



of Companies

28th Annual Report 2012

UMER GROUP OF COMPANIES

FAISAL SPINNING MILLS LIMITED



FAISAL SPINNING MILLS LIMITED

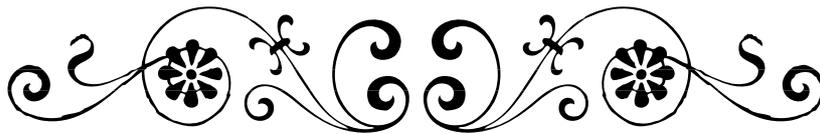
Vision

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. Khurram Salim Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel	Chief Executive / Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director / Chairman Executive Director Non Executive Director Non Executive 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
Human Resource and Remuneration Committee	Mr. Mohammad Shaheen Mr. Mohammad Amin 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 Associates (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: khihoff@umergroup.com - Website: http://www.umergroup.com	
Liaison / Correspondence office	9 th Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: http://www.umergroup.com	
Mills At:	Spinning Unit is situated at: A-150, SITE Nooriabad, Sindh Tel : 025 4670002 Weaving Unit is situated at: 18 - KM, Sheikhpura Faisalabad Road, Feroz Watwan, Sheikhpura, Punjab. Tel: 056 3731446-7	



FAISAL SPINNING MILLS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 28th Annual General Meeting of the members of **Faisal Spinning Mills Limited** will be held on Wednesday 24th October 2012 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 27th October 2011.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2012 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 50% (i.e. PKR 5 per share) for the year ended 30th June, 2012, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2012-2013 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 : 24th September 2012

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 20th October 2012 to 27th October, 2012 (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 19th October 2012 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2012.
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 2012 alongwith annual audited financial statements for the year ended 30th June 2012.

Overview

By the blessing of Allah Al Mighty your company maintained the profitability and earned after tax profit of PKR 298.997 million during the year ended 30th June 2012 against the last year after tax profit of PKR 658.553 million. The earning per share of company is PKR 29.90 as compared to PKR 65.86 in previous year.

Economic Challenges and Current Crisis

As a consequence of acute energy crisis textile production capacity of various sub-sectors has been reduced. Cotton-based textiles contribute over 60 percent to country's total exports, 46 percent of the total manufacturing and provide employment to about 38 percent manufacturing labour force. But during the period under review its share in the total exports has reduced to about 52 percent.

According to official data, textiles' exports have been contracted by 10.38 percent during 2011-12, as its total exports stood at USD 12.356 billion against USD 11.219 billion in same period of last year. In the sub-groups, only raw cotton exports increased by 26.65 percent while other products' exports in textiles, which involve value addition and need energy, all have reduced. Overall in the sector, cotton yarn export down by 18.48 percent, cotton cloth 6.42 percent, bed wear 16.3 percent, knitwear 14.37 percent, readymade garments down by 7.84 percent and towels exports down by 10.25 percent over the period last year.

The global economy recovery is now being witnessed at varying speeds in different economies but now it is threatened by intensifying strains in the euro area and fragilities elsewhere. Unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. According to IMF report the World GDP growth is projected to be 3.9% in financial year ended 30th June 2013 (3.5% in year ended 30th June 2012).

The Pakistan's GDP grew by 3.7% against the target of 4.2%. This year growth is attributed to better crops and improved value addition in construction and finance sectors.

The cost of production has also risen due to instant increase in electricity and gas tariff. Due to load shedding mill owner uses alternative source of energy like furnace oil which increase their cost of production further. Due to such dramatic situation the capability of competitiveness of this industry in international market affected badly.

Furthermore, higher inflation in the country is another major cause of concern. This was mainly due to rising commodity prices, weakening of the rupee due to stoppage of foreign exchange liquidity support and upward adjustments of power and fuel tariffs.

In order to revive the production capacity of various sub sectors, immediate total exemption from electricity and gas load shedding for the textile industry value chain should be implemented. Moreover government should also consider rationalization and reduction of electricity tariff.

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



FAISAL SPINNING MILLS LIMITED

Operating Results

Financial results of the company for the year ended 30th June 2012 is summarized as under;

	2012 Rupees	2011 Rupees
Sales	7,632,725,213	9,137,111,608
Gross profit	860,465,545	1,248,952,594
Profit before taxation	375,498,091	756,358,836
Taxation		
Current year	77,165,508	96,367,018
Prior year	(664,869)	1,437,853
	76,500,639	97,804,871
Profit after taxation	298,997,452	658,553,965
Un-appropriated profit brought forward	139,064,820	80,510,855
Profit available for appropriation	438,062,272	739,064,820
Appropriations:		
Dividend paid	(75,000,000)	(50,000,000)
Transferred to General Reserve	(300,000,000)	(550,000,000)
Un-appropriated profit carried forward	63,062,272	139,064,820
	=====	=====
Basic and diluted earning per share	29.90	65.86
	====	====

Sales of the company have decreased from PKR 9.137 billion to 7.632 billion due to reason of substantial decrease in prices of cotton. Gross profit for the year under review is amounting to PKR 860.465 million as compared to PKR 1,248.952 million in prior year. Whereas profit before taxation for the year under review is amounting to PKR 375.498 million as compared to PKR 756.358 million in prior year. Profitability of company has also been affected as compared to previous year due to decrease in demand and prices of cotton, yarn and fabric based on domestic and international recession.

No provision for Workers Welfare Fund amounting to PKR 7.362 million (June 2011: PKR 14.830 million) has been made in view of the judgments of Honorable High Court in writ petition bearing number W.P. No. 8763/2011, declaring the amendments made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 is unconstitutional and unlawful.

Dividend

The board of directors is pleased to recommend a final cash dividend of 50% i.e PKR 5.0 per share (June 2011: 75% i.e. PKR 7.5 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

Balance sheet footing has increased to PKR 3.608 billion this year. Long term borrowing at the year end was PKR 181.679 million (2011: PKR 263.194 million). Gearing ratio was 0.36 at 30th June 2012 as compared to 0.52 at 30th June 2011. The liquidity position of the company is good with a current ratio of 1.56 as at 30th June 2012 (June 2011: 1.42). The total of shareholders' fund stood at PKR 2.263 billion (2011: PKR 2.039 billion).

Cash Flow Management

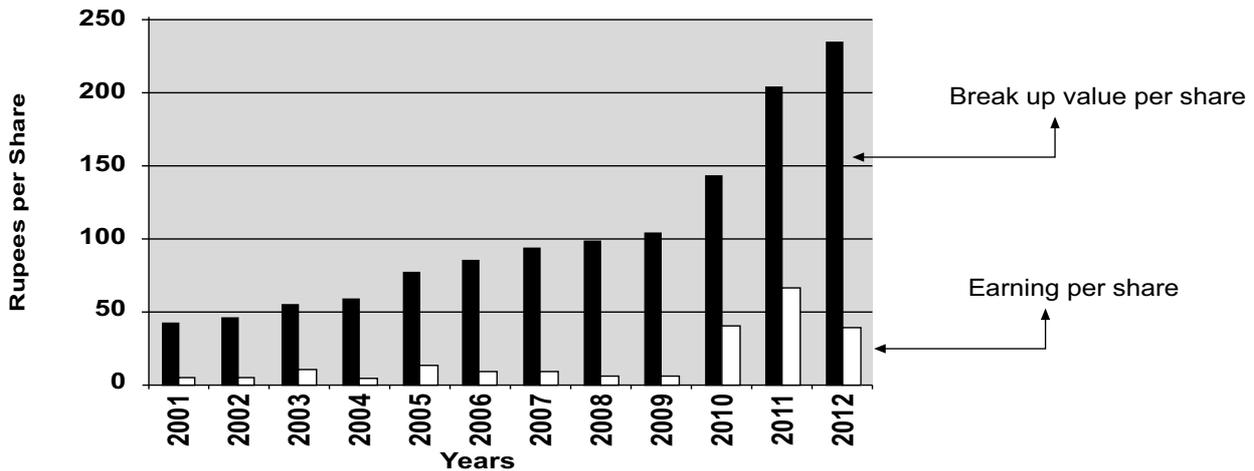
The company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings. During the year under review, an amount of PKR 444.639 million (June 2011: 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.

FAISAL SPINNING MILLS LIMITED

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 2012 is PKR 226.30 (30th June 2011: PKR 203.90). The Earning per Share (EPS) of your company for the year ended 30th June 2012 is PKR 29.90 (30th June 2011: PKR 65.86).



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:
 - Statement of pattern of shareholding has been given separately.
 - Statement of shares held by associated undertakings and related persons.
 - Statement of the Board meetings held during the year and attendance by each director has been given separately.
 - Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

Human Resource and Remuneration Committee:

The board of directors has formed Human Resource and Remuneration Committee. The committee consists of three members. Majority of members including chairman of committee is non-executive directors. The committee will be responsible for making recommendation to board of directors for maintaining;

- A sound plan of organization for the company
- An effective employees' development programme



FAISAL SPINNING MILLS LIMITED

- Sound compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel needed to manage the business effectively
1. To review and advise on the human resource policies of the company and its revision from time to time as and when necessary.
 2. To determine the remuneration and terms of service of the Chief Executive and other non-board of directors of the company including their performance benefits and other benefits such as retirements benefits, perquisite and other contractual terms.
 3. To ensure that the best practices are adopted by the management of the company with emphasis that:
 - a. The people of appropriately high ability and caliber are recruited, retained and motivated by offering market competitive packages
 - b. Clear statement of job description and responsibilities for each individual position are defined for proper performance measurement
 - c. Performance evaluation process / mechanism is in place and carried out annually
 - d. Market competitive pay scales of comparable size and turnover companies are determined through independent sources and compared with company's existing pay scale
 4. To review and advice on the training, development and succession planning for the senior management of the company.
 5. To devise a mechanism for the approval of HR related policies of the company.
 6. To recommend any matter of significance to the board of directors.

