22nd ANNUAL REPORT 2012

N. P. Spinning Mills Limited

CONTENTS

VISION

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

MISSION

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

COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman	:	Mr. Inamur Rehman
Members	:	Mr. Fakhar Mohiuddin Faruqi Mr. Ziauddin Zubairi

HUMAN RESOURCE & REMUNERATION COMMITTEE

Chairman	:	Mr. Fakhar Mohiuddin Faruqi
Members	:	Mr. Nazir Ahmed Mr. Ziauddin Zubairi

COMPANY SECRETARY

Mr. Muhammad Siddique

CHIEF FINANCIAL OFFICER

Mr. Muhammed Hanif

AUDITORS

M/s. M. Yousuf Adil Saleem & Co.,
Chartered Accountants

BANKERS

Habib Bank Limited
MCB Bank Ltd.
Habib Metropolitan Bank Limited
Soneri Bank Limited

SHARE REGISTRAR

M/s. Noble Computer Services (Pvt) Ltd.
House of Habib Building, 3-JCHS,
Main Shahrah-e-Faisal, Karachi.
Phone # 021-34325482-87

REGISTERED OFFICE

703-Uni Tower,
I. I. Chundrigar Road, Karachi.
Phone # 021-32427202-205

FACTORY

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

NOTICE OF MEETING

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of **N. P. Spinning Mills Limited** will be held Insha Allah on Wednesday October 31, 2012 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 29, 2011.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2012 together with Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2013 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board

(Muhammad Siddique)
Company Secretary

Karachi: October 05, 2012

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2012 to October 31, 2012 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. Proxies must be deposited at the registered office of the Company not less than 48 hours before the time of meeting.
3. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant ID to facilitate identification and in case of proxy, must enclose an attested copy of CNIC. Representatives of Corporate Members should bring the usual documents, required for such purpose.
4. Shareholders, who have not yet submitted copy of their valid CNIC are once again requested to send the same to our Share Registrar.
5. Change of address, if any, may please be notified immediately.

DIRECTORS' REPORT

The Directors are pleased to present before you the 22nd Annual Report together with the audited accounts of the Company for the year ended June 30, 2012.

FINANCIAL RESULTS

The operating and financial results of the Company for the year under review are not much encouraging. Production for the year was 15.915 M.Kgs. at 20/s count compared to 16.149 M.Kgs for last year. Sales for the year was Rs.1,792 (M) compared to Rs.2,129 (M), registering a decrease of appox.16% over last year. The Company posted a loss before tax of Rs.57.557 (M) compared to pretax profit of Rs.86.153 (M) last year. The loss is attributable to production losses caused as a result of scheduled and unscheduled gas & power load shedding in the province of Punjab. Besides law & order situation and high food prices have affected industrial & trading activity, as also demand for textile products.

FUTURE OUTLOOK

Due to increased arrival of phutti, cotton prices remained stable during the year under review. This year also, cotton estimates are encouraging and it will be available at reasonable prices. We do not see such volatilities in cotton prices, witnessed last year. Engery shortages, weakening rupee, mark-up rates, hike in tariffs & other costs are factors that may have adverse effects if timely remedial measures are not taken.

EARNINGS PER SHARE

The earrings per share for the year under review is Rs. (5.16).

DIVIDEND

In view of loss, sustained by the Company for the year under review, the Directors do not recommend any dividend or bonus shares for the year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The financial statements, present fairly the state of affairs of the Company, the result 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 Accounting Standards, 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, 2012, four Board Meetings and five Audit Committee Meetings were held which were attended as follows:-

BOARD MEETINGS

NAME OF DIRECTORS	MEETINGS ATTENDED
Mr. Inamur Rehman	4
Mrs. Summayya Rehman	4
Mr. Khalid Inam	4
Mrs. Asma Khalid	4
Mr. Fakhar Mohiuddin Faruqi	4
Mr. Nazir Ahmed	4
Mr. Ziauddin Zubairi	4

AUDIT COMMITTEE MEETINGS

NAME OF DIRECTORS	MEETINGS ATTENDED
Mr. Inamur Rehman	5
Mr. Fakhar Mohiuddin Faruqi	5
Mr. Ziauddin Zubairi	5

j) During the year under review no Human Resource and Remuneration Committee Meeting was held.

k) The pattern of shareholdings as at June 30, 2012 is annexed to this report.

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

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

	Purchased
Mrs. Asma Khalid	25,204

AUDITORS

The present auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment for the financial year ending June 30, 2013.

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 05, 2012

Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2012

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

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

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

Category	**Names**
Non-Executive Directors	1. Mrs. Summayya Rehman
	2. Mrs. Asma Khalid
	3. Mr. Fakhar Mohiuddin Faruqi
	4. Mr. Nazir Ahmed
	5. Mr. ZiauddinZubairi
Executive Directors	1. Mr. Inamur Rehman
	2. Mr. Khalid Inam
Independent directors	—

