



of Companies
27th Annual Report 2011

UMER GROUP OF COMPANIES

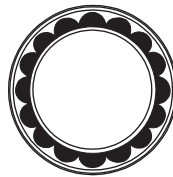
FAISAL SPINNING MILLS LIMITED



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. Bilal Sharif Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Adil Shakeel Mr. Khurram Salim 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 Al Habib Limited Bank Islami Pakistan Limited 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 is hereby given that the 27th Annual General Meeting of the members of **Faisal Spinning Mills Limited** will be held on Thursday 27th October 2011 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 Annual General Meeting held on 26th October 2010.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2011 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 75% (i.e. PKR 7.50 per share) for the year ended 30th June, 2011, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2011-2012 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 Ashraf Ali
FCA
Company Secretary

Karachi : 27th September 2011

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 24th October 2011 to 31st October, 2011 (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 23rd October 2011 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2011.
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 2011 alongwith annual audited financial statements for the year ended 30th June 2011.

Overview

Your company has made a land mark achievement by earning a record after tax profit of PKR 658.553 million during the year ended 30th June, 2011 against the last year after tax profit of PKR 402.630 million.

Sales of the company are increased by 74.70%. Sales have increased from PKR 5.230 billion to 9.137 billion. Gross profit for the year under review is amounting to PKR 1,248.952 million as compared to PKR 875.473 million in prior year which is increased by 42.66%. Whereas profit before taxation for the year under review is amounting to PKR 756.358 million as compared to PKR 434.381 million in prior year.

Economic Challenges and Current Crisis

Pakistan economy continued faced unprecedented set of challenges during 2010-11. However despite these unprecedented challenges textile industry performed well in financial year ended 30th June 2011.

The global economy recovery is now being witnessed at varying speeds in different economies after undergoing a severe recession in the past year. The recovery is gaining strength, but unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. According to IMF report the World GDP growth on year to year basis is projected to be 4.5% in financial year ended 30th June 2012 (4.4% in year ended 30th June 2011).

Pakistan achieved a real GDP growth of 2.4% (as per the "Economic Survey of Pakistan 2010-2011") mainly due to the growth in the services sector. The impact of the massive floods brought damage to the cash crops and infrastructure and posed a further challenge to the economic growth in the country. Moreover, it also affected the public finances by depressing budget revenues and resulted in additional spending to meet the humanitarian and reconstruction needs.

As a consequence of electricity load-shedding the textile production capacity of various sub-sectors has been reduced. 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.

Furthermore, higher inflation in the country is another major cause of concern. Inflation rose to 15.5% (as per "Economic Survey of Pakistan 2010-2011") in current year as compared to 11.7% in the previous year. This was mainly due to rising commodity prices, weakening of the rupee due to stoppage of foreign exchange liquidity support for oil imports by the SBP, modest recovery in the domestic economy due to an increase in aggregate demand and upward adjustments of power and fuel tariffs. Due to higher inflation, cost of production is increasing day by day and affecting the competitiveness in international market.

Pakistan needs to build strong reforms to face various challenges including that of energy, investment and security.

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 2011 PKR 658.553 Million (30th June 2010: PKR 402.630 Million). Financial results of the company for the year ended 30th June 2011 is summarized as under;



FAISAL SPINNING MILLS LIMITED

	2011 Rupees	2010 Rupees
Sales	9,137,111,608	5,230,637,080
Gross profit	1,248,952,594	875,473,471
Profit before taxation	756,358,836	434,381,320
Taxation		
Current year	96,367,018	52,513,829
Prior year	1,437,853	(33,492)
Deferred	-	(20,729,423)
	97,804,871	31,750,914
Profit after taxation	658,553,965	402,630,406
Un-appropriated profit brought forward	80,510,855	85,380,449
Profit available for appropriation	739,064,820	488,010,855
Appropriations:		
Dividend paid	(50,000,000)	(7,500,000)
Transferred to General Reserve	(550,000,000)	(400,000,000)
Un-appropriated profit carried forward	139,064,820	80,510,855
Basic and diluted earning per share	65.86	40.26

In compliance of the requirement of IAS 2 (Inventories) the stock of raw cotton and yarn as on 30th June 2011 was valued on the basis of replacement cost and net realizable value due to substantial decrease in cotton and yarn price after the balance sheet date.

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.

Dividend

The board of directors is pleased to recommend a final cash dividend of 75% i.e. PKR 7.5 per share (June 2010: 50% i.e. PKR 5.0 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

Balance sheet footing has increased to PKR 3.591 billion this year. Long term borrowing at the year end was PKR 263.194 million (2010: PKR 121.715 million). Gearing ratio was 0.52 at 30th June 2011 as compared to 0.69 at 30th June 2010. The liquidity position of the company is good with a current ratio of 1.39 as at 30th June 2011 (June 2010: 1.08). The total of shareholders' fund stood at PKR 2.039 billion (2010: PKR 1.430 billion).

Cash Flow Management

The company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings.

During the year under review, an amount of PKR 295.579 million was generated from operating activities which was used on fixed capital expenditures, payment of dividend to the shareholders and repayment of long term finance.

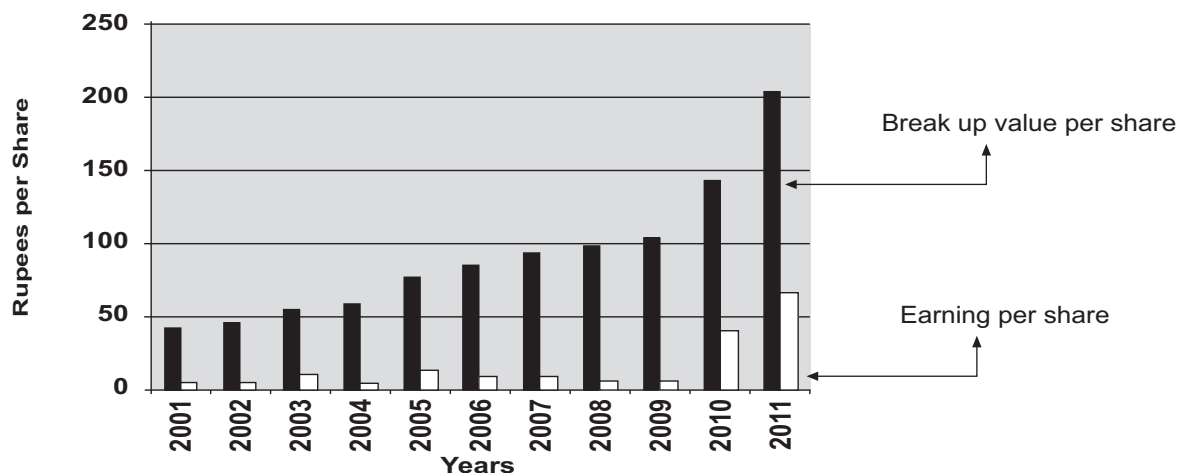
The company is well placed for its commitments towards long and short term loans.

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2011 is PKR 203.90 (30th June 2010: PKR 143.05). The Earning per Share (EPS) of your company for the year ended 30th June 2011 is PKR 65.86 (30th June 2010: PKR 40.26).



FAISAL SPINNING MILLS LIMITED



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 and changes in equity.
- 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. Mohammad Sharif director of company submitted his resignation from the post of chief executive of the company on 24th September 2011. The board would like to place on record its appreciation on the valuable contributions made by Mr. Mohammad Sharif towards progress and success of the company. The causal vacancy so occurred was filled within stipulated time. The board of directors unanimously appointed Mr. Bilal Sharif as new chief executive of company.

Change in the Audit Committee

Mr. Adil Shakeel was nominated by the board on the audit committee as member of audit committee in place of Mr. Bilal Sharif. Further Mr. Adil Shakeel also appointed as Chairman of audit committee in place of Mr. Khurram Salim.

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.



FAISAL SPINNING MILLS LIMITED

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 2011 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 27th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 27th annual general meeting until the conclusion of 28th 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 2012. 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

Major threat for textile industry is power disruption due to shut down of gas. In the absence of gas supply, machineries have to be operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost. The reduction in discount rate by State Bank of Pakistan from 14% to 13.5% is a good step but it is not enough to satisfy the business community. The State Bank of Pakistan should consider a further 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.



FAISAL SPINNING MILLS LIMITED

Cotton crop estimates for Pakistan as well as internationally are high due to BT seed and good weather. Based on above estimates cotton prices have fallen drastically. Consequently, yarn and fabric prices have also nose-dived and demand for yarn and fabric in the local and international market has shrunk.

But the heavy rains in Sindh followed by flood have changed the scenario of cotton price in Pakistan. Sindh contributes around 4.5 million bales towards the total production of cotton crop of Pakistan. About 50% to 70% crop of Sindh has been damage by flood.

Total consumption of the local industry is about 15.0 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 in Sindh, the shortfall might be increased. If target production of 14.0 million bales of cotton is achieved then the country will need to import about one million bales otherwise the import will be about 3.0 to 3.5 million bales to meet the domestic requirements.

China and India is expecting a bumper cotton crop as compare to last year's cotton production. As such, India may have exportable surplus of over 7.0 million bales. Whereas lower Chinese demand for imports is expected, hence the import forecast for China was reduced by 600,000 bales.

Based on above it is expected that the prices of cotton would be lower in both local and international markets in the coming quarter.

The results of the First Quarter of the next fiscal year will be under severe pressure as market has to adjust to new cotton, yarn and fabric prices. The effects of drastic drop in cotton prices has already been accounted in the financial statements for the year ended 30th June 2011 by reporting the inventory of cotton and yarn at replacement cost and net realizable value.