Related Party transaction and Transfer Pricing

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

Audit Committee

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

Financial statements

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

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2012 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 28th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 28th annual general meeting until the conclusion of 29th 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



FAISAL SPINNING MILLS LIMITED

June 2013. 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 during winter season as well as in summer season. 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.

Inflation and social disruptions arising from law and order situations are also major concerns for business activities in country. Rising inflation, devaluation of Rupee and high markup rates may have severe adverse impact on the growth of the economy. This may lead to Pakistan losing its share to its competitor like India, China and Bangladesh due to their government supportive export policies.

US Department of Agriculture (USDA) cotton forecast for 2012-13 projects that global cotton production will increase while consumption rebounds, although consumption remains below production for the third consecutive season. Global cotton consumption for 2012-13 is projected at 110 million bales, a 3-percent increase from last season. Modest growth in world GDP and lower cotton prices relative to polyester are expected to improve cotton's competitiveness and support the rebound. World cotton consumption will be led once again by China, India, and Pakistan, accounting for a combined two-thirds of global cotton consumption in 2012-13.

Total consumption of the local industry is about 15 million bales of cotton, against the targeted production of 14 million bales, showing a shortfall of about a million bales. However after the floods in Punjab and Sindh, the shortfall might be increased. If target production of 14 million bales of cotton is achieved then the country will need to import about one million bales otherwise the import will be about 1.5 to 2.5 million bales to meet the domestic requirements.

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

The reduction in discount rate by State Bank of Pakistan to 12% is a good step but it is not enough to promote the business activities. The State Bank of Pakistan should consider a further reduction in discount rate to single digit and introduction of a new leverage product in the capital market, these steps would help spawn another positive run in the equity market.

The results of the First Quarter of the next fiscal year will depend on the direction of cotton prices and recovery of global recession particularly Euro zone.



FAISAL SPINNING MILLS LIMITED

We are fully aware of the current economic conditions and are prepared to mitigate the adverse impact of such an event as far as it is under the control limit of management.

The management is aware of the challenges and prepared to mitigate the adverse impact of such challenges. But in the absence of government support toward energy crises, law order situation and business support policies, we are not sure to have good results in the coming year.

Acknowledgement

We would like to thank our customers, suppliers and business partners and those who continue to steer the company forward. We owe special gratitude to company's bankers, shareholders and government authorities for the cooperation extended by them during this period.

For and on behalf of the Board of Directors

Karachi: 24th September, 2012

Bilal Sharif
Chief Executive

Board of Directors Meetings

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

Directors	2011	2012			Total
	27 th Oct	25 th Feb	26 th April	24 th Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	-	★	3/4
Mr. Mohammad Shaheen	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	8/8	8/8	7/8	8/8	31/32

Audit Committee Meetings

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

Directors	2011	2012			Total
	20 th Oct	18 th Feb	19 th April	17 th Sept	
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	4/4
Total	3/3	3/3	3/3	3/3	12/12

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, 2012.

MUSHTAQ & COMPANY
Chartered Accountants

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

Karachi:
Dated: 24th September, 2012



FAISAL SPINNING MILLS LIMITED

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2012

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 seven listed companies, including this company.
3. The Company has prepared a "Code of Conduct", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred during the year.
6. There is no change in position of Chief Financial Officer, Head of Internal Audit and Company Secretary during the year ended 30th June 2012.
7. 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. During the year four meetings of Board of Directors was held. 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.
8. 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 NBFII. No director in the board is a member of any Stock exchange in Pakistan.
9. The Board arranged one orientation course for its directors during the year.
10. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
11. 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.
12. 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.
13. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
14. The Board has formed Human Resource and Remuneration Committee. It comprises of three members, majority of them including Chairman of committee are non executive directors.



FAISAL SPINNING MILLS LIMITED

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2012

15. 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.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. 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.
18. 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.
19. 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.
20. 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).
21. The "Closed Period", prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. 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.
23. 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.
24. 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: 24th September, 2012

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, 2012 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, 2012 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

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

Karachi:
Dated: 24th September, 2012



FAISAL SPINNING MILLS LIMITED

Balance Sheet As At 30th June, 2012

EQUITY AND LIABILITIES	Note	30 th June 2012 Rupees	30 th June 2011 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
12,000,000 (2011 : 12,000,000) ordinary shares of PKR 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	5	100,000,000	100,000,000
Reserves		2,100,000,000	1,800,000,000
Unappropriated profits		63,062,272	139,064,820
		2,263,062,272	2,039,064,820
NON CURRENT LIABILITIES			
Long-term financing - secured	6	177,449,500	260,185,690
Obligation under finance lease	7	4,230,147	3,008,976
Infrastructure fee payable	8	12,550,081	11,066,141
Deferred liabilities	9	64,851,460	59,293,795
		259,081,188	333,554,602
CURRENT LIABILITIES			
Trade and other payables	10	437,587,390	398,864,053
Mark-up accrued on loans	11	13,012,924	15,704,508
Short-term borrowings - secured	12	540,500,000	625,340,854
Current portion of long term loan	13	95,563,160	178,933,238
		1,086,663,474	1,218,842,653
CONTINGENCIES AND COMMITMENTS	14	-	-
		<u>3,608,806,934</u>	<u>3,591,462,075</u>

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive



FAISAL SPINNING MILLS LIMITED

Balance Sheet As At 30th June, 2012

ASSETS	Note	30 th June 2012 Rupees	30 th June 2011 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	15	1,439,394,698	1,513,757,757
Capital work-in-progress	16	46,673,647	1,599,401
Long term investment	17	380,628,631	337,173,615
Long term deposits	18	5,033,195	5,769,445
		1,871,730,171	1,858,300,218
CURRENT ASSETS			
Stores, spare parts and loose tools	19	75,822,894	67,620,445
Stock in trade	20	1,189,893,043	1,262,850,313
Trade debts	21	319,241,243	243,342,243
Loans and advances	22	11,136,650	41,748,200
Trade deposits and prepayments	23	13,586,198	12,256,208
Other receivables	24	2,964,932	1,529,860
Income tax and sales tax refundable	25	88,450,603	66,074,679
Bank balances	26	35,981,200	37,739,909
		1,737,076,763	1,733,161,857
		<u>3,608,806,934</u>	<u>3,591,462,075</u>


Mohammad Salim
Director



FAISAL SPINNING MILLS LIMITED

Profit and Loss Account For the Year Ended 30th June 2012

	Note	30 th June 2012 Rupees	30 th June 2011 Rupees
Sales	27	7,632,725,213	9,137,111,608
Cost of goods sold	28	6,772,259,668	7,888,159,014
Gross profit		860,465,545	1,248,952,594
Other operating income	29	6,197,531	4,648,629
		866,663,076	1,253,601,223
Distribution cost	30	253,319,750	307,219,107
Administrative expenses	31	86,441,555	45,117,898
Other operating expenses	32	17,160,078	33,876,524
Finance cost	33	186,617,318	223,733,766
		543,538,701	609,947,295
		323,124,375	643,653,928
Share of profit of associated undertaking		52,373,716	112,704,908
Profit before tax		375,498,091	756,358,836
Provision for taxation	34		
Current year		77,165,508	96,367,018
Prior year		(664,869)	1,437,853
		76,500,639	97,804,871
Profit after tax		298,997,452	658,553,965
Earnings per share - basic and diluted	35	29.90	65.86

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive

Mohammad Salim
Director



FAISAL SPINNING MILLS LIMITED

Statement of Comprehensive Income For the Year Ended 30th June 2012

	30 th June 2012 Rupees	30 th June 2011 Rupees
Profit for the year after taxation	298,997,452	658,553,965
Other comprehensive income for the year	-	-
Total comprehensive Income for the year	298,997,452	658,553,965

The annexed notes form an integral part of these financial statements

Bilal Sharif
Chief Executive

Mohammad Salim
Director

FAISAL SPINNING MILLS LIMITED

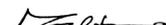
Cash Flow Statement For The Year Ended 30th June 2012

	30 th June 2012 Rupees	30 th June 2011 Rupees
Cash flows from operating activities		
Profit before tax	375,498,091	756,358,836
Adjustments for:		
Depreciation of property, plant and equipment	161,237,119	137,923,503
Share profit of associated undertaking	(52,373,716)	(112,704,908)
Provision for bad debts	32,808,443	69,371
Infrastructure fee	1,483,940	(8,923,921)
Provision for employee benefits	19,681,349	20,404,204
(Gain) on disposal of property, plant and equipment	(778,946)	(1,173,155)
Finance cost	186,617,318	223,733,766
	348,675,507	259,328,860
Operating cash flows before movements in working capital	724,173,598	1,015,687,696
(Increase) in stores, spares and loose tools	(8,202,449)	(12,288)
Decrease / (Increase) in stock in trade	72,957,270	(369,597,667)
(Increase) in trade debts	(112,107,443)	(51,051,271)
Decrease / (Increase) in loans and advances	34,011,550	(31,916,507)
Decrease / (Increase) in trade deposits	(1,329,990)	8,838,552
(Increase) in sales tax refund and other receivables	(18,747,816)	(24,258,771)
Increase in trade and other payables	36,709,762	87,392,219
	3,290,884	(380,605,733)
Cash generated by operations	727,464,482	635,081,963
Finance cost paid	(189,308,902)	(230,698,625)
Employee benefit costs paid	(14,123,684)	(11,228,889)
Income taxes paid	(80,128,747)	(100,379,978)
Long-term loans - repaid	-	2,794,979
Long-term deposits refunded	736,250	10,000
	(282,825,083)	(339,502,513)
Net cash from operating activities	444,639,399	295,579,450
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,075,000	12,842,780
Addition in property plant and equipment	(132,244,360)	(280,365,795)
Dividend received	8,918,700	5,945,800
Net cash used in investing activities	(122,250,660)	(261,577,215)
Cash flows from financing activities		
Proceed from long term finance	-	220,494,000
Proceeds from finance lease	7,002,900	-
Payment of long-term financing	(168,100,000)	(259,744,349)
Payment of obligation under finance lease	(3,787,997)	(7,253,967)
Increase / (decrease) in short-term borrowings	(84,840,854)	25,557,687
Dividend paid	(74,421,497)	(49,649,626)
Net cash from financing activities	(324,147,448)	(70,596,255)
Net (decrease) in cash and cash equivalents	(1,758,709)	(36,594,020)
Cash and cash equivalent at the beginning of year	37,739,909	74,333,929
Cash and cash equivalent at the end of year	35,981,200	37,739,909

