



*of Companies*

**30<sup>th</sup> Annual Report 2014**

**UMER GROUP OF COMPANIES**

**FAISAL SPINNING MILLS LIMITED**

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## CORPORATE INFORMATION

Board of Directors	Mr. Bilal Sharif Mr. Khurrum Salim Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Iqbal Mehboob	Chief Executive / Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director / Chairman Executive Director Non Executive Director Executive Director Independent Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Iqbal Mehboob Mr. Mohammad Amin Mr. Adil 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 Alfalah Limited Barclays Bank Plc Pakistan Dubai Islamic Bank Habib Bank Limited Meezan Bank Limited Samba Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Share Registrar	Hameed Majeed Associates (Private) Limited 5 <sup>th</sup> Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, Pakistan Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3 Email: khioff@umergroup.com - Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
Liaison / Correspondence office	9 <sup>th</sup> Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
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	

## NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 30th Annual General Meeting of the members of **Faisal Spinning Mills Limited** will be held on Monday 27th October 2014 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:

### Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 22nd October 2013.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2014 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, 2014, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2014-2015 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)**

### Karachi:

Date: 23<sup>rd</sup> September 2014

**Syed Ashraf Ali, FCA**  
Company Secretary

### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 20th October 2014 to 27th October, 2014 (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 18th October 2014 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2014.
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. As instructed by Securities and Exchange Commission of Pakistan (SECP) vide their letter No. EMD/D-II/Misc/2009-1342 dated April 4, 2013 dividend warrants cannot be issued without insertion of CNIC Numbers; therefore, all shareholders holding physical shares were requested to submit copies of their valid CNICs as requested by our letters and also through advertisement in newspapers. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/National Tax numbers alongwith the folio numbers to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC numbers failing, which we will not be responsible if we are not able to pay the dividends.
6. In order to make process of payment of cash dividend more efficient, SECP vide circular No. 8(4) SM/CDC 2008 dated April 5, 2013 have issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. You may therefore authorize the Company to credit the dividend directly to your bank account for all future dividends declared by the Company. Accordingly all non CDC shareholders are requested to send their bank account details to the Company's Registrar at the address given above. Shareholders who hold shares with Participant/Central Depository Company of Pakistan (CDC) accounts are advised to provide the mandate to the concerned Stock Broker/ Central Depository Company of Pakistan Ltd.
7. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.
8. The financial statements of the company for the year ended 30th June 2014 has been published on the website and may be downloaded from the following link, <http://www.umergroup.com/faisal-financial-reports.html>
9. Members eager of getting financial statements through email, are request to kindly visit the company website and fill the standard request form.

## Directors' Report

On behalf of the Board of Directors of **Faisal Spinning Mills Limited**, we are pleased to submit annual report and the audited financial statements of the Company for the year ended 30th June 2014.

### Overview

The company has earned profit after tax of PKR 597.259 million during the year ended 30th June 2014 against the last year profit after tax of PKR 804.615 million. The earning per share of company is PKR 59.73 as compared to PKR 80.46 in previous year.

### Economic Challenges and Current Crisis

The textile industry is the significant manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, processing, made-ups and garments. Textile products have maintained an average share of about 60% in national exports. However, despite being the 4th largest producer and 3rd largest consumer of cotton globally, Pakistan's comparative advantage is largely pre-empted by low value added exports and it is reflected from country's ranking of 12th in world textiles exports.

Pakistan is unable to take advantage of enhancement in production capacity due various domestic problems like shortage of electricity, gas and the deteriorating law and order situation. Due to lack of technology up gradation we are also unable to produce quality finished products. The share of Pakistan's textiles products in the world markets are declining year by year. Government should develop strong reforms to face various challenges including that of energy, investment, insecurity and law and order.

Higher discount rate is another major cause of concern. The competitiveness of this industry in international market has been affected severely due to above mentioned factors.

