



of Companies

26th Annual Report 2010

UMER GROUP OF COMPANIES

FAISAL SPINNING MILLS LIMITED



FAISAL SPINNING MILLS LIMITED

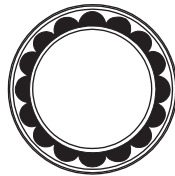
Vision

A Company providing quality textile

Products and maintaining

An excellent Level of ethical and

Professional standards



Mission Statement

To become a leader of textile products

In the local and

International markets

And to achieve

The highest level of success



FAISAL SPINNING MILLS LIMITED

CORPORATE INFORMATION

Board of Directors	Mr. Mohammad Sharif Mr. Mohammad Salim Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Company Secretary	Syed Asshraf Ali, FCA	
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Audit Committee	Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushatq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Bank Islami Barclays Bank Plc Pakistan Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited HSBC Middle East Bank Limited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Share Registrar	Hameed Majeed Associated (Private) Limited 5 th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, Pakistan Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3 Email: khioff@umergroup.com Website: http://www.umergroup.com	
Liason / Correspondence office	9 th Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: http://www.umergroup.com	
Mills At:	Spinning Unit is situated at: A-150, SITE Nooriabad, Sindh Tel : 025 4670002 Weaving Unit is situated at: 18 - KM, Sheikhpura Faisalabad Road, Feroz Watwan, Sheikhpura, Punjab. Tel: 056 3731446-7	



FAISAL SPINNING MILLS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 26th Annual General Meeting of the members of Faisal Spinning Mills Limited will be held on Tuesday 26th October 2010 at 5:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 31st December 2009.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2010 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 50% (i.e. PKR 5.0 per share) for the year ended 30th June, 2010, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2010-2011 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(By the order of the Board)

Syed Asshraf Ali
FCA
Company Secretary

Karachi : 24th September 2010

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 23rd October 2010 to 30th October, 2010 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 22nd October 2010 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2010.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.



FAISAL SPINNING MILLS LIMITED

Directors' Report

The Directors of Faisal Spinning Mills Limited are pleased to present before you a review of your company's performance for the year ended 30th June 2010 alongwith annual audited financial statements for the year ended 30th June 2010.

Overview

The financial year ended 30th June, 2010 is a great milestone for the company. Your company has made a land mark achievement by earning a record after tax profit of PKR 402.63 million during the year ended 30th June, 2010 against the last year after tax profit of PKR 65.36 million.

During financial year ended 30th June 2010, despite domestic economic recession, by the grace of Al-Mighty Allah your company maintained the position among the market leaders both in domestic and international markets.

Current crisis and economic challenge

Pakistan's economy has lost significant momentum in the last few years and one of the prime contributors to this derailing is Pakistan's proactive role in war against terror. Pakistan economy continued faced unprecedented set of challenges during 2009-10. However despite these unprecedented challenges textile industry performed well in financial year ended 30th June 2010.

The demand for Pakistani textile products is increasing in the international markets and the industry is securing large orders among its regional competitors. The export of textile and garment sector stood at USD 10.3 billion in 2009-10. Industry is registering monthly growth of around USD 450 million in exports, out of which USD 200 million is the increase to the real price factor. This increase is mainly attributed to the overall improvement in quality control due to which world's leading retail stores are now buying textile and garment products being manufactured in Pakistan.

As a consequence of electricity load-shedding the textile production capacity of various sub-sectors has been reduced by up to 30 per cent. In order to revive the production capacity of various sub sectors, immediate total exemption from electricity load shedding for the textile industry value chain should be implemented. Moreover government should also consider rationalization and reduction of electricity tariff.

The load-shedding of electricity cause a rapid decrease in production which also reduced the export order. The cost of production has also risen due to instant increase in electricity tariff. Due to load shedding mill owner uses alternative source of energy like generator which increase their cost of production further. Due to such dramatic situation the capability of competitiveness of this industry in international market effected badly.

Tightening of the monetary policy, so far, has not improved the situation but added significantly to the cost of doing business for the industry. State Bank of Pakistan should also play its role by reducing KIBOR to single digit in order to avoid a severe decline in exports. A five-year comprehensive textile policy has been announced in previous year in which government has decided to set the textile export target at \$25 billion for the next five years. This is indeed a very optimistic goal which can be met only if all the stakeholders play and take their responsibilities seriously.

Operating Results

By the grace of Al-Mighty Allah your company continued to perform well and posted profit after taxation for the year ended 30th June 2010 PKR 402.63 Million (30th June 2009: PKR 65.36 Million). Financial results of the company for the year ended 30th June 2010 is summarized as under;

	2010 Rupees	2009 Rupees
Sales	5,148,818,680	4,271,908,981
Gross profit	793655,071	445,258,431
Profit before taxation	443,068,946	94,132,528



FAISAL SPINNING MILLS LIMITED

	<u>2010</u>	<u>2009</u>
	Rupees	Rupees
Taxation		
Current year	61,201,455	29,567,115
Prior year	(33,492)	(1,344,392)
Deferred	(20,729,423)	549,665
	40,438,540	28,772,388
Profit after taxation	402,630,406	65,360,140
Un-appropriated profit brought forward	85,380,449	37,520,309
Profit available for appropriation	488,010,855	102,880,449
Appropriations:		
Dividend paid	(7,500,000)	(7,500,000)
Transferred to General Reserve	(400,000,000)	(10,000,000)
Un-appropriated profit carried forward	80,510,855	85,380,449
Basic and diluted earning per share	40.26	6.54

During the year under review, the cost of production of your company increased because of increase in cost of raw material, fuel and power, salaries and wages and other consumables due to cost push inflation.

Gross profit for the year under review is amounting to PKR 793.655 million as compared to PKR 445.258 million in prior year which is increased by 78.24%. Whereas profit before taxation for the year under review is amounting to PKR 443.068 million as compared to PKR 94.132 million in prior year.

Dividend

The board of directors is pleased to recommend a final cash dividend of 50% i.e PKR 5 per share (June 2009: 7.5% i.e. PKR 0.75 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

Balance sheet footing has increased to PKR 2,915.432 million this year. Long term borrowing at the year end reduced to PKR 121.715 million (2009: PKR 380.445 million). Gearing ratio was 0.69 at 30th June 2010 as compared to 1.34 at 30th June 2009. The liquidity position of the company is satisfactory with a current ratio of 1.08 as at 30th June 2010 (June 2009: 0.97). The total of shareholders' fund stood at PKR 1,430.510 million (2009: PKR 1,035.380 million).

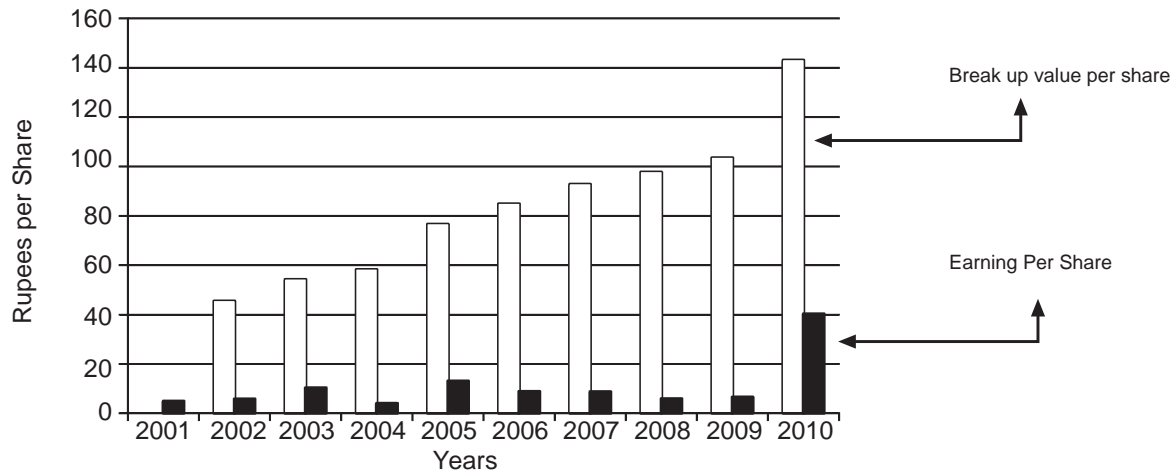
Cash Flow Management

Board of directors places great importance at an effective cash flow management so as to ensure smooth running of the business and for this purpose cash inflows and outflows are projected on regular basis. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Cash generated from operations amounted to PKR 805.904 million during the year as compared to PKR 618.583 million.

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2010 is PKR 143.05 (30th June 2009: PKR 103.530). The Earning per Share (EPS) of your company for the year ended 30th June 2010 is PKR 40.26 (30th June 2009: PKR 6.54).



Statement on Corporate and Financial Reporting Framework

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your Company as required by the Code. As a part of the compliance of the Code, we confirm the following:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
 - o Statement of pattern of shareholding has been given separately.
 - o Statement of shares held by associated undertakings and related persons.
 - o Statement of the Board meetings held during the year and attendance by each director has been given separately.
 - o Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

Change in the Board of Directors

Mr. Faisal Shakeel director of company submitted his resignation from the board of director on 16th September 2010. The board would like to place on record its appreciation on the valuable contribution made by the outgoing director Mr. Faisal Shakeel towards progress of the company. The causal vacancy so occurred was filled within 14 days of such vacancy. The Board also welcomes Mr. Mohammad Shakeel who joined the board as a director in place of the outgoing director. Mr. Faisal Shakeel.

Change in the Audit Committee

Mr. Mohammad Shakeel was also nominated by the board on the Audit Committee as member in place of Mr. Faisal Shakeel.



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Related Party transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has adopted comparable uncontrolled price method for pricing of transaction with related parties.

Audit Committee

The audit committee of the company is working as required by the code of corporate governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

Financial statements

As required under listing regulations of stock exchanges the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2010 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements.

No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in the shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 26th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 26th annual general meeting until the conclusion of 27th annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30th June 2011. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Safety, Health and Environment

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials. In addition we have initiated a rotation exercise at the mill whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the mill.

Expansion Plan

In view of the current economic scenario where the cost of financing and production is rapidly increasing, no further expansion is under consideration in near future.

However, normal BMR will continue as and when required.

Future Prospect and Cotton Expectation

After some recovery in textile industry in year ended 30th June 2010, business environment for textile industry is again not looking very favorable in coming period. Inflation and social disruptions arising from law and order situations are major concerns for business activities in country. Rising inflation and high markup rates may have severe adverse impact on the growth of the economy. This may lead to Pakistan losing its share to its competitor like India, China and Bangladesh due to their government supportive export policies.



FAISAL SPINNING MILLS LIMITED

It is expected that in the coming year 2010-2011 the prices of cotton would be high based on low world cotton production and higher consumption. Projected world ending stocks fell 174,000 bales and the world stocks-to-use ratio was at 37.7%, its lowest level since 1993/94.

The cotton crop has been badly affected by the flood. The International Cotton Advisory Committee (ICAC) has lowered its forecast for Pakistan's crop by 15%. The ICAC estimates that 6-8 per cent of the cotton growing area has been lost entirely. In some of the most vital areas for cotton, the floods have damaged as much as 80 per cent of the fields.

Total consumption of the local industry is about 15.5 million bales of cotton, against the targeted production of 14.0 million bales, showing a shortfall of about one million bales. However after the flash floods, the shortfall might well be around 4.5 million bales. The country would need to import 4.5 million bales to meet the domestic requirements.

Major threat for textile industry is power disruption due to shut down of gas during winter season. Because of shut down of gas supply during winter season, machineries have to be operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost.

State Bank of Pakistan should consider reduction in discount rate and introduction of a new leverage product in the capital market, these steps would help spawn another positive run in the equity market.

The management is aware of the challenges and will do everything possible to mitigate the adverse impact of such events. But your management is not hopeful to have goods results until the attitude of government is not supportive for textile sector.

Acknowledgement

Your directors' record with appreciation, the efforts of the company's executives, managers, technicians and workers who have worked vigorously to meet the targets set before them. Your directors also extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during this period.

Karachi : 24th September 2010

For and on behalf of the Board

Mohammad Sharif
Chief Executive / Director

Board of Directors Meetings

During the year four board meetings were held and the attendance by each director is as follows.

