes advance to directors of Rs. 0.17 (2014: nil) million against reimbursement of expenses.

16.2 Movement of provision

	Note	2015 Rupees	2014 Rupees
Balance at July 01		**1,418,753**	1,004,433
Provision made during the year		**441,796**	414,320
Reversal made during the year		**(399,993)**	—
	23	**41,803**	414,320
		1,460,556	1,418,753

16.3 Balance amounting to Rs. 651,232, being irrecoverable, was written off in the current year.

		Note	2015 Rupees	2014 Rupees
17.	**SALES TAX REFUNDABLE**			
	Considered good		**14,422,876**	7,703,581
	Considered doubtful		**8,797,228**	8,797,228
			23,220,104	16,500,809
	Provision against sales tax refundable		**(5,155,045)**	(5,155,045)
			18,065,059	11,345,764
18.	**CASH AND BANK BALANCES**			
	Cash in hand		**1,500,000**	1,000,000
	Cash at bank			
	in current accounts		**8,222,756**	1,614,253
	in saving accounts	18.1	**2,635,530**	3,290,464
			12,358,286	5,904,717

18.1 Effective mark-up rate ranges from 6.88% to 9.6% (2014: 7.3% to 9.6%) per annum. There is lien on Rs. 2.6 million (2014: Nil) in respect of security against short-term-borrowings (note 10.1).

	Note	2015 Rupees	2014 Rupees
19. SALES - net			
Yarn			
- Local		**1,396,048,376**	2,333,910,384
- Indirect export		**18,453,855**	70,076,100
Raw material - Local		**4,018,897**	98,593,166
Waste - Local		**912,188**	4,102,590
		1,419,433,316	2,506,682,240
Less : Sales tax on local sales		**(39,584,579)**	(54,370,740)
Sales discount		**(4,772,550)**	—
		1,375,076,187	2,452,311,500
20. COST OF SALES			
Cost of goods manufactured	20.1	**1,171,582,439**	2,554,755,627
Finished goods			
Opening stock		**350,818,429**	91,753,427
Closing stock		**(92,200,409)**	(350,818,429)
		258,618,020	(259,065,002)
		1,430,200,459	2,295,690,625
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	**644,582,694**	1,898,827,123
Packing material		**20,334,524**	40,795,486
Stores and spares consumed		**34,488,300**	87,116,903
Salaries, wages and benefits	20.1.2	**166,742,120**	198,904,433
Fuel and power		**214,354,345**	243,646,742
Insurance		**6,575,977**	6,806,641
Repairs and maintenance		**10,775,154**	16,160,952
Depreciation	12.2	**53,568,431**	49,165,635
Provision for slow-moving and obsolete stores and spares	13.1	**1,548,398**	298,768
Other manufacturing overheads		**9,287,696**	17,594,112
		1,162,257,639	2,559,316,795
Work-in-process			
Opening stock		**32,097,555**	27,536,387
Closing stock		**(22,772,755)**	(32,097,555)
		9,324,800	(4,561,168)
		1,171,582,439	2,554,755,627

		Note	2015 Rupees	2014 Rupees
20.1.1	**Raw material consumed**			
	Opening stock		**432,632,039**	400,065,365
	Purchases and purchase expenses		**564,272,201**	1,931,393,797
			996,904,240	2,331,459,162
	Closing stock		**(352,321,546)**	(432,632,039)
			644,582,694	1,898,827,123

20.1.2 Salaries, wages and benefits include Rs. 2.29 (2014: Rs. 6.66) million in respect of staff retirement benefits.

21. OTHER INCOME

	Note	2015 Rupees	2014 Rupees
Income from financial assets			
Profit on deposits / saving accounts		**5,725,704**	6,669,027
Income from assets other than financial assets			
Scrap sale		**216,148**	577,174
Gain on disposal of assets		**2,163,863**	978,290
Other income	21.1	**4,409,382**	—
Liabilities written back		—	400,888
Exchange gain -net		—	3,796,537
Reversal of provision for Gas Infrastructure Development Cess (GIDC)		—	4,785,021
		12,515,097	17,206,937

21.1 This includes Rs. 3.39 million pertaining to reversal of liabilities on full and final settlement.

22. DISTRIBUTION COST

	2015 Rupees	2014 Rupees
Freight	**7,330,671**	15,718,061
Commission	**2,728,284**	33,098,692
Others	**352,545**	1,657,758
	10,411,500	50,474,511