### Operating Results

Financial results of the company for the year ended 30th June 2014 is summarized as under;

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Sales	9,780,480,114	8,488,787,464
Gross profit	1,278,595,352	1,291,588,475
Profit before taxation	633,027,561	882,330,597
Taxation		
Current year	35,784,440	76,746,114
Prior year	(16,545)	969,225
	35,767,895	77,715,339
Profit after taxation	597,259,666	804,615,258
<b>Comprehensive income</b>		
Re-measurement of employees retirement benefits obligation – Actuarial loss	(5,610,760)	(6,383,339)
Total comprehensive income	591,648,906	798,231,919
Un-appropriated profit brought forward	111,294,191	63,062,272
Profit available for appropriation	702,943,097	861,294,191
Appropriations:		
Dividend paid	(50,000,000)	(50,000,000)
Transferred to General Reserve	(600,000,000)	(700,000,000)
Un-appropriated profit carried forward	52,943,097	111,294,191
	=====	=====
Basic and diluted earning per share	59.73	80.46
	=====	=====

Sales of the company have increased from PKR 8.488 billion to 9.780 billion therefore registered a growth of 15.21%. Gross profit for the year under review is amounting to PKR 1.279 billion as compared to PKR 1.293 billion in prior year. Whereas profit before taxation for the year under review is amounting to PKR 633.027 million as compared to PKR 882.330 million in prior year.

The profitability of company has decreased due to slowness in spinning division and increase finance cost and depreciation expense. Lower of demand of cotton and yarn from China is the main factor of sluggish yarn and cotton market. The prices of cotton and yarn have been declined sharply due to dull activity. The price of cotton was around PKR 7,000 per maund in January 2014 which declined to PKR 6,500 at balance sheet date and subsequently further declined to PKR 5,500 in September 2014. Based on such decline in prices of cotton the inventories were written down at lower of cost and net realizable value and affected the profitability of company by PKR 258.403 million.

The provision for Workers' Welfare Fund for the year ended 30th June 2011, 30th June 2012 and 30th June 2013 have been made in financial statements amounting to PKR 40.124 million besides the provision of current year amounting to PKR 13.514 million. The Company has filed an appeal before the Honourable Supreme Court against the decision of Honourable Sindh High Court. The same has been admitted and pending for adjudication.

### Dividend

The board of directors is pleased to recommend a final cash dividend of 50% i.e PKR 5.0 per share (June 2013: 50% i.e. PKR 5 per share) for the approval of shareholders at the forthcoming annual general meeting.

### Balance Sheet

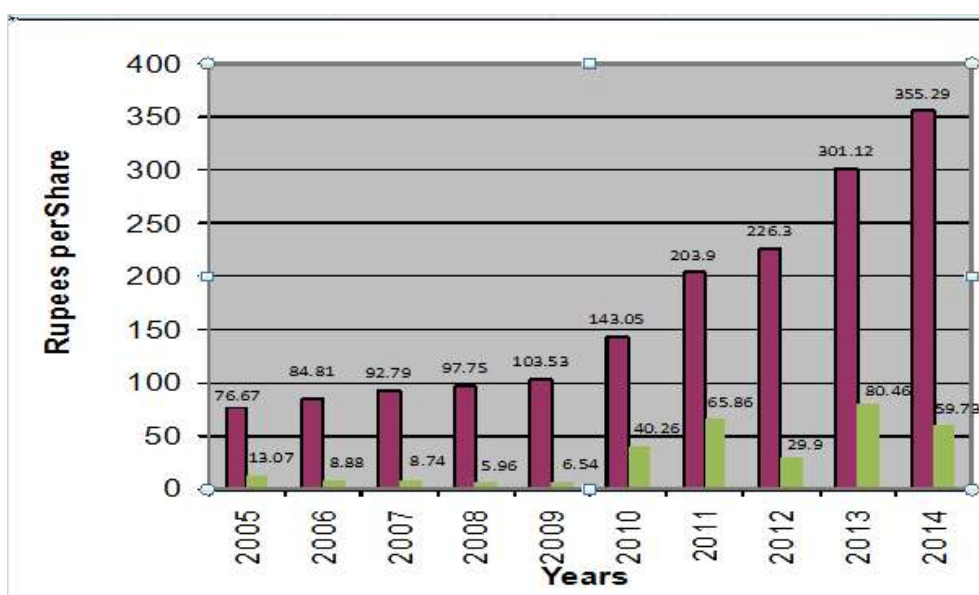
Long term borrowing at the year end was PKR 1,041.909 million (2013: PKR 536.700 million). Gearing ratio was 0.47 at 30th June 2014 as compared to 0.52 at 30th June 2013. The liquidity position of the company is good with a current ratio of 2.48 as at 30th June 2014 (June 2013: 1.98). The total of shareholders' fund stood at PKR 3.552 billion (2013: PKR 3.011 billion).