Directors	2009	2010			Total
	28 th Oct	24 th Feb	24 th April	24 th Sept	
Mr. Mohammad Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	-	★	★	3/4
Mr. Mohammad Shakeel	-	-	-	★	1/1
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Faisal Shakeel	★	-	★	-	2/3
Total	8/8	6/8	8/8	8/8	30/32



FAISAL SPINNING MILLS LIMITED

Year wise Operating Data

	Year Ended 30 th June					
	2010	2009	2008	2007	2006	2005
Spinning Unit						
Spindle installed	30,720	30,720	30,720	30,720	30,720	30,720
Spindle worked	30,720	30,720	30,720	30,720	30,720	24,000
Installed capacity after conversion in to 20/s count (Kgs)	11,434,172	11,434,172	11,434,172	11,434,172	11,434,172	5,866,157
Actual production after conversion in to 20/s count (Kgs)	11,554,389	11,004,531	11,364,457	11,551,967	11,419,194	6,792,313
Weaving Unit						
Air jet looms installed	243	243	243	243	223	223
Air jet looms worked	243	243	243	243	223	223
Installed capacity after conversion into 50 picks - (meters)	41,107,384	41,107,384	41,107,384	41,107,384	38,406,182	31,233,657
Actual production after conversion into 50 picks - (meters)	43,814,538	41,891,009	43,702,051	44,583,051	48,423,203	36,986,910

Year wise Financial Data

	Year Ended 30 th June					
	2010	2009	2008	2007	2006	2005
Rupees in Thousands						
Fixed assets	1,340,343	1,461,869	1,603,499	1,720,050	1,671,963	1,722,893
Investments, long term loans and deposits	238,988	162,538	151,018	138,766	119,084	93,729
Current assets	1,291,859	1,206,600	1,287,177	1,105,826	851,288	1,020,306
Shareholders equity	1,430,510	1,035,380	977,520	927,915	848,058	766,719
Long term liabilities	121,716	380,445	494,053	631,388	971,302	740,615
Deferred liabilities	70,108	82,108	65,300	42,438	26,085	24,494
Current liabilities	1,193,096	1,243,806	1,425,326	1,267,123	796,890	1,301,024
Turnover (Net)	5,148,818	4,271,909	3,677,037	3,361,109	3,199,877	2,339,080
Gross profit	793,655	445,258	372,063	356,212	393,309	303,250
Operating profit	575,885	345,760	284,242	274,265	297,917	223,836
Financial charges	211,118	264,679	188,532	180,938	189,281	82,960
Share profit of associate	78,301	13,051	11,948	19,658	24,001	16,182
Profit before tax	443,068	94,132	107,658	112,985	132,637	157,058
Profit after tax	402,630	65,360	59,605	87,357	88,839	130,718
Cash Dividend	7,500	7,500	10,000	7,500	7,500	7,500
Transfer to reserves	400,000	10,000	100,000	100,000	140,000	70,000
Profit carried forward	80,510	85,380	37,520	87,915	108,058	166,719

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the 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 Faisal Spinning Mills Limited to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, 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 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

Karachi: 24th September, 2010

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui



FAISAL SPINNING MILLS LIMITED

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2010

This statement is being presented to comply with the code of corporate governance contained in listing regulation of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The company applies the principles contained in the Code in the following manner.

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. 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.
5. There was no casual vacancy occurred in board of directors during the year ended 30th June 2010.
6. 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 once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFIs. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding requirements of Code of Corporate Governance, amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held 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 formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.



FAISAL SPINNING MILLS LIMITED

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
17. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
19. All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of directors' meeting for their consideration and formal approval.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the code have been complied with.

On Behalf of the Board of Directors

Mohammad Sharif
Chief Executive

Karachi: 24th September, 2010

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre
Hasrat Mohani Road
Karachi-74200
Tel: 32638521-4
Fax: 32639843

Branch Office:
20-B, Block-G
Gulberg-III, Lahore
Tel: 35884926, 35865618
Fax: 35843360

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Faisal Spinning Mills Limited as at June 30, 2010 and the related profit and loss account, statement of cash flows, statement of changes in equity and statement of comprehensive income 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 purpose 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 the 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 verifications, we report that;

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the statement of financial position 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 accounts 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 statement of financial position, profit and loss account, statement of cash flows, statement of changes in equity and statement of comprehensive income 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, 2010 and of the profit, 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 Central Zakat Fund established under section 7 of that Ordinance,

Karachi: 24th September, 2010

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui




FAISAL SPINNING MILLS LIMITED

Balance Sheet As At 30th June 2010

	Note	30 th June 2010 Rupees	30 th June 2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2009: 12,000,000) ordinary shares of PKR 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	5	100,000,000	100,000,000
Reserves		1,250,000,000	850,000,000
Unappropriated profits		80,510,855	85,380,449
		1,430,510,855	1,035,380,449
Loan from sponsors and relatives	6	100,000,000	89,285,715
NON CURRENT LIABILITIES			
Long-term financing - secured	7	115,912,508	375,657,041
Obligation under finance lease	8	5,803,656	4,788,963
Infrastructure fee payable	9	19,990,062	18,524,847
Deferred liabilities	10	50,118,480	63,583,083
		191,824,706	462,553,934
CURRENT LIABILITIES			
Trade and other payables	11	303,728,377	192,778,392
Mark-up accrued on loans and other payables	12	22,669,367	45,104,131
Short-term borrowings - secured	13	599,783,167	831,305,967
Current portion of long term loan	14	266,916,056	174,616,517
		1,193,096,967	1,243,805,007
CONTINGENCIES AND COMMITMENTS	15	-	-
		<u>2,915,432,528</u>	<u>2,831,025,105</u>

The annexed notes form an integral part of these financial statements

Karachi: 24th September, 2010



 Mohammad Sharif
 Chief Executive



FAISAL SPINNING MILLS LIMITED

Balance Sheet As At 30th June 2010

ASSETS	Note	30 th June 2010 Rupees	30 th June 2009 Rupees
NON CURRENTASSETS			
Property, plant and equipment	16	1,340,343,713	1,461,869,550
Capital work-in-progress	17	44,240,778	15,845
Long term investment	18	230,414,507	153,004,719
Long term loan	19	2,794,979	2,036,054
Long term deposits	20	5,779,445	7,498,095
		1,623,573,422	1,624,424,263
CURRENT ASSETS			
Stores, spare parts and loose tools	21	67,608,157	56,001,019
Stock in trade	22	893,252,646	822,995,766
Trade debts	23	190,745,821	235,947,772
Loans and advances	24	9,831,693	8,962,819
Trade deposits & Prepayments	25	20,258,366	17,138,603
Other receivables	26	2,046,275	1,357,906
Taxation	27	33,782,219	50,870,069
Bank balances	28	74,333,929	13,326,888
		1,291,859,106	1,206,600,842
		<u>2,915,432,528</u>	<u>2,831,025,105</u>


 Mohammad Salim
 Director





FAISAL SPINNING MILLS LIMITED

Profit and loss account For the year ended 30th June 2010

	Note	30 th June 2010 Rupees	30 th June 2009 Rupees
Sales	29	5,148,818,680	4,271,908,981
Cost of goods sold	30	4,355,163,609	3,826,875,341
Gross profit		793,655,071	445,033,640
Other operating income	31	2,320,555	674,450
		795,975,626	445,708,090
Distribution cost	32	143,786,426	66,205,410
Administrative expenses	33	56,541,309	28,971,790
Other operating expenses	34	19,762,187	4,770,915
Finance cost	35	211,118,416	264,678,915
		431,208,338	364,627,030
		364,767,288	81,081,060
Share of profit of associated undertaking		78,301,658	13,051,468
Profit before tax		443,068,946	94,132,528
Provision for taxation	36		
Current year		61,201,455	29,567,115
Prior year		(33,492)	(1,344,392)
Deferred		(20,729,423)	549,665
		40,438,540	28,772,388
Profit after tax		402,630,406	65,360,140
Earnings per share - basic and diluted	37	40.26	6.54

The annexed notes form an integral part of these financial statements


 Mohammad Sharif
 Chief Executive


 Mohammad Salim
 Director

Karachi: 24th September, 2010



FAISAL SPINNING MILLS LIMITED

Statement of Cash Flows For the Year Ended 30th June 2010

Note	30 th June 2010 Rupees	30 th June 2009 Rupees
Cash flows from operating activities		
Profit before tax	443,068,946	94,132,528
Adjustments for:		
Depreciation of property, plant and equipment	152,367,040	164,554,467
Share profit of associated undertaking	(78,301,658)	(13,051,468)
Provision for bad debts	19,542,403	1,109,995
Imputed interest expense	10,714,285	9,566,327
Infrastructure fee	1,465,215	6,037,399
Provision for employee benefits	15,081,892	15,169,274
(Gain) on disposal of property, plant and equipment	(762,804)	(201,068)
Finance cost	200,404,131	255,112,588
	<u>320,510,504</u>	<u>438,297,514</u>
Operating cash flows before movements in working capital	763,579,450	532,430,042
(Increase) in stores, spares and loose tools	(11,607,138)	(1,382,388)
Decrease / (increase) in stock in trade	(70,256,880)	54,952,735
Decrease in trade debts	29,712,568	29,499,645
(Increase) in loans and advances	(4,268,874)	(1,047,873)
(Increase) in trade deposits	(3,119,763)	(4,284,571)
(Increase)/decrease in other receivables	(9,050,973)	484,640
Increase in trade and other payables	110,915,028	7,931,752
	<u>42,323,968</u>	<u>86,153,940</u>
Cash generated by operations	805,903,418	618,583,982
Finance cost paid	(222,838,895)	(242,965,376)
Employee benefit costs paid	(7,817,072)	(4,948,814)
Income taxes paid	(36,335,180)	(40,273,708)
Long-term loans	(758,925)	638,958
Long-term deposits	1,718,650	-
	<u>(266,031,422)</u>	<u>(287,548,940)</u>
Net cash from operating activities	<u>539,871,996</u>	<u>331,035,042</u>

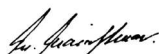



FAISAL SPINNING MILLS LIMITED

Statement of Cash Flows For the Year Ended 30th June 2010

Note	30 th June 2010 Rupees	30 th June 2009 Rupees
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3,000,850	1,256,000
Addition in property plant and equipment	(77,304,182)	(23,770,791)
Dividend received	891,870	891,870
Net cash used in investing activities	<u>(73,411,462)</u>	<u>(21,622,921)</u>
Cash flows from financing activities		
Proceeds from finance lease	9,499,460	-
Payment of long-term financing	(158,258,769)	(228,661,988)
Payment of obligation under finance lease	(17,670,992)	(15,389,169)
(Decrease) in short-term borrowings	(231,522,800)	(71,197,846)
Dividend paid	(7,500,392)	(7,458,737)
Net cash from financing activities	<u>(405,453,493)</u>	<u>(322,707,740)</u>
Net increase / (decrease) in cash and cash equivalents	61,007,041	(13,295,619)
Cash and cash equivalent at the beginning of year	13,326,888	26,622,507
Cash and cash equivalent at the end of year	<u>74,333,929</u>	<u>13,326,888</u>

The annexed notes form an integral part of these financial statements


Mohammad Sharif
Chief Executive


Mohammad Salim
Director


Karachi: 24th September, 2010




FAISAL SPINNING MILLS LIMITED

Statement of Changes in Equity For The Year Ended 30th June 2010

	Share Capital	Reserves			Unappropriated Profit	Total
		Capital Reserves	General Reserves	Total		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 th June, 2008	100,000,000	24,150,000	815,850,000	840,000,000	37,520,309	977,520,309
Final dividend for the year ended June 30, 2008 PKR. 0.75 per share	-	-	-	-	(7,500,000)	(7,500,000)
Profit for the year	-	-	-	-	65,360,140	65,360,140
Transferred to general reserve	-	-	10,000,000	10,000,000	(10,000,000)	-
Balance as at 30 th June, 2009	100,000,000	24,150,000	825,850,000	850,000,000	85,380,449	1,035,380,449
Final dividend for the year ended June 30, 2009 PKR. 0.75 per share	-	-	-	-	(7,500,000)	(7,500,000)
Profit for the year	-	-	-	-	402,630,406	402,630,406
Transferred to general reserve	-	-	400,000,000	400,000,000	(400,000,000)	-
Balance as at 30 th June, 2010	100,000,000	24,150,000	1,225,850,000	1,250,000,000	80,510,855	1,430,510,855


 Mohammad Sharif
 Chief Executive


 Mohammad Salim
 Director

Karachi: 24th September, 2010





FAISAL SPINNING MILLS LIMITED

Statement of Comprehensive Income For The Year Ended 30th June 2010

	Note	30 th June 2010 Rupees	30 th June 2009 Rupees
Profit for the year after taxation		402,630,406	65,360,140
Other comprehensive income for the year		-	-
Total comprehensive Income for the year		<u>402,630,406</u>	<u>65,360,140</u>

The annexed notes form an integral part of these financial statements


Mohammad Sharif
Chief Executive


Mohammad Salim
Director

Karachi: 24th September, 2010



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements For the year ended 30th June 2010

1 The Company and its Operations

- 1.1 Faisal Spinning Mills Limited ("the Company") was incorporated on 31st January 1985 as a public limited company in Pakistan under Companies Ordinance, 1984 and is quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is located at Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area Karachi.
- 1.2 The company is principally engaged in manufacturing and sales of yarn and fabric. The production facilities are located at Nooriabad, District Dadu in the province of Sindh and Feroz Watwan, District Sheikhpura in the province of Punjab.