   The condition of clause 1(b) of the Code in relation to independent director will be applicable after election of next Board of Directors of the Company in December 2012.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of them are members of any Stock Exchange.
4. There was no casual vacancy in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), have been taken by the Board.
8. Related party transactions were placed before the audit committee and approved by the Board, however, no transaction require justification for non-arm's length basis.
9. The meetings of the Board were every quarter presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were also circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Board members are aware of their responsibilities, rules and regulations on laws affecting the Company as they are on the Board since many years. However, no structured training program was arranged for directors during the year.
11. During the year, the Board has approved appointment of CFO including his remuneration and terms and conditions of employment, as determined by CEO. There was no new appointment in the office of Company Secretary.
12. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises three (3) members, of whom two (2) are non-executive directors.
17. The meetings of the audit committee were held at least once 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.
18. The Board has formed an HR and Remuneration Committee, comprising of three (3) members. All members including the chairman of the committee are non-executive directors.
19. Head of internal audit is performing internal audit work. The function is to be strengthened by the Board.
20. 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 Accountant 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 Accountant of Pakistan.
21. 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.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

(KHALID INAM)
Chief Executive

Karachi: October 05, 2012

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

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

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

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

Further, Listing Regulations of the Stock Exchange where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related parry transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

We draw attention to para 10 of the Statement of Compliance regarding non-arrangement of orientation course of directors of the Company.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: October 05, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **N.P. SPINNING MILLS LIMITED** (the Company) as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b. in our opinion:

    i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi : October 05, 2012

Engagement Partner
Mushtaq Ali Hirani

BALANCE SHEET

	Note	2012 Rupees	2011 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	5	147,000,000	147,000,000
Unappropriated profit		159,730,211	253,220,145
		306,730,211	400,220,145
NON-CURRENT LIABILITIES			
Loan from directors unsecured - interest free		134,000,000	134,000,000
Deferred liabilities	6	37,410,392	38,065,321
CURRENT LIABILITIES			
Trade and other payables	7	150,495,903	142,371,748
Mark-up accrued on short term bank borrowings		8,200,282	3,121,595
Short-term borrowings	8	350,579,804	225,655,169
		509,275,989	371,148,512
CONTINGENCIES AND COMMITMENTS	9		
		987,416,592	**943,433,978**

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

AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	10	244,421,383	245,088,748
Long-term deposits		1,495,222	1,495,222
CURRENT ASSETS			
Stores, spares and loose tools	11	23,294,729	28,597,801
Stock-in-trade	12	550,473,233	463,116,376
Trade debts	13	37,869,837	76,245,427
Advances and other receivables	14	52,951,653	29,630,155
Sales tax refundable	15	11,583,412	10,619,331
Cash and bank balances	16	65,327,123	88,640,918
		741,499,987	696,850,008
		987,416,592	**943,433,978**

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

PROFIT AND LOSS ACCOUNT

For the Year Ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	17	1,792,499,017	2,129,405,131
Cost of goods sold	18	(1,756,285,594)	(1,952,540,131)
Gross profit		36,213,423	176,865,000
Other operating income	19	12,072,712	2,992,631
		48,286,135	179,857,631
Distribution cost	20	13,483,352	21,618,163
Administrative expenses	21	45,997,162	50,827,171
Other operating expenses	22	20,491,115	8,707,555
Finance cost	23	25,871,026	12,551,715
		(105,842,655)	(93,704,604)
(Loss)/profit before taxation		(57,556,520)	86,153,027
Provision for taxation	24	(18,293,414)	(30,110,137)
(Loss)/profit after taxation		(75,849,934)	56,042,890
Other comprehensive income			
Other comprehensive income for the year		—	—
Total comprehensive income for the year		(75,849,934)	56,042,890
Earnings per share - basic and diluted	25	(5.16)	3.81

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

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

CASH FLOW STATEMENT

For the Year Ended June 30, 2012

		2012 Rupees	2011 Rupees
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	(Loss) / profit before taxation	(57,556,520)	86,153,027
	Adjustments for:		
	Depreciation	26,882,131	24,652,085
	Loss / (gain) on disposal of property, plant and equipment	2,272	(143,535)
	Provision for staff retirement gratuity	5,125,217	5,763,687
	Provision for infrastructure fee	—	8,592,675
	Provision against slow moving and obsolete stores and spares	—	3,508,930
	Reversal against provision for doubtful advances	—	(466,575)
	Liabilities written back/(written off)	1,830,836	(1,338,348)
	Provision against doubtful sales tax refundable	2,057,993	—
	Profit on deposits / saving accounts	(6,977,241)	(997,876)
	Finance cost	25,871,026	12,551,715
	Operating cash (outflow)/inflows before working capital changes	(2,764,286)	138,275,785
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spares and loose tools	5,303,072	(5,563,090)
	Stock-in-trade	(87,356,857)	(21,622,652)
	Trade debts	38,375,590	(49,809,830)
	Advances	(24,980,841)	4,750,082
	Sales tax refundable	(3,022,074)	2,168,821
	Decrease in current liabilities		
	Trade and other payables	(4,868,165)	(80,657,110)
		(76,549,275)	(150,733,779)
	Cash used in operations	(79,313,561)	(12,310,747)
	Finance cost paid	(20,792,339)	(9,596,358)
	Gratuity paid	(3,758,403)	(2,145,612)
	Taxes paid	(18,655,814)	(61,555,152)
	Net cash used in operating activities	(122,520,117)	(85,607,869)
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Purchase of property, plant and equipment	(27,423,039)	(45,490,268)
	Proceeds from disposal of property, plant and equipment	1,206,000	3,646,398
	Profit received on deposits / saving accounts	6,977,241	997,877
	Net cash used in investing activities	(19,239,798)	(40,845,993)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Long term loan from directors	—	66,246,349
	Short-term bank borrowings increase/(decrease)-net	(110,810,999)	225,507,922
	Dividend paid	(6,625,762)	(29,147,734)
	Net cash (used in) /generated from financing activities	(117,436,761)	262,606,537
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	(259,196,676)	136,152,675
	Cash and cash equivalents at beginning of the year	88,640,918	(47,511,757)
	Cash and cash equivalents at end of the year	(170,555,758)	88,640,918
	Cash and cash equivalents		
	Cash and bank balances	65,327,123	88,640,918
	Running finance	(235,882,881)	—
		(170,555,758)	88,640,918