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.

For and on behalf of the Board of Directors

Mohammad Salim
Chairman / Director

Karachi: 27th September, 2011

Board of Directors Meetings

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

Directors	2010	2011			Total
	27 th Oct	24 th Feb	26 th April	27 th Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	-	★	★	★	3/4
Mr. Mohammad Amin	-	★	★	★	3/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	6/8	8/8	8/8	8/8	30/32



FAISAL SPINNING MILLS LIMITED

Audit Committee Meeting

During the year four audit committee meetings were held and the attendance by each member is as follows.

Members	2010	2011			Total
	20 th Oct	17 th Feb	19 th April	20 th Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Total	3/3	3/3	3/3	3/3	12/12

Year wise Operating Data

Year Ended 30th June

2011	2010	2009	2008	2007	2006
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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	30,720
Installed capacity after conversion into 20/s count (Kgs)	11,434,172	11,434,172	11,434,172	11,434,172	11,434,172	11,434,172
Actual production after conversion into 20/s count (Kgs)	12,110,907	11,554,389	11,004,531	11,364,457	11,551,969	11,419,194

Weaving Unit

Air jet looms installed	263	243	243	243	243	223
Air jet looms worked	263	243	243	243	243	223
Installed capacity after conversion into 50 picks - (meters)	41,237,155	41,107,384	41,107,384	41,107,384	41,107,384	38,406,182
Actual production after conversion into 50 picks - (meters)	39,542,809	43,814,538	41,891,009	43,702,051	44,583,051	48,423,203

Year wise Financial Data

Year Ended 30th June

	2011	2010	2009	2008	2007	2006
Rupees in Thousands						
Fixed assets	1,513,757	1,340,343	1,461,869	1,603,499	1,720,050	1,671,963
Investments, long term loans and deposits	342,943	238,988	162,538	151,018	138,766	119,084
Current assets	1,733,161	1,291,859	1,206,600	1,287,177	1,105,826	851,288
Shareholders equity	2,039,064	1,430,510	1,035,380	977,520	927,915	848,058
Long term liabilities	263,194	121,716	380,445	494,053	631,388	971,302
Deferred liabilities	59,293	70,108	82,108	65,300	42,438	26,085
Current liabilities	1,218,842	1,193,096	1,243,806	1,425,326	1,267,123	796,890
Turnover (Net)	9,137,111	5,230,637	4,271,909	3,677,037	3,361,109	3,199,877
Gross profit	1,248,952	875,473	445,258	372,063	356,212	393,309
Operating profit	867,386	575,885	345,760	284,242	274,265	297,917
Financial charges	223,733	211,118	264,679	188,532	180,938	189,281
Share profit of associate	112,704	78,301	13,051	11,948	19,658	24,001
Profit before tax	756,358	434,381	94,132	107,658	112,985	132,637
Profit after tax	658,553	402,630	65,360	59,605	87,357	88,839
Cash Dividend	50,000	7,500	7,500	10,000	7,500	7,500
Transfer to reserves	550,000	400,000	10,000	100,000	100,000	140,000
Profit carried forward	139,064	80,510	85,380	37,520	87,915	108,058

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 Fax: 35843360

Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

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, 2011.

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:
Dated: 27th September, 2011

Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A.



FAISAL SPINNING MILLS LIMITED

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2011

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. Casual vacancy occurred during the year was filled in accordance with the requirement of Companies Ordinance 1984.
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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2011

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.

For and on behalf of the Board of Directors

Bilal Sharif
Chief Executive

Karachi:
Dated: 27th September, 2011

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 Fax: 35843360

Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Faisal Spinning Mills Limited** as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 Balance Sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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 Balance Sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2011 and of the profit, comprehensive income, 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,

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:

Dated: 27th September, 2011

Engagement Partner:

Shahabuddin A. Siddiqui
F.C.A.



FAISAL SPINNING MILLS LIMITED

Balance Sheet As At 30th June, 2011

EQUITY AND LIABILITIES	Note	30 th June 2011 RUPEES	30 th June 2010 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2010: 12,000,000) ordinary shares of PKR 10 each		120,000,000	120,000,000
Issued, subscribed and paid up capital	5	100,000,000	100,000,000
Reserves		1,800,000,000	1,250,000,000
Unappropriated profits		139,064,820	80,510,855
		2,039,064,820	1,430,510,855
Loan from sponsors and relatives	6	-	100,000,000
NON CURRENT LIABILITIES			
Long-term financing - secured	7	260,185,690	115,912,508
Obligation under finance lease	8	3,008,976	5,803,656
Infrastructure fee payable	9	11,066,141	19,990,062
Deferred liabilities	10	59,293,795	50,118,480
		333,554,602	191,824,706
CURRENT LIABILITIES			
Trade and other payables	11	398,864,053	312,416,003
Mark-up accrued on loans and other payables	12	15,704,508	22,669,367
Short-term borrowings - secured	13	625,340,854	599,783,167
Current portion of long term loan	14	178,933,238	266,916,056
		1,218,842,653	1,201,784,593
CONTINGENCIES AND COMMITMENTS	15	-	-
		3,591,462,075	2,924,120,154

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive

Karachi:
Dated: 27th September, 2011



FAISAL SPINNING MILLS LIMITED

Balance Sheet As At 30th June, 2011

		30 th June 2011 RUPEES	30 th June 2010 RUPEES
ASSETS	Note		
NON CURRENT ASSETS			
Property, plant and equipment	16	1,513,757,757	1,340,343,713
Capital work-in-progress	17	1,599,401	44,240,778
Long term investment	18	337,173,615	230,414,507
Long term loan	19	-	2,794,979
Long term deposits	20	5,769,445	5,779,445
		1,858,300,218	1,623,573,422
CURRENT ASSETS			
Stores, spare parts and loose tools	21	67,620,445	67,608,157
Stock in trade	22	1,262,850,313	893,252,646
Trade debts	23	243,342,243	190,745,821
Loans and advances	24	41,748,200	9,831,693
Trade deposits and prepayments	25	11,419,814	20,258,366
Other receivables	26	2,366,254	2,046,275
Taxation	27	66,074,679	42,469,845
Bank balances	28	37,739,909	74,333,929
		1,733,161,857	1,300,546,732
		3,591,462,075	2,924,120,154

Mohammad Salim

Mohammad Salim
Director



FAISAL SPINNING MILLS LIMITED

Profit and Loss Account For the Year Ended 30th June 2011

	Note	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Sales	29	9,137,111,608	5,230,637,080
Cost of goods sold	30	7,888,159,014	4,355,163,609
Gross profit		1,248,952,594	875,473,471
Other operating income	31	4,648,629	2,320,555
		<u>1,253,601,223</u>	<u>877,794,026</u>
Distribution cost	32	307,219,107	225,604,826
Administrative expenses	33	45,117,898	56,541,309
Other operating expenses	34	33,876,524	28,449,813
Finance cost	35	223,733,766	211,118,416
		<u>609,947,295</u>	<u>521,714,364</u>
		643,653,928	356,079,662
Share of profit of associated undertaking		112,704,908	78,301,658
Profit before tax		756,358,836	434,381,320
Provision for taxation			
Current year		96,367,018	52,513,829
Prior year		1,437,853	(33,492)
Deferred		-	(20,729,423)
	36	<u>97,804,871</u>	<u>31,750,914</u>
Profit after tax		658,553,965	402,630,406
Earnings per share - basic and diluted	37	<u>65.86</u>	<u>40.26</u>

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive

Karachi:
Dated: 27th September, 2011

Mohammad Salim
Director



FAISAL SPINNING MILLS LIMITED

Statement of Comprehensive Income For the Year Ended 30th June 2011

	Note	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Profit for the year after taxation		658,553,965	402,630,406
Other comprehensive income for the year		-	-
Total comprehensive Income for the year		<u>658,553,965</u>	<u>402,630,406</u>

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive

Mohammad Salim
Director

Karachi:
Dated: 27th September, 2011



FAISAL SPINNING MILLS LIMITED

Cash Flow Statement For The Year Ended 30th June 2011

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Cash flows from operating activities		
Profit before tax	756,358,836	434,381,320
Adjustments for:		
Depreciation of property, plant and equipment	137,923,503	152,367,040
Share profit of associated undertaking	(112,704,908)	(78,301,658)
Provision for bad debts	69,371	19,542,403
Imputed interest (income) / expense	-	10,714,285
Infrastructure fee	(8,923,921)	1,465,215
Provision for employee benefits	20,404,204	15,081,892
(Gain) on disposal of property, plant and equipment	(1,173,155)	(762,804)
Finance cost	223,733,766	200,404,131
	259,328,860	320,510,504
Operating cash flows before movements in working capital	1,015,687,696	754,891,824
(Increase) in stores, spares and loose tools	(12,288)	(11,607,138)
(Increase) in stock in trade	(369,597,667)	(70,256,880)
(Increase) / Decrease in trade debts	(51,051,271)	29,712,568
(Increase) in loans and advances	(31,916,507)	(4,268,874)
Decrease / (Increase) in trade deposits	8,838,552	(3,119,763)
(Increase) in sales tax refund and other receivables	(24,258,771)	(9,050,973)
Increase in trade and other payables	87,392,219	119,602,654
	(380,605,733)	51,011,594
Cash generated by operations	635,081,963	805,903,418
Finance cost paid	(230,698,625)	(222,838,895)
Employee benefit costs paid	(11,228,889)	(7,817,072)
Income taxes paid	(100,379,978)	(36,335,180)
Long-term loans - repaid	2,794,979	(758,925)
Long-term deposits	10,000	1,718,650
	(339,502,513)	(266,031,422)
Net cash from operating activities	295,579,450	539,871,996