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statements, all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded 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 the 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 estimates are 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 the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 42 to these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards

2.5.1 Changes in accounting policies arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- IAS - 1 - Presentation of financial statements (Revised 2007). The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

in their capacity as shareholders, has been introduced, along with new titles for the financial statements. The Company has applied this standard retrospectively, but only to the extent it is consistent with the requirements of the Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statements, that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements. The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

- ❑ IAS 23 (Amendment), "Borrowing costs" requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "financial Instrument: Recognition and measurement". There is no material impact on the company financial statements due to change in the interest calculation method.
- ❑ Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group losses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard does not to have an effect on the company's financial statements.
- ❑ IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of the standard does not to have an effect on the company's financial statements.
- ❑ Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, but does not have any impact on the company's financial statements.
- ❑ Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment does not have an effect on the company's financial statements.
- ❑ Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments does not have an effect on company's financial statements.
- ❑ Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard does not have any effect on the company's financial statements.



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

- ❑ Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements. The application of this standard does not have any effect on the company's financial statements.
- ❑ Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard does not have an effect on the company's financial statements.
- ❑ IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.
- ❑ Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- ❑ IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 requires a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The company determines and presents operating segments based on the information that internally provided to CEO, who is the company chief operating decision maker. The new accounting policy in respect of operating segment disclosures is disclosed in note 3.21.
- ❑ IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.
- ❑ IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.
- ❑ IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.

- ❑ IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. 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 other than increased disclosures in certain cases.

- ❑ IFRS 2 (Amendments), "Group cash settled and share based payment transactions", is effective for the accounting period beginning on or after January 1, 2010. In addition to incorporating IFRIC 8, "Scope of IFRS 2" and IFIRC 11, IFRS 2 - "Group and treasury share transactions", the amendments expand on the guidance in IFRC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the company's financial statements.
- ❑ IFRS 8 (Amendment), "Disclosure of information about segment assets" (effective for the accounting period beginning on or after January 1, 2010). This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The new guidance is not expected to have material impact on the company's financial statements.

3 Summary of Significant Accounting Policies

3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.2 Employee benefits

Short term employees benefits

The company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

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

Post retirement benefits

Defined benefit plans

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

Actuarial gains and losses are recognized in profit or loss for the period in which these arise.

3.3 Taxation

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

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.5 Trade and other payables

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

3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

3.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is material.

The gain or loss on disposal 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.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.8 Capital work in process

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.9 Investments

Investments in associate - Equity Method

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are associates and are accounted for by using the equity method of accounting. These investments are initially recognized at cost, thereafter the carrying amount is increased or decreased to recognize the company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the company's profit and loss account. Distribution received from investee, reduces the carrying amount of investment. The changes in the associate's equity which are not recognized in the associates' profit and loss account, are recognized directly in the equity of the Company.

3.10 Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency borrowings and effects on cash flow of any fluctuations in interest rates. Such derivative financial instruments are stated at fair value.



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The fair value of forward exchange contracts is estimated by reference to current forward exchange rates for contracts with similar maturity profile. The fair value of interest rate swap contracts is estimated by reference to estimated market value for similar instruments.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity.

When the hedge commitment result in the recognition of an asset or a liability, then, the associated gains or losses previously recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of an asset or a liability. Effect of remaining period of hedge, if material, is taken to profit and loss account, being considered fair value hedge.

Hedge accounting is discontinued when the hedging instrument is expired or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognized in equity is kept until the forecasted occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the period.

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

3.11 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.12 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value applying following basis;

Raw material	At weighted average cost
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.13 Trade debts and other receivables

These are carried at original invoice amount less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

3.15 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.



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For the year ended 30th June 2010

Interest income is recognized on the basis of constant periodic rate of return. Dividend income is recognized when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

3.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark up, interest and other related charges are taken to the profit and loss account currently.

3.17 Impairment

All company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

3.18 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

3.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.20 Transactions with related party

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Except for loan from sponsors/ relatives which has been carried at amortized cost, which has been computed using an imputed interest rate of 12.0% per annum. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

3.21 Segment reporting is based on the operating (business) segments of the company. An operating segment is a component of the company that engages in a business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment Segments reported are Spinning, Weaving and Power Generation, Which also reflects the management structure of company.

4 Capital Management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.



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5	Issued, Subscribed and Paid up Capital		30 th June 2010 Rupees	30 th June 2009 Rupees
	Number of shares			
	June 30 2010	June 30 2009		
			Ordinary shares of Rs. 10 each	
	6,300,000	6,300,000	allotted for consideration'- fully paid in cash	63,000,000
			Ordinary shares of Rs 10. each allotted as	
	3,700,000	3,700,000	bonus shares	37,000,000
	<u>10,000,000</u>	<u>10,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
6	Loan from Sponsors and Relatives			
	Face value of loan		6.1 100,000,000	100,000,000
	Unamortized imputed interest		-	(10,714,285)
			<u>100,000,000</u>	<u>89,285,715</u>
6.1	This loan has been obtained from sponsors of company and heir relatives, and it is interest free. The loan is repayable by June 2011, however there is no fixed schedule for repayment of this loan. The loan has been carried at amortised cost which has been computed using an imputed interest rate of 12.0% per annum.			
7	Long Term Finances			
	From Financial Institutions - Secured			
		LTF - (EOP) Loans	Non LTF - (EOP) Loans	30 th June 2010 Rupees
		Rupees	Rupees	30 th June 2009 Rupees
7.1	United Bank Limited - Term Finance Loan	6,090,276	-	6,090,276
7.2	Citi Bank - Term Finance Loan	5,555,551	-	5,555,551
7.3	Habib Bank Limited - Term Finance Loan	18,181,818	-	18,181,818
7.4	Habib Bank Limited - Term Finance Loan	11,818,184	-	11,818,184
7.5	Citi Bank - Term Finance Loan	50,493,520	-	50,493,520
7.6	Bank of Punjab - Term Finance Loan	52,553,068	80,964,622	133,517,690
7.7	United Bank Limited - Term Finance Loan	-	-	-
7.8	United Bank Limited - Term Finance Loan	-	-	14,285,716
7.9	United Bank Limited - Term Finance Loan	-	-	14,285,716
7.10	United Bank Limited - Term Finance Loan	-	150,000,000	150,000,000
		<u>144,692,417</u>	<u>230,964,622</u>	<u>375,657,039</u>
				<u>533,915,808</u>



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Notes to and forming part of the financial statements
For the year ended 30th June 2010

	LTF - (EOP) Loans	Non LTF - (EOP) Loans	30 th June 2010	30 th June 2009
	Rupees	Rupees	Rupees	Rupees
Less: Current Maturity				
7.1 United Bank Limited - Term Finance Loan	6,090,276	-	6,090,276	14,285,716
7.2 Citi Bank - Term Finance Loan	5,555,551	-	5,555,551	11,111,112
7.3 Habib Bank Limited - Term Finance Loan	18,181,818	-	18,181,818	18,181,818
7.4 Habib Bank Limited - Term Finance Loan	11,818,182	-	11,818,182	11,818,182
7.5 Citi Bank - Term Finance Loan	10,098,704	-	10,098,704	5,049,352
7.6 Bank of Punjab - Term Finance Loan	17,517,690	40,482,310	58,000,000	49,241,155
7.7 United Bank Limited - Term Finance Loan	-	-	-	20,000,000
7.8 United Bank Limited - Term Finance Loan	-	-	-	14,285,716
7.9 United Bank Limited - Term Finance Loan	-	-	-	14,285,716
7.10 United Bank Limited - Term Finance Loan	-	150,000,000	150,000,000	-
	<u>69,262,221</u>	<u>190,482,310</u>	<u>259,744,531</u>	<u>158,258,767</u>
Total Term Finance Loan Payable	<u>75,430,196</u>	<u>40,482,312</u>	<u>115,912,508</u>	<u>375,657,041</u>

Security	Repayment	Markup on LTF	Markup on Non LF
7.1 First equitable mortgage charge over immovable assets and first hypothecation charge over present and future plant and machinery of the Company amounting to the extent of PKR 707 million.	The loan is repayable in seven equal semi annual installments, commencing from October 22, 2006.	6% (2009: 6%)	Six months KIBOR plus 1% (2009: Six month KIBOR plus 1%)
7.2 First mortgage charge over entire present and future immovable property, first hypothecation charge over plant and machinery of Unit-II amounting to PKR 430 million.	The loan is repayable in eighteen equal quarterly installments commencing from June 01, 2005.	6% (2009: 6%)	-
7.3 First pari passu charge over plant and machinery of Nooriabad Spinning Unit to the extent of PKR 419 million and first pari passu charge over plant and machinery of Weaving Unit (Sheikhupura) to the extent of PKR 236 million.	The loan is repayable in eleven equal semi annual installments, payable by November 2010.	6% (2009: 6%)	-
7.4 Covered under securities for term finance 7.3	The loan is repayable in eleven equal semi annual installments payable by November 2010.	6% (2009: 6%)	-
7.5 Covered under securities for term finance 7.2	The loan is repayable in 24 equal quarterly installments, commencing from October 01, 2008.	7% (2009: 7%)	-



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	Security	Repayment	Markup on LTF	Markup on Non LF
7.6	First pari passu charge over fixed assets of Weaving Unit at Sheikhpura for PKR 387 million.	The loan is repayable in ten equal semi annual installments, commencing from December 23, 2007.	7% (2009: 7%)	Three month average KIBOR plus 2% (2009: Three month average KIBOR plus 2%)
7.7	Covered under securities for term finance 7.1	The loan is repayable in seven equal semi annual installments, commencing from August 11, 2004.	-	Six months T-Bill cutoff rate plus 1.5% (2009: Six months T-Bill cutoff rate plus 1.5%)
7.8	Covered under securities for term finance 7.1.	The loan is repayable in seven equal semi annual installments, commencing from March 29, 2005.	-	Six months KIBOR plus 1% (2009: Six month KIBOR plus 1%)
7.9	Covered under securities for term finance 7.1.	The loan is repayable in seven equal semi annual installments, commencing from August 26, 2006.	-	Six months KIBOR plus 1% (2009: Six month KIBOR plus 1%)
7.10	Covered under securities for term finance 7.1.	Single bullet payment after 36 months from the date of disbursement i.e December 2007.	-	One months KIBOR plus 1% (2009: One months KIBOR plus 0.4%)
7.11	The company has entered into four interest rate swap agreements with bank for a notional amount of PKR 500.0 Million (2009: PKR 500 Million), maturing upto December 29, 2009. The outstanding balance of these arrangements is PKR Nil (2009: PKR 102.857 Million) as at the balance sheet date. Under the swap arrangements, the company would receive six months T-Bill (cut off) and six months KIBOR rates and pay fixed rates of mark-up ranging between 8.27% to 10.35% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR Nil (2009: PKR 1.812 Million in favour of the company).			



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	30 th June 2010 Rupees	30 th June 2009 Rupees
8 Obligation Under Finance Lease		
Minimum lease payments		
Up to one year	8,022,501	10,178,722
More than one year but less than five years	6,357,653	15,520,546
	14,380,154	25,699,268
Financial charges not yet due		
Up to one year	(850,976)	(3,551,016)
More than one year but less than five years	(553,997)	(1,001,539)
	(1,404,973)	(4,552,555)
Present value of minimum lease payments		
Up to one year	7,171,525	6,627,706
More than one year but less than five years	5,803,656	14,519,007
	12,975,181	21,146,713
Current portion shown under current liabilities	7,171,525	16,357,750
Present value of total minimum lease payments payable later than one year but not later than 5 years	5,803,656	4,788,963
 8.1 This represents finance lease entered into with a banking institution for lease of plant and machinery and is payable on three month KIBOR + 1.25% quarterly rental basis for a period of 36 months commencing from July 01, 2007. The lease agreement contains purchase bargain option. Taxes, repairs, replacement and insurance costs are borne by the company. This is secured against the leased assets.		
9 Infra Structure Fee Payable	19,990,062	18,524,847
This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee. The company has filed appeal before the Honorable Supreme Court of Pakistan against the decision of Sindh High Court ("SHC") on account of levy of said fee on imports by the company. During the pendency of decision on appeal, SHC has directed that imports of the company be released against furnishing of bank guarantees. The company has provided guarantees amounting to PKR 20.22 Million (June 30, 2009: PKR 18.6 Million) in this respect.		
10 Deferred Liability		
Employee benefits	10.2	50,118,480
Deferred taxation	10.3	-
	50,118,480	42,853,660
		20,729,423
		63,583,083
 10.1 The company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income.		