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

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2012

	Share Capital	Unappropriated Profit	Total
	....	Rupees	....
Balance at July 01, 2010	147,000,000	226,577,255	373,577,255
Comprehensive Income			
Profit for the year ended June 30, 2011	—	56,042,890	56,042,890
Other comprehensive income - net of tax	—	—	—
	—	56,042,890	56,042,890
Transactions with owners			
Final cash dividend for the year ended June 30, 2010 @ Rs. 2/- per share	—	(29,400,000)	(29,400,000)
Balance at June 30, 2011	147,000,000	253,220,145	400,220,145
Comprehensive Income			
Loss for the year ended June 30, 2012	—	(75,849,934)	(75,849,934)
Other comprehensive income - net of tax	—	—	—
	—	(75,849,934)	(75,849,934)
Transactions with owners			
Final cash dividend for the year ended June 30, 2011 @ Rs. 1.2/- per share	—	(17,640,000)	(17,640,000)
Balance at June 30, 2012	147,000,000	159,730,211	306,730,211

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

KHALID INAM
Chief Executive

INAMUR REHMAN
Chairman/Director

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. STATUS AND NATURE OF BUSINESS

1.1 N.P. Spinning Mills Limited (the Company) was incorporated in Pakistan on February 17, 1991 as public company limited by shares under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges in Pakistan. The principal business of the Company is manufacturing and sale of yarn. The Mills is located in Raiwand, District Lahore in the province of Punjab. The registered and head office of the Company is located at 703 - Uni Tower, I.I. Chundrigar Road, Karachi in the province of Sindh.

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

2. STATEMENT OF COMPLIANCE

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

2.2 Standards, interpretation and amendment adopted during the year

In the current period, the Company has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2011.

Standard	Effective date (accounting period beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendment)	January 1, 2011
IAS 24 - Related Party Disclosures (Revision in 2009)	January 1, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 1, 2011
IFRS 7 – Disclosures – Transfer of Financial Assets (Amendment)	July 1, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 1, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

The adoption of new standards, interpretation and amendments/improvements did not have any effect on the financial statements.

2.3 New, revised and amended standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2012. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

Standard	Effective date (accounting period beginning on or after)
IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment)	July 01, 2012
IAS 12 – Income Taxes (Amendment)	January 01, 2012
IFIRC 20 – Stripping costs in the production phase of surface mine (Amendment)	January 01, 2012

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

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses in other comprehensive income arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 1013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

3. Basis of preparation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed a minimum qualifying period of service. Provisions are made annually on the basis of actuarial recommendation to cover the obligation under the scheme. The most recent valuation was carried out as at June 30, 2012 using "Project Unit Credit Method".

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

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

Compensated absences

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

4.2 Trade and other payables

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

4.3 Dividend distribution

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

4.4 Borrowing cost

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

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

4.5 Taxation

Current

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

Deferred

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

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

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

4.6 Property, plant and equipment

Company owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note 10. Depreciation is charged on addition from the month the asset is available-for-use and on disposals upto the month preceding the month of disposal.

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

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

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

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

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

4.7 Stores, spares and loose tools

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

4.8 Stock in trade

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

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

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

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

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

4.9 Trade debts

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

4.10 Cash and cash equivalents

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

4.11 Revenue recognition

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

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

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

4.12 Impairment

Financial assets

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

Non-financial assets

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

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

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

4.13 Provisions

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

4.14 Foreign currencies

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

4.15 Financial Instruments

Recognition and de-recognition

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

Off-setting

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

4.16 Key accounting judgment and estimate

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

– Useful lives of property, plant and equipment (note 10.1)
– Impairment in property, plant and equipment.
– Provision against slow moving and obsolete stores, spares and loose tools (note 11)
– Provision against doubtful debts and receivables (note 13);

5. SHARE CAPITAL

2011	2012		2012	2011
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 capital		
		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	– Issed as bonus shares	42,000,000	42,000,000
14,700,000	14,700,000		147,000,000	147,000,000

5.1 There is no movement during the reporting year.

5.2 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.