FAISAL SPINNING MILLS LIMITED

Cash Flow Statement For The Year Ended 30th June 2011

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	12,842,780	3,000,850
Addition in property plant and equipment	(280,365,795)	(77,304,182)
Dividend received	5,945,800	891,870
Net cash used in investing activities	(261,577,215)	(73,411,462)
Cash flows from financing activities		
Proceed from long term finance	220,494,000	-
Proceeds from finance lease	-	9,499,460
Payment of long-term financing	(259,744,349)	(158,258,769)
Payment of obligation under finance lease	(7,253,967)	(17,670,992)
Increase / (decrease) in short-term borrowings	25,557,687	(231,522,800)
Dividend paid	(49,649,626)	(7,500,392)
Net cash from financing activities	(70,596,255)	(405,453,493)
Net increase / (decrease) in cash and cash equivalents	(36,594,020)	61,007,041
Cash and cash equivalent at the beginning of year	74,333,929	13,326,888
Cash and cash equivalent at the end of year	37,739,909	74,333,929

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive

Mohammad Salim
Director

Karachi:

Dated: 27th September, 2011



FAISAL SPINNING MILLS LIMITED

Statement of Changes in Equity For The Year Ended 30th June 2011

	Share Capital	Reserves			Unappropriated Profit	Total
		Capital Reserves	General Reserves	Total		
		RUPEES	RUPEES	RUPEES		
Balance as at 30th 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 30th June, 2010	100,000,000	24,150,000	1,225,850,000	1,250,000,000	80,510,855	1,430,510,855
Final dividend for the year ended June 30, 2010 PKR. 5.0 per share	-	-	-	-	(50,000,000)	(50,000,000)
Profit for the year	-	-	-	-	658,553,965	658,553,965
Transferred to general reserve	-	-	550,000,000	550,000,000	(550,000,000)	-
Balance as at 30th June, 2011	100,000,000	24,150,000	1,775,850,000	1,800,000,000	139,064,820	2,039,064,820

Bilal Sharif
Chief Executive

Mohammad Salim
Director

Karachi:
Dated: 27th September, 2011



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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 affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 46 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 The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for the current year.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

Standards, interpretations and amendments

IFRS 1 - First-time Adoption of International Financial Reporting Standards (*Amendments*)

IFRS 2 - Share-based Payments (*Amendments*)

IFRS 3 - Business Combinations (*Amendments*)

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (*Amendments*)

IFRS 8 - Operating Segments (*Amendments*)

IAS 1 - Presentation of Financial Statements (*Amendments*)

IAS 7 - Statement of Cash Flows (*Amendments*)

IAS 17 - Leases (*Amendments*)

IAS 32 - Financial Instruments: Presentation (*Amendments*)

IAS 36 - Impairment of Assets (*Amendments*)

IAS 38 - Intangible Assets (*Amendments*)

IAS 39 - Financial Instruments: Recognition and Measurement (*Amendments*)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Description

The amendments provide certain exemptions to first-time adoptors of International Financial Reporting Standards.

The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.

The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.

The amendments provide clarification regarding scope of the standard.

The amendments clarify requirements regarding disclosure of segment assets.

The amendments provide guidance on current/non-current classification of convertible instruments.

The standard was amended to provide guidance on recognition of certain expenditures as investing activities.

The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.

The amendments provide guidance on classification of right issues.

The amendments provide guidance on identification of unit of accounting for goodwill impairment test.

The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.

The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments.

The interpretation provides guidance on accounting for debt for equity swaps.

Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

Standards, interpretations and amendments

IFRS 7 - Financial Instruments:
Disclosures (*Amendments*)

Description

The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRS 7 - Financial Instruments:
Disclosures (*Amendments*)

The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets. The amendment is effective for annual periods beginning on or after July 01, 2011.

IFRS 9 - Financial Instruments:
Classification and Measurement

The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 10 - Consolidated Financial
Statements

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 11 - Joint Arrangements

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 12 - Disclosure of Interests in Other Entities

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 13 - Fair Value Measurement

The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.

IAS 1 - Presentation of Financial
Statements (*Amendments*)

The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.

IAS 12 - Income Taxes

The amendments provide exception to the general principle of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

IAS 24 - Related Party Disclosures
(Revised 2009)

The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.

IAS 34 - Interim Financial Reporting
(Amendments)

The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRIC 13 - Customer Loyalty Programmes
(Amendments)

The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset,
Minimum Funding Requirements and their Interaction

The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

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 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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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 1% 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 accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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.

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 except waste which is valued at net realizable value. Cost is determined as follows.

Raw material	At weighted average cost or replacement cost whichever is lower
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost or net realisable value whichever is lower
Waste	Net realizable value

Whereas the valuation of raw material, work in process and finished goods as on 30th June 2011 has been valued on the basis of net realisable value as disclosed in note 47.4 to the financial statements.

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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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.

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. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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.

	30th June 2011 RUPEES	30th June 2010 RUPEES
5 Issued, Subscribed and Paid up Capital		
Number of shares		
June 30 2011	June 30 2010	
6,300,000	6,300,000	Ordinary shares of Rs. 10 each allotted for consideration'- fully paid in cash
3,700,000	3,700,000	Ordinary shares of Rs 10. each allotted as bonus shares
10,000,000	10,000,000	63,000,000
		37,000,000
		100,000,000
		100,000,000

6 Loan from Sponsors and Relatives

Face value of loan	6.1	100,000,000	100,000,000
Transfer to current maturity		(100,000,000)	-
		-	100,000,000

6.1 This loan has been obtained from sponsors of company and their relatives, and it is interest free and unsecured. The repayment of loan is expected to be made upto June 2012.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

7 Long Term Finances From Financial Institutions - Secured

	LTF - (EOP) Loans	Non LTF - (EOP) Loans	30 th June 2011	30 th June 2010
	RUPEES	RUPEES	RUPEES	RUPEES
7.1 United Bank Limited - Term Finance Loan	-	-	-	6,090,276
7.2 Citi Bank - Term Finance Loan	-	-	-	5,555,551
7.3 Habib Bank Limited - Term Finance Loan	-	-	-	18,181,818
7.4 Habib Bank Limited - Term Finance Loan	-	-	-	11,818,184
7.5 Citi Bank - Term Finance Loan	40,395,000	-	40,395,000	50,493,520
7.6 Bank of Punjab - Term Finance Loan	35,035,380	40,482,310	75,517,690	133,517,690
7.7 United Bank Limited - Term Finance Loan	-	-	-	150,000,000
7.8 United Bank Limited - Term Finance Loan	127,628,000	-	127,628,000	-
7.9 United Bank Limited - Term Finance Loan	2,320,000	-	2,320,000	-
7.10 United Bank Limited - Term Finance Loan	71,720,000	-	71,720,000	-
7.11 Bank Al Habib Limited - Term Finance Loan	18,826,000	-	18,826,000	-
	295,924,380	40,482,310	336,406,690	375,657,039
Less: Current Maturity				
7.1 United Bank Limited - Term Finance Loan	-	-	-	6,090,276
7.2 Citi Bank - Term Finance Loan	-	-	-	5,555,551
7.3 Habib Bank Limited - Term Finance Loan	-	-	-	18,181,818
7.4 Habib Bank Limited - Term Finance Loan	-	-	-	11,818,182
7.5 Citi Bank - Term Finance Loan	10,100,000	-	10,100,000	10,098,704
7.6 Bank of Punjab - Term Finance Loan	17,517,690	40,482,310	58,000,000	58,000,000
7.7 United Bank Limited - Term Finance Loan	-	-	-	150,000,000
7.8 United Bank Limited - Term Finance Loan	7,976,000	-	7,976,000	-
7.9 United Bank Limited - Term Finance Loan	145,000	-	145,000	-
7.10 United Bank Limited - Term Finance Loan	-	-	-	-
7.11 Bank Al Habib Limited - Term Finance Loan	-	-	-	-
	35,738,690	40,482,310	76,221,000	259,744,531
Total Term Finance Loan Payable			260,185,690	115,912,508

	Security	Repayment		Markup on LTF	Markup on Non LTF
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%	(2010: 6%)	Six months KIBOR plus 1% (2010: 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%	(2010: 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%	(2010: 6%)	-



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

Security	Repayment	Markup on LTF	Markup on Non LTF
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% (2010: 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% (2010: 7%)	-
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% (2010: 7%)	Three month KIBOR plus 2% (2010: Three month KIBOR plus 2%)
7.7 Covered under securities for term finance 7.1	Singlebullet payment after 36 months from the date of disbursement i.e. December 2007	-	One month KIBOR plus 1% (2010: One month KIBOR plus 1%)
7.8 First pari passu charge over plant and machinery of Weaving Unit situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura, to the extent of PKR 334.0 million.	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2010: Nil)	-
7.9 Covered under securities for term finance 7.8	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2010: Nil)	-
7.10 Covered under securities for term finance 7.8	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2010: Nil)	-
7.11 Specific hypothecation charge over 507 number GTP Weaving Frames installed at weaving unit of company situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura.	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2010: Nil)	-