The annexed notes form an integral part of these financial statements



Bilal Sharif
Chief Executive



Mohammad Salim
Director



FAISAL SPINNING MILLS LIMITED

Statement of Changes in Equity For The Year Ended 30th June 2012

	Share Capital	Capital Reserves	Reserves General Reserves	Total	Unappropriated Profit	Total
	Rupees	Rupees	Rupees		Rupees	Rupees
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
Final dividend for the year ended June 30, 2011 PKR. 7.5 per share	-	-	-	-	(75,000,000)	(75,000,000)
Profit for the year	-	-	-	-	298,997,452	298,997,452
Transferred to general reserve	-	-	300,000,000	300,000,000	(300,000,000)	-
Balance as at 30th June, 2012	100,000,000	24,150,000	2,075,850,000	2,100,000,000	63,062,272	2,263,062,272

Bilal Sharif
Chief Executive

Mohammad Salim
Director



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

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 45 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 2012

<u>Standards, interpretations and amendments</u>	<u>Description</u>
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 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.
IFRS 7 - Financial Instruments: Disclosures (Amendments)	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.
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.

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.

<u>Standards, interpretations and amendments</u>	<u>Description</u>
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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

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 12 - Income Taxes	The amendments provide exception to the general principal 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 recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	"IFRIC 20 considers when and how to account separately for two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The amendment is effective for annual periods beginning on or after January 01, 2012."

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.

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



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

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 minimum 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.

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 except for equipment and other assets. Equipment and other assets are depreciated over the period of three years. 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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

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

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

Impairment

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

Leased assets

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

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

3.8 Capital work in process

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

3.9 Investments

Investments in associate - Equity Method

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

3.10 Derivative financial instruments

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

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 in other comprehensive income.

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.

FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

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

Valuation of raw material, work in process and finished goods as on 30th June 2012 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Whereas the valuation of raw material, work in process and finished goods as on 30th June 2011 have been valued on the net realizable value being the lower of cost as disclosed in Note 45.4

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

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

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

3.13 Trade debts and other receivables

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

3.14 Cash and cash equivalents

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

3.15 Revenue recognition

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

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.



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

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.

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.

5 Issued, Subscribed and Paid up Capital

Number of shares			30 th June 2012 Rupees	30 th June 2011 Rupees
June 30 2012	June 30 2011			
6,300,000	6,300,000	Ordinary shares of Rs. 10 each allotted for consideration'- fully paid in cash	63,000,000	63,000,000
3,700,000	3,700,000	Ordinary shares of Rs 10. each allotted as bonus shares	37,000,000	37,000,000
<u>10,000,000</u>	<u>10,000,000</u>		<u>100,000,000</u>	<u>100,000,000</u>

6 Long Term Finances

From Financial Institutions - Secured

	LTF - (EOP) Loans Rupees	Non LTF - (EOP) Loans Rupees	30 th June 2012 Rupees	30 th June 2011 Rupees
6.1 Citi Bank - Term Finance Loan	30,295,000	-	30,295,000	40,395,000
6.2 Bank of Punjab - Term Finance Loan	17,517,690	-	17,517,690	75,517,690
6.3 United Bank Limited - Term Finance Loan	127,628,000	-	127,628,000	127,628,000
6.4 United Bank Limited - Term Finance Loan	2,320,000	-	2,320,000	2,320,000



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Notes to the financial statements For the year ended 30th June 2012

			2012 Rupees	2011 Rupees
6.5	United Bank Limited - Term Finance Loan	71,720,000	71,720,000	71,720,000
6.6	Bank Al Habib Limited - Term Finance Loan	18,826,000	18,826,000	18,826,000
		268,306,690	268,306,690	336,406,690

Less: Current Maturity

6.1	Citi Bank - Term Finance Loan	10,100,000	-	10,100,000	10,100,000
6.2	Bank of Punjab - Term Finance Loan	17,517,690	-	17,517,690	58,000,000
6.3	United Bank Limited - Term Finance Loan	39,880,000	-	39,880,000	7,976,000
6.4	United Bank Limited - Term Finance Loan	725,000	-	725,000	145,000
6.5	United Bank Limited - Term Finance Loan	17,928,000	-	17,928,000	-
6.6	Bank Al Habib Limited - Term Finance Loan	4,706,500	-	4,706,500	-
		90,857,190	-	90,857,190	76,221,000
	Total Term Finance Loan Payable	177,449,500	-	177,449,500	260,185,690

	Security	Repayment	Markup on LTF	Markup on Non LTF
6.1	First mortgage charge over entire present and future immovable property, first hypothecation charge over plant and machinery of Weaving Unit amounting to PKR 430 million.	The loan is repayable in eighteen equal quarterly installments commencing from June 01, 2005.	6% (2011: 6%)	-
6.2	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% (2011: 7%)	Three month KIBOR plus 2% (2011:
6.3	First pari passu charge over plant and machinery of Weaving Unit to the extent of PKR 334.0 million.	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2011: 11.1%)	-
6.4	Covered under securities for term finance 6.3	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2011: 11.1%)	-
6.5	Covered under securities for term finance 6.3	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2011: 11.1%)	-
6.6	Specific hypothecation charge over 507 number GTP Weaving Frames installed at weaving unit of company	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2011: 11.1%)	-

7 Obligation Under Finance Lease

	2012 Rupees	2011 Rupees
Minimum lease payments		
Up to one year	5,653,052	3,251,580
More than one year but less than five years	4,926,460	3,177,259
	10,579,512	6,428,839
Financial charges not yet due		
Up to one year	(947,082)	(539,342)
More than one year but less than five years	(696,313)	(168,283)
	(1,643,395)	(707,625)
Present value of minimum lease payments		
Up to one year	4,705,970	2,712,238
More than one year but less than five years	4,230,147	3,008,976
	8,936,117	5,721,214
Current portion shown under current liabilities	4,705,970	2,712,238
Present value of total minimum lease payments payable later than one year but not later than 5 years	4,230,147	3,008,976



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

7.1 This represents finance lease entered into with a banking institution for lease of vehicles. Markup is payable on three to six month KIBOR + 1.25% to 1.5% on monthly 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.

	2012 Rupees	2011 Rupees
8 Infra Structure Fee Payable	<u>12,550,081</u>	<u>11,066,141</u>

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 12.555 Million (June 30, 2011: PKR 10.705 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

		2012 Rupees	2011 Rupees
9 Deferred Liability			
Employee benefits	9.2	<u>64,851,460</u>	<u>59,293,795</u>

9.1 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.

9.2 Movement in liability recognized in the balance sheet

Balance at beginning of year		59,293,795	50,118,480
Charged to profit and loss account	9.2.1	19,681,349	20,404,204
Benefits paid during the year		<u>(14,123,684)</u>	<u>(11,228,889)</u>
Balance at the end of the year		<u>64,851,460</u>	<u>59,293,795</u>

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

Current service cost	14,703,900	10,177,575
Interest cost	3,147,354	5,209,835
Actuarial loss / (gain) recognized during the year	1,830,095	5,016,794
Net amount chargeable to profit and loss account	<u>19,681,349</u>	<u>20,404,204</u>

9.2.2 Actuarial valuation has been carried out internally by the management of the company as at June 30, 2012 using the "Projected Unit Credit Method" assuming a discount rate of 12% (June 30, 2011 : 14%) per annum, expected rate of increase in salaries at 12% (June 30, 2011 : 14%) per annum.

9.2.3 There is no unrecognised actuarial loss / gain.

9.2.4 Historical information

	Actuarial adjustment arising (%)	Present value of defined benefit obligation Rupees	Experience adjustment on plan liabilities Rupees
30th June 2012	<u>2.82%</u>	<u>64,851,460</u>	<u>1,830,095</u>
30th June 2011	<u>8.46%</u>	<u>59,293,795</u>	<u>5,016,794</u>
30th June 2010	<u>3.34%</u>	<u>50,118,480</u>	<u>1,672,806</u>
30th June 2009	<u>5.92%</u>	<u>42,853,660</u>	<u>2,535,990</u>
30th June 2008	<u>3.06%</u>	<u>32,633,200</u>	<u>997,914</u>



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Notes to the financial statements For the year ended 30th June 2012

		2012 Rupees	2011 Rupees
10 Trade and Other Payable			
Creditors		261,003,111	233,436,196
Accrued liabilities		155,905,995	128,802,147
Workers' profit participation fund	10.1	17,160,078	33,876,524
Unclaimed dividend		2,993,820	2,415,317
Others		524,386	333,869
		<u>437,587,390</u>	<u>398,864,053</u>
10.1 Workers' profit participation fund			
Balance at beginning of year		33,876,524	20,114,847
Interest on funds utilized in the Company's business	10.2	2,917,116	2,347,721
		<u>36,793,640</u>	<u>22,462,568</u>
Paid during the year		(36,793,640)	(22,462,568)
		-	-
Allocation / expense for the year		17,160,078	33,876,524
		<u>17,160,078</u>	<u>33,876,524</u>
10.2	Interest on workers' profit participation fund has been provided @ 56.25% (June 30, 2011: 37.5%) per annum.		
11 Mark-up accrued on :			
- long-term financing		7,299,826	8,381,333
- short-term borrowings		5,713,098	7,323,175
		<u>13,012,924</u>	<u>15,704,508</u>
12 Short Term Borrowings			
From banking companies-secured			
Short term money market loan		<u>540,500,000</u>	<u>625,340,854</u>
12.1	The aggregate approved short term borrowing facilities amounted to PKR 4,620 Million (2011: PKR 4,295 Million).		
12.2	These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.3% to 3.0% (2011: 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.		
13 Current Portion of Long Term Financing			
Long term loans		90,857,190	76,221,000
Obligations under finance lease		4,705,970	2,712,238
Loan from sponsor and relatives		-	100,000,000
		<u>95,563,160</u>	<u>178,933,238</u>
14 Contingencies and Commitments			
Contingencies			
14.1	In normal course of business, the Company has issued indemnity bonds amounting to PKR 46.968 Million (June 30, 2011 : PKR 46.968 Million) and post dated cheques amounting to PKR 14.704 Million (2011: 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.		
14.2	Bank guarantee issued to Sui Southern Gas Company Limited on behalf of the company PKR 35.439 Million (June 30, 2011: PKR 35.439 million) and to Sui Northern Pipeline Company Limited amounting to PKR 39.073 Million (2011: PKR 36.810 million)		
Commitments			
Letters of credit for: (Raw material, stores & machinery)		18,157,880	23,634,395
Civil works		4,000,000	10,000,000
		<u>22,157,880</u>	<u>33,634,395</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