5.3 The Company has no reserved shares for issuance under options and sales contracts.

5.4 N.P. Waterproof Industries (Private) Limited, an associated undertaking, held 57,400 (2011: 57,400) ordinary shares.

6. DEFERRED LIABILITIES

	Note	2012 Rupees	2011 Rupees
Deferred taxation	6.1	26,730,070	28,751,813
Staff retirement gratuity	6.2	10,680,322	9,313,508
		37,410,392	38,065,321

6.1 Deferred taxation

This comprises of the following:

	2012	2011
Deferred tax liability on taxable temporary differences arising due to accelerated depreciation allowance	45,226,328	43,915,299
Deferred tax asset on deductible temporary differences arising in respect of:		
Provision for staff gratuity	(3,120,560)	(2,663,183)
Provision against doubtful debts	(973,454)	(1,004,915)
Provision against doubtful advances	(150,214)	(147,011)
Provision against slow moving and obsolete stores & spares	(1,440,567)	(1,409,851)
Provision for infrastructure fee	—	(9,938,526)
Minimum turnover tax	(12,811,463)	—
	(18,496,258)	(15,163,486)
	26,730,070	28,751,813

6.2 Staff retirement gratuity

The latest actuarial valuation was carried out by Actuaries at June 30, 2012 using “Projected Unit Credit Method”. The basis of recognition together with details as per actuarial valuation is as under:

(a) Movement in liability:

	2012	2011
Opening balance	9,313,508	5,695,433
Charge for the year	5,125,217	5,763,687
Payments made during the year	(3,758,403)	(2,145,612)
Closing balance	10,680,322	9,313,508

(b) Reconciliation:

	2012	2011
Present value of defined benefit obligation	5,808,062	6,620,572
Actuarial gains to be recognized in later periods	4,872,260	2,692,936
	10,680,322	9,313,508

	2012 Rupees	2011 Rupees
(c) Charge for the year:		
Current service cost	4,621,337	5,342,300
Interest cost	912,159	560,581
Actuarial gains recognized during the year	(408,279)	(139,194)
	5,125,217	5,763,687
(d) Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	6,620,572	4,671,506
Current service cost	4,621,337	5,342,300
Interest cost	912,159	560,581
Benefits paid	(3,758,403)	(2,145,612)
Actuarial gain recognized	(2,587,603)	(1,808,203)
Closing defined benefit obligation	5,808,062	6,620,572

(e) The principal assumption used in the valuation of gratuity are as follows:	**2012**	**2011**
Discount rate (% Per annum)	13	14
Expected rate of increase in salary (% Per annum)	12	13

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

	2012	2011	2010	2009	2008
	....Rupees....				
Present value of the defined benefit obligation	5,808,062	6,620,572	4,671,506	1,716,598	4,395,733

	Note	2012 Rupees	2011 Rupees
7. TRADE AND OTHER PAYABLES			
Creditors		64,247,885	44,965,044
Advance from customers		4,913,068	3,967,431
Accrued liabilities		28,110,458	48,387,257
Unclaimed dividend		14,092,394	3,078,157
Workers' Profit Participation Fund	7.1	—	4,651,613
Workers' Welfare Fund		409,082	2,565,892
Infrastructure fee / cess	7.2	38,575,769	34,756,354
Other - Director		147,247	147,247
		150,495,903	142,518,995
7.1 Workers' Profit Participation Fund			
As at July 01		4,651,613	6,624,293
Allocation for the year		—	4,651,613
Interest on funds utilized in Company's business	7.1.1	237,232	407,394
		4,888,845	11,683,300
Payments made during the year		(4,888,845)	(7,031,687)
As at June 30		—	4,651,613

7.1.1 Interest has been charged @ 15% on outstanding balance as on June 30, 2011.

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

The Supreme Court granted stay by passing an interim order on January 22, 2009. During last financial year the order passed by the High Court of Sindh was set aside by the Supreme Court vide its order dated May 20, 2011. Consequently a new petition has been filed in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court of Sindh has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed.

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

	Note	2012 Rupees	2011 Rupees
Balance at July 01,		34,756,354	26,163,679
Provision made during the year		7,638,830	17,185,350
		42,395,184	43,349,029
Payment made during the year		—	(8,592,675)
Balance at June 30,		42,395,184	34,756,354

8. SHORT-TERM BORROWINGS

	Note	2012 Rupees	2011 Rupees
From banking company:			
Running finance	8.1	235,882,881	—
Finance against trust receipts	8.2	114,696,923	225,507,922
		350,579,804	225,507,922

8.1 These are subject to mark-up @ 6 months KIBOR plus 1.5% and are secured against pledge of cotton stock and lien on balance in the saving account upto Rs. 40 million.

8.2 These are subject to mark-up @ 6 months LIBOR plus 4.5% and are secured against pledge of cotton stock and lien on balance in the saving account upto Rs. 40 million.

8.3 The aggregate unavailed running finance and finance against trust facilities available amounted to Rs. 613.82 (2011: Rs. 501.5) million.

8.4 Effective rate of markup is ranging from 13.45% to 15.31% (2011 : 13.85% to 15.14%) per annum.

9. CONTINGENCIES AND COMMITMENTS

	2012 Rupees	2011 Rupees
Contingencies		
Guarantees issued by bank on behalf of the Company with recourse to:		
– Sui Northern Gas Pipelines Limited	21,100,300	23,843,946
– Excise and Taxation Officer	41,500,000	34,756,354
	62,600,300	58,600,300
Commitments		
Letters of credit for import of:		
– property, plant and equipment	—	20,481,960
– raw material	23,952,200	78,369,256
– stores and spares	3,301,883	—