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

Security	Repayment	Markup on LTF	Markup on Non LTF
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% (2010: 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% (2010: 7%)	-
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% (2010: 7%)	Three month KIBOR plus 2% (2010: Three month KIBOR plus 2%)
7.7 Covered under securities for term finance 7.1	Singlebullet payment after 36 months from the date of disbursement i.e. December 2007	-	
7.8 First pari passu charge over plant and machinery of Weaving Unit situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura, to the extent of PKR 334.0 million.	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2010: Nil)	One month KIBOR plus 1% (2010: One month KIBOR plus 1%)
7.9 Covered under securities for term finance 7.8	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2010: Nil)	-
7.10 Covered under securities for term finance 7.8	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2010: Nil)	-
7.11 Specific hypothecation charge over 507 number GTP Weaving Frames installed at weaving unit of company situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura.	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2010: Nil)	-



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	30th June 2011 RUPEES	30th June 2010 RUPEES
8 Obligation Under Finance Lease		
Minimum lease payments		
Up to one year	3,251,580	8,022,501
More than one year but less than five years	3,177,259	6,357,653
	6,428,839	14,380,154
Financial charges not yet due		
Up to one year	(539,342)	(850,976)
More than one year but less than five years	(168,283)	(553,997)
	(707,625)	(1,404,973)
Present value of minimum lease payments		
Up to one year	2,712,238	7,171,525
More than one year but less than five years	3,008,976	5,803,656
	5,721,214	12,975,181
Current portion shown under current liabilities	2,712,238	7,171,525
Present value of total minimum lease payments payable later than one year but not later than 5 years	3,008,976	5,803,656

8.1 This represents finance lease entered into with a banking institution for lease of vehicles. Markup is payable on three month KIBOR + 1.25% on quarterly rental basis for a period of 36 months. 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	<u>11,066,141</u>	<u>19,990,062</u>
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This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee levied through fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006). The Supreme Court in his judgment dated 17th May 2011 has decided that fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006) is valid and hence the levy imposed and collected from the effective date of the fifth version i.e. 28th December 2006 is valid and all imposition and collection before 28th December 2006 are declared to be invalid. The company has now filed petition in Sindh High Court, challenging fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006 regarding levy of infrastructure fee from the 28th December 2006. During the pendency of decision on fifth version of law, Sindh High Court has directed on 31st May 2011 to pay 50% of liability to Excise and Taxation Department, Government of Sindh, and provide bank guarantee of the remaining amount as calculated in accordance with the decision of Supreme Court of Pakistan. Subsequent imports of the company be released against 50% payment infrastructure fee to Excise and Taxation Department, Government of Sindh and furnishing bank guarantee of balance 50% amount. The company has provided bank guarantees amounting to PKR 10.705 Million (June 30, 2010: PKR 20.22 Million) in this respect.

10 Deferred Liability		
Employee benefits	10.2	<u>59,293,795</u> <u>50,118,480</u>

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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
10.2 Movement in liability recognized in the balance sheet		
Balance at beginning of year	50,118,480	42,853,660
Charged to profit and loss account	20,404,204	15,081,892
Benefits paid during the year	(11,228,889)	(7,817,072)
Balance at the end of the year	59,293,795	50,118,480

10.2.1 The following amounts have been charged to the profit and loss account during the year

Current service cost	10,177,575	9,053,020
Interest cost	5,209,835	4,356,066
Actuarial loss / (gain) recognized during the year	5,016,794	1,672,806
Net amount chargeable to profit and loss account	20,404,204	15,081,892

10.2.2 Actuarial valuation has been carried out internally by the management of the company as at June 30, 2011 using the "Projected Unit Credit Method" assuming a discount rate of 14% (June 30, 2010 : 12.5%) per annum, expected rate of increase in salaries at 14% (June 30, 2010 : 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 2011	8.46%	59,293,795	5,016,794
30th June 2010	3.34%	50,118,480	1,672,806
30th June 2009	5.92%	42,853,660	2,535,990
30th June 2008	3.06%	32,633,200	997,914
30th June 2007	17.69%	35,643,365	6,305,692

11 Trade and Other Payable

Creditors		233,436,196	194,350,802
Accrued liabilities		128,802,147	86,869,605
Workers' profit participation fund	11.1	33,876,524	20,114,847
Workers' welfare fund		-	8,687,626
Unclaimed dividend		2,415,317	2,064,943
Others		333,869	328,180
		398,864,053	312,416,003

11.1 Workers' profit participation fund

Balance at beginning of year		20,114,847	10,009,490
Interest on funds utilized in the Company's business	11.2	2,347,721	1,089,746
		22,462,568	11,099,236
Paid during the year		(22,462,568)	(10,746,576)
		-	352,660
Allocation / expense for the year		33,876,524	19,762,187
		33,876,524	20,114,847



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

11.2 Interest on workers' profit participation fund has been provided @ 37.5% (June 30, 2010: 15%) per annum.

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
12 Mark-up accrued on :		
- long-term financing	8,381,333	8,143,382
- short-term borrowings	7,323,175	14,525,985
	15,704,508	22,669,367

13 Short Term Borrowings

From banking companies-secured

Short term loan

	625,340,854	599,783,167
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13.1 The aggregate approved short term borrowing facilities amounted to PKR 4,295.0 Million (2010: PKR 2,560.0 Million).

13.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.25% to 1.5 % (2010: 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.

14 Current Portion of Long Term Financing

Long term loans	76,221,000	259,744,531
Obligations under finance lease	2,712,238	7,171,525
Loan from sponsor and relatives	100,000,000	-
	178,933,238	266,916,056

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, 2010 : PKR 43.933 Million) and post dated cheques amounting to PKR 37.146 Million (2010: 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 35.439 Million (June 30, 2010: PKR 29.592 million) and to Sui Northern Pipeline Company Limited amounting to PKR 36.810 Million (2010: PKR 36.810 million)

Commitments

Letters of credit for: (Raw material, stores & machinery)	23,634,395	10,759,055
Civil works	10,000,000	-
	33,634,395	10,759,055



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

16 PROPERTY, PLANT AND EQUIPMENT

Description	COST				DEPRECIATION				Book value as at June 30, 2011	Annual rate of depreciation %
	As at July 01, 2010	Additions	Transfers / Disposal	As at June 30, 2011	As at July 01, 2010	Charge for the year	Transfers / Disposal	As at June 30, 2011		
.....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	4,711,906	-	230,709,146	125,113,078	10,127,682	-	135,240,760	95,468,386	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	58,315,227	2,347,002	-	60,662,229	21,123,019	10
factory building on Leasehold extension	47,534,953	-	-	47,534,953	19,911,316	2,761,031	-	22,672,347	24,862,606	10
Non factory building on freehold land	77,064,075	3,482,290	-	80,546,365	24,770,391	2,629,194	-	27,399,585	53,146,780	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	12,787,161	371,632	-	13,158,793	13,797,262	5
Non factory building on Leasehold extension	14,786,333	-	-	14,786,333	3,899,133	881,839	-	4,780,972	10,005,361	5
Plant and machinery	1,995,202,353	273,838,767	(31,749,319)	2,237,291,801	1,002,578,476	102,609,902	(20,841,889)	1,084,346,489	1,152,945,312	10
Electric equipment and fitting	72,076,568	2,331,103	-	74,407,671	30,575,444	3,695,268	-	34,270,712	40,136,959	10
Gas line and pipe fitting	7,943,179	-	-	7,943,179	3,391,769	455,142	-	3,846,911	4,096,268	10
Factory equipment	14,047,880	2,090,000	-	16,137,880	9,085,481	596,813	-	9,682,294	6,455,586	10
Office equipment	2,478,707	-	-	2,478,707	1,433,654	60,284	-	1,493,938	984,769	10
Furniture and fixtures	7,204,422	-	-	7,204,422	4,089,886	311,454	-	4,401,340	2,803,082	10
Equipment and other assets	45,297,631	33,510,479	28,950,000	107,758,110	37,059,356	6,826,080	20,642,858	64,528,294	43,229,816	35
Vehicles	24,760,919	3,042,627	(3,688,544)	25,128,202	14,196,039	2,507,230	(2,926,349)	14,271,362	10,856,840	20
			1,013,200				494,442			
	2,670,009,476	323,007,172	(5,474,663)	2,987,541,985	1,347,206,411	136,180,553	(2,630,938)	1,480,756,026	1,506,785,959	
ASSETS SUBJECT TO FINANCE LEASE:										
Equipment and other assets	28,950,000	-	(28,950,000)	-	20,642,858	-	(20,642,858)	-	-	35
Vehicle	10,512,660	-	(1,013,200)	9,499,460	1,279,154	1,742,950	(494,442)	2,527,662	6,971,798	20
	39,462,660	-	(29,963,200)	9,499,460	21,922,012	1,742,950	(21,137,300)	2,527,662	6,971,798	
2011	2,709,472,136	323,007,172	(35,437,863)	2,997,041,445	1,369,128,423	137,923,503	(23,768,238)	1,483,283,688	1,513,757,757	

PROPERTY, PLANT AND EQUIPMENT

Description	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	1,322,802,065	
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	
Vehicles	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	
2010	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	

16.1 The depreciation charge for the year has been allocated as follows:

Cost of sales
Administrative expenses

Note

Year ended June 30 2011 Year ended June 30 2010

.....Rupees.....