15 PROPERTY, PLANT AND EQUIPMENT

Description	COST				DEPRECIATION				Book value as at June 30, 2012	Rate
	As at July 01, 2011	Additions / (disposals)	Transfers	As at June 30, 2012	As at July 01, 2011	For the year	Transfers / (disposal)	As at June 30, 2012		
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	230,709,146	-	-	230,709,146	135,240,760	9,546,839	-	144,787,599	85,921,547	10%
Factory building on leasehold land	81,785,248	-	-	81,785,248	60,662,229	2,112,302	-	62,774,531	19,010,717	10%
factory building on Leasehold extension	47,534,953	-	-	47,534,953	22,672,347	2,484,928	-	25,157,275	22,377,678	10%
Non factory building on freehold land	80,546,365	10,655,647	-	91,202,012	27,399,585	2,968,129	-	30,367,714	60,834,298	5%
Non factory building on leasehold land	26,956,055	-	-	26,956,055	13,158,793	353,050	-	13,511,843	13,444,212	5%
Non factory building on Leasehold extension	14,786,333	-	-	14,786,333	4,780,972	837,747	-	5,618,719	9,167,614	5%
Plant and machinery	2,237,291,801	52,296,876	-	2,289,588,677	1,084,346,489	116,165,674	-	1,200,512,163	1,089,076,514	10%
Electric equipment and fitting	74,407,671	-	-	74,407,671	34,270,712	3,539,425	-	37,810,137	36,597,534	10%
Gas line and pipe fitting	7,943,179	-	-	7,943,179	3,846,911	409,627	-	4,256,538	3,686,641	10%
Factory equipment	16,137,880	-	-	16,137,880	9,682,294	728,714	-	10,411,008	5,726,872	10%
Office equipment	2,478,707	-	-	2,478,707	1,493,938	54,256	-	1,548,194	930,513	10%
Furniture and fixtures	7,204,422	-	-	7,204,422	4,401,340	280,308	-	4,681,648	2,522,774	10%
Equipment and other assets	107,758,110	13,591,581	-	64,528,294	121,349,691	17,638,124	-	82,166,418	39,183,273	Three years
Vehicles	25,128,202	3,623,110	(3,385,350)	25,365,962	14,271,362	2,723,636	(3,089,296)	13,905,702	11,460,260	20%
	2,987,541,985	80,167,214	(3,385,350)	3,064,323,849	1,480,756,026	159,842,759	(3,089,296)	1,637,509,489	1,426,814,360	
ASSETS SUBJECT TO FINANCE LEASE:										
Vehicle	9,499,460	7,002,900	-	16,502,360	2,527,662	1,394,360	-	3,922,022	12,580,338	20%
	9,499,460	7,002,900	-	16,502,360	2,527,662	1,394,360	-	3,922,022	12,580,338	
2012	2,997,041,445	87,170,114	(3,385,350)	3,080,826,209	1,483,283,688	161,237,119	(3,089,296)	1,641,431,511	1,439,394,698	

PROPERTY, PLANT AND EQUIPMENT

Description	COST				DEPRECIATION				Book value as at June 30, 2011	Rate
	As at July 01, 2010	Additions / (disposals)	Transfers	As at June 30, 2011	As at July 01, 2010	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	Three years
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)	-	-	
Vehicles	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	

15.1 Equipment and other assets includes assets amounting to PKR 15,546,289 (2011: PKR 15,546,289) which has been fully depreciated.



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Notes to the financial statements For the year ended 30th June 2012

15.2 Equipment and other assets are depreciated over the period of three years. In previous years the rate of depreciation had been disclosed as 35% instead of three years. There is no impact on depreciation as the depreciation is being charged over the period of three years.

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

	Note	Year ended June 30 2012	Year ended June 30 2011
	Rupees.....	
Cost of sales	28	156,761,036	149,959,406
Administrative expenses	31	4,476,083	2,407,634
		<u>161,237,119</u>	<u>137,923,503</u>

15.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain / (loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
Rupees							
Vehicles							
Suzuki Alto AES-164	474,890	413,940	60,950	350,000	289,050	Negotiation	UBL Insurers Limited
Toyota Hilux CK-9024	839,380	774,263	65,117	200,000	134,883	Negotiation	Mr. Saeed Ahmed Khan, House No. 28, Scheme 40, Qasba Metro Vill, Orangi Town, Mongapir Road, Karachi
Nissan Van CD-4628	302,700	299,548	3,152	100,000	96,848	Negotiation	Mr. Muhammad Naeem, Sector 6, Mongapir Qasba, Islamia Goth, Karachi
Suzuki Alto AEG-928	476,090	429,922	46,168	125,000	78,832	Negotiation	Mr. Muhammad Ikram, House No. N-750, Korangi No. 3.5, Karachi
Suzuki Alto AES-930	563,290	486,979	76,311	200,000	123,689	Negotiation	Mr. Akram, N-750, Korangi No. 3½, Karachi.
Suzuki Baleno LXO-4933	729,000	684,644	44,356	100,000	55,644	Negotiation	Mr. Qaiser Iqbal, E-55/15 Bilal Town Bedian Road Lahore Cantt, Lahore.
30-Jun-12	<u>3,385,350</u>	<u>3,089,296</u>	<u>296,054</u>	<u>1,075,000</u>	<u>778,946</u>		
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	<u>35,437,863</u>	<u>23,768,238</u>	<u>11,669,625</u>	<u>12,842,780</u>	<u>1,173,155</u>		



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Notes to the financial statements For the year ended 30th June 2012

		2012 Rupees	2011 Rupees
16 Capital Work in Progress			
Building and other civil works		18,000,827	1,599,401
Electric installation		28,672,820	-
		<u>46,673,647</u>	<u>1,599,401</u>
17 Long term Investment			
Investment in associates			
Investment in shares of Blessed Textiles Limited (1,189,160 ordinary shares of Rs. 10 each)		380,628,631	337,173,615
Cost of investment		11,891,600	11,891,600
Accumulated share of post acquisition profit - net of dividends received		325,282,015	218,522,907
Share of profit for the year		52,373,716	112,704,908
Dividend received during the year		(8,918,700)	(5,945,800)
		<u>368,737,031</u>	<u>325,282,015</u>
		<u>380,628,631</u>	<u>337,173,615</u>
17.1 Summarized financial information of Blessed Textiles Limited is set out below:			
Total assets		3,260,530,551	2,840,497,126
Total liabilities		1,201,763,559	1,016,772,233
Net assets		<u>2,058,766,992</u>	<u>1,823,724,893</u>
Company's share of associate's net assets		<u>380,628,631</u>	<u>337,173,615</u>
Sales- net		5,447,990,694	6,124,843,644
Profit for the year		<u>283,282,099</u>	<u>609,605,074</u>
Company's share of associate's profit for the year		<u>52,373,716</u>	<u>112,704,908</u>
17.2 Market value per share		77.44	46
Percentage of holding		<u>18.49%</u>	<u>18.49%</u>
18 Long Term Deposits			
Security deposits		5,021,395	5,757,645
Others deposits		11,800	11,800
		<u>5,033,195</u>	<u>5,769,445</u>
19 Stores, Spare Parts and Loose Tools			
Stores, spare parts and loose tools		58,126,658	51,127,278
Chemicals and lubricants		6,712,216	8,275,585
Packing material		10,984,020	8,217,582
		<u>75,822,894</u>	<u>67,620,445</u>
20 Stock in Trade			
Raw material	20.2 and 45.4	777,186,425	798,799,282
Raw material in transit		95,015,648	-
Work in process		93,522,659	103,566,533
Finished goods	20.3 and 45.4	218,203,919	356,764,159
Waste		5,964,392	3,720,339
		<u>1,189,893,043</u>	<u>1,262,850,313</u>

20.1 No item of stock in trade is pledged as security as at the reporting date.

20.2 Raw material stock cost PKR Nil (2011: PKR 957,584,901) have been value at PKR Nil (2011: PKR 613,205,748) being the replacement cost of raw material

20.3 Finished goods stock cost PKR Nil (2011: PKR 115,893,200) has been valued at PKR Nil (2011: PKR 82,665,923) being the net realisable value of finished goods