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		30 th June 2010 Rupees	30 th June 2009 Rupees
10.2	Movement in liability recognized in the balance sheet		
	Balance at beginning of year	42,853,660	32,633,200
	Charged to profit and loss account	15,081,892	15,169,274
	Benefits paid during the year	(7,817,072)	(4,948,814)
	Balance at the end of the year	<u>50,118,480</u>	<u>42,853,660</u>
10.2.1	The following amounts have been charged to the profit and loss account during the year		
	Current service cost	9,053,020	8,298,460
	Interest cost	4,356,066	4,334,824
	Actuarial loss / (gain) recognized during the year	1,672,806	2,535,990
	Net amount chargeable to profit and loss account	<u>15,081,892</u>	<u>15,169,274</u>
10.2.2	Actuarial valuation has been carried out internally by the management of the company as at June 30, 2010 using the "Projected Unit Credit Method" assuming a discount rate of 12.5% (June 30, 2009 : 12.5%) per annum, expected rate of increase in salaries at 14% (June 30, 2009 : 14%) per annum.		
10.2.3	There is no unrecognised actuarial loss / gain.		
10.2.4	Historical information	Actuarial adjustment arising (%)	Present value of defined benefit obligation Rupees
			Experience adjustment on plan liabilities Rupees
	30th June 2010	<u>3.34%</u>	<u>50,118,480</u>
	30th June 2009	<u>5.92%</u>	<u>42,853,660</u>
	30th June 2008	<u>3.06%</u>	<u>32,633,200</u>
	30th June 2007	<u>17.69%</u>	<u>35,643,365</u>
	30th June 2006	<u>5.34%</u>	<u>26,085,350</u>
10.3	Deferred taxation		
	The liability for deferred taxation comprises timing differences relating to:		
	Accelerated tax depreciation on owned assets	-	32,105,824
	Provision for employee benefit	-	(3,963,043)
	Finance lease	-	408,094
	Provision for doubtful debts	-	(1,496,717)
	Unused tax losses	-	(6,324,735)
		-	(11,376,401)
		-	<u>20,729,423</u>



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10.3.1 Export sales, including indirect exports taxable under Section 154 (3B) of the Ordinance have achieved the threshold for the Company, with the option to be taxed under the Final Tax Regime. This trend is expected to continue in foreseeable future. Accordingly, no provision for deferred tax has been made as at June 30, 2010 and the liability as at June 30, 2009 has been derecognized. During the year ended June 30, 2009, revenue from export sales of the Company was subject to taxation under the final tax regime, while the remaining portion of revenue attracted assessment under normal provisions of the Ordinance and accordingly deferred tax was provided for only that portion of timing differences that represented income taxable under normal provisions of the Ordinance, at 35% of such timing differences.

		30 th June 2010 Rupees	30 th June 2009 Rupees
		<u> </u>	<u> </u>
11	Trade and Other Payable		
	Creditors	194,350,802	104,107,660
	Accrued liabilities	86,869,605	75,388,661
	Workers' profit participation fund	20,114,847	10,009,490
	Unclaimed dividend	2,064,943	2,065,335
	Others	328,180	1,207,246
		<u>303,728,377</u>	<u>192,778,392</u>
	11.1 Workers' profit participation fund		
	Balance at beginning of year	10,009,490	8,922,212
	Interest on funds utilized in the Company's business	1,089,746	1,534,351
		<u>11,099,236</u>	<u>10,456,563</u>
	Paid during the year	(10,746,576)	(5,217,988)
		352,660	5,238,575
	Allocation / expense for the year	19,762,187	4,770,915
		<u>20,114,847</u>	<u>10,009,490</u>

11.2 Interest on workers' profit participation fund has been provided @ 15% (June 30, 2009: 15%) per annum.

12	Mark-up accrued on :		
	- long-term financing	8,143,382	11,647,803
	- short-term borrowings	14,525,985	33,456,328
		<u>22,669,367</u>	<u>45,104,131</u>

13	Short Term Borrowings		
	From banking companies-secured		
	Short term money market loan	<u>599,783,167</u>	<u>831,305,967</u>

13.1 The aggregate approved short term borrowing facilities amounted to PKR 2,560.0 Million (2009: PKR 2,185.0 Million).

13.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.70 % to 1.5 % (2009: 1 to 3 month KIBOR + spread between 0.25 to 1.5%) per annum payable quarterly. These facilities are secured against hypothecation charge on stock, stores and receivables.



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	30 th June 2010 Rupees	30 th June 2009 Rupees
	<u> </u>	<u> </u>
14 Current Portion of Long Term Financing		
Long term loans	259,744,531	158,258,767
Obligations under finance lease	7,171,525	16,357,750
	<u>266,916,056</u>	<u>174,616,517</u>
15 Contingencies and Commitments		
Contingencies		
15.1 In normal course of business, the Company has issued indemnity bonds amounting to PKR 43.933 Million (June 30, 2009 : PKR 43.933 Million) and post dated cheques amounting to PKR 37.146 Million (2009: PKR 37.146 Million) in favour of collector of customs and sales tax department in lieu of custom and sales tax levies against various statutory notification and the indemnity bond furnished by the Company are likely to be released after fulfillment of the terms of related SRO's.		
15.2 Bank guarantee issued to Sui Southern Gas Company Limited on behalf of the company PKR 29.592 Million (June 30, 2009: PKR 25.832 million) and to Sui Northern Pipeline Company Limited amounting to PKR 36.810 Million (2009: PKR 30.442 million)		
Commitments		
Letters of credit for: (Raw material, stores & machinery)	10,759,055	14,863,550
Civil works	-	300,000
	<u>10,759,055</u>	<u>15,163,550</u>



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16 PROPERTY, PLANT AND EQUIPMENT

Description	2010									
	COST				DEPRECIATION				Book value as at June 30, 2010	Annual rate of depreciation %
	As at July 01, 2009	Additions	Transfers / Disposal	As at June 30, 2010	As at July 01, 2009	Charge for the year	Transfers / Disposal	As at June 30, 2010		
Rupees.....									
Freehold land	23,879,028	-	-	23,879,028	-	-	-	-	23,879,028	-
Leasehold land	2,994,885	-	-	2,994,885	-	-	-	-	2,994,885	-
Factory building on freehold land	225,997,240	-	-	225,997,240	113,903,727	11,209,351	-	125,113,078	100,884,162	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	55,707,447	2,607,780	-	58,315,227	23,470,021	10
factory building on Leasehold extension	47,534,953	-	-	47,534,953	16,843,504	3,067,812	-	19,911,316	27,623,637	10
Non factory building on freehold land	76,740,035	324,040	-	77,064,075	22,020,934	2,749,457	-	24,770,391	52,293,684	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	12,395,970	391,191	-	12,787,161	14,168,894	5
Non factory building on Leasehold extension	14,786,333	-	-	14,786,333	2,970,881	928,252	-	3,899,133	10,887,200	5
Plant and machinery	1,971,230,737	8,124,049	21,240,332	1,995,202,353	888,695,696	112,897,937	4,556,874	1,002,578,476	992,623,877	10
			(5,392,765)				(3,572,031)			
Electric equipment and fitting	72,076,568	-	-	72,076,568	28,932,870	1,642,574	-	30,575,444	41,501,124	10
Gas line and pipe fitting	7,943,179	-	-	7,943,179	2,886,057	505,712	-	3,391,769	4,551,410	10
Factory equipment	14,047,880	-	-	14,047,880	8,441,708	643,773	-	9,085,481	4,962,399	10
Office equipment	2,478,707	-	-	2,478,707	1,366,673	66,981	-	1,433,654	1,045,053	10
Furniture and fixtures	7,204,422	-	-	7,204,422	3,743,826	346,060	-	4,089,886	3,114,536	10
Equipment and other assets	38,025,813	7,271,818	-	45,297,631	28,517,113	8,542,243	-	37,059,356	8,238,275	35
Vehicles	20,085,841	7,859,882	(3,184,804)	24,760,919	15,583,093	1,380,438	(2,767,492)	14,196,039	10,564,880	20
	2,633,766,924	23,579,789	12,662,763	2,670,009,476	1,202,009,499	146,979,561	(1,782,649)	1,347,206,411	1,322,803,065	
ASSETS SUBJECT TO FINANCE LEASE:										
Plant and machinery	21,240,332	-	(21,240,332)	-	4,556,874	-	(4,556,874)	-	-	10
Equipment and other assets	28,950,000	-	-	28,950,000	16,169,781	4,473,077	-	20,642,858	8,307,142	
Vehicle	1,013,200	9,499,460	-	10,512,660	364,752	914,402	-	1,279,154	9,233,506	20
	51,203,532	9,499,460	(21,240,332)	39,462,660	21,091,407	5,387,479	(4,556,874)	21,922,012	17,540,648	
Total	2,684,970,456	33,079,249	(8,577,569)	2,709,472,136	1,223,100,906	152,367,040	(6,339,523)	1,369,128,423	1,340,343,713	



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

PROPERTY, PLANT AND EQUIPMENT

Description	2009									
	COST				DEPRECIATION				Book value as at June 30, 2009	Annual rate of depreciation %
	As at July 01, 2008	Additions	Transfers / Disposal	As at June 30, 2009	As at July 01, 2008	Charge for the year	Transfers / Disposal	As at June 30, 2009		
.....Rupees.....										
Freehold land	23,879,028	-	-	23,879,028	-	-	-	23,879,028	-	
Leasehold land	2,994,885	-	-	2,994,885	-	-	-	2,994,885	-	
Factory building on freehold land	225,997,240	-	-	225,997,240	101,448,892	12,454,835	-	113,903,727	112,093,513	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	52,809,914	2,897,533	-	55,707,447	26,077,801	10
Factory building on leasehold extension	47,534,953	-	-	47,534,953	13,434,824	3,408,680	-	16,843,504	30,691,449	10
Non factory building on freehold land	76,242,885	497,150	-	76,740,035	19,147,523	2,873,411	-	22,020,934	54,719,101	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	11,984,190	411,780	-	12,395,970	14,560,085	5
Non factory building on Leasehold extension	14,786,333	-	-	14,786,333	1,993,774	977,107	-	2,970,881	11,815,452	5
Plant and machinery	1,958,096,988	-	(4,761,650)	1,971,230,737	773,768,398	119,086,279	(4,158,981)	888,695,696	1,082,535,041	10
Electric equipment and fitting	72,076,568	-	-	72,076,568	24,394,794	4,538,076	-	28,932,870	43,143,698	10
Gas line and pipe fitting	7,943,179	-	-	7,943,179	2,324,155	561,902	-	2,886,057	5,057,122	10
Factory equipment	12,049,880	1,998,000	-	14,047,880	7,652,981	788,727	-	8,441,708	5,606,172	10
Office equipment	2,478,707	-	-	2,478,707	1,292,249	74,424	-	1,366,673	1,112,034	10
Furniture and fixtures	6,851,694	352,728	-	7,204,422	3,375,645	368,181	-	3,743,826	3,460,596	10
Equipment and other assets	34,889,632	3,136,181	-	38,025,813	22,426,753	6,090,360	-	28,517,113	9,508,700	35
Vehicles	21,202,566	100,490	(1,217,215)	20,085,841	15,222,359	1,125,686	(764,952)	15,583,093	4,502,748	20
	<u>2,615,765,841</u>	<u>23,979,948</u>	<u>(5,978,865)</u>	<u>2,633,766,924</u>	<u>1,051,276,451</u>	<u>155,656,981</u>	<u>(4,923,933)</u>	<u>1,202,009,499</u>	<u>1,431,757,425</u>	
ASSETS SUBJECT TO FINANCE LEASE:										
Plant and machinery	21,240,332	-	-	21,240,332	2,703,156	1,853,718	-	4,556,874	16,683,458	10
Equipment and other assets	28,950,000	-	-	28,950,000	9,288,125	6,881,656	-	16,169,781	12,780,219	
Vehicles	1,013,200	-	-	1,013,200	202,640	162,112	-	364,752	648,448	20
	<u>51,203,532</u>	<u>-</u>	<u>-</u>	<u>51,203,532</u>	<u>12,193,921</u>	<u>8,897,486</u>	<u>-</u>	<u>21,091,407</u>	<u>30,112,125</u>	
Total	<u>2,666,969,373</u>	<u>23,979,948</u>	<u>(5,978,865)</u>	<u>2,684,970,456</u>	<u>1,063,470,372</u>	<u>164,554,467</u>	<u>(4,923,933)</u>	<u>1,223,100,906</u>	<u>1,461,869,550</u>	



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	Note	30 th June 2010 Rupees	30 th June 2009 Rupees
16.1	The depreciation charge for the year has been allocated as follows:		
Cost of sales	30	149,659,159	162,999,361
Administrative expenses	33	2,707,881	1,555,106
		<u>152,367,040</u>	<u>164,554,467</u>

16.2 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
.....Rupees.....							