30	133,277,260	149,959,406
33	4,646,243	2,407,634
	137,923,503	152,367,040



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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							
Air jet looms	31,749,319	20,841,889	10,907,430	11,392,780	485,350	Negotiation	M/s Ozege Mensucat Ve Yemek Hiz San. Tic Limited, Organize Sanayii Bolgesi 102, Cadde No. 28, Turkey
Vehicles							
Toyota Hiace Van CK-8193	1,008,456	783,749	224,707	300,000	75,293	Negotiation	Mr. Mazloom Khan S/o Abdur Rehman F-H 68, Pak Terri Future Colony, Landhi, Karachi.
Honda City ACM - 335	682,560	631,685	50,875	150,000	99,125	Negotiation	Mr. Saeed Ahmed Khan Shop no. 10, Block A, KPT Building Crown Cinema, Karachi.
Toyota Corolla ABB-207	186,528	131,519	55,009	150,000	94,991	Negotiation	Mr. Rashid Zia S/o Syed Zia-ur-Rehman House # 601, Ruffi Freen City, Block 18, Gulistan-e-Jauhar, Karachi.
Honda VTI AJE-074	1,042,000	709,094	332,906	500,000	167,094	Negotiation	Mrs. Paras Arif Querashi House # 25/1, Commercial Street, DHA, Karachi
Toyota Corolla ADQ-633	769,000	670,302	98,698	350,000	251,302	Negotiation	Mr. Mohammad Abid S/o Mohammad Ameen House # 71, Street no. 4, Gulshan-e-Faisal, Clifton, Karachi.
30-Jun-11	35,437,863	23,768,238	11,669,625	12,842,780	1,173,155		
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	8,577,569	6,339,523	2,238,046	3,000,850	762,804		

17 Capital Work in Progress

Building and other civil works
Plant and machinery

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Building and other civil works	1,599,401	925,708
Plant and machinery	-	43,315,070
	1,599,401	44,240,778

18 Long term Investment

Investment in associates

Investment in shares of Blessed Textiles Limited
(1,189,160 ordinary shares of Rs. 10 each)

Cost of investment
Accumulated share of post acquisition profit - net of dividends received
Share of profit for the year
Dividend received during the year

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Investment in shares of Blessed Textiles Limited (1,189,160 ordinary shares of Rs. 10 each)	337,173,615	230,414,507
Cost of investment	11,891,600	11,891,600
Accumulated share of post acquisition profit - net of dividends received	218,522,907	141,113,119
Share of profit for the year	112,704,908	78,301,658
Dividend received during the year	(5,945,800)	(891,870)
	325,282,015	218,522,907
	337,173,615	230,414,507



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	<u>30th June 2011 RUPEES</u>	<u>30th June 2010 RUPEES</u>
18.1	Summarized financial information of Blessed Textiles Limited is set out below:	
Total assets	2,840,497,126	2,409,513,591
Total liabilities	1,016,772,233	1,163,233,772
Net assets	<u>1,823,724,893</u>	<u>1,246,279,819</u>
Company's share of associate's net assets	<u>337,173,615</u>	<u>230,414,507</u>
Sales- net	<u>6,124,843,644</u>	<u>4,054,211,673</u>
Profit for the year	<u>609,605,074</u>	<u>423,522,711</u>
Company's share of associate's profit for the year	<u>112,704,908</u>	<u>78,301,658</u>
18.2		
Market value per share	<u>101.20</u>	<u>46</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
Current portion shown in current assets	-	(2,444,542)
	<u>-</u>	<u>2,794,979</u>
19.1	The company has changed its policy of giving long term loan to employees in view of consideration of establishing funded retirement benefit fund. However, advances against salary are being given which has been shown in loan and advances.	
20 Long Term Deposits		
Security deposits	5,757,645	5,757,645
Others	11,800	21,800
	<u>5,769,445</u>	<u>5,779,445</u>
21 Stores, Spare Parts and Loose Tools		
Stores, spare parts and loose tools	51,127,278	54,014,972
Chemicals and lubricants	8,275,585	6,015,768
Packing material	8,217,582	7,577,417
	<u>67,620,445</u>	<u>67,608,157</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	22.2 & 47.4	798,799,282
Work in process		449,116,406
Finished goods	22.3 & 47.4	103,566,533
Waste		87,782,429
		<u>356,764,159</u>
		<u>3,720,339</u>
		<u>1,262,850,313</u>
22.1	No item of stock in trade is pledged as security as at the reporting date.	
22.2	Raw material stock cost PKR 957,584,901 (2010: Nil) have been value at PKR 613,205,748 (2010: Nil) being the replacement cost of raw material	
22.3	Finished goods stock cost PKR 115,893,200 (2010: Nil) has been valued at PKR 82,665,923 (2010: Nil) being the net realisable value of finished goods	



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	30thJune 2011 RUPEES	30thJune 2010 RUPEES
23 Trade Debts		
Considered good		
Foreign secured through letters of credit	78,529,020	-
Local : unsecured	164,813,223	190,745,821
	243,342,243	190,745,821
Considered doubtful:		
Export	14,204,494	14,204,493
Local	14,814,231	16,359,383
	29,018,725	30,563,876
Provision for doubtful debts 23.1	(29,018,725)	(30,563,876)
	243,342,243	190,745,821
23.1 The movement of the provision of doubtful receivable is as follow		
Balance at the beginning of the year	30,563,876	15,074,493
Bad debts recovered during the year	(1,545,151)	-
Bad debts provided during the year	-	15,489,383
Balance at the ended of the year	29,018,725	30,563,876
24 Loans And Advances		
Current portion of long term loans to employees	-	2,444,542
Advances to suppliers - unsecured; considered good	37,127,224	3,122,345
Advances to employees	3,366,403	92,849
Letters of credit	589,223	1,020,957
Security deposit	614,730	3,151,000
Advances to suppliers - unsecured; considered doubtful	3,400,000	3,400,000
	45,148,200	13,231,693
Provision for doubtful debts	(3,400,000)	(3,400,000)
	41,748,200	9,831,693
25 Trade Deposits and Prepayments		
Deposit against infrastructure fee payable	11,381,814	20,220,366
certificate of investment	38,000	38,000
	11,419,814	20,258,366
25.1 Effective mark up rate on these deposits range from 8% to 11.5% per annum (June 30, 2010: 5% to 9% per annum).		
26 Other Receivables		
Prepaid expenses	836,394	1,272,232
Other receivables	1,529,860	774,043
	2,366,254	2,046,275
27 Taxation		
Sales tax refundable 27.1	37,762,395	16,732,668
Excise duty refundable	3,377,537	1,763,015
Provision for doubtful debts	(3,377,537)	(1,763,015)
	-	-



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Advance income tax	109,067,604	57,820,926
Income tax refundable	15,752,056	20,514,611
	124,819,660	78,335,537
Provision for taxation	(96,507,376)	(52,598,360)
	66,074,679	42,469,845
<p>27.1 This represents accumulated differences of input tax and sales tax payable.</p>		
<p>28 Bank Balances</p>		
Balances with banks in:		
Current accounts	28.1 37,544,431	74,257,896
Deposit accounts	28.2 195,478	76,033
	37,739,909	74,333,929
<p>28.1 This includes PKR 6,765,951 (June 30, 2010 : PKR 24,300,277) in foreign currency accounts.</p> <p>28.2 Effective mark up rate in respect of these balances ranges from 5% to 11.50% (June 30, 2010: 5% to 9%) per annum.</p>		
<p>29 Sales - Net</p>		
Export		
Yarn	4,256,581,485	2,044,049,050
Fabric	4,462,444,464	2,702,067,757
Waste	62,724,675	11,877,260
	8,781,750,624	4,757,994,067
Export rebate	128,310	515,194
	8,781,878,934	4,758,509,261
Local		
Yarn	30,880,437	46,608,559
Fabric	141,547,579	251,588,193
Cotton	4,052,485	66,814,236
Processing	66,273,455	-
Waste	117,953,487	109,431,417
	360,707,443	474,442,405
Gross sales	9,142,586,377	5,232,951,666
Duties, commission and brokerage		
Regulatory duty on export sales	(5,474,769)	(2,314,586)
	9,137,111,608	5,230,637,080
<p>30 Cost of Sales</p>		
Raw material consumed	30.1 6,731,023,639	3,481,150,387
Packing material consumed	67,119,918	53,299,386
Stores and spare parts consumed	111,799,933	125,585,422
Yarn and fabric processing charges	8,537,932	1,208,583
Salaries, wages and benefits	30.2 260,724,526	231,556,532
Fuel, power and water	403,728,275	298,636,058
Electricity duty	1,248,268	1,900,106
Insurance	13,763,122	10,837,581
Repair and maintenance	11,587,340	8,563,800
Rent, rates and taxes	575,860	370,955
Travelling, conveyance and entertainment	296,346	629,909
Vehicle running expenses	5,650,969	4,942,774