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

		2012 Rupees	2011 Rupees
21 Trade Debts			
Considered good			
Foreign secured through letters of credit		98,221,384	78,529,020
Local : unsecured		221,019,859	164,813,223
		<u>319,241,243</u>	<u>243,342,243</u>
Considered doubtful:			
Export		14,204,494	14,204,494
Local		51,022,674	14,814,231
		<u>65,227,168</u>	<u>29,018,725</u>
Provision for doubtful debts	21.1	<u>(65,227,168)</u>	<u>(29,018,725)</u>
		<u>319,241,243</u>	<u>243,342,243</u>
21.1	The movement of the provision of doubtful receivable is as follow		
	Balance at the beginning of the year	29,018,724	30,563,875
	Bad debts recovered during the year	-	(1,545,151)
	Bad debts provided during the year	36,208,443	-
	Balance at the ended of the year	<u>65,227,167</u>	<u>29,018,724</u>
22 Loans And Advances			
Advances to suppliers - unsecured; considered good		2,185,496	37,127,224
Advances to employees		3,156,249	3,366,403
Letters of credit		4,371,085	589,223
Security deposit		1,372,350	614,730
Advances to suppliers - unsecured; considered doubtful	22.1	-	3,400,000
Others		51,470	50,620
		<u>11,136,650</u>	<u>45,148,200</u>
Provision for doubtful debts		-	(3,400,000)
		<u>11,136,650</u>	<u>41,748,200</u>
22.1	The movement of the provision of doubtful receivable is as follow		
	Balance at the beginning of the year	3,400,000	3,400,000
	Bad debts recovered during the year	(3,400,000)	-
	Bad debts provided during the year	-	-
	Balance at the ended of the year	<u>-</u>	<u>3,400,000</u>
23 Trade Deposits and Prepayments			
Deposit against infrastructure fee payable		12,561,570	11,381,814
Certificate of investment		-	38,000
Prepaid expenses		1,024,628	836,394
		<u>13,586,198</u>	<u>12,256,208</u>
23.1	Effective mark up rate on these deposits range from 8% to 9.5% per annum (June 30, 2011: 8% to 11.5% per annum).		
24 Other Receivables			
Other receivables		2,964,932	1,529,860
		<u>2,964,932</u>	<u>1,529,860</u>
25 Income Tax and Sales Tax Refundable			
Sales tax refundable	25.1	56,510,211	37,762,395
Excise duty refundable		3,377,537	3,377,537
Provision for doubtful refundable		(3,377,537)	(3,377,537)
		<u>-</u>	<u>-</u>
Advance income tax		80,128,747	109,067,604
Income tax refundable		29,198,307	15,752,056
		<u>109,327,054</u>	<u>124,819,660</u>
Provision for taxation		<u>(77,386,662)</u>	<u>(96,507,376)</u>
		<u>88,450,603</u>	<u>66,074,679</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

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

26	Bank Balances	2012 Rupees	2011 Rupees
	Balances with banks in:		
	Current accounts	23,722,895	37,544,431
	Deposit accounts	26.1 12,258,305	195,478
		<u>35,981,200</u>	<u>37,739,909</u>

26.1 Effective mark up rate in respect of these balances ranges from 8% to 9.5% (June 30, 2011: 8% to 11.5%) per annum.

27 Sales - Net

Export			
Yarn		3,261,269,362	4,256,581,485
Fabric		3,465,331,614	4,462,444,464
Waste		31,909,601	62,724,675
		<u>6,758,510,577</u>	<u>8,781,750,624</u>
Export rebate		168,889	128,310
		<u>6,758,679,466</u>	<u>8,781,878,934</u>
Local			
Yarn		78,295,894	81,648,586
Fabric		591,427,849	157,052,885
Cotton		80,988,703	4,052,485
Waste and others		123,333,301	117,953,487
		<u>874,045,747</u>	<u>360,707,443</u>
Gross sales		<u>7,632,725,213</u>	<u>9,142,586,377</u>
Regulatory duty on export sales		-	5,474,769
		<u>7,632,725,213</u>	<u>9,137,111,608</u>

27.1 Export sales include exchange gain of PKR 130,879,079 (2011: PKR 170,695,304)

27.2 Export sales include PKR 1,735,258,188 (2011: PKR 1,543,312,668) in respect of indirect export sales

28 Cost of Sales

Raw material consumed	28.1	5,236,815,869	6,731,023,639
Packing material consumed		76,930,940	67,119,918
Stores and spare parts consumed		132,146,433	111,799,933
Yarn and fabric processing charges		12,513,002	8,537,932
Salaries, wages and benefits	28.2	290,616,415	260,724,526
Fuel, power and water		530,597,279	403,728,275
Electricity duty		1,396,632	1,248,268
Insurance		13,855,149	13,763,122
Repair and maintenance		10,641,549	11,587,340
Rent, rates and taxes		585,755	575,860
Travelling, conveyance and entertainment		938,277	296,346
Vehicle running expenses		6,799,196	5,650,969
Communication		555,398	965,870
Fee and subscription		45,806	33,100
Depreciation		156,761,036	133,277,260
Others		1,091,921	1,734,151
		<u>6,472,290,657</u>	<u>7,752,066,509</u>
Work in process			
Opening stock		103,566,533	87,782,429
Closing stock		(93,522,659)	(103,566,533)
		<u>10,043,874</u>	<u>(15,784,104)</u>
Cost of goods manufactured		<u>6,482,334,531</u>	<u>7,736,282,405</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

		2012 Rupees	2011 Rupees
Cost of cotton sold	28.3	80,969,061	3,144,811
Finished stocks			
Opening stock		360,484,498	356,353,811
Finished goods purchased		4,839,928	59,990,420
Yarn and waste purchased		67,799,961	92,872,065
Closing stock		(224,168,311)	(360,484,498)
		208,956,076	148,731,798
		<u>6,772,259,668</u>	<u>7,888,159,014</u>
28.1 Raw material consumed			
Opening stock		798,799,282	449,116,406
Purchases		5,441,387,034	7,083,599,468
Raw material sold - cotton		(78,885,073)	(2,892,953)
Raw material sold - yarn		(52,283,301)	-
Closing stock		(872,202,073)	(798,799,282)
		<u>5,236,815,869</u>	<u>6,731,023,639</u>
28.2	Salaries, wages and benefits includes employees retirement benefits amounting to PKR 16,609,512 (June 30, 2011: PKR 17,670,499).		
28.3 Cost of cotton sold			
Cost of purchase		78,885,073	2,892,953
Salaries, wages and other benefits		58,240	94,640
Loading and unloading		7,854	8,454
Insurance		147,880	10,428
Finance cost		1,870,014	138,336
		<u>80,969,061</u>	<u>3,144,811</u>
29 Other Operating Income			
Income from financial assets			
Interest on bank deposits		1,181,253	1,788,636
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		778,946	1,173,155
Exchange gain on foreign currency translation		837,332	141,687
Bad debts recovered		3,400,000	1,545,151
		<u>6,197,531</u>	<u>4,648,629</u>
30 Distribution Cost			
Export			
Steamer and air freight		76,903,542	95,101,216
Trailer freight		22,158,003	26,278,020
Clearing and forwarding		14,821,187	15,867,514
Export development surcharge		12,169,783	18,221,490
Commission		88,627,682	122,756,113
Sales promotion expenses		6,524,507	4,494,303
Insurance expenses		3,865,410	6,880,581
Claim settlement		1,789,547	-
Other export expenses		2,354,001	1,166,661
		229,213,662	290,765,898
Local			
Freight on local sales		7,019,760	6,028,066
Commission		15,909,075	10,166,362
Advertisement expenses		-	258,781
Quality claim		1,066,084	-
Others		111,169	-
		24,106,088	16,453,209
		<u>253,319,750</u>	<u>307,219,107</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

		2012 Rupees	2011 Rupees
31 Administrative Cost			
Directors' remuneration		1,920,000	1,920,000
Staff salaries and benefits	31.1	24,877,328	22,473,737
Traveling, conveyance and entertainment		5,902,127	3,428,600
Printing and stationery		1,326,849	1,395,609
Communication expenses		1,294,617	1,056,368
Vehicles running and maintenance		3,752,604	2,600,029
Legal and professional		936,156	1,538,716
Auditors' remuneration	31.2	1,267,000	1,154,800
Fee and subscription		2,191,411	1,583,630
Repair and maintenance		288,050	144,400
Rent, rates and taxes		120,000	120,000
Office expenses		-	962,648
Depreciation		4,476,083	4,646,243
Charity and donation		900,000	925,000
Inadmissible input		127,244	-
Bad debts expenses		36,208,443	848,949
Others		853,643	319,169
		<u>86,441,555</u>	<u>45,117,898</u>
31.1	Staff salaries and benefits includes employee retirement benefits amounting to PKR 3,056,957 (June 30, 2011: PKR 2,733,705) .		
31.2 Auditors' remuneration			
Annual statutory audit		1,100,000	1,000,000
Half yearly review		132,000	119,800
Review of Code of Corporate Governance		35,000	35,000
		<u>1,267,000</u>	<u>1,154,800</u>
32 Other Operating Expenses			
Workers' Profit Participation Fund		17,160,078	33,876,524
Workers' Welfare Fund	32.1	-	-
		<u>17,160,078</u>	<u>33,876,524</u>
32.1	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.		
33 Finance Cost			
Mark-up on:			
- long term financing		33,484,611	23,548,303
- short term borrowings		120,851,642	157,534,464
- finance lease		712,865	774,221
- workers' profit participation fund		2,917,116	2,347,721
Letter of credit discounting		27,102,832	37,813,708
Bank charges and commission		1,548,252	1,715,349
		<u>186,617,318</u>	<u>223,733,766</u>
34 Provision for Taxation			
34.1	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 2011.		



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

	2012	2011
	%	%
34.2 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	(0.18)	0.19
income chargeable to tax at different rate	(10.00)	(6.99)
inadmissible expense / (non taxable income)	(4.29)	(15.22)
Effective tax rate	<u>20.53</u>	<u>12.98</u>

35 Earnings per Share - Basic and Diluted

The calculation of the basic earnings per share is based on the following data:

Earnings

Earnings for the purpose of basic earnings per share - After tax profit for the year	<u>298,997,452</u>	<u>658,553,965</u>
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Number of shares

Weighted average number of ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>
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Basic earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

Basic earnings per share	<u>29.90</u>	<u>65.86</u>
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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.

36 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 24th September 2012 has proposed to pay cash dividend of @ 50% i.e. PKR 5 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

37 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	Chief Executive		Director	
	Year ended June 30, 2012	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2011
			PKR	
Remuneration	<u>662,064</u>	<u>662,064</u>	<u>662,064</u>	<u>662,064</u>
Allowances	<u>297,936</u>	<u>297,936</u>	<u>297,936</u>	<u>297,936</u>
	<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>

37.1 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.