		2012	2011
10. PROPERTY, PLANT AND EQUIPMENT	**Note**	**Rupees**	**Rupees**
Operating assets	10.1	244,421,383	242,010,951
Capital work in progress			
– Civil work		—	1,678,797
Advance for purchase of vehicle		—	1,399,000
		244,421,383	245,088,748

10.1 PROPERTY, PLANT AND EQUIPMENT

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

For comparative period

	Cost			Accumulated Depreciation				
Particulars	**As at July 01, 2010**	**Additions/ (Deletions)**	**As at June 30, 2011**	**As at July 01, 2010**	**Charge/ (Adjustments) for the year**	**As at June 30, 2011**	**Carrying value at June 30, 2011**	**Depreciation Rate %**
	.... Rupees							
Leasehold land	8,492,609	—	8,492,609	—	—	—	8,492,609	—
Buildings on leasehold land	64,340,195	7,207,086	71,547,281	50,382,204	2,005,022	52,387,226	19,160,055	10
Office premises	3,732,000	—	3,732,000	2,394,587	133,741	2,528,328	1,203,672	10
Plant and machinery	533,084,894	25,000,000	558,084,894	362,315,446	18,118,611	380,434,057	177,650,837	10
Electric installations	16,177,179	—	16,177,179	13,199,117	297,806	13,496,923	2,680,256	10
Factory equipment	21,370,072	6,130,805	24,858,099	3,520,056	1,665,766	5,053,683	19,804,416	10
		(2,642,778)			(132,139)			
Furniture and fixtures	1,723,253	—	1,723,253	1,306,774	41,648	1,348,422	374,831	10
Office equipment	2,519,327	199,900	2,719,227	1,325,933	136,413	1,462,346	1,256,881	10
Computers	436,826	18,680	455,506	337,600	35,826	373,426	82,080	33
Vehicles	16,147,064	3,856,000	16,825,139	5,488,274	2,217,252	5,519,825	11,305,314	20
		(3,177,925)			(2,185,701)			
2011	668,023,419	42,412,471	704,615,187	440,269,990	24,652,085	462,604,236	242,010,951	
		(5,820,703)			(2,317,840)			

		2012	2011
	Note	**Rupees**	**Rupees**
10.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	18.1	24,015,412	22,128,853
Administrative expenses	21	2,866,719	2,523,232
		26,882,131	24,652,085

10.3 Disposal of property, plant and equipment - *mode of disposal; by negotiation*

The following asset were disposed of during the year.

Particulars	Cost	Accumulated Depreciation	Carrying value	Sale Proceeds	Name and Address of Buyer
	.... *Rupees*				
Vehicle	649,000	450,514	198,486	200,000	Shafi Khan H.No.H-458,Ghousia Colony, No.2, Central Jail, New Town,, Karachi
Vehicle	70,270	64,604	5,666	6,000	Ghulam Nabi Near Jama Masjid, Shadi Khail, Karachi
Vehicle	1,100,065	769,634	330,431	300,000	Muhammad Asif Sheikh Plot # 2/102,Rabbi Apartment, Block 13/D-2, Gulshan-e-Iqbal, Karachi
Vehicle	917,000	243,311	673,689	700,000	Muhammad Anwar A-32,Block 10A, Gulshan-e-Iqbal, Karachi
	2,736,335	1,528,063	1,208,272	1,206,000	
2011	5,820,703	2,317,840	3,502,863	3,646,398	

	Note	2012 Rupees	2011 Rupees
11. STORES, SPARES AND LOOSE TOOLS			
Stores		9,037,370	11,679,253
Spares		17,990,142	20,557,965
Loose tools		1,197,653	1,291,019
		28,225,165	33,528,237
Less: Provision for slow-moving and obsolete items		(4,930,436)	(4,930,436)
		23,294,729	28,597,801
11.1 Provision for slow-moving and obsolete items			
Opening balance		4,930,436	1,421,506
Add: Provision made during the year		—	3,508,930
		4,930,436	4,930,436
12. STOCK-IN-TRADE			
Raw material			
– In hand		367,718,865	241,848,779
– In transit		35,721	30,295,361
Work-in-process		29,061,965	19,382,396
Finished goods		152,883,786	171,075,962
Waste		772,896	513,878
		550,473,233	463,116,376
13. TRADE DEBTS			
Local - unsecured			
Considered good		37,248,209	76,245,427
Considered doubtful		3,953,338	3,514,321
		41,201,547	79,759,748
Provision for doubtful debts	13.1	(3,331,710)	(3,514,321)
		37,869,837	76,245,427
13.1 Provision for doubtful debts			
Balance at July 1		3,514,321	3,514,321
Less: recovered during the year		(182,611)	—
Balance at June 30		3,331,710	3,514,321

	Note	2012 Rupees	2011 Rupees
14. ADVANCES AND OTHER RECEIVABLE			
Considered good			
– To suppliers		14,291,730	3,737,018
– To employees		25,000	—
– Income tax		19,894,402	21,553,745
– Letters of credit fee and charges		—	61,092
– Guarantee margin		—	4,278,300
– Quality claim receivable		16,470,000	—
– Profit accrued on TDRs		2,270,521	—
Considered doubtful			
– To suppliers		514,116	514,116
		53,465,769	30,144,271
Less: provision for doubtful advances	14.1	(514,116)	(514,116)
		52,951,653	29,630,155
14.1 Movement of provision			
Balance at July 1		514,116	980,691
Provision during the year		—	329,770
		514,116	1,310,461
Less: Reversal during the year		—	(796,345)
Balance at June 30		514,116	514,116
15. SALES TAX REFUNDABLE			
Considered good		11,583,412	10,619,331
Considered doubtful		2,057,993	—
		13,641,405	10,619,331
Provision made during the year		(2,057,993)	—
		11,583,412	10,619,331
16. CASH AND BANK BALANCES			
Cash in hand		999,992	1,449,992
Cash at bank			
in current accounts			
– local currency		748,652	9,001,496
– foreign currency		14,973	13,629
in saving accounts			
– local currency	16.1	63,563,506	78,175,801
		65,327,123	88,640,918