	Note	2015 Rupees	2014 Rupees
23. ADMINISTRATIVE EXPENSES			
CEO / Directors' remuneration	28	**4,122,000**	6,997,004
Salaries and benefits	23.1	**11,316,398**	13,382,035
Travelling and conveyance		**2,297,534**	3,333,408
Printing and stationery		**1,036,122**	1,260,006
Postage and telephone		**1,649,982**	1,456,166
Legal and professional		**1,252,543**	1,590,083
Advertisement		**16,207**	61,898
Repairs and maintenance		**996,103**	1,661,166
Vehicles running		**2,678,485**	2,570,564
Fees, subscription and periodicals		**736,006**	1,898,182
Auditors' remuneration	23.2	**915,000**	915,000
Donation	23.3	**75,000**	770,000
Depreciation	12.2	**2,466,701**	1,755,293
Rent, rates and taxes		**37,808**	—
Provision against doubtful debts	15.1	**948,893**	1,169,269
Provision against doubtful advances	16.2	**41,803**	414,320
Others		**3,099,973**	2,777,521
		33,686,558	42,011,915

23.1 Salaries and benefits include Rs. 0.14 (2014: Rs. 0.37) million in respect of staff gratuity.

23.2 Auditors' remuneration	2015 Rupees	2014 Rupees
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

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

24. OTHER OPERATING EXPENSES	Note	2015 Rupees	2014 Rupees
Exchange loss		**23,682,304**	—
Workers' Welfare Fund		—	237,210
Workers' Profit Participation Fund	9.2	—	593,025
Write off of advances	16.3	**651,232**	—
		24,333,536	830,235

	Note	2015 Rupees	2014 Rupees
25. FINANCE COST			
Mark-up / interest on:			
Short-term borrowings		**56,091,556**	64,908,945
Workers' Profit Participation Fund	9.2	**99,287**	422,560
Bank charges and commission		**1,768,781**	4,149,376
		57,959,624	69,480,881

	Note	2015 Rupees	2014 Rupees
26. TAXATION			
Current			
– for the year		**10,276,110**	—
– for prior years		—	2,287,309
		10,276,110	2,287,309
Deferred	7.1	**(46,837,122)**	(2,428,043)
		(36,561,012)	(140,734)

26.1 Relationship between tax expense and accounting profit

	2015 Rupees	2014 Rupees
Accounting profit for the year	**(169,000,393)**	11,030,270
Tax rate	**33%**	34%
Tax on income	**(55,770,130)**	3,750,292
Impact of tax credit	**—**	(23,519,172)
Effect of prior year tax	—	(2,428,043)
Impact of turnover tax	—	15,097,481
Impact of tax on export at reduced rates	**854,283**	215,980
Impact of change in tax rates	**1,892,818**	2,103,014
Minimum tax credit derecognized in current year	**12,811,463**	—
Others	**3,650,554**	4,639,714
Tax charge for the year	**(36,561,012)**	(140,734)

26.2 Finance Act, 2015 has introduced tax rates of 32%, 31% and 30% for the tax years 2016, 2017 and 2018 (and onwards), respectively. Accordingly, deferred tax liability has been recorded on the basis of tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.

27. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2015	2014
(Loss) / profit for the year	**Rupees**	**(132,439,381)**	11,171,004
Weighted average number of ordinary shares outstanding during the year		**14,700,000**	14,700,000
Earnings per share - basic and diluted	**Rupees**	**(9.01)**	0.76

28. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	......Rupees......					
Managerial remuneration	**2,842,759**	—	**2,700,000**	2,842,759	1,462,729	3,722,292
House rent	**1,279,241**	—	**1,215,000**	1,279,241	658,229	1,675,031
Bonus	—	—	—	236,897	142,086	57,690
Leave encashment	—	—	—	236,897	138,166	63,465
	4,122,000	—	**3,915,000**	4,595,794	2,401,210	5,518,478
No. of persons	1	—	4	1	2	5

TheChiefExecutiveOfficerandDirectorsareprovidedwithfreeuseofCompanymaintainedcarsandreimbursementoftelephone bills in accordance with the terms of their appointment.

29. 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.

30. 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 28 and amount due in respect of staff gratuity is disclosed in note 7.2. Other significant transactions with related parties are as follows:

		2015 Rupees	2014 Rupees
Relationship with the party	**Nature of transactions**		
Associated Undertakings	Share of common expenses paid	**625,950**	677,568

	2015 Rupees	2014 Rupees

31. 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	**15,858,596**	14,127,730

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.