Plant and machinery

Autoconer	5,392,765	3,572,031	1,820,734	2,000,000	179,266	Negotiation	M/s. Bhanero Textile Mills Limited Umer House, 23/1, Sector 23, Korangi Industrial Area, Karachi
Vehicles							
Honda Car - ACZ 417	828,300	723,960	104,340	397,000	292,660	Negotiation	Mr. Muhammad Hashim Mahala Ali Bahadur Road, Quetta.
Honda Civic - AEF 458	1,225,200	1,035,919	189,281	300,000	110,719	Negotiation	Mr. Liaqat Basti No. 21, Tufail Road, Lahore Cantt
Suzuki Margalla - AB 0175	384,714	372,010	12,704	100,000	87,296	Negotiation	Mr. Qaisar Iqbal E-55/15, Bilal Town, Bedian Road, Cantt Lahore.
Suzuki Baleno - LRA 9911	706,190	597,091	109,099	200,000	90,901	Negotiation	Mr. Abdul Rauf House no. 558/4-W, DHA Lahore
Honda Motorcycle - KCI-5041	40,400	38,512	1,888	3,850	1,962	Negotiation	Mr. Sultan Khan Zaman Town, Korangi Karachi
30-Jun-10	<u>8,577,569</u>	<u>6,339,523</u>	<u>2,238,046</u>	<u>3,000,850</u>	<u>762,804</u>		
Plant and machinery							
Caterpillar generator	4,761,650	4,158,981	602,669	700,000	97,331	Negotiation	City Tower Management Company City Towers, 6-K, Main Boulevard, Gulberg Lahore
Vehicles							
Toyota Corolla Car - ACR 621	1,158,725	762,027	396,698	500,000	103,302	Negotiation	Mr. Mehar Baksh s/o Ahsan Elahi House no. 2/A, KDA Scheme no. 12, Karachi.
Honda Motor Cycle - KDT - 6760	58,490	2,925	55,565	56,000	435	Insurance claim	UBL Insurance Limited
30-Jun-09	<u>5,978,865</u>	<u>4,923,933</u>	<u>1,054,932</u>	<u>1,256,000</u>	<u>201,068</u>		



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

		30 th June 2010 Rupees	30 th June 2009 Rupees
17	Capital Work in Progress		
	Building and other civil works	925,708	15,845
	Plant and machinery	43,315,070	-
		<u>44,240,778</u>	<u>15,845</u>
18	Long term Investment		
	Investment in associates		
	Investment in shares of Blessed Textiles Limited (1,189,160 ordinary shares of Rs. 10 each)	230,414,507	153,004,719
		<u>230,414,507</u>	<u>153,004,719</u>
	Cost of investment	11,891,600	11,891,600
	Accumulated share of post acquisition profit - net of dividends received	141,113,119	128,953,521
	Share of profit for the year	78,301,658	13,051,468
	Dividend received during the year	(891,870)	(891,870)
		<u>218,522,907</u>	<u>141,113,119</u>
		<u>230,414,507</u>	<u>153,004,719</u>
18.1	Summarized financial information of Blessed Textiles Limited is set out below:		
	Total assets	2,409,513,591	2,456,985,867
	Total liabilities	1,163,233,772	1,629,404,759
	Net assets	<u>1,246,279,819</u>	<u>827,581,108</u>
	Company's share of associate's net assets	<u>78,301,658</u>	<u>153,004,719</u>
	Sales- net	<u>4,054,211,673</u>	<u>3,254,301,064</u>
	Profit for the year	<u>423,522,711</u>	<u>70,593,561</u>
	Company's share of associate's profit for the year	<u>78,301,658</u>	<u>13,051,468</u>
18.2	Market value per share	<u>46</u>	<u>70</u>
	Percentage of holding	<u>18.49%</u>	<u>18.49%</u>
19	Long Term Loan		
	Un-secured; considered good		
	Loan to employees	5,239,521	3,875,750
	Current portion shown in current assets	(2,444,542)	(1,839,696)
		<u>2,794,979</u>	<u>2,036,054</u>
20	Long Term Deposits		
	Security deposits	5,757,645	7,476,295
	Others	21,800	21,800
		<u>5,779,445</u>	<u>7,498,095</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	30 th June 2010	30 th June 2009
	Rupees	Rupees
21 Stores, Spare Parts and Loose Tools		
Stores, spare parts and loose tools	54,014,972	38,284,973
Chemicals and lubricants	6,015,768	12,704,430
Packing material	7,577,417	5,011,616
	<u>67,608,157</u>	<u>56,001,019</u>
21.1 It is impracticable to distinguish stores, spares and loose tools, each from the other.		
21.2 Stores, spares and loose tools are generally held for internal use only.		
21.3 No item of stores, spares and loose tools is pledged as security as at the reporting date.		
22 Stock in Trade		
Raw material	449,116,406	558,896,352
Work in process	87,782,429	51,079,046
Finished goods	351,027,929	205,229,217
Waste	5,325,882	7,791,151
	<u>893,252,646</u>	<u>822,995,766</u>
22.1 No item of stock in trade is pledged as security as at the reporting date.		
23 Trade Debts		
Considered good		
Foreign secured through letters of credit	-	7,660,129
Local : unsecured	190,745,821	228,287,643
	<u>190,745,821</u>	<u>235,947,772</u>
Considered doubtful:		
Export	14,204,493	14,204,493
Local	16,359,383	870,000
	<u>30,563,876</u>	<u>15,074,493</u>
Provision for doubtful debts	23.1 (30,563,876)	(15,074,493)
	<u>190,745,821</u>	<u>235,947,772</u>
23.1 The movement of the provision of doubtful receivable is as follow		
Balance at the beginning of the year	15,074,493	15,074,493
Bad debts recovered during the year	-	-
Bad debts provided during the year	15,489,383	-
Balance at the ended of the year	<u>30,563,876</u>	<u>15,074,493</u>
24 Loans and Advances		
Current portion of long term loans to employees	2,444,542	1,839,696
Advances to suppliers - unsecured; considered good	3,122,345	6,699,382
Advances to employees	92,849	323,814
Letters of credit	1,020,957	99,927
Security deposit	3,151,000	-
Advances to suppliers - unsecured; considered doubtful	3,400,000	-
	<u>13,231,693</u>	<u>8,962,819</u>
Provision for doubtful debts	(3,400,000)	-
	<u>9,831,693</u>	<u>8,962,819</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

		30 th June 2010 Rupees	30 th June 2009 Rupees
25	Trade Deposits and Prepayments		
	Deposit against infrastructure fee payable	20,220,366	17,100,603
	Certificate of investment	38,000	38,000
		<u>20,258,366</u>	<u>17,138,603</u>
25.1	Effective mark up rate on these deposits range from 5% to 9% per annum (June 30, 2009: 5% to 9% per annum).		
26	Other Receivables		
	Prepaid expenses	1,272,232	348,871
	Other receivables	774,043	1,009,035
		<u>2,046,275</u>	<u>1,357,906</u>
27	Taxation		
	Sales tax refundable 27.1	16,732,668	8,987,735
	Excise duty refundable	1,763,015	1,109,995
	Provision for bad debts	(1,763,015)	(1,109,995)
		-	-
	Advance income tax	57,820,926	20,701,085
	Income tax refundable	20,514,611	50,777,961
		78,335,537	71,479,046
	Provision for taxation	(61,285,986)	(29,596,712)
		<u>33,782,219</u>	<u>50,870,069</u>

27.1 This represents accumulated differences of input tax and sales tax payable.

28	Bank Balances		
	Balances with banks in:		
	Current accounts 28.1	74,257,896	9,488,455
	Deposit accounts 28.2	76,033	3,838,433
		<u>74,333,929</u>	<u>13,326,888</u>

28.1 This includes PKR 24,300,277 (June 30, 2009 : PKR 3,728,185) in foreign currency accounts.

28.2 Effective mark up rate in respect of these balances ranges from 5% to 9% (June 30, 2009: 5% to 9%) per annum.



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

			30 th June 2010 Rupees	30 th June 2009 Rupees
29		Sales - Net		
		Export		
		Yarn	2,044,049,050	1,521,068,901
		Fabric	2,702,067,757	1,156,900,073
		Waste	11,877,260	5,647,528
			4,757,994,067	2,683,616,502
		Duty drawback	515,194	1,008,907
			<u>4,758,509,261</u>	<u>2,684,625,409</u>
		Local		
		Yarn	46,608,559	291,556,038
		Fabric	251,588,193	1,029,835,800
		Cotton	66,814,236	240,666,272
		Waste	109,431,417	79,680,772
			474,442,405	1,641,738,882
		Gross sales	5,232,951,666	4,326,364,291
		Duties, commission and brokrage		
		Regulatory duty on export sales	(2,314,586)	-
		Commission on sales	(81,818,400)	(54,455,310)
			(84,132,986)	(54,455,310)
			<u>5,148,818,680</u>	<u>4,271,908,981</u>
30		Cost of Sales		
		Raw material consumed	3,481,150,387	2,618,143,035
		Packing material consumed	53,299,386	47,421,830
		Stores and spare parts consumed	125,585,422	96,164,175
		Yarn and fabric processing charges	1,208,583	9,524,320
		Salaries, wages and benefits	231,556,532	202,803,498
		Fuel, power and water	298,636,058	263,725,074
		Electricity duty	1,900,106	1,505,535
		Insurance	10,837,581	9,649,563
		Repair and maintenance	8,563,800	6,335,033
		Rent, rates and taxes	370,955	330,133
		Travelling, conveyance and entertainment	629,909	645,861
		Vehicle running expenses	4,942,774	4,950,999
		Communication	452,351	487,614
		Fee and subscription	19,485	93,335
		Depreciation	149,959,406	163,018,825
		Others	921,369	772,021
			<u>4,370,034,104</u>	<u>3,425,570,851</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	30 th June 2010	30 th June 2009
	<u>Rupees</u>	<u>Rupees</u>
Work in process		
Opening stock	51,079,046	56,280,256
Closing stock	(87,782,429)	(51,079,046)
	<u>(36,703,383)</u>	<u>5,201,210</u>
Cost of goods manufactured	4,333,330,721	3,430,772,061
Cost of cotton sold	30.3 67,538,205	279,103,504
Finished stocks		
Opening stock	213,020,368	259,532,282
Finished goods purchased	82,681,093	43,338,345
Yarn purchased	18,605,259	27,149,517
Finished goods theft	30.4 (3,658,226)	-
Closing stock	(356,353,811)	(213,020,368)
	<u>(45,705,317)</u>	<u>116,999,776</u>
	<u>4,355,163,609</u>	<u>3,826,875,341</u>
30.1 Raw material consumed		
Opening stock	558,896,352	562,135,963
Purchases	3,454,134,843	2,912,743,227
Raw material sold - cotton	(64,159,143)	(270,690,286)
Raw material sold - yarn	(18,605,259)	(27,149,517)
Closing stock	(449,116,406)	(558,896,352)
	<u>3,481,150,387</u>	<u>2,618,143,035</u>
30.2 Salaries, wages and benefits includes employees retirement benefits amounting to PKR 13,127,562 (June 30, 2009: PKR 13,078,774).		
30.3 Cost of cotton sold		
Cost of purchase	64,159,143	270,690,286
Salaries, wages and other benefits	436,800	946,400
Loading and unloading	8,454	36,189
Insurance	197,897	1,871,362
Finance cost	2,735,911	5,559,267
	<u>67,538,205</u>	<u>279,103,504</u>
30.4 The amount of loss has been recovered through insurance claim.		
31 Other Operating Income		
Income from financial assets		
Interest on bank deposits	1,481,038	1,295,671
Income from assets other than financial assets		
Gain on disposal of property, plant and equipment	762,804	201,068
Exchange gain/(loss) on foreign currency translation	76,713	(822,289)
	<u>2,320,555</u>	<u>674,450</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

		30 th June 2010 Rupees	30 th June 2009 Rupees
32	Distribution Cost		
	Export		
	Steamer and air freight	86,753,965	30,922,152
	Trailer freight	22,109,630	11,803,060
	Clearing and forwarding	15,296,735	8,370,611
	Export development surcharge	9,149,275	6,036,720
	Sales promotion expenses	5,973,949	3,613,814
	Claim settlement	822,009	209,638
	Other export expenses	1,097,095	1,412,018
		141,202,658	62,368,013
	Local		
	Freight on local sales	2,416,016	3,243,373
	Sales office expenses	-	246,847
	Advertisement expenses	155,612	-
	Quality claim	12,140	347,177
		2,583,768	3,837,397
		<u>143,786,426</u>	<u>66,205,410</u>
33	Administrative Cost		
	Directors' remuneration	1,920,000	2,160,000
	Staff salaries and benefits	18,756,024	15,192,434
	Traveling, conveyance and entertainment	2,575,555	1,905,933
	Printing and stationery	2,129,449	466,386
	Communication expenses	922,200	1,057,958
	Vehicles running and maintenance	2,404,908	2,124,264
	Legal and professional	395,738	335,495
	Auditors' remuneration	893,900	507,750
	Fee and subscription	1,679,401	1,487,547
	Repair and maintenance	63,210	214,586
	Rent, rates and taxes	120,000	120,000
	Depreciation	2,407,634	1,535,642
	Charity and donation	2,275,000	650,000
	Bad debts expenses	19,542,401	716,045
	Others	455,889	497,750
		<u>56,541,309</u>	<u>28,971,790</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

33.1 Staff salaries and benefits includes employee retirement benefits amounting to PKR 1,954,330 (June 30, 2009: PKR 2,090,500) .