16.1 Effective mark-up rate ranges from 7.1 % to 11% (2011: 9% to 12%) per annum. There is lien on Rs. 40 million in respect of security against short term borrowings (note 8.1 and 8.2).

	Note	2012 Rupees	2011 Rupees
17. SALES - Net			
Yarn			
– Local		1,229,409,838	1,700,027,238
– Indirect export		511,352,700	389,690,521
Local			
– Raw material		49,794,452	37,219,880
– Waste		1,942,027	2,467,492
		1,792,499,017	2,129,405,131
18. COST OF GOODS SOLD			
Cost of goods manufactured	18.1	1,738,352,436	2,044,608,578
Finished goods			
Opening stock		171,589,840	79,521,393
Closing stock		(153,656,682)	(171,589,840)
		17,933,158	(92,068,447)
		1,756,285,594	1,952,540,131

	Note	2012 Rupees	2011 Rupees
18.1 Cost of goods manufactured			
Raw material	18.1.1	1,245,338,269	1,476,809,383
Packing material		27,892,442	33,236,882
Stores and spares		75,000,165	74,802,776
Salaries, wages and benefits	18.1.2	145,592,739	180,057,732
Fuel and power		193,969,723	207,552,718
Insurance		5,139,242	7,997,283
Repairs and maintenance		15,435,996	18,489,598
Depreciation	10.2	24,015,412	22,128,853
Provision for slow-moving and obsolete stores and spares		—	3,508,930
Other manufacturing overheads		15,648,017	24,609,346
		1,748,032,005	2,049,193,501
Work-in-process			
Opening stock		19,382,396	14,797,473
Closing stock		(29,061,965)	(19,382,396)
		(9,679,569)	(4,584,923)
		1,738,352,436	2,044,608,578

18.1.1 Raw material consumed

	2012 Rupees	2011 Rupees
Opening stock	241,848,779	347,174,858
Purchases - net	1,371,208,355	1,371,483,304
	1,613,057,134	1,687,859,121
Closing stock	(367,718,865)	(241,848,779)
	1,245,338,269	1,476,809,383

18.1.2 Salaries, wages and benefits include Rs. 4,796,059 (2011 : Rs. 5,350,707/-) in respect of staff retirement benefits.

	2012 Rupees	2011 Rupees
19. OTHER OPERATING INCOME		
Income from financial assets		
Profit on deposits / saving accounts	6,977,241	997,876
Income from assets other than financial assets		
Scrap sale	344,699	46,297
Gain on disposal of property, plant and equipment	—	143,535
Liabilities written back	1,830,836	1,338,348
Others	2,919,936	466,575
	12,072,712	2,992,631
20. DISTRIBUTION COST		
Freight	12,521,200	20,597,940
Commission	265,742	386,180
Others	696,410	634,043
	13,483,352	21,618,163

	Note	2012 Rupees	2011 Rupees
21. ADMINISTRATIVE EXPENSES			
Directors' remuneration	26	6,979,590	6,934,839
Salaries and benefits	21.1	12,370,002	10,134,276
Travelling and conveyance		6,207,654	7,749,411
Printing and stationery		365,451	487,984
Postage and telephone		3,640,547	3,262,771
Legal and professional		268,816	386,557
Advertisement		37,215	141,890
Repairs and maintenance		1,539,970	999,707
Vehicles running		3,463,944	1,974,235
Fees, subscription and periodicals		1,352,896	793,937
Auditors' remuneration	21.2	847,750	1,187,750
Donation	21.3	1,593,000	11,795,000
Depreciation	10.2	2,866,719	2,523,232
Provision against doubtful sales tax refundable		2,057,993	—
Others		2,405,615	2,455,581
		45,997,162	50,827,171

21.1 Salaries and benefits include Rs. 329,158 (2011: Rs. 412,980/-) in respect of staff gratuity.

	2012 Rupees	2011 Rupees
21.2 Auditors' remuneration		
Annual audit fee	600,000	500,000
Half yearly review fee	115,000	115,000
Code of Corporate Governance review fee	50,000	30,000
Tax and other services	32,250	492,750
Out of pocket expenses	50,000	50,000
	847,250	1,187,750

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

	2012 Rupees	2011 Rupees
22. OTHER OPERATING EXPENSES		
Exchange loss-net	20,079,761	1,828,328
Workers' Welfare Fund	409,082	2,227,614
Workers' Profit Participation Fund	—	4,651,613
Loss on disposal of property, plant and equipment	2,272	—
	20,491,115	8,707,555
23. FINANCE COST		
Mark-up / interest on:		
Short-term borrowings	23,913,278	10,770,178
Workers' Profit Participation Fund	237,232	407,394
Bank charges and commission	1,720,516	1,374,143
	25,871,026	12,551,715

24. PROVISION FOR TAXATION

	Note	2012 Rupees	2011 Rupees
Current			
– for the year	24.1	17,924,990	29,022,162
– for prior years		2,390,167	1,010,328
Deferred		(2,021,743)	77,647
		18,293,414	30,110,137

24.1 The tax liability of the company comprises of minimum tax and tax on indirect export sales under Sections 113 and 154 of the Income Tax Ordinance, 2001.