38 Related Party Transactions

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



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

Nature of relationship	Nature of transactions	2012 Rupees	2011 Rupees
Associated undertaking	Sales of cotton	80,988,703	4,052,485
	Sales of fabric	53,386,537	3,118,527
	Sales of stores, spare parts and loose tools	3,123,938	-
	Sales of yarn	82,020,768	84,707,368
	Purchase of yarn	683,595,096	883,526,657
	Purchase of fabrics	1,700,499	3,343,586
	Purchase of stores, spare parts and loose tools	-	2,177,038
	Services received	23,668,917	1,100,000
	Dividend received	8,918,700	5,945,800
	Electricity purchased	160,403,723	127,539,090
	Provision for gratuity	19,681,349	20,404,204
	Remuneration	1,920,000	1,920,000
	Balance with related parties	20,000	20,000

39 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2012 is as follows

39.1 Operating Results

Note	Spinning		Weaving		Power Generation		Total	
	Jun-12	Jun-11	Jun-12	Jun-11	Jun-12	Jun-11	Jun-12	Jun-11
Sales								
Export sales	3,264,397,575	4,280,838,487	3,494,113,002	4,500,912,137	-	-	6,758,510,577	8,781,750,624
Local sales	241,309,823	120,441,013	630,677,924	240,266,430	2,058,000	-	874,045,747	360,707,443
Custom rebate	511	43,426	168,378	84,884	-	-	168,889	128,310
Inter-segment sales	140,469,362	189,730,350	-	-	305,549,449	287,355,241	446,018,811	477,085,591
	3,646,177,271	4,591,053,276	4,124,959,304	4,741,263,451	307,607,449	287,355,241	8,078,744,024	9,619,671,968
Regulatory duty on export sales	-	(5,474,769)	-	-	-	-	-	(5,474,769)
Net sales	3,646,177,271	4,585,578,507	4,124,959,304	4,741,263,451	307,607,449	287,355,241	8,078,744,024	9,614,197,199
Cost of sales	2,996,827,354	3,952,353,442	3,955,472,213	4,180,205,792	265,978,912	232,685,371	7,218,278,479	8,365,244,605
Gross profit	649,349,917	633,225,065	169,487,091	561,057,659	41,628,537	54,669,870	860,465,545	1,248,952,594
Distribution cost	112,958,932	148,406,435	140,360,818	158,812,672	-	-	253,319,750	307,219,107
Administrative cost	24,747,504	22,036,819	61,672,277	23,050,152	21,774	30,927	86,441,555	45,117,898
	137,706,436	170,443,254	202,033,095	181,862,824	21,774	30,927	339,761,305	352,337,005
Operating result	511,643,481	462,781,811	(32,546,004)	379,194,835	41,606,763	54,638,943	520,704,240	896,615,589
39.2 Segment assets	1,488,741,372	1,417,980,196	1,513,066,973	1,619,855,801	119,299,962	132,352,131	3,121,108,307	3,170,188,128
Unallocated assets							565,085,289	516,944,929
							<u>3,686,193,596</u>	<u>3,687,133,057</u>
39.3 Segment liabilities	447,476,623	779,293,103	914,990,446	782,362,890	45,120,354	73,767,180	1,407,587,423	1,635,423,173
Unallocated liabilities							15,543,901	13,481,458
							<u>1,423,131,324</u>	<u>1,648,904,631</u>

39.4 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.

40 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities

	2012 Rupees	2011 Rupees
40.1 Turnover		
Total turnover for reportable segments	8,078,744,024	9,614,197,199
Elimination of inter-segment turnover	(446,018,811)	(477,085,591)
Total turnover	<u>7,632,725,213</u>	<u>9,137,111,608</u>



FAISAL SPINNING MILLS LIMITED

Notes to the financial statements
For the year ended 30th June 2012

	2012 Rupees	2011 Rupees
40.2 Cost of sales		
Total cost of sales for reportable segments	7,218,278,479	8,365,244,605
Elimination of inter-segment revenue	(446,018,811)	(477,085,591)
Total cost of sales	<u>6,772,259,668</u>	<u>7,888,159,014</u>
40.3 Assets		
Total assets for reportable segments	3,121,108,307	3,170,188,128
Taxation recoverable	165,837,265	162,582,055
Bank deposits	13,586,198	11,419,814
Long term investment	380,628,631	337,173,615
Long term deposit	5,033,195	5,769,445
Total assets	<u>3,686,193,596</u>	<u>3,687,133,057</u>
40.4 Liabilities		
Total liabilities for reportable segments	1,407,587,423	1,635,423,173
Unclaimed dividends	2,993,820	2,415,317
Infrastructure fee	12,550,081	11,066,141
Sponsor loan	-	-
Total liabilities	<u>1,423,131,324</u>	<u>1,648,904,631</u>

	Note	Spinning		Weaving		Power Generation		Total	
		Jun-12	Jun-11	Jun-12	Jun-11	Jun-12	Jun-11	Jun-12	Jun-11
41 Cost of sales									
Raw material consumed	41.1	2,320,468,352	3,346,091,849	3,056,816,879	3,574,662,140	-	-	5,377,285,231	6,920,753,989
Packing material consumed		63,224,776	54,232,873	13,706,164	12,887,045	-	-	76,930,940	67,119,918
Stores and spare parts		23,373,331	28,269,556	91,678,895	65,694,437	17,094,207	17,835,940	132,146,433	111,799,933
Cost of cotton sold	41.2	80,969,061	3,144,811	-	-	-	-	80,969,061	3,144,811
Yarn and fabric processing charges		6,480,000	-	6,033,002	8,537,932	-	-	12,513,002	8,537,932
Salaries, wages and benefits		154,754,200	144,841,157	130,496,025	110,475,368	5,366,190	5,408,001	290,616,415	260,724,526
Fuel, power and water									
Inter-segment		199,105,933	183,146,865	106,443,516	104,208,376	-	-	305,549,449	287,355,241
Other		27,362,540	27,454,168	279,886,147	188,293,929	223,348,592	187,980,178	530,597,279	403,728,275
		226,468,473	210,601,033	386,329,663	292,502,305	223,348,592	187,980,178	836,146,728	691,083,516
Electricity duty		-	-	-	-	1,396,632	1,248,268	1,396,632	1,248,268
Insurance		6,243,713	6,960,035	3,171,187	4,263,269	4,440,249	2,539,818	13,855,149	13,763,122
Repair and maintenance		5,335,823	4,752,186	4,171,097	3,698,435	1,134,629	3,136,719	10,641,549	11,587,340
Rent, rates and taxes		505,915	502,540	79,840	73,320	-	-	585,755	575,860
Travelling, conveyance and entertainment		513,007	-	166,399	151,871	258,871	144,475	938,277	296,346
Vehicle running expenses		4,786,637	3,993,979	1,919,096	1,559,542	93,463	97,448	6,799,196	5,650,969
Communication		123,465	567,022	419,712	372,443	12,221	26,405	555,398	965,870
Fee and subscription		10,000	-	35,806	33,100	-	-	45,806	33,100
Depreciation		51,223,980	49,777,683	92,712,284	69,248,015	12,824,772	14,251,562	156,761,036	133,277,260
Others		-	-	1,082,835	1,717,594	9,086	16,557	1,091,921	1,734,151
		2,944,480,733	3,853,734,724	3,788,818,884	4,145,876,816	265,978,912	232,685,371	6,999,278,529	8,232,296,911
Work in process									
Opening stock		19,612,149	14,872,829	83,954,384	72,909,600	-	-	103,566,533	87,782,429
Closing stock		(13,659,032)	(19,612,149)	(79,863,627)	(83,954,384)	-	-	(93,522,659)	(103,566,533)
		5,953,117	(4,739,320)	4,090,757	(11,044,784)	-	-	10,043,874	(15,784,104)
		2,950,433,850	3,848,995,404	3,792,909,641	4,134,832,032	265,978,912	232,685,371	7,009,322,403	8,216,512,807
Cost of goods manufactured									
Finished stocks									
Opening stock		87,385,750	190,743,788	273,098,748	165,610,023	-	-	360,484,498	356,353,811
Finished goods purchased		-	-	4,839,928	59,990,420	-	-	4,839,928	59,990,420
Yarn purchased		15,516,660	-	52,283,301	92,872,065	-	-	67,799,961	92,872,065
Closing stock		(56,508,906)	(87,385,750)	(167,659,405)	(273,098,748)	-	-	(224,168,311)	(360,484,498)
		46,393,504	103,358,038	162,562,572	45,373,760	-	-	208,956,076	148,731,798
		2,996,827,354	3,952,353,442	3,955,472,213	4,180,205,792	265,978,912	232,685,371	7,218,278,479	8,365,244,605

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Notes to the financial statements For the year ended 30th June 2012

41.1 Raw material consumed	614,204,429	263,033,707	184,594,853	186,082,699	-	-	798,799,282	449,116,406
Opening stock								
Purchases								
Inter-segment	-	-	140,469,362	189,730,350	-	-	140,469,362	189,730,350
Other	2,520,024,310	3,700,155,524	2,921,362,724	3,383,443,944	-	-	5,441,387,034	7,083,599,468
	2,520,024,310	3,700,155,524	3,061,832,086	3,573,174,294	-	-	5,581,856,396	7,273,329,818
Raw material sold - cotton	(78,885,073)	(2,892,953)	-	-	-	-	(78,885,073)	(2,892,953)
Raw material sold - yarn	-	-	(52,283,301)	-	-	-	(52,283,301)	-
Closing stock	(734,875,314)	(614,204,429)	(137,326,759)	(184,594,853)	-	-	(872,202,073)	(798,799,282)
	<u>2,320,468,352</u>	<u>3,346,091,849</u>	<u>3,056,816,879</u>	<u>3,574,662,140</u>	<u>-</u>	<u>-</u>	<u>5,377,285,231</u>	<u>6,920,753,989</u>