	30 th June 2010	30 th June 2009
	Rupees	Rupees
33.2 Auditors' remuneration		
Annual statutory audit	750,000	373,750
Half yearly review	108,900	99,000
Out of pocket expenses	35,000	35,000
	893,900	507,750
34 Other Operating Cost		
Workers' profit participation fund	19,762,187	4,770,915
35 Finance Cost		
Mark-up on:		
- long term financing	49,794,840	67,638,354
- short term borrowings	120,802,670	162,973,054
- finance lease	1,854,921	3,485,394
- workers' profit participation fund	1,089,746	1,534,351
Letter of credit discounting	25,518,887	13,991,574
Bank charges and commission	1,343,067	5,489,861
	200,404,131	255,112,588
Imputed interest expenses on interest free loan	10,714,285	9,566,327
	211,118,416	264,678,915

36 Provision for Taxation

36.1 Provision for current tax for the year has been made in accordance with section 18 and section 154 of the Income Tax Ordinance 2001. Income tax assessment of company has been finalised upto tax year 2009.

36.2 Provision for current tax for the year includes PKR 8,687,626 (2009: PKR 1,640,466) in respect of Workers' Welfare Fund (WWF). Provision for WWF has been made as required under section 4 (1) of the Workers' Welfare Fund Ordinance 1971.

36.3 Numerical reconciliation between the average tax rate and the applicable tax rate

Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
adjustment of the prior years	(1.43)	0.07
income chargeable to tax at different rate	(3.21)	9.56
inadmissible expense	1.45	-
Effective tax rate	31.81	44.63



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	<u>30th June 2010</u>	<u>30th June 2009</u>
	<u>Rupees</u>	<u>Rupees</u>
37 Earnings per Share - Basic and Diluted		
The calculation of the basic earnings per share is based on the following data:		
Earnings		
Earnings for the purpose of basic earnings per share - After tax profit for the year	<u>402,630,406</u>	<u>65,360,140</u>
Number of shares		
Weighted average number of ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>
Basic earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.		
Basic earnings per share	<u>40.26</u>	<u>6.54</u>

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

38 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 24th September 2010 has proposed to pay cash dividend of @ 50% i.e. PKR 5 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

39 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	Chief Executive		Director	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Rupees			
Remuneration	662,064	662,064	662,064	827,580
Allowances	297,936	297,936	297,936	372,420
	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	<u>1,200,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>

39.1 In addition to the above, the Chief Executive Officer and all directors are provided with free use of Company maintained cars and telephone for business use.

40 Related Party Transactions

The related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out sale and purchase of goods and services transactions with various related parties. Nature and description of related party transactions along with monetary value are as follows:



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

30th June
2010
Rupees

30th June
2009
Rupees

Nature of relationship	Nature of transactions		
Associated undertaking	Sales of cotton	4,267,509	84,713,080
	Sales of fabric	3,684,905	4,142,410
	Sales of stores, spare parts and loose tools	-	2,026,537
	Sales of property, plant and equipment	2,000,000	700,000
	Sales of yarn	22,558,592	23,048,699
	Purchase of yarn	494,005,299	369,800,391
	Purchase of property, plant and equipment	5,700,000	-
	Purchase of fabrics	45,800,941	33,918,591
	Purchase of stores, spare parts and loose tools	85,362	1,670,745
	Services rendered	1,700,000	12,130,000
	Services received	8,447,784	3,815,760
	Dividend received	891,870	891,870
	Electricity purchased	27,995,027	18,511,916
Retirement benefits	Provision for gratuity	15,081,892	15,169,274
Key management	Remuneration	1,920,000	2,160,000

41 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2010 is as follows

41.1 Operating Results

Sales	Note	Spinning		Weaving		Power Generation		Total	
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
		Rupees							
Export sales		2,055,926,310	1,526,716,429	2,702,067,757	1,156,900,073	-	-	4,757,994,067	2,683,616,502
Local sales		191,663,050	572,218,873	282,779,355	1,069,520,009	-	-	474,442,405	1,641,738,882
Custom rebate		192,678	236,193	322,516	772,714	-	-	515,194	1,008,907
Inter-segment sales		53,325,755	27,057,250	-	-	307,404,366	293,556,451	360,730,121	320,613,701
		<u>2,301,107,793</u>	<u>2,126,228,745</u>	<u>2,985,169,628</u>	<u>2,227,192,796</u>	<u>307,404,366</u>	<u>293,556,451</u>	<u>5,593,681,787</u>	<u>4,646,977,992</u>
Duties, commission and brokerage									
Regulatory duty on export sales		(2,314,586)	-	-	-	-	-	(2,314,586)	-
Commission on sales		(35,738,644)	(28,996,945)	(46,079,756)	(25,458,365)	-	-	(81,818,400)	(54,455,310)
		<u>(38,053,230)</u>	<u>(28,996,945)</u>	<u>(46,079,756)</u>	<u>(25,458,365)</u>	<u>-</u>	<u>-</u>	<u>(84,132,986)</u>	<u>(54,455,310)</u>
Net sales		<u>2,263,054,563</u>	<u>2,097,231,800</u>	<u>2,939,089,872</u>	<u>2,201,734,431</u>	<u>307,404,366</u>	<u>293,556,451</u>	<u>5,509,548,801</u>	<u>4,592,522,682</u>
Cost of sales		1,844,712,479	1,902,297,624	2,598,228,045	1,993,645,672	272,953,206	251,545,746	4,715,893,730	4,147,489,042
Gross profit		<u>418,342,084</u>	<u>194,934,176</u>	<u>340,861,827</u>	<u>208,088,759</u>	<u>34,451,160</u>	<u>42,010,705</u>	<u>793,655,071</u>	<u>445,033,640</u>
Distribution cost		55,075,000	40,159,284	88,711,426	26,046,126	-	-	143,786,426	66,205,410
Administrative cost		22,293,727	15,603,323	34,204,072	13,312,254	43,510	56,213	56,541,309	28,971,790
		<u>77,368,727</u>	<u>55,762,607</u>	<u>122,915,498</u>	<u>39,358,380</u>	<u>43,510</u>	<u>56,213</u>	<u>200,327,735</u>	<u>95,177,200</u>
Operating result		<u><u>340,973,357</u></u>	<u><u>139,171,569</u></u>	<u><u>217,946,329</u></u>	<u><u>168,730,379</u></u>	<u><u>34,407,650</u></u>	<u><u>41,954,492</u></u>	<u><u>593,327,336</u></u>	<u><u>349,856,440</u></u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

Note	Spinning		Weaving		Power Generation		Total	
	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
41.2	Rupees							
Segment assets	1,120,906,571	1,190,334,246	1,348,880,717	1,250,129,959	155,410,703	162,049,414	2,625,197,991	2,602,513,619
Unallocated assets							351,520,523	258,108,198
							<u>2,976,718,514</u>	<u>2,860,621,817</u>
41.3	Segment liabilities							
	613,955,019	897,099,220	705,442,858	662,450,575	104,754,777	135,086,253	1,424,152,654	1,694,636,048
	Unallocated liabilities						122,055,005	130,605,320
							<u>1,546,207,659</u>	<u>1,825,241,368</u>
41.4	Inter-segment pricing							
	Transactions among the business segments are recorded at arm's length prices using admissible valuation methods							
	There were no major customer of company which formed 10 percent or more of the company's revenue.							
42	Reconciliation of reportable segment turnover, cost of sales, assets and liabilities							
42.1	Turnover							
	Total turnover for reportable segments						5,593,681,787	4,646,977,992
	Elimination of inter-segment turnover						(360,730,121)	(320,613,701)
	Total turnover						<u>5,232,951,666</u>	<u>4,326,364,291</u>
42.2	Cost of sales							
	Total cost of sales for reportable segments						4,715,893,730	4,147,489,042
	Elimination of inter-segment revenue						(360,730,121)	(320,613,701)
	Total cost of sales						<u>4,355,163,609</u>	<u>3,826,875,341</u>
42.3	Assets							
	Total assets for reportable segments						2,625,197,991	2,602,513,619
	Taxation recoverable						95,068,205	80,466,781
	Bank deposits						20,258,366	17,138,603
	Long term investment						230,414,507	153,004,719
	Long term deposit						5,779,445	7,498,095
	Total assets						<u>2,976,718,514</u>	<u>2,860,621,817</u>
42.4	Liabilities							
	Total liabilities for reportable segments						1,424,152,654	1,694,636,048
	Unclaimed dividends						2,064,943	2,065,335
	Infrastructure fee						19,990,062	18,524,847
	Sponsor loan						100,000,000	89,285,715
	Deferred taxation						-	20,729,423
	Total liabilities						<u>1,546,207,659</u>	<u>1,825,241,368</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	Note	Spinning		Weaving		Power Generation		Total		
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	
43	Cost of sales									
	Raw material consumed	43.1	1,470,078,847	1,219,919,795	2,064,397,295	1,425,280,490	-	-	3,534,476,142	2,645,200,285
	Packing material consumed		43,187,128	39,813,798	10,112,258	7,608,032	-	-	53,299,386	47,421,830
	Stores and spare parts		21,621,796	17,984,527	71,997,696	67,480,471	31,965,930	10,699,177	125,585,422	96,164,175
	Cost of cotton sold	43.2	67,538,205	279,103,504	-	-	-	-	67,538,205	279,103,504
	Yarn and fabric processing charges		-	-	1,208,583	9,524,320	-	-	1,208,583	9,524,320
	Salaries, wages and benefits		123,794,653	101,498,189	103,384,126	97,056,085	4,377,753	4,249,224	231,556,532	202,803,498
	Fuel, power and water									
	Inter-segment		161,244,951	149,987,036	146,159,415	143,569,415	-	-	307,404,366	293,556,451
	Other		19,104,955	4,505,694	67,407,383	46,770,840	212,123,720	212,448,540	298,636,058	263,725,074
			180,349,906	154,492,730	213,566,798	190,340,255	212,123,720	212,448,540	606,040,424	557,281,525
	Electricity duty		-	-	-	-	1,900,106	1,505,535	1,900,106	1,505,535
	Insurance		5,687,000	4,000,535	2,519,093	2,683,665	2,631,488	2,965,363	10,837,581	9,649,563
	Repair and maintenance		2,583,597	1,592,677	2,151,794	2,870,441	3,828,409	1,871,915	8,563,800	6,335,033
	Rent, rates and taxes		301,635	268,813	69,320	61,320	-	-	370,955	330,133
	Travelling, conveyance and entertainment		365,884	407,896	121,244	164,040	142,781	73,925	629,909	645,861
	Vehicle running expenses		3,268,877	3,263,166	1,571,962	1,581,586	101,935	106,247	4,942,774	4,950,999
	Communication		116,221	106,526	309,833	364,190	26,297	16,898	452,351	487,614
	Fee and subscription		-	65,000	19,485	28,335	-	-	19,485	93,335
	Depreciation		55,801,373	60,238,065	78,322,964	85,186,240	15,835,069	17,594,520	149,959,406	163,018,825
	Others		-	60,028	901,651	697,591	19,718	14,402	921,369	772,021
			1,974,695,122	1,882,815,249		1,890,927,061	272,953,206	251,545,746	4,798,302,430	4,025,288,056
	Work in process									
	Opening stock		12,848,004	10,247,329	38,231,042	46,032,927	-	-	51,079,046	56,280,256
	Closing stock		(14,872,829)	(12,848,004)	(72,909,600)	(38,231,042)	-	-	(87,782,429)	(51,079,046)
			(2,024,825)	(2,600,675)	(34,678,558)	7,801,885	-	-	(36,703,383)	5,201,210
	Cost of goods manufactured		1,972,670,297	1,880,214,574	2,515,975,544	1,898,728,946	272,953,206	251,545,746	4,761,599,047	4,030,489,266
	Finished stocks									
	Opening stock		62,785,970	84,869,020	150,234,398	174,663,262	-	-	213,020,368	259,532,282
	Finished goods purchased		-	-	82,681,093	43,338,345	-	-	82,681,093	43,338,345
	Yarn purchased		-	-	18,605,259	27,149,517	-	-	18,605,259	27,149,517
	Finished goods theft		-	-	(3,658,226)	-	-	-	(3,658,226)	-
	Closing stock		(190,743,788)	(62,785,970)	(165,610,023)	(150,234,398)	-	-	(356,353,811)	(213,020,368)
			(127,957,818)	22,083,050	82,252,501	94,916,726	-	-	(45,705,317)	116,999,776
			1,844,712,479	1,902,297,624	2,598,228,045	1,993,645,672	272,953,206	251,545,746	4,715,893,730	4,147,489,042