24.2 Relationship between tax expense and accounting profit

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the Company for the year attracts minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

25. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2012	2011
(Loss)/Profit for the year	Rupees	(75,849,934)	56,042,890
Weighted average number of ordinary shares outstanding during the year		14,700,000	14,700,000
Earnings per share - basic and diluted	Rupees	(5.16)	3.81

26. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	2012		2011	
	Chief Executive Officer	Directors	Chief Executive Officer	Directors
	......Rupees......			
Managerial remuneration	2,842,759	1,460,418	2,842,759	1,431,423
House rent	1,279,241	657,196	1,279,241	644,140
Bonus	236,897	131,466	236,897	128,766
Leave encashment	236,897	134,716	236,897	134,716
	4,595,794	2,383,796	4,595,794	2,339,045
No. of persons	1	2	1	2

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

27. OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reportable segment due to the fact that the sale from yarn represents total revenue of the Company. All non-current assets of the Company as at June 30, 2012 are located in Pakistan. The company does not have transactions with any external customer which amount to 10 percent or more of the entity's revenue.

28. TRANSACTIONS WITH RELATED PARTIES

The related party comprises of associated undertakings, key management personnel and post employment benefit scheme. Amounts due to related parties is shown under note 8 as short term loan from director. The Company in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 26 and amount due in respect of staff gratuity disclosed in note 6. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	2012 Rupees	2011 Rupees
Associated Undertakings	Share of common expenses paid	1,284,754	1,090,890
	Dividend paid	68,880	114,800
Directors	Loan obtained	—	66,246,349

29. 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	15,915,046	16,148,505

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.

30. FINANCIAL RISK MANAGEMENT

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

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

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

30.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs.135,016,115/- (2011 : Rs. 170,659,867/-), the financial assets which are subject to credit risk amounted to Rs.134,016,123/- (2011 : Rs.169,209,875/-).

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

30.1.1 Credit risk related to receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Company has a policy of dealing with creditworthy counter parties and continually assessing their credit worthiness. The Company has adopted a policy to supply goods mostly on advance payments to mitigate risk of financial loss from defaults.

Trade receivables include Rs. 38,540,763 (2011: Rs.76,245,427) which are neither past due nor impaired.

Trade receivables include Rs. 431,217 (2011: Rs. Nil) which are past due but not impaired. The Company has not provided receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables include Rs. 3,331,710 (2011: Rs. 3,514,321) which are past due and considered impaired. The provision against the receivables amounts to Rs. 3,331,710 (2011: Rs. 3,514,321).

30.1.2 Concentration of credit risk related to receivables

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

30.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Unavailed facilities that the Company has at its disposal to further reduce liquidity risk are disclosed in Note 8.

30.2.1 Liquidity and interest risk

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

	Interest rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
2012		……………………… Rupees ………………………					
Long term financing		—	—	—	—	134,000,000	134,000,000
Trade and other payables		—	150,495,903	—	—	—	150,495,903
Mark-up accrued on short term bank borrowings		—	8,200,282	—	—	—	8,200,282
Short-term borrowings	Six months KIBOR / LIBOR plus 1.50 % to 4.50 %	—	—	350,579,804	—	—	350,579,804
		—	158,696,185	350,579,804	—	134,000,000	643,275,989
2011							
Long term financing		—	—	—	—	134,000,000	134,000,000
Trade and other payables		—	142,371,748	—	—	—	142,371,748
Mark-up accrued on short term bank borrowings		—	3,121,595	—	—	—	3,121,595
Short-term borrowings	Six months KIBOR / LIBOR plus 1.50 % to 4.50 %	—	—	225,655,169	—	—	225,655,169
		—	145,493,343	225,655,169	—	134,000,000	505,148,512

30.3 Market risk management

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

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

30.3.1 Interest rate risk management

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

Interest rate sensitivity

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year would decrease/increase by Rs. 1,854,554/-. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

30.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

Foreign currency sensitivity analysis

At June 30, 2012, if the Rupee had weakened/strengthened by 10% against the US dollar with all other variables held constant, profit for the year would have been higher/lower by Rs. 11,469,681/-, mainly as a result of foreign exchange gains/(losses) on translation of foreign currency-denominated import of raw material.