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	30thJune 2011 RUPEES	30thJune 2010 RUPEES
Communication	965,870	452,351
Fee and subscription	33,100	19,485
Depreciation	133,277,260	149,959,406
Others	1,734,151	921,369
	7,752,066,509	4,370,034,104
Work in process		
Opening stock	87,782,429	51,079,046
Closing stock	(103,566,533)	(87,782,429)
	(15,784,104)	(36,703,383)
Cost of goods manufactured	7,736,282,405	4,333,330,721
Cost of cotton sold	30.3 3,144,811	67,538,205
Finished stocks		
Opening stock	356,353,811	213,020,368
Finished goods purchased	59,990,420	82,681,093
Yarn purchased	92,872,065	18,605,259
Finished goods theft	30.4 -	(3,658,226)
Closing stock	(360,484,498)	(356,353,811)
	148,731,798	(45,705,317)
	7,888,159,014	4,355,163,609
30.1 Raw material consumed		
Opening stock	449,116,406	558,896,352
Purchases	7,083,599,468	3,454,134,843
Raw material sold - cotton	(2,892,953)	(64,159,143)
Raw material sold - yarn	-	(18,605,259)
Closing stock	(798,799,282)	(449,116,406)
	6,731,023,639	3,481,150,387
30.2	Salaries, wages and benefits includes employees retirement benefits amounting to PKR 17,670,499 (June 30, 2010: PKR 13,127,562).	
30.3 Cost of cotton sold		
Cost of purchase	2,892,953	64,159,143
Salaries, wages and other benefits	94,640	436,800
Loading and unloading	8,454	8,454
Insurance	10,428	197,897
Finance cost	138,336	2,735,911
	3,144,811	67,538,205
30.4	The amount of loss has been recovered through insurance claim.	
31 Other Operating Income		
Income from financial assets		
Interest on bank deposits	1,788,636	1,481,038
Income from assets other than financial assets		
Gain on disposal of property, plant and equipment	1,173,155	762,804
Exchange gain/(loss) on foreign currency translation	141,687	76,713
Bad debts recovered	1,545,151	-
	4,648,629	2,320,555



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2011

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
32 Distribution Cost		
Export		
Steamer and air freight	95,101,216	86,753,965
Trailer freight	26,278,020	22,109,630
Clearing and forwarding	15,867,514	15,296,735
Export development surcharge	18,221,490	9,149,275
Commission	122,756,113	73,745,154
Sales promotion expenses	4,494,303	5,973,949
Insurance expenses	6,880,581	-
Claim settlement	-	822,009
Other export expenses	1,166,661	1,097,095
	290,765,898	214,947,812
Local		
Freight on local sales	6,028,066	2,416,016
Commission	10,166,362	8,073,246
Advertisement expenses	258,781	155,612
Quality claim	-	12,140
	16,453,209	10,657,014
	307,219,107	225,604,826
33 Administrative Cost		
Directors' remuneration	1,920,000	1,920,000
Staff salaries and benefits	33.1 22,473,737	18,756,024
Traveling, conveyance and entertainment	3,428,600	2,575,555
Printing and stationery	1,395,609	2,129,449
Communication expenses	1,056,368	922,200
Vehicles running and maintenance	2,600,029	2,404,908
Legal and professional	1,538,716	395,738
Auditors' remuneration	33.2 1,154,800	893,900
Fee and subscription	1,583,630	1,679,401
Repair and maintenance	144,400	63,210
Rent, rates and taxes	120,000	120,000
Office expenses	962,648	-
Depreciation	4,646,243	2,407,634
Charity and donation	925,000	2,275,000
Bad debts expenses	848,949	19,542,401
Others	319,169	455,889
	45,117,898	56,541,309
33.1 Staff salaries and benefits includes employee retirement benefits amounting to PKR 2,733,705 (June 30, 2010: PKR 1,954,330).		
33.2 Auditors' remuneration		
Annual statutory audit	1,000,000	750,000
Half yearly review	119,800	108,900
Review of Code of Corporate Governance	35,000	35,000
	1,154,800	893,900
34 Other Operating Expenses		
Workers' Profit Participation Fund	33,876,524	19,762,187
Workers' Welfare Fund	34.1 -	8,687,626
	33,876,524	28,449,813



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

34.1 The Honourable High Court in writ petition bearing number W.P. No. 8763/2011 has decided that the amendments made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 is unconstitutional and unlawful. Therefore no provision for workers' welfare fund has been made in the financial statements. The income tax liability is being finalised under final tax regime. There is no taxable income under normal tax regime.

	30th June 2011 RUPEES	30th June 2010 RUPEES
35 Finance Cost		
Mark-up on:		
- long term financing	23,548,303	49,794,840
- short term borrowings	157,534,464	120,802,670
- finance lease	774,221	1,854,921
- workers' profit participation fund	2,347,721	1,089,746
Letter of credit discounting	37,813,708	25,518,887
Bank charges and commission	1,715,349	1,343,067
	223,733,766	200,404,131
Imputed interest expenses /(income) on interest free loan	-	10,714,285
	223,733,766	211,118,416

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 2010.

36.2 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	0.19	(1.43)
income chargeable to tax at different rate	(6.99)	(3.21)
inadmissible expense / (non taxable income)	(15.22)	1.45
Effective tax rate	12.98	31.81

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

Number of shares

Weighted average number of ordinary shares

Basic earnings per share - Rupees

658,553,965	402,630,406
10,000,000	10,000,000
65.86	40.26

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 27th September 2011 has proposed to pay cash dividend of @75% i.e PKR 7.50 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

39 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	Chief Executive		Director	
	Year ended 30, June 2011	Year ended 30, June 2010	Year ended 30, June 2011	Year ended 30, June 2010
	RUPEES			
Remuneration	662,064	662,064	662,064	662,064
Allowances	297,936	297,936	297,936	297,936
	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</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:

Nature of relationship	Nature of transactions	2011	2010
Associated undertaking	Sales of cotton	4,052,485	4,267,509
	Sales of fabric	2,018,527	3,684,905
	Sales of property, plant and equipment	-	2,000,000
	Sales of yarn	84,707,368	22,558,592
	Purchase of yarn	883,526,657	494,005,299
	Purchase of property, plant and equipment	-	5,700,000
	Purchase of fabrics	3,343,586	45,800,941
	Purchase of stores, spare parts and loose tools	2,177,038	85,362
	Services rendered	1,100,000	1,700,000
	Services received	14,841,459	8,447,784
	Dividend received	5,945,800	891,870
Retirement benefits	Electricity purchased	127,539,090	27,995,027
	Provision for gratuity	20,404,204	15,081,892
Key management	Remuneration	1,920,000	1,920,000

41 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2011 is as follows

41.1 Operating Results

Note	Spinning		Weaving		Power Generation		Company	
	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
Sales								
Export sales	4,280,838,487	2,055,926,310	4,500,912,137	2,702,067,757	-	-	8,781,750,624	4,757,994,067
Local sales	120,441,013	191,663,050	240,266,430	282,779,355	-	-	360,707,443	474,442,405
Custom rebate	43,426	192,678	84,884	322,516	-	-	128,310	515,194
Inter-segment sales	189,730,350	53,325,755	-	-	287,355,241	307,404,366	477,085,591	360,730,121
	<u>4,591,053,276</u>	<u>2,301,107,793</u>	<u>4,741,263,451</u>	<u>2,985,169,628</u>	<u>287,355,241</u>	<u>307,404,366</u>	<u>9,619,671,968</u>	<u>5,593,681,787</u>
Duties, commission and brokerage								
Regulatory duty on export sales	(5,474,769)	(2,314,586)	-	-	-	-	(5,474,769)	(2,314,586)
	<u>(5,474,769)</u>	<u>(2,314,586)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,474,769)</u>	<u>(2,314,586)</u>
Net sales	<u>4,585,578,507</u>	<u>2,298,793,207</u>	<u>4,741,263,451</u>	<u>2,985,169,628</u>	<u>287,355,241</u>	<u>307,404,366</u>	<u>9,614,197,199</u>	<u>5,591,367,201</u>
Cost of sales	<u>3,952,353,442</u>	<u>1,844,712,479</u>	<u>4,180,205,792</u>	<u>2,598,228,045</u>	<u>232,685,371</u>	<u>272,953,206</u>	<u>8,365,244,605</u>	<u>4,715,893,730</u>
Gross profit	633,225,065	454,080,728	561,057,659	386,941,583	54,669,870	34,451,160	1,248,952,594	875,473,471
Distribution cost	72,546,407	55,075,000	101,750,225	88,711,426	-	-	174,296,632	143,786,426
Administrative cost	22,036,819	22,293,727	23,050,152	34,204,072	30,927	43,510	45,117,898	56,541,309
	<u>94,583,226</u>	<u>77,368,727</u>	<u>124,800,377</u>	<u>122,915,498</u>	<u>30,927</u>	<u>43,510</u>	<u>219,414,530</u>	<u>200,327,735</u>
Operating result	<u>538,641,839</u>	<u>376,712,001</u>	<u>436,257,282</u>	<u>264,026,085</u>	<u>54,638,943</u>	<u>34,407,650</u>	<u>1,029,538,064</u>	<u>675,145,736</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

	Note	Spinning		Weaving		Power Generation		Company	
		Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
41.2 Segment assets		1,417,980,196	1,120,906,571	1,620,088,081	1,348,880,717	132,956,245	155,410,703	3,171,024,522	2,625,197,991
Unallocated assets								516,944,929	351,520,523
								3,687,969,451	2,976,718,514
41.3 Segment liabilities		780,400,566	613,955,019	782,652,499	705,442,858	72,370,108	104,754,777	1,635,423,173	1,424,152,654
Unallocated liabilities								13,481,458	122,055,005
								1,648,904,631	1,546,207,659

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								9,614,197,199	5,591,367,201
Elimination of inter-segment turnover								(477,085,591)	(360,730,121)
Total turnover								9,137,111,608	5,230,637,080

42.2 Cost of sales

Total cost of sales for reportable segments								8,365,244,605	4,715,893,730
Elimination of inter-segment revenue								(477,085,591)	(360,730,121)
Total cost of sales								7,888,159,014	4,355,163,609

42.3 Assets

Total assets for reportable segments								3,171,024,522	2,625,197,991
Taxation recoverable								162,582,055	95,068,205
Bank deposits								11,419,814	20,258,366
Long term investment								337,173,615	230,414,507
Long term deposit								5,769,445	5,779,445
Total assets								3,687,969,451	2,976,718,514