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	Note	Spinning		Weaving		Power Generation		Total	
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
43.1	Raw material consumed								
	Opening stock	493,145,370	499,308,587	65,750,982	62,827,376	-	-	558,896,352	562,135,963
	Purchases								
	Inter-segment	-	-	53,325,755	27,057,250	-	-	53,325,755	27,057,250
	Other	1,304,126,327	1,484,446,864	2,150,008,516	1,428,296,363	-	-	3,454,134,843	2,912,743,227
		1,304,126,327	1,484,446,864	2,203,334,271	1,455,353,613	-	-	3,507,460,598	2,939,800,477
	Raw material sold - cotton	(64,159,143)	(270,690,286)	-	-	-	-	(64,159,143)	(270,690,286)
	Raw material sold - yam	-	-	(18,605,259)	(27,149,517)	-	-	(18,605,259)	(27,149,517)
	Closing stock	(263,033,707)	(493,145,370)	(186,082,699)	(65,750,982)	-	-	(449,116,406)	(558,896,352)
		<u>1,470,078,847</u>	<u>1,219,919,795</u>	<u>2,064,397,295</u>	<u>1,425,280,490</u>	<u>-</u>	<u>-</u>	<u>3,534,476,142</u>	<u>2,645,200,285</u>
43.2	Cost of cotton sold								
	Cost of purchase	64,159,143	270,690,286	-	-	-	-	64,159,143	270,690,286
	Salaries, wages and other benefits	436,800	946,400	-	-	-	-	436,800	946,400
	Loading and unloading	8,454	36,189	-	-	-	-	8,454	36,189
	Transportation	-	-	-	-	-	-	-	-
	Insurance	197,897	1,871,362	-	-	-	-	197,897	1,871,362
	Finance cost	2,735,911	5,559,267	-	-	-	-	2,735,911	5,559,267
		<u>67,538,205</u>	<u>279,103,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,538,205</u>	<u>279,103,504</u>
44	Distribution cost								
	Export								
	Steamer and air freight	32,322,323	18,363,495	54,431,642	12,558,657	-	-	86,753,965	30,922,152
	Trailer freight	8,409,130	6,994,660	13,700,500	4,808,400	-	-	22,109,630	11,803,060
	Clearing and forwarding	5,157,780	5,379,846	10,138,955	2,990,765	-	-	15,296,735	8,370,611
	Export development surcharge	4,651,417	3,925,590	4,497,858	2,111,130	-	-	9,149,275	6,036,720
	Sales promotion expenses	865,162	1,487,429	5,108,787	2,126,385	-	-	5,973,949	3,613,814
	Claim settlement	822,009	209,638	-	-	-	-	822,009	209,638
	Other export expenses	826,543	493,631	270,552	918,387	-	-	1,097,095	1,412,018
		53,054,364	36,854,289	88,148,294	25,513,724	-	-	141,202,658	62,368,013
	Local								
	Freight on local sales	2,020,636	3,058,148	395,380	185,225	-	-	2,416,016	3,243,373
	Sales office expenses	-	246,847	-	-	-	-	-	246,847
	Advertisement expenses	-	-	155,612	-	-	-	155,612	-
	Quality claim	-	-	12,140	347,177	-	-	12,140	347,177
		<u>2,020,636</u>	<u>3,304,995</u>	<u>563,132</u>	<u>532,402</u>	<u>-</u>	<u>-</u>	<u>2,583,768</u>	<u>3,837,397</u>
		<u>55,075,000</u>	<u>40,159,284</u>	<u>88,711,426</u>	<u>26,046,126</u>	<u>-</u>	<u>-</u>	<u>143,786,426</u>	<u>66,205,410</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	Note	Spinning		Weaving		Power Generation		Total	
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
45	Administrative cost								
	Directors' remuneration	1,920,000	2,160,000	-	-	-	-	1,920,000	2,160,000
	Staff salaries and benefits	9,915,592	8,416,714	8,840,432	6,775,720	-	-	18,756,024	15,192,434
	Traveling, conveyance and entertainment	511,347	414,405	2,064,208	1,491,528	-	-	2,575,555	1,905,933
	Printing and stationery	1,048,572	273,105	1,079,797	188,561	1,080	4,720	2,129,449	466,386
	Communication expenses	230,394	240,669	691,806	817,289	-	-	922,200	1,057,958
	Vehicles running and maintenance	901,987	888,273	1,502,921	1,235,991	-	-	2,404,908	2,124,264
	Legal and professional	-	-	395,738	335,495	-	-	395,738	335,495
	Auditors' remuneration	446,950	261,785	446,950	245,965	-	-	893,900	507,750
	Fee and subscription	1,051,474	990,862	627,927	496,685	-	-	1,679,401	1,487,547
	Repair and maintenance	63,210	214,586	-	-	-	-	63,210	214,586
	Rent, rates and taxes	120,000	120,000	-	-	-	-	120,000	120,000
	Depreciation	1,141,465	801,948	1,231,342	691,293	34,827	42,401	2,407,634	1,535,642
	Charity and donation	1,000,000	100,000	1,275,000	550,000	-	-	2,275,000	650,000
	Bad debts expenses	3,930,326	716,045	15,604,472	-	7,603	-	19,542,401	716,045
	Others	12,410	4,931	443,479	483,727	-	9,092	455,889	497,750
		<u>22,293,727</u>	<u>15,603,323</u>	<u>34,204,072</u>	<u>13,312,254</u>	<u>43,510</u>	<u>56,213</u>	<u>56,541,309</u>	<u>28,971,790</u>

46 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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. As at June 30, 2010 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

Long term deposits does not carry any rate of return. The fair value of it has been taken at book value as it is not considered materially different and readily exchangeable.

Non-current liabilities

For all non-current liabilities except for loan from sponsors, the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and repricing profiles of similar non-current liabilities.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / mark-up rate risk is as under:



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

2010

	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto	Maturity After	Subtotal	Maturity Upto	Maturity After	Subtotal		
	One year	One year		One year	One year			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Financial assets								
Trade debts	-	-	-	190,745,821	-	190,745,821	190,745,821	
Loans and advances	-	-	-	9,831,693	-	9,831,693	9,831,693	
Trade deposits	20,220,366	-	20,220,366	38,000	-	38,000	20,258,366	7
Other receivables	-	-	-	2,046,275	-	2,046,275	2,046,275	
Bank balances	-	-	-	74,333,929	-	74,333,929	74,333,929	
Long-term loans	-	-	-	-	2,794,979	2,794,979	2,794,979	
Long-term deposits	-	-	-	-	5,779,445	5,779,445	5,779,445	
Long term investments	-	-	-	-	230,414,507	230,414,507	230,414,507	
	<u>20,220,366</u>	<u>-</u>	<u>20,220,366</u>	<u>276,995,718</u>	<u>238,988,931</u>	<u>515,984,649</u>	<u>536,205,015</u>	
Financial liabilities								
Long-term financing	266,916,056	121,716,164	388,632,220	-	-	-	388,632,220	7 and KIBOR + 1
Trade and other payables	20,114,847	-	20,114,847	283,613,530	-	283,613,530	303,728,377	
Mark-up accrued on loans	-	-	-	22,669,367	-	22,669,367	22,669,367	
Short-term borrowings	599,783,167	-	599,783,167	-	-	-	599,783,167	KIBOR + .5 to 1.5
	<u>886,814,070</u>	<u>121,716,164</u>	<u>1,008,530,234</u>	<u>306,282,897</u>	<u>-</u>	<u>306,282,897</u>	<u>1,314,813,131</u>	
On balance sheet gap	<u>(866,593,704)</u>	<u>(121,716,164)</u>	<u>(988,309,868)</u>	<u>(29,287,179)</u>	<u>238,988,931</u>	<u>209,701,752</u>	<u>(778,608,116)</u>	
Contingencies								
post dated cheques							37,146,324	
indemnity bonds							43,933,430	
Guarantees							66,402,990	
Letters of credit							10,759,055	

2009

	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto	Maturity After	Subtotal	Maturity Upto	Maturity After	Subtotal		
	One year	One year		One year	One year			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Financial assets								
Trade debts	-	-	-	235,947,772	-	235,947,772	235,947,772	
Loans and advances	-	-	-	8,962,819	-	8,962,819	8,962,819	
Trade deposits	17,100,603	-	17,100,603	38,000	-	38,000	17,138,603	3 to 7
Other receivables	-	-	-	1,357,906	-	1,357,906	1,357,906	
Bank balances	-	-	-	13,326,888	-	13,326,888	13,326,888	
Long-term loans	-	-	-	-	2,036,054	2,036,054	2,036,054	
Long-term deposits	-	-	-	-	7,498,095	7,498,095	7,498,095	
Long term investments	-	-	-	-	153,004,719	153,004,719	153,004,719	
	<u>17,100,603</u>	<u>-</u>	<u>17,100,603</u>	<u>259,633,385</u>	<u>162,538,868</u>	<u>422,172,253</u>	<u>439,272,856</u>	



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

2009

	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto	Maturity After	Subtotal	Maturity Upto	Maturity After	Subtotal		
	One year	One year		One year	One year			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Financial liabilities								
Long-term financing	174,616,517	380,446,004	555,062,521	-	-	-	555,062,521	KIBOR + 1
Trade and other payables	10,009,490	-	10,009,490	182,768,902	-	182,768,902	192,778,392	
Mark-up accrued on loans	-	-	-	45,104,131	-	45,104,131	45,104,131	
Short-term borrowings	831,305,967	-	831,305,967	-	-	-	831,305,967	KIBOR + .5 to 1.5
	<u>1,015,931,974</u>	<u>380,446,004</u>	<u>1,396,377,978</u>	<u>227,873,033</u>	<u>-</u>	<u>227,873,033</u>	<u>1,624,251,011</u>	
On balance sheet gap	<u>(998,831,371)</u>	<u>(380,446,004)</u>	<u>(1,379,277,375)</u>	<u>31,760,352</u>	<u>162,538,868</u>	<u>194,299,220</u>	<u>(1,184,978,155)</u>	
Contingencies								
Indemnity bonds							43,933,430	
Post dated cheques							37,146,324	
Guarantees							56,274,000	
Letters of credit							14,863,550	
Civil work							300,000	

46.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Changes in interest rates can affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by interest rate swapping, maintaining a fair balance between interest rates and financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

46.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 534,027,490 (June 30, 2009: PKR 439,272,856), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 203,833,661 (June 30, 2009: PKR 240,644,422) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

46.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The 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.

46.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2010, the total foreign currency risk exposure was PKR 9,938,544 (June 30, 2009: PKR 11,498,562) in respect of foreign trade debts.

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

FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

46.6 Credit risk

46.6.1 Maximum credit exposure

The carrying amount of financial assets, excluding cash in hand, represents maximum credit exposure. The maximum exposure to credit risk as at the reporting date is:

	Note	30 th June 2010 Rupees	30 th June 2009 Rupees
Financial assets at fair value through profit or loss		-	-
Held-to-maturity investments		-	-
Loans and receivables:			
Long term deposits		5,779,445	7,498,095
Long term loan		2,794,979	2,036,054
Trade receivables		190,745,821	235,947,772
Deposit with financial institutions		-	-
Refundable trade deposits		20,258,366	17,138,603
Other receivables		2,046,275	1,357,906
Cash at banks		74,333,929	13,326,888
		221,624,886	263,978,430
Available for sale financial assets		-	-
		<u>221,624,886</u>	<u>263,978,430</u>

46.6.2 Concentration of credit risk

Maximum exposure to credit risk by geographical region as at the reporting date is:

Domestic	190,745,821	228,287,643
Europe	-	7,660,128
United States of America	-	-
Asia and Middle East	-	-
Other regions	-	-
	<u>190,745,821</u>	<u>235,947,771</u>

46.6.3 Impairment losses

The ageing of loans and receivables as at the reporting date is as follows:

Not past due	193,868,166	234,987,025
Past dues less than one year	-	-
Past dues more than one year but less than three years	15,489,383	-
Past dues more than three years	15,074,493	15,074,493
	<u>224,432,042</u>	<u>250,061,518</u>



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

The movement in allowance for impairment in respect of loans and receivables during the year is as follows:

	30 th June 2010 Rupees	30 th June 2009 Rupees
As at beginning of the year	15,074,493	15,074,493
Impairment loss recognized	15,489,383	-
Impairment loss reversed	-	-
As at end of the year	30,563,876	15,074,493

Credit quality of counter parties is assessed based on historical default rates. All loans and receivables not past due are considered good. The management believes that allowance for impairment of loans and receivables past dues is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

46.6.4 Collateral held

The Company does not hold collateral to secure its loans and receivables. However, foreign trade receivables of the Company are secured through letters of credits and exposure to credit risk in respect of these is minimal.