Note	Spinning		Weaving		Power Generation		Total	
	Jun-12	Jun-11	Jun-12	Jun-11	Jun-12	Jun-11	Jun-12	Jun-11
41.2 Cost of cotton sold								
Cost of purchase	78,885,073	2,892,953	-	-	-	-	78,885,073	2,892,953
Salaries, wages and other benefits	58,240	94,640	-	-	-	-	58,240	94,640
Loading and unloading	7,854	8,454	-	-	-	-	7,854	8,454
Insurance	147,880	10,428	-	-	-	-	147,880	10,428
Finance cost	1,870,014	138,336	-	-	-	-	1,870,014	138,336
	<u>80,969,061</u>	<u>3,144,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,969,061</u>	<u>3,144,811</u>

42 Distribution cost Export

Steamer and air freight	34,448,893	38,221,555	42,454,649	56,879,661	-	-	76,903,542	95,101,216
Trailer freight	9,069,080	9,263,720	13,088,923	17,014,300	-	-	22,158,003	26,278,020
Clearing and forwarding	6,487,788	7,725,574	8,333,399	8,141,940	-	-	14,821,187	15,867,514
Export development surcharge	7,137,211	9,581,172	5,032,572	8,640,318	-	-	12,169,783	18,221,490
Sales promotion expenses	1,973,212	1,718,622	4,551,295	2,775,681	-	-	6,524,507	4,494,303
Adhesive stamps	-	-	3,865,410	6,880,581	-	-	3,865,410	6,880,581
Commission	43,842,555	74,417,832	44,785,127	48,338,281	-	-	88,627,682	122,756,113
Claim settlement	854,818	-	934,729	-	-	-	1,789,547	-
Other export expenses	765,060	586,533	1,588,941	580,128	-	-	2,354,001	1,166,661
	<u>104,578,617</u>	<u>141,515,008</u>	<u>124,635,045</u>	<u>149,250,890</u>	<u>-</u>	<u>-</u>	<u>229,213,662</u>	<u>290,765,898</u>

Local

Freight on local sales	6,273,459	5,449,231	746,301	578,835	-	-	7,019,760	6,028,066
Commission	2,106,856	1,442,196	13,802,219	8,724,166	-	-	15,909,075	10,166,362
Advertisement expenses	-	-	-	258,781	-	-	-	258,781
Quality claim	-	-	1,066,084	-	-	-	1,066,084	-
Others	-	-	111,169	-	-	-	111,169	-
	<u>8,380,315</u>	<u>6,891,427</u>	<u>15,725,773</u>	<u>9,561,782</u>	<u>-</u>	<u>-</u>	<u>24,106,088</u>	<u>16,453,209</u>
	<u>112,958,932</u>	<u>148,406,435</u>	<u>140,360,818</u>	<u>158,812,672</u>	<u>-</u>	<u>-</u>	<u>253,319,750</u>	<u>307,219,107</u>

43 Administrative cost

Directors' remuneration	1,920,000	1,920,000	-	-	-	-	1,920,000	1,920,000
Staff salaries and benefits	15,251,107	11,687,048	9,626,221	10,786,689	-	-	24,877,328	22,473,737
Traveling, conveyance and entertainment	589,727	598,684	5,312,400	2,829,916	-	-	5,902,127	3,428,600
Printing and stationery	340,845	435,365	984,054	957,994	1,950	2,250	1,326,849	1,395,609
Communication expenses	381,561	388,467	913,056	667,901	-	-	1,294,617	1,056,368
Vehicles running and maintenance	1,070,314	868,834	2,682,290	1,731,195	-	-	3,752,604	2,600,029
Legal and professional	419,056	1,188,716	517,100	350,000	-	-	936,156	1,538,716
Auditors' remuneration	633,500	577,400	633,500	577,400	-	-	1,267,000	1,154,800
Fee and subscription	1,279,390	962,105	912,021	621,525	-	-	2,191,411	1,583,630
Repair and maintenance	288,050	144,400	-	-	-	-	288,050	144,400
Rent, rates and taxes	120,000	120,000	-	-	-	-	120,000	120,000
Office expenses	-	-	-	962,648	-	-	-	962,648
Depreciation	2,206,737	1,996,851	2,252,071	2,620,715	17,275	28,677	4,476,083	4,646,243
Charity and donation	200,000	300,000	700,000	625,000	-	-	900,000	925,000



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Notes to the financial statements For the year ended 30th June 2012

Inadmissible input	21,104	-	106,140	-	-	-	127,244	-
Bad debts expenses	-	848,949	36,208,443	-	-	-	36,208,443	848,949
Others	26,113	-	824,981	319,169	2,549	-	853,643	319,169
	<u>24,747,504</u>	<u>22,036,819</u>	<u>61,672,277</u>	<u>23,050,152</u>	<u>21,774</u>	<u>30,927</u>	<u>86,441,555</u>	<u>45,117,898</u>

44 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2012 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

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

Non-current liabilities

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

Other financial instruments

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

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

	2012							Effective Interest Rate %
	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	319,241,243	-	319,241,243	319,241,243	
Loans and advances	-	-	-	11,136,650	-	11,136,650	11,136,650	
Trade deposits	12,561,570	-	12,561,570	1,024,628	-	1,024,628	13,586,198	5 to 9
Other receivables	-	-	-	2,964,932	-	2,964,932	2,964,932	
Bank balances	-	-	-	35,981,200	-	35,981,200	35,981,200	
Long-term deposits	-	-	-	-	5,033,195	5,033,195	5,033,195	
Long term investments	-	-	-	-	380,628,631	380,628,631	380,628,631	
	<u>12,561,570</u>	<u>-</u>	<u>12,561,570</u>	<u>370,348,653</u>	<u>385,661,826</u>	<u>756,010,479</u>	<u>768,572,049</u>	
Financial liabilities								
Long-term financing	95,563,160	181,679,647	277,242,807	-	-	-	277,242,807	7 and KIBOR + 1
Trade and other payables	17,160,078	-	17,160,078	420,427,312	-	420,427,312	437,587,390	
Mark-up accrued on loans	-	-	-	13,012,924	-	13,012,924	13,012,924	
Short-term borrowings	540,500,000	-	540,500,000	-	-	-	540,500,000	KIBOR + .5 to 1.5
	<u>653,223,238</u>	<u>181,679,647</u>	<u>834,902,885</u>	<u>433,440,236</u>	<u>-</u>	<u>433,440,236</u>	<u>1,266,970,771</u>	
On balance sheet gap	<u>(640,661,668)</u>	<u>(181,679,647)</u>	<u>(822,341,315)</u>	<u>(63,091,583)</u>	<u>385,661,826</u>	<u>322,570,243</u>	<u>(499,771,072)</u>	
Contingencies								
post dated cheques							14,704,863	
indemnity bonds							46,968,016	
Guarantees (Note 8 and Note 14.2)							87,068,703	
Letters of credit							18,157,880	
Civil work							4,000,000	



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Notes to the financial statements For the year ended 30th June 2012

2011

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	243,342,243	-	243,342,243	243,342,243	
Loans and advances	-	-	-	41,748,200	-	41,748,200	41,748,200	
Trade deposits	11,381,814	-	11,381,814	874,394	-	874,394	12,256,208	7
Other receivables	-	-	-	1,529,860	-	1,529,860	1,529,860	
Bank balances	-	-	-	37,739,909	-	37,739,909	37,739,909	
Long-term loans	-	-	-	-	-	-	-	
Long-term deposits	-	-	-	-	5,769,445	5,769,445	5,769,445	
Long term investments	-	-	-	-	337,173,615	337,173,615	337,173,615	
	<u>11,381,814</u>	<u>-</u>	<u>11,381,814</u>	<u>325,234,606</u>	<u>342,943,060</u>	<u>668,177,666</u>	<u>679,559,480</u>	
Financial liabilities								
Long-term financing	178,933,238	263,194,666	442,127,904	-	-	-	442,127,904	KIBOR + 1
Trade and other payables	33,876,524	-	33,876,524	364,987,529	-	364,987,529	398,864,053	
Mark-up accrued on loans	-	-	-	15,704,508	-	15,704,508	15,704,508	
Short-term borrowings	625,340,854	-	625,340,854	-	-	-	625,340,854	KIBOR +.5 to 1.5
	<u>838,150,616</u>	<u>263,194,666</u>	<u>1,101,345,282</u>	<u>380,692,037</u>	<u>-</u>	<u>380,692,037</u>	<u>1,482,037,319</u>	
On balance sheet gap	<u>(826,768,802)</u>	<u>(263,194,666)</u>	<u>(1,089,963,468)</u>	<u>(55,457,431)</u>	<u>342,943,060</u>	<u>287,485,629</u>	<u>(802,477,839)</u>	
Contingencies								
Indemnity bonds							37,146,324	
Post dated cheques							46,968,016	
Guarantees (Note 8 and Note 14.2)							82,955,603	
Letters of credit							23,634,395	
Civil work							10,000,000	

44.1 Interest rate risk management

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

44.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 767,168,348 (June 30, 2011: PKR 679,559,480), unsecured local trade debts, advances to suppliers, and other advances amounting in aggregate to PKR 358,130,573 (June 30, 2011: PKR 285,090,443) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

44.3 Liquidity risk

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

44.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2012, the total foreign currency risk exposure was PKR 98,221,384 (June 30, 2011: PKR 78,529,020) in respect of foreign trade debts.



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Notes to the financial statements For the year ended 30th June 2012

44.5 Fair value of financial instruments

"Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms' length transaction.