42.4 Liabilities

Total liabilities for reportable segments								1,635,423,173	1,424,152,654
Unclaimed dividends								2,415,317	2,064,943
Infrastructure fee								11,066,141	19,990,062
Sponsor loan								-	100,000,000
Total liabilities								1,648,904,631	1,546,207,659

	Note	Spinning		Weaving		Power Generation		Company	
		Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
43 Cost of sales									
Raw material consumed	43.1	3,346,091,849	1,470,078,847	3,574,662,140	2,064,397,295	-	-	6,920,753,989	3,534,476,142
Packing material consumed		54,232,873	43,187,128	12,887,045	10,112,258	-	-	67,119,918	53,299,386
Stores and spare parts		28,269,556	21,621,796	65,694,437	71,997,696	17,835,940	31,965,930	111,799,933	125,585,422
Cost of cotton sold	43.2	3,144,811	67,538,205	-	-	-	-	3,144,811	67,538,205
Yarn and fabric processing charges		-	-	8,537,932	1,208,583	-	-	8,537,932	1,208,583
Salaries, wages and benefits		144,841,157	123,794,653	110,475,368	103,384,126	5,408,001	4,377,753	260,724,526	231,556,532
Fuel, power and water									
Inter-segment		183,146,865	161,244,951	104,208,376	146,159,415	-	-	287,355,241	307,404,366
Other		27,454,168	19,104,955	188,293,929	67,407,383	187,980,178	212,123,720	403,728,275	298,636,058
		210,601,033	180,349,906	292,502,305	213,566,798	187,980,178	212,123,720	691,083,516	606,040,424
Electricity duty		-	-	-	-	1,248,268	1,900,106	1,248,268	1,900,106
Insurance		6,960,035	5,687,000	4,263,269	2,519,093	2,539,818	2,631,488	13,763,122	10,837,581
Repair and maintenance		4,752,186	2,583,597	3,698,435	2,151,794	3,136,719	3,828,409	11,587,340	8,563,800
Rent, rates and taxes		502,540	301,635	73,320	69,320	-	-	575,860	370,955
Travelling, conveyance and entertainment		-	365,884	151,871	121,244	144,475	142,781	296,346	629,909
Vehicle running expenses		3,993,979	3,268,877	1,559,542	1,571,962	97,448	101,935	5,650,969	4,942,774
Communication		567,022	116,221	372,443	309,833	26,405	26,297	965,870	452,351
Fee and subscription		-	-	33,100	19,485	-	-	33,100	19,485
Depreciation		49,777,683	55,801,373	69,248,015	78,322,964	14,251,562	15,835,069	133,277,260	149,959,406
Others		-	-	1,717,594	901,651	16,557	19,718	1,734,151	921,369
		3,853,734,724	1,974,695,122	4,145,876,816	2,550,654,102	232,685,371	272,953,206	8,232,296,911	4,798,302,430
Work in process									
Opening stock		14,872,829	12,848,004	72,909,600	38,231,042	-	-	87,782,429	51,079,046
Closing stock		(19,612,149)	(14,872,829)	(83,954,384)	(72,909,600)	-	-	(103,566,533)	(87,782,429)
		(4,739,320)	(2,024,825)	(11,044,784)	(34,678,558)	-	-	(15,784,104)	(36,703,383)
Cost of goods manufactured		3,848,995,404	1,972,670,297	4,134,832,032	2,515,975,544	232,685,371	272,953,206	8,216,512,807	4,761,599,047



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Notes to the financial statements For the year ended 30th June 2011

Note	Spinning		Weaving		Power Generation		Company	
	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
Finished stocks								
Opening stock	190,743,788	62,785,970	165,610,023	150,234,398	-	-	356,353,811	213,020,368
Finished goods purchased	-	-	59,990,420	82,681,093	-	-	59,990,420	82,681,093
Yarn purchased	-	-	92,872,065	18,605,259	-	-	92,872,065	18,605,259
Finished goods theft	-	-	-	(3,658,226)	-	-	-	(3,658,226)
Closing stock	(87,385,750)	(190,743,788)	(273,098,748)	(165,610,023)	-	-	(360,484,498)	(356,353,811)
	103,358,038	(127,957,818)	45,373,760	82,252,501	-	-	148,731,798	(45,705,317)
	<u>3,952,353,442</u>	<u>1,844,712,479</u>	<u>4,180,205,792</u>	<u>2,598,228,045</u>	<u>232,685,371</u>	<u>272,953,206</u>	<u>8,365,244,605</u>	<u>4,715,893,730</u>
43.1 Raw material consumed								
Opening stock	263,033,707	493,145,370	186,082,699	65,750,982	-	-	449,116,406	558,896,352
Purchases								
Inter-segment	-	-	189,730,350	53,325,755	-	-	189,730,350	53,325,755
Other	3,700,155,524	1,304,126,327	3,383,443,944	2,150,008,516	-	-	7,083,599,468	3,454,134,843
	3,700,155,524	1,304,126,327	3,573,174,294	2,203,334,271	-	-	7,273,329,818	3,507,460,598
Raw material sold - cotton	(2,892,953)	(64,159,143)	-	-	-	-	(2,892,953)	(64,159,143)
Raw material sold - yarn	-	-	-	(18,605,259)	-	-	-	(18,605,259)
Closing stock	(614,204,429)	(263,033,707)	(184,594,853)	(186,082,699)	-	-	(798,799,282)	(449,116,406)
	<u>3,346,091,849</u>	<u>1,470,078,847</u>	<u>3,574,662,140</u>	<u>2,064,397,295</u>	<u>-</u>	<u>-</u>	<u>6,920,753,989</u>	<u>3,534,476,142</u>
43.2 Cost of cotton sold								
Cost of purchase	2,892,953	64,159,143	-	-	-	-	2,892,953	64,159,143
Salaries, wages and other benefits	94,640	436,800	-	-	-	-	94,640	436,800
Loading and unloading	8,454	8,454	-	-	-	-	8,454	8,454
Insurance	10,428	197,897	-	-	-	-	10,428	197,897
Finance cost	138,336	2,735,911	-	-	-	-	138,336	2,735,911
	<u>3,144,811</u>	<u>67,538,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,144,811</u>	<u>67,538,205</u>
44 Distribution cost								
Export								
Steamer and air freight	38,221,555	32,322,323	56,879,661	54,431,642	-	-	95,101,216	86,753,965
Trailer freight	9,263,720	8,409,130	17,014,300	13,700,500	-	-	26,278,020	22,109,630
Clearing and forwarding	7,725,574	5,157,780	8,141,940	10,138,955	-	-	15,867,514	15,296,735
Export development surcharge	9,581,172	4,651,417	8,640,318	4,497,858	-	-	18,221,490	9,149,275
Sales promotion expenses	1,718,622	865,162	2,775,681	5,108,787	-	-	4,494,303	5,973,949
Adhesive stamps	-	-	6,880,581	-	-	-	6,880,581	-
Commission	74,417,832	34,788,784	48,338,281	38,956,370	-	-	122,756,113	73,745,154
Claim settlement	-	822,009	-	-	-	-	-	822,009
Other export expenses	586,533	826,543	580,128	270,552	-	-	1,166,661	1,097,095
	141,515,008	87,843,148	149,250,890	127,104,664	-	-	290,765,898	214,947,812
Local								
Freight on local sales	5,449,231	2,020,636	578,835	395,380	-	-	6,028,066	2,416,016
Commission	1,442,196	949,860	8,724,166	7,123,386	-	-	10,166,362	8,073,246
Advertisement expenses	-	-	258,781	155,612	-	-	258,781	155,612
Quality claim	-	-	-	12,140	-	-	-	12,140
	6,891,427	2,970,496	9,561,782	7,686,518	-	-	16,453,209	10,657,014
	<u>148,406,435</u>	<u>90,813,644</u>	<u>158,812,672</u>	<u>134,791,182</u>	<u>-</u>	<u>-</u>	<u>307,219,107</u>	<u>225,604,826</u>
45 Administrative cost								
Directors' remuneration	1,920,000	1,920,000	-	-	-	-	1,920,000	1,920,000
Staff salaries and benefits	11,687,048	9,915,592	10,786,689	8,840,432	-	-	22,473,737	18,756,024
Traveling, conveyance and entertainment	598,684	511,347	2,829,916	2,064,208	-	-	3,428,600	2,575,555
Printing and stationery	435,365	1,048,572	957,994	1,079,797	2,250	1,080	1,395,609	2,129,449
Communication expenses	388,467	230,394	667,901	691,806	-	-	1,056,368	922,200
Vehicles running and maintenance	868,834	901,987	1,731,195	1,502,921	-	-	2,600,029	2,404,908
Legal and professional	1,188,716	-	350,000	395,738	-	-	1,538,716	395,738
Auditors' remuneration	577,400	446,950	577,400	446,950	-	-	1,154,800	893,900
Fee and subscription	962,105	1,051,474	621,525	627,927	-	-	1,583,630	1,679,401
Repair and maintenance	144,400	63,210	-	-	-	-	144,400	63,210
Rent, rates and taxes	120,000	120,000	-	-	-	-	120,000	120,000
Office expenses	-	-	962,648	-	-	-	962,648	-
Depreciation	1,996,851	1,141,465	2,620,715	1,231,342	28,677	34,827	4,646,243	2,407,634
Charity and donation	300,000	1,000,000	625,000	1,275,000	-	-	925,000	2,275,000
Bad debts expenses	848,949	3,930,326	-	15,604,472	-	7,603	848,949	19,542,401
Others	-	12,410	319,169	443,479	-	-	319,169	455,889
	<u>22,036,819</u>	<u>22,293,727</u>	<u>23,050,152</u>	<u>34,204,072</u>	<u>30,927</u>	<u>43,510</u>	<u>45,117,898</u>	<u>56,541,309</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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:

	30 th June 2011 RUPEES	30 th June 2010 RUPEES
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	5,769,445	5,779,445
Long term loan	-	2,794,979
Trade receivables	243,342,243	190,745,821
Deposit with financial institutions	-	-
Refundable trade deposits	11,419,814	20,258,366
Other receivables	2,366,254	2,046,275
Cash at banks	37,739,909	74,333,929
	300,637,665	295,958,815
Available for sale financial assets	-	-
	300,637,665	295,958,815

46.6.2 Concentration of credit risk

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

Domestic	164,813,223	190,745,821
Europe	-	-
United States of America	-	-
Asia and Middle East	78,529,020	-
Other regions	-	-
	243,342,243	190,745,821

46.6.3 Impairment losses

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

Not past due	201,940,447	193,868,166
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	30,563,876	15,074,493
	232,504,323	224,432,042

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

As at beginning of the year	30,563,876	15,074,493
Impairment loss recognized	-	15,489,383
Impairment loss reversed	(1,545,152)	-
	29,018,724	30,563,876

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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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, 2011				
	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	336,406,690	336,406,690	76,221,000	260,185,690	-
Liabilities against assets subject to finance lease	5,721,214	5,721,214	2,712,238	3,008,976	-
Long term payables	11,066,141	11,066,141	-	11,066,141	-
Short term borrowings	625,340,854	625,340,854	625,340,854	-	-
Mark-up accrued on borrowings	15,704,508	15,704,508	15,704,508	-	-
Trade creditors	233,436,196	233,436,196	233,436,196	-	-
Accrued liabilities	128,802,147	128,802,147	128,802,147	-	-
Unclaimed dividend	2,415,317	2,415,317	2,415,317	-	-
Other payables	34,210,393	34,210,393	34,210,393	-	-
	<u>1,493,103,460</u>	<u>1,493,103,460</u>	<u>1,218,842,653</u>	<u>274,260,807</u>	<u>-</u>

	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	-	-
	<u>1,434,803,193</u>	<u>1,434,803,193</u>	<u>1,193,096,967</u>	<u>241,706,226</u>	<u>-</u>

46.8 Market risk	30 th June 2011 RUPEES	30 th June 2010 RUPEES
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46.8.1 Currency risk

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

Trade receivables	78,529,020	-
Cash and cash equivalents	195,478	76,033
Trade payables	-	-
Total exposure	<u>78,724,498</u>	<u>76,033</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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 85.25 / USD and PKR 85.95 / USD (2010: PKR 84.21 / USD and PKR 85.45 / USD) respectively.

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 7,872,450 (2010: PKR 993,854). 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.

	<u>30thJune 2011 RUPEES</u>	<u>30thJune 2010 RUPEES</u>
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:		
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	295,924,380	144,692,417
Variable rate instruments		
Financial assets	11,419,814	20,258,366
Financial liabilities	671,544,378	843,722,970

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 6,715,443 (2010: PKR 8,437,229). 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. As the selling price of yarn has decreased substantailly after the balance sheet date therefore the valuation of raw material, work in process and finished goods as on 30th June 2011 has been made using the following accounting estimates and judgements;



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

a Raw Material Valuation

Due to erratic variation in cotton price in the month of July 2011, August 2011 and September 2011 ranging from PKR 4,800 per maund to PKR 7,500, the raw material cost can not be determined at replacement cost as recommended in the paragraph 32 of IAS 2. The valuation has been made on the basis of realisation value. Amount realized on account of cotton component has been determined on the basis of sale price of yarn sold during the month of July 2011, August 2011 and September 2011. The value of raw cotton as on 30th June 2011 has been reduced by PKR 344,379,153 due to above effect.

b Finished Goods Valuation

Finished goods have been valued at cost or net realizable value which ever is lower as defined in IAS 2. The value of finished goods as on 30th June 2011 has been reduced by PKR 33,227,277 due to carrying stock at net realisable value.

c Work in Process Valuation

Work in process has been valued at value of cotton as determined in note 47.4 (a) plus overhead cost.

d Waste Valuation

Waste has been valued at net realizable value as defined in IAS 2.

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."

48 PLANT CAPACITY AND ACTUAL PRODUCTION	2011	2010
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)	11,434,172	11,434,172
 Actual production of yarn in kilograms, (based on actual number of working days)	12,110,907	11,554,389
 48.2 Weaving unit		
Number of looms installed	263	243
Number of looms worked	263	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)	41,237,155	41,107,384
 Actual production of fabric in meters, after conversion into 50 picks (based on number of actual working days)	39,542,809	43,814,538



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2011

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.

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 27th September 2011

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. Significant reclassifications made is as following:

From	TO	Nature	Amount
Workers' Welfare Fund			
Taxation - Provision for taxation	Trade and other payables	Proper presentation	8,687,626
Workers' Welfare Fund			
Provision for taxation	Other operating expenses	Proper presentation	8,687,626
Commission on export sales			
Sales	Distribution cost	Proper presentation	73,745,154
Commission on local sales			
Sales	Distribution cost	Proper presentation	8,073,246

52 GENERAL

The figures have been rounded off to the nearest Rupee.

Bilal Sharif
Chief Executive

Mohammad Salim
Director

Karachi:

Dated: 27th September, 2011



FAISAL SPINNING MILLS LIMITED

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2011

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer their spouse and minor children	16	4,573,191	45.73
2	Associated Companies, Undertaking and Related Parties	13	4,344,909	43.44
3	NIT / ICP	1	1,000	0.01
4	Bank / Financial Institution	3	426,184	4.26
5	Insurance Companies	1	222,700	2.23
6	Modarabas & Mutual Funds	1	2,600	0.03
7	General Public / Individuals	612	428,916	4.29
8	Joint Stock Companies	1	500	0.01
		648	10,000,000	100.00

The above statement include 236 Shareholders holding 2,164,300 Shares through the Central Depository Company of Pakistan Limited (CDC).



FAISAL SPINNING MILLS LIMITED

PATTERN OF SHAREHOLDING AS AT 30TH JUNE 2011

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM TO	TOTAL SHARES HELD
144	000001 - 000100	10,214
386	000101 - 000500	188,675
33	000501 - 001000	34,200
41	001001 - 005000	120,833
11	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>648</u>		<u>10,000,000</u>



FAISAL SPINNING MILLS LIMITED

Sr #	Shareholder Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES		
	ADMIRAL (PVT) LTD	12.83	1,282,900
	MR. FARRUKH SALEEM	1.37	136,919
	MR. YOUSUF SALEEM	3.13	312,688
	MR. SAQIB SALEEM	1.99	199,055
	MR. MUHAMMAD QASIM	3.95	395,216
	MRS. NAZLI BEGUM	1.29	129,231
	MR. FAISAL SHAKEEL	7.40	739,977
	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	2.81	280,500
	MISS. NOOR SHAKEEL	0.50	50,000
2	NIT		
	NATIONAL INVESTMENT TRUST LIMITED	0.01	1,000
3	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN		
	MR. MUHAMMAD SHARIF	0.29	28,846
	MR. MUHAMMAD SALEEM	0.29	28,846
	MR. MUHAMMAD SHAHEEN	0.33	32,692
	MR. MUHAMMAD SHAKEEL	0.48	48,077
	MR. KHURRAM SALEEM	2.00	200,380
	MR. BILAL SHARIF	3.35	334,995
	MR. MUHAMMAD AMIN	4.61	460,923
	MR. ADIL SHAKEEL	6.62	661,500
	MRS. YASMIN BEGUM	2.39	238,577
	MRS. ANJUM BEGUM	7.39	739,480
	MRS. SEEMA BEGUM	3.35	334,915
	MRS. AMNA KHURRAM	1.10	109,500
	MRS. SAMIA BILAL	5.34	533,960
	MRS. FATIMA AMIN	4.51	451,000
	MASTER ABDULLAH BILAL	2.73	272,500
	MASTER UMER KHURRUM	0.97	97,000
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODABARAS AND MUTUAL FUNDS		
	NATIONAL BANK OF PAKISTAN	4.19	418,584
	NATIONAL DEVELOPMENT FINANCE CORPORATION (INVESTAR)	0.04	3,600
	SME BANK LIMITED	0.04	4,000
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.23	222,700
	FIRST TRI-STAR MODARABA	0.03	2,600
5	JOINT STOCK COMPANIES		
	TAURUS SECURITIES LIMITED	0.01	500
6	INDIVIDUAL SHAREHOLDERS	4.29	428,916
	TOTAL	100.00	10,000,000
7	DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN		NIL
8	SHAREHOLDERS HOLDING 10% OR MORE		
	ADMIRAL (PVT) LTD	12.83	1,282,900



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 27th Annual General Meeting of the Company to be held on
Thursday 27th October, 2011 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.

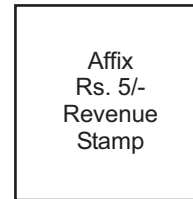
WITNESS

Signature _____

Name _____

Address _____

CNIC/Passport # _____



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

Signed this _____ day of _____ 2011

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