46.7 Liquidity risk

Following are the contractual maturities of financial liabilities, including estimated interest payments

	As at June 30, 2010				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	100,000,000	100,000,000	-	100,000,000	-
Long term finances	375,657,039	375,657,039	259,744,531	115,912,508	-
Liabilities against assets subject to finance lease	12,975,181	12,975,181	7,171,525	5,803,656	-
Long term payables	19,990,062	19,990,062	-	19,990,062	-
Short term borrowings	599,783,167	599,783,167	599,783,167	-	-
Mark-up accrued on borrowings	22,669,367	22,669,367	22,669,367	-	-
Trade creditors	194,350,802	194,350,802	194,350,802	-	-
Accrued liabilities	86,869,605	86,869,605	86,869,605	-	-
Unclaimed dividend	2,064,943	2,064,943	2,064,943	-	-
Other payables	20,443,027	20,443,027	20,443,027	-	-
	1,434,803,193	1,434,803,193	1,193,096,967	241,706,226	-



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

	Carrying amount Rupees	Contractual cash flows Rupees	As at June 30, 2009		
			One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	89,285,715	100,000,000	-	89,285,715	-
Long term finances	533,915,808	533,915,808	11,647,803	375,657,041	-
Liabilities against assets subject to finance lease	21,146,713	21,146,713	33,456,328	4,788,963	-
Long term payables	18,524,847	18,524,847	-	18,524,847	-
Short term borrowings	831,305,967	831,305,967	831,305,967	-	-
Mark-up accrued on borrowings	45,104,131	45,104,131	45,104,131	-	-
Trade creditors	104,107,660	104,107,660	104,107,660	-	-
Accrued liabilities	75,388,661	75,388,661	75,388,661	-	-
Unclaimed dividend	2,065,335	2,065,335	2,065,335	-	-
Other payables	11,216,736	11,216,736	11,216,736	-	-
	<u>1,732,061,593</u>	<u>1,742,775,858</u>	<u>1,114,292,621</u>	<u>488,256,566</u>	<u>-</u>

46.8 Market risk

46.8.1 Currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	30 th June 2010 Rupees	30 th June 2009 Rupees
Trade receivables	-	7,660,129
Cash and cash equivalents	76,033	3,838,433
Trade payables	-	-
Total exposure	<u>76,033</u>	<u>11,498,562</u>

All foreign currency balances are denominated in USD. Average exchange rate used during the year and spot exchange rate applied at the reporting date was PKR 84.21 / USD and PKR 85.45 / USD (2009: PKR 77.30 / USD and PKR 81.33 / USD) respectively.

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 993,854 (2009: PKR 1,149,856). A ten percent depreciation would have had the equal but opposite effect on profit or loss. This sensitivity analysis based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

46.8.2 Interest rate risk

The interest rate profile the Company's interest bearing financial instruments as at the reporting date is as follows:

	30 th June 2010 Rupees	30 th June 2009 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	144,692,417	205,702,004
Variable rate instruments		
Financial assets	20,258,366	17,100,603
Financial liabilities	843,722,970	1,185,893,323

The Company is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have decreased profit or loss by PKR 84,372,297 (2009: PKR 11,858,933). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

46.9 Fair values

Fair value is the amount for which an asset could be exchanged or a liability be settled between knowledgeable willing parties, in an arm's length transaction. As at the reporting date, the fair values of all financial instruments are considered to approximate their book values.

47 Accounting Estimates and Judgments

47.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

47.2 Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

47.3 Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

47.4 Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

47.5 Interest rate and cross currency swap

The Company has entered into various interest rates and cross currency swap over the last year. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

	<u>30th June 2010 Rupees</u>	<u>30th June 2009 Rupees</u>
48 PLANT CAPACITY AND ACTUAL PRODUCTION		
48.1 Spinning unit		
Number of spindles installed	30,720	30,720
Number of spindles worked (Average)	30,720	30,720
Number of working days	365	365
Number of shifts per day	3	3
Installed capacity in kilograms, after conversion into 20/s count (based on actual number of working days) - Kgs	11,434,172	11,434,172
Actual production of yarn in kilograms, (based on actual number of working days) - Kgs	11,554,389	11,004,531
48.2 Weaving unit		
Number of looms installed	243	243
Number of looms worked	243	243
Number of working days	365	365
Number of shifts per day	3	3
Installed capacity in meters, after conversion into 50 picks (based on number of actual working days) - Meters	41,107,384	41,107,384
Actual production of fabric in meters, after conversion into 50 picks (based on number of actual working days) - Meters	43,814,538	41,891,009
48.3 It is difficult to precisely describe production capacity and the resultant production in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed, twist etc in case of spinning. In case of weaving fluctuation depends on factors such as loom width, width of fabric produced, type of yarn used etc. It would vary accordingly to the pattern of production adopted in a particular year.		
48.4 The difference between installed capacity and actual production is in normal course of business.		



FAISAL SPINNING MILLS LIMITED

Notes to and forming part of the financial statements
For the year ended 30th June 2010

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 24th September 2010

50 RE-ARRANGEMENT AND RE-CLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purposes of comparison.

51 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the purposes of comparison.

52 GENERAL

The figures have been rounded off to the nearest Rupee.

Mohammad Sharif
Chief Executive

Mohammad Salim
Director

Karachi: 24th September, 2010



FAISAL SPINNING MILLS LIMITED

PATTERN OF SHAREHOLDINGS AS AT 30-06-2010

S.No.	Shareholders Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES		
	ADMIRAL (PVT) LTD	12.83	1,282,900
	MR. FARRUKH SALIM	1.37	136,919
	MR. YOUSUF SALIM	3.13	312,688
	MR. SAQIB SALIM	1.99	199,055
	MR. MOHAMMAD SHAKEEL	0.48	48,077
	MRS. NAZLI BEGUM	1.29	129,231
	MR. MOHAMMAD QASIM	3.95	395,216
	MRS. SABA YOUSUF	0.98	97,923
	MRS. SABA SAQIB	2.12	211,500
	MRS. SADAF FARRUKH	2.74	274,000
	MRS. SUMBUL HUSSAIN	2.35	235,000
	MASTER HAMZA SHAKEEL	2.80	280,500
	MISS. NOOR SHAKEEL	0.50	50,000
2	NIT / ICP		
	INVESTMENT CORPORATION OF PAKISTAN	0.010	1,000
3	CEO, DIRECTOR AND THEIR SPOUSES AND MINOR CHILDREN		
	MR. MOHAMMAD SHARIF	0.29	28,846
	MR. MOHAMMAD SALEEM	0.29	28,846
	MR. MOHAMMAD SHAHEEN	0.33	32,692
	MR. MOHAMMAD SALIM	2.00	200,380
	MR. BILAL SHARIF	3.35	334,995
	MR. MOHAMMAD AMIN	4.61	460,923
	MR. ADIL SHAKEEL	6.62	661,500
	MR. FAISAL SHAKEEL	7.40	739,977
	MRS. YASMIN BEGUM	2.38	237,577
	MRS. ANJUM BEGUM	7.40	739,480
	MRS. SEEMA BEGUM	3.35	334,915
	MRS. AMNA KHURRAM	1.09	109,500
	MRS. SAMIA BILAL	5.33	533,960
	MRS. FATIMA AMIN	4.51	451,000
	MASTER ABDULLAH BILAL	2.73	272,500
	MASTER UMER KHURRAM	0.97	97,000
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTAL FUNDS		
	NATIONAL DEVELOPMENT FINANCE CORPORATION (INVESTAR)	0.03	3,600
	FIRST TRI STAR MODARABA	0.02	2600
	SME BANK LIMITED	0.04	4000
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.23	222,700
	FIRST DAWOOD INVESTMENT BANK	0.01	500
5	JOINT STOCK COMPANIES		
	TAURUS SECURITIES LIMITED	0.005	500
	ARIF HABIB SECURITIES (PVT) LIMITED	4.17	417,728
	DARSON SECURITIES LIMITED	0.005	500
6	INDIVIDUAL SHARE HOLDERS	4.30	429,772
	TOTAL	<u>100.00</u>	<u>10,000,000</u>
7	DETAILS OF TRADING IN THE SHARES BY THE DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOSES AND MONOR CHILDREN		NIL
8	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST		
	ADMIRAL (PVT) LIMITED	12.83	1,282,900



FAISAL SPINNING MILLS LIMITED

PATTERN OF SHAREHOLDING AS AT 30TH JUNE 2010

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM TO	TOTAL SHARES HELD
124	000001 - 000100	10,214
396	000101 - 000500	188,675
35	000501 - 001000	34,200
44	001001 - 005000	120,833
10	005001 - 010000	64,350
2	010001 - 015000	24,200
2	025001 - 030000	57,692
1	030001 - 035000	32,692
2	045001 - 050000	98,077
2	095001 - 100000	194,923
1	105001 - 110000	109,500
1	125001 - 130000	129,231
1	135001 - 140000	136,919
1	195001 - 200000	199,055
1	200001 - 205000	200,380
1	210001 - 215000	211,500
1	220001 - 225000	222,700
1	230001 - 235000	235,000
1	235001 - 240000	237,577
2	270001 - 275000	546,500
1	280001 - 285000	280,500
1	310001 - 315000	312,688
2	330001 - 335000	669,910
1	395001 - 400000	395,216
1	415001 - 420000	417,728
1	450001 - 455000	451,000
1	460001 - 465000	460,923
1	530001 - 535000	533,960
1	660001 - 665000	661,500
2	735001 - 740000	1,479,457
1	1280001 - 1285000	1,282,900
<u>642</u>		<u>10,000,000</u>



FAISAL SPINNING MILLS LIMITED

CATEGORYWISE SUMMARY OF SHAREHOLDERS AS AT 30TH JUNE 2010

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1 Directors Chief Executive Officer and their spouse and minor childrens	16	5,264,091	52.64
2 Associated Companies, Undertaking and related parties	13	3,653,009	36.53
3 NIT and ICP	1	1,000	0.01
4 Financial Institution	3	8,100	0.08
5 Insurance Companies	1	222,700	2.23
6 Modarabas and Mutual Funds	1	2,600	0.02
7 Individuals - Local	604	429,772	4.30
8 Joint Stock Companies	3	418,728	4.19
TOTAL	642	10,000,000	100.00

The above two statements include 222 Shareholders holding 2,156,700 Shares through the Central Depository Company of Pakistan Limited (CDC)



FAISAL SPINNING MILLS LIMITED

PROXY FORM

I/We _____
of _____
being a member of FAISAL SPINNING MILLS LIMITED and holder of _____
ordinary share as per Share Register Folio No. _____ and/or CDC Participant
ID No. _____ and Sub Account No. _____ hereby appoint
Mr./Mrs./Miss _____ of _____ or failing
him/her _____ of _____ as my / our
proxy to act on my/our behalf at the 26th Annual General Meeting of the Company to be held on
Tuesday 26th October, 2010 at 5:00 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road,
Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

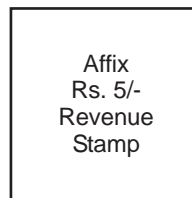
WITNESS

Signature _____

Name _____

Address _____

CNIC/Passport # _____



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

Signed this _____ day of _____ 2010

Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to the Company Secretary, FAISAL SPINNING MILLS LIMITED, Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. so as to reach not less than 48 hours before the time scheduled for holding the meeting.

- (i) The Proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
- (ii) Attested copy of CNIC or the Passport of the beneficial owner alongwith the proxy form should also be submitted.
- (iii) The Proxy nominee shall produce his / her original CNIC or original Passport at the time of the meeting.
- (iv) In case of a Corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature should be submitted (unless it has been provided earlier) along with Proxy form to the Company.

REGISTERED OFFICE

Umer House, 23/1, Sector 23, S.M. Farooq Road,
Korangi Industrial Area, Karachi-74900, Pakistan

Phones : 021 - 35115177 - 80

Fax No. : 021 - 35063002 - 3

E-mail : khioff@umergroup.com

Website : www.umergroup.com