32. FINANCIAL INSTRUMENTS BY CATEGORY

	2015 Rupees	2014 Rupees
Financial assets as per balance sheet		
Loans and receivables		
Long-term deposits	**1,645,222**	1,645,222
Trade debts	**181,871,683**	223,102,586
Advances and other receivables	**455,603**	86,176
Cash and bank balances	**12,358,286**	5,904,717
	196,330,794	230,738,701
Financial liabilities as per balance sheet		
At amortized cost		
Loan from directors	**95,311,423**	153,500,000
Trade and other payables	**150,819,720**	447,332,137
Liability against import of machinery	**122,248,600**	208,985,242
Mark-up accrued on short-term borrowings	**7,059,329**	9,810,286
Short-term borrowings	**571,338,874**	453,004,553
	946,777,946	1,272,632,218

33. FINANCIAL RISK MANAGEMENT

TheBoardofDirectorshasoverallresponsibilityfortheestablishmentandoversightoftheCompany'sfinancia lriskmanagement.ToassisttheBoardindischargingitsoversightresponsibility,managementhasbeenmader esponsibleforidentifying,monitoringandmanagingtheCompany'sfinancialriskexposures.TheCompanyh asexposuretothefollowingrisks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counterparties are engaged in similar business activities, or have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk from its operating activities primarily for trade debts and balances / deposits with banks. The carrying amount of financial assets represents the maximum credit exposure.

33.1.1 Trade debts

The trade debts at year end are primarily due from local customers against local sales. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Company has no major concentration of credit risk with any single customer. The Company establishes an allowance for impairment that represents its estimate of incurred losses for overdue balances based on analysis of each customer. The trade debts that are past due but not impaired are disclosed in note 15.3.

33.1.2 Balances with banks

The Company deposits its fund with banks carrying good credit standings assessed by reputable credit agencies. These banks are credit rated 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-
Dubai Islamic Bank Limited	A-1	A+

33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances and availability of financing through banking arrangements. The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

	Carrying amount	Contractual maturities	Maturity upto one year	Maturity after one year
2015	....	**(Rupees)**	....	
Loan from directors	**95,311,423**	**153,500,000**	**—**	**153,500,000**
Liability against import of machinery	**122,248,600**	**146,353,166**	**4,948,600**	**141,404,566**
Trade and other payables	**150,819,720**	**150,819,720**	**150,819,720**	—
Mark-up accrued on short term bank borrowings	**7,059,329**	**7,059,329**	**7,059,329**	—
Short-term borrowings	**571,338,874**	**571,338,874**	**571,338,874**	—
	946,777,946	**1,029,071,089**	**734,166,523**	**294,904,566**
2014				
Loan from directors	153,500,000	153,500,000	—	153,500,000
Liability against import of machinery	208,985,242	208,985,242	85,420,942	123,564,300
Trade and other payables	447,332,137	447,332,137	447,332,137	—
Mark-up accrued on short term bank borrowings	9,810,286	9,810,286	9,810,286	—
Short-term borrowings	453,004,553	453,004,553	453,004,553	—
	1,272,632,218	1,272,632,218	995,567,918	277,064,300

33.3 Market risk

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 Company is exposed to interest rate risk and currency risk.

33.3.1 Interest rate risk

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. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term borrowings with floating interest rates.

	Carrying amount	
Variable rate instrument	**2015 Rupees**	**2014 Rupees**
Financial liabilities		
– KIBOR based	**528,131,229**	436,074,854
– LIBOR based	**—**	16,929,699
	528,131,229	453,004,553

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit after tax by Rs. 5.28 million (2014: Rs. 4.53 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

33.3.2 Currency risk

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. The 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, 2015 financial assets and liabilities exposed to currency risk are as follows:

	2015	**2014**	**2015**	**2014**
	...........Currency..............		**.................PKR...............**	
Liability against import of machinery - EURO	**—**	634,000	**—**	85,420,942
Liability against import of machinery - CHF	**1,115,000**	1,115,000	**122,248,600**	123,564,300
Foreign bills payable - USD	—	718,045	—	71,605,178
			122,248,600	280,590,420

Foreign currency sensitivity analysis

At June 30, 2015, if the Rupee had weakened / strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher / lower by Rs. 12.22 million (2014: 28.06 million) mainly as a result of foreign exchange gains / (losses) on translation of foreign currency-denominated in Euros and Swiss Franc against foreign bills payable.

33.4 Fair value of financial assets and liabilities

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

34. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to the shareholders or issue bonus / new shares.

The Company is not subject to externally imposed capital requirements.

35. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2015 and 2014 respectively are as follows :

	2015	**2014**
Average number of employees during the year	1,146	1,283
Number of employees as at June 30	967	1,324

36. 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 03, 2015.

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 25th Annual General Meeting of the Company to be held at 7th Floor, Uni Tower, I. I. Chundrigar Road, Karachi, on Friday, October 30, 2015 at 9:30 a.m. and at any adjournment thereof.

Signed this .... day of 2015

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.