30.4 Determination of fair values

Fair value of financial instruments

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

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

30.5 Financial instruments by category

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

	2012 Rupees	2011 Rupees
Assets as per balance sheet		
Loans and receivables		
Long-term deposits	1,495,222	1,495,222
Trade debts	37,869,837	76,245,427
Advances and other receivables	18,740,521	—
Sales tax refundable	11,583,412	10,619,331
Cash and bank balances	65,327,123	88,640,918
Liabilities as per balance sheet		
Financial liabilities measured at amortised cost		
Loan from directors	134,000,000	134,000,000
Trade and other payables	145,582,835	138,037,348
Mark-up accrued on short term bank borrowings	8,200,282	3,121,595
Short-term borrowings	350,579,804	225,655,169

31. CAPITAL DISCLOSURE

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

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

The gearing ratios at June 30, 2012 and 2011 were as follows:

	2012 Rupees	2011 Rupees
Total borrowings	484,579,804	359,655,169
Less: cash and bank balances (note 16)	(65,327,123)	(88,640,918)
Net debt	419,252,681	271,014,251
Total equity	306,730,211	400,220,145
Total capital	725,982,892	671,234,396
Gearing ratio	58%	41%

32. CORRESPONDING FIGURES

Raw material sale of Rs. 37,219,880 and its cost of sales of Rs. 30,799,041 was presented as trading activity which has been shown as part of normal sale and cost of goods sold respectively. This reclassification does not affect the net profit and retained earnings.

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on October 05, 2012.

34. GENERAL

Figures have been rounded off to the nearest Rupee.

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

Key Operating and Financial Results
From 2007 to 2012

(Rupees in Million)

	2012	2011	2010	2009	2008	2007
OPERATING DATA						
Sales	1,792.499	2,129.405	1,630.785	1,156.970	1,141.696	967.270
Cost of Goods Sold	1,756.286	1,952.540	1,452.039	1,089.125	1,023.993	846.205
Gross Profit	36.213	176.865	178.746	67.845	117.703	121.065
Profit/(Loss) Before Taxation	(57.556)	86.153	122.968	10.124	69.489	115.455
Profit/(Loss) After Taxation	(75.850)	56.043	84.402	5.945	49.047	77.530
FINANCIAL DATA						
Paid-up capital	147.000	147.000	147.000	147.000	147.000	147.000
Fixed Assets	244.421	245.089	227.753	228.040	234.807	241.305
Current Assets	741.500	696.850	527.067	396.091	410.332	281.406
Current Liabilities	509.276	371.149	348.369	301.933	260.941	130.442
KEY RATIOS						
Gross Margin (%)	2.02	8.31	10.96	5.86	10.31	12.52
Profit/(Loss) after Tax (%)	(4.23)	2.63	5.05	0.51	4.30	8.01
Current Ratio	1.46	1.88	1.51	1.31	1.57	2.16
Earnings Per Share (Rupees)	(5.16)	3.81	5.61	0.40	3.34	5.27
Cash Dividend (%)	—	12	20	—	10	18

PATTERN OF SHAREHOLDING

As at June 30, 2012

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Percentage
285	1	100	17,420	0.12
279	101	500	65,246	0.44
311	501	1,000	220,540	1.50
58	1,001	5,000	123,624	0.84
17	5,001	10,000	113,680	0.77
6	10,001	15,000	80,940	0.55
2	20,001	25,000	43,799	0.30
1	30,001	35,000	34,300	0.23
1	55,001	60,000	57,400	0.39
1	85,001	90,000	87,601	0.60
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
965			**14,700,000**	**100.00**

CATEGORIES OF SHAREHOLDERS

S.#	Categories of Shareholder(s)	Number	Shares Held	Percentage
1.	**Joint Stock Companies**	4	2,000	0.01
2.	**Directors, CEO, their Spouses and Minor Children**	8	13,965,250	95.00
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**	—	—	—
7.	**Individuals**	950	673,850	4.59
		965	**14,700,000**	**100.00**

DETAILS OF CATEGORIES OF SHAREHOLDERS

		Number	Shares Held
1.	**Joint Stock Companies**		
	1.1 The Karachi Stock Exchange (Guarantee) Limited	1	500
	1.2 Y.S. Securities & Services (Private) Limited	1	500
	1.3 Noman Abid & Co. Limited	1	500
	1.4 Highlink Capital (Private) Limited	1	500
		4	**2,000**
2.	**Directors, CEO, their Spouses and Minor Children**		
	2.1 Mr. Inamur Rehman	1	2,280,820
	2.2 Mrs. Summayya Rehman	2	1,218,579
	2.3 Mr. Khalid Inam	1	10,069,080
	2.4 Mrs. Asma Khalid	2	395,371
	2.5 Mr. Fakhar Mohiuddin Faruqi	1	700
	2.6 Mr. Nazir Ahmed	1	700
	2.7 Mr. Ziauddin Zubairi	—	—
		8	**13,965,250**
3.	**Executives**	—	—
4.	**Associated Companies, Related Parties etc.**		
	4.1 N. P. Waterproof Industries (Private) Ltd.	**1**	**57,400**
5.	**Banks, DFIs, NBFIs, Insurance Cos. etc.**		
	5.1 Investment Corporation of Pakistan	1	1,000
	5.2 Progressive Investment Management (Private) Ltd	1	500
		2	1,500
6.	**Others**	—	—
7.	**Individuals**	950	673,850
		965	**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)***	1,218,579	8.29
◆ Mr. Khalid Inam	***(Chief Executive)***	10,069,080	68.50

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 22nd Annual General Meeting of the Company to be held at 7th Floor, Uni Tower, I. I. Chundrigar Road, Karachi, on Wednesday the 31st October, 2012 at 9:30 a.m. and at any adjournment thereof.

Signed this .... day of 2012

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.