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

44.6 Credit risk

44.6.1 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:

	June 30, 2012 Rupees	June 30, 2011 Rupees
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	5,033,195	5,769,445
Trade receivables	319,241,243	243,342,243
Deposit with financial institutions	13,586,198	12,256,208
Other receivables	2,964,932	1,529,860
Cash at banks	35,981,200	37,739,909
	376,806,768	300,637,665
Available for sale financial assets	-	-
	376,806,768	300,637,665

44.6.2 Concentration of credit risk

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

Domestic	221,019,859	164,813,223
Europe	22,052,326	-
United States of America	-	-
Asia and Middle East	63,830,764	78,529,020
Africa	12,338,294	-
Other regions	-	-
	319,241,243	243,342,243

44.6.3 Impairment losses

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

Not past due	223,205,355	201,940,447
Past dues less than one year	-	-
Past dues more than one year but less than three years	5,644,568	-
Past dues more than three years	30,563,875	30,563,875
	259,413,798	232,504,322

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

As at beginning of the year	29,018,725	30,563,875
Impairment loss recognized	36,208,443	-
Impairment loss reversed	-	(1,545,151)
As at end of the year	65,227,168	29,018,724



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Notes to the financial statements For the year ended 30th June 2012

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.

44.6.4 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.

44.7 Liquidity risk

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

	As at June 30, 2012				
	Carrying amount <i>Rupees</i>	Contractual cash flows <i>Rupees</i>	One year or less <i>Rupees</i>	One to five years <i>Rupees</i>	More than five years <i>Rupees</i>
Long term finances	268,306,690	268,306,690	90,857,190	177,449,500	-
Liabilities against assets subject to finance lease	8,936,117	8,936,117	4,705,970	4,230,147	-
Long term payables	12,550,081	12,550,081	-	12,550,081	-
Short term borrowings	540,500,000	540,500,000	540,500,000	-	-
Mark-up accrued on borrowings	13,012,924	13,012,924	13,012,924	-	-
Trade creditors	261,003,111	261,003,111	261,003,111	-	-
Accrued liabilities	155,905,995	155,905,995	155,905,995	-	-
Unclaimed dividend	2,993,820	2,993,820	2,993,820	-	-
Other payables	17,684,464	17,684,464	17,684,464	-	-
	<u>1,280,893,202</u>	<u>1,280,893,202</u>	<u>1,086,663,474</u>	<u>194,229,728</u>	<u>-</u>
	As at June 30, 2011				
	Carrying amount <i>Rupees</i>	Contractual cash flows <i>Rupees</i>	One year or less <i>Rupees</i>	One to five years <i>Rupees</i>	More than five years <i>Rupees</i>
Loan from associates	-	100,000,000	100,000,000	-	-
Long term finances	336,406,690	336,406,690	259,744,531	260,185,690	-
Liabilities against assets subject to finance lease	5,721,214	5,721,214	7,171,525	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>1,393,103,460</u>	<u>1,493,103,460</u>	<u>1,406,825,471</u>	<u>274,260,807</u>	<u>-</u>



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Notes to the financial statements For the year ended 30th June 2012

44.8 Market risk	June 30, 2012 Rupees	June 30, 2011 Rupees
44.8.1 Currency risk		
The Company's exposure to currency risk as at the reporting date is as follows:		
Trade receivables	98,221,384	78,529,020
Cash and cash equivalents	12,258,305	195,478
Trade payables	-	-
Total exposure	110,479,689	78,724,498

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 89.64 / USD and PKR 94.40 / USD (2011: PKR 85.25 / USD and PKR 85.95 / USD) respectively. Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 91.63 / USD (2011: PKR 83.35 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 9,822,138 (2011: PKR 7,872,450). 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.

44.8.2 Interest rate risk	June 30, 2012 Rupees	June 30, 2011 Rupees
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	268,306,690	295,924,380
Variable rate instruments		
Financial assets	13,586,198	12,256,208
Financial liabilities	548,063,767	671,544,378

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 5,480,638 (2011: PKR 6,715,443). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

44.9 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.

45 Accounting Estimates and Judgments

45.1 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.

45.2 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.

45.3 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.

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Notes to the financial statements For the year ended 30th June 2012

45.4 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. In previous year the prices of yarn and cotton has decreased substantailly after the balance 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;

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.

45.5 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."

46 PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
46.1 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)	12,291,733	12,110,907
46.2 Weaving unit		
Number of looms installed	263	263
Number of looms worked	263	263
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	41,237,155
Actual production of fabric in meters, after conversion into 50 picks (based on number of actual working days)	31,585,583	39,542,809

FAISAL SPINNING MILLS LIMITED

Notes to the financial statements For the year ended 30th June 2012

46.3 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.

46.4 The difference between installed capacity and actual production is in normal course of business.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 24th September 2012

48 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
Other receivables	Trade deposits and prepayments		
Prepaid expenses	Prepaid expenses	Proper classification	836,394

49 GENERAL

The figures have been rounded off to the nearest Rupee.



Bilal Sharif
Chief Executive



Mohammad Salim
Director

Karachi : 24th September 2012



FAISAL SPINNING MILLS LIMITED

Year wise Operating Data

Year Ended 30th June

Spinning Unit

	2012	2011	2010	2009	2008	2007
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 in to 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 in to 20/s count (Kgs)	12,291,733	12,110,907	11,554,389	11,004,531	11,364,457	11,551,969

Weaving Unit

	2012	2011	2010	2009	2008	2007
Air jet looms installed	263	263	243	243	243	243
Air jet looms worked	263	263	243	243	243	243
Installed capacity after conversion into 50 picks - (meters)	41,237,155	41,237,155	41,107,384	41,107,384	41,107,384	41,107,384
Actual production after conversion into 50 picks - (meters)	31,585,583	39,542,809	43,814,538	41,891,009	43,702,051	44,583,051

Year wise Financial Data

Year Ended 30th June

	2012	2011	2010	2009	2008	2007
Rupees in Thousands						
Fixed assets	1,439,395	1,513,757	1,340,343	1,461,869	1,603,499	1,720,050
Investments, long term loans and deposits	385,662	342,943	238,988	162,538	151,018	138,766
Current assets	1,737,076	1,733,161	1,291,859	1,206,600	1,287,177	1,105,826
Shareholders equity	2,263,062	2,039,064	1,430,510	1,035,380	977,520	927,915
Long term liabilities	181,680	263,194	121,716	380,445	494,053	631,388
Deferred liabilities	64,851	59,293	70,108	82,108	65,300	42,438
Current liabilities	1,086,663	1,218,842	1,193,096	1,243,806	1,425,326	1,267,123
Turnover (Net)	7,632,725	9,137,111	5,230,637	4,271,909	3,677,037	3,361,109
Gross profit	860,465	1,248,952	875,473	445,258	372,063	356,212
Operating profit	509,742	867,386	575,885	345,760	284,242	274,265
Financial charges	186,617	223,733	211,118	264,679	188,532	180,938
Share profit of associate	52,374	112,704	78,301	13,051	11,948	19,658
Profit before tax	375,498	756,358	434,381	94,132	107,658	112,985
Profit after tax	298,997	658,553	402,630	65,360	59,605	87,357
Cash Dividend	75,000	50,000	7,500	7,500	10,000	7,500
Transfer to reserves	300,000	550,000	400,000	10,000	100,000	100,000
Profit carried forward	63,062	139,064	80,510	85,380	37,520	87,915



FAISAL SPINNING MILLS LIMITED

Pattern of Shareholding As At 30th June 2012

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
154	1	100	10,738
365	101	500	174,732
32	501	1000	31,406
41	1001	5000	114,072
7	5001	10000	46,900
3	10001	15000	36,700
3	25001	30000	83,760
1	30001	35000	32,692
2	45001	50000	98,077
2	95001	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	238,577
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	418,584
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
634			10,000,000

* There is no shareholding in the slab not mentioned

Categorywise Summary of Shareholders As At 30th June 2012

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer their spouse and minor children	16	4,702,422	47.02
2	Associated Companies, Undertaking and Related Parties	13	4,215,678	42.16
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	598	428,916	4.29
8	Joint Stock Companies	1	500	0.00
		634	10,000,000	100.00

THE ABOVE STATEMENTS INCLUDE 233 SHARES HOLDER HOLDING 2,170,900 SHARES THROUGH THE CENTRAL DEPOSITORY COMPANY OF PAKINSTAN LIMITED (CDC)



FAISAL SPINNING MILLS LIMITED

List of Shareholders As At 30 June, 2012

Sr #	Shareholder Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES		
	ADMIRAL (PVT) LTD	12.82	1,282,900
	MR.FARRUKH SALEEM	1.37	136,919
	MR. YOUSUF SALEEM	3.12	312,688
	MR. SAQIB SALEEM	1.99	199,055
	MR. MUHAMMAD QASIM	3.95	395,216
	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
	MR. HAMZA SHAKEEL	2.81	280,500
	MISS. NOOR SHAKEEL	0.50	50,000
2	ICP		
	INVESTMENT CORPORATION OF PAKISTAN	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	3.34	334,995
	MR. MUHAMMAD AMIN	4.61	460,923
	MR. ADIL SHAKEEL	6.61	661,500
	MRS. YASMIN BEGUM	2.39	238,577
	MRS. ANJUM BEGUM	7.39	739,480
	MRS. SEEMA BEGUM	3.35	334,915
	MRS. NAZLI BEGUM	1.29	129,231
	MRS. AMNA KHURRAM	1.10	109,500
	MRS. SAMIA BILAL	5.34	533,960
	MRS. FATIMA AMIN	4.51	451,000
	MASTER ABDULLAH BILAL	2.72	272,500
	MASTER UMER KHURRUM	0.97	97,000
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODABARAS AND MUTUAL FUNDS		
	ARIF HABIB CORPORATION LIMITED	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	12.82	1,282,900



FAISAL SPINNING MILLS LIMITED

PROXY FORM

I/We _____
of _____
being a member of **FAISAL SPINNING MILLS LIMITED** and holder of _____
ordinary shares 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 28th Annual General Meeting of the Company to be held on
Wednesday 24th October, 2012 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.

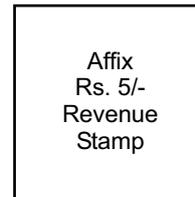
WITNESS

Signature _____

Name _____

Address _____

CNIC/Passport # _____



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

Signed this _____ day of _____ 2012

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

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