### Cash Flow Management

During the year the Company posted strong operational performance and profitability which resulted in stronger cash flows which enabled it to meet operational expenditure, carry out planned capital expenditures and comfortably meet its debt obligations. During the year, the Company repaid its debt obligation of PKR 83.434 million while raising new debt of PKR 781.222 billion which was utilized for expansion of 6,000 spindles and BMR of weaving unit. Despite new long term facilities, the gearing ratio has decreased from 0.52 as on 30th June 2013 to 0.47 as on 30th June 2014. 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 2014 is PKR 355.29 (30th June 2013: PKR 301.13). The Earning per Share (EPS) of your company for the year ended 30th June 2014 is PKR 59.73 (30th June 2013: PKR 80.46).



## 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.

## 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.

## Board and Audit Committee Meetings

The number of board and audit committee meetings held during the year 2013-14 was four. The attendance of the directors and members are as under:

Board Meetings			Audit Committee Meeting		
S. No.	Director's Name	Attendance	S. No.	Member's Name	Attendance
1	Mr. Bilal Sharif	4/4	1	Mr. Iqbal Mehboob	4/4
2	Mr. Khurram Salim	3/4	2	Mr. Mohammad Amin	4/4
3	Mr. Mohammad Amin	3/4	3	Mr. Adil Shakeel	4/4
4	Mr. Adil Shakeel	2/4			
5	Mr. Mohammad Salim	4/4			
6	Mr. Mohammad Sharif	4/4			
7	Mr. Mohammad Shaheen	4/4			
8	Mr. Mohammad Shakeel	4/4			
9	Mr. Iqbal Mehboob	4/4			



**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.

**Human Resource and Remuneration Committee:**

The human resource and remuneration committee of the company is working as required by the code of corporate governance and term of reference as approved by the board of directors. The human resource and remuneration committee has established sound and effective employees' development programme.

**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 2014 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 Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year ended 30th June 2014.

**Auditors**

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 30th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 30th annual general meeting until the conclusion of 31st annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30th June 2015. 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.

**Corporate Social Responsibility**

Company is extensively supporting educational and health projects with renowned NGO. Company spent PKR 2.150 million under social commitments during the year. The company worked closely with NGO to support their programs for Health and Education to provide socio-economic opportunities to a multitude of individuals and households.

**Safety, Health and Environment**

Company always ensures environment preservation and adopts all the possible means for environment protection. We have been taking various steps to ensure minimal dust and emission from our plant and our production lines are installed with pollutant trapping and suppression systems to control dust particles and other emissions.

Safety is an all-encompassing priority for the Company, from the Board down to the business units. The health and safety of our employees, the safety of our assets and the security of our operations always remain among the top priorities of the Company. Due to these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the business units.

**Director Education Program**

Four directors have been awarded certification of Corporate Governance Leadership Skills by the Pakistan Institute of Corporate Governance. Whereas three directors are exempt from obtaining certification of Corporate Governance Leadership Skills based on their education and experience as provided in Code of Corporate Governance 2012.



**Expansion in Spinning Unit**

By the blessing of Allah Al Mighty expansion of 6,000 spindles at spinning unit has been successfully completed. The production of newly installed 6,000 spindles was started in December 2013. In weaving unit aggressive BMR was done. Wider width looms were replaced by narrow width air jet looms.

**Major Judgment Areas**

Main areas related to income taxes, deferred tax, retirement benefit obligations and accounting estimates and judgments are detailed in notes to the financial statements.

**Accounting Standards**

The accounting policies of the Company fully reflect the requirements of the Companies Ordinance 1984 and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this Ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

**Future Prospect and Cotton Expectation**

Inflation, power shortage and social disruptions arising from law and order situations are 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.

Currently the price of cotton in local market is around PKR 5,500 per maund. The estimated consumption for 2014-15 of local industry is around 14.0 million bales, whereas the production estimated for 2014-15 of the local industry is about 12 million bales of cotton, showing a shortfall of about 2 million bales. The local industry will have to import about 2 million bales to meet the domestic requirements. Global cotton stock to use ratio stands at 91.5% which may affect the cotton prices both in local and international market. 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 results of the first quarter of the next fiscal year will depend on the direction of cotton prices. The management expects a lower profitability in subsequent period.

**Acknowledgement**

We are grateful to our employees who are our assets for their efforts in the Company achieving its results. We are also thankful to our shareholders for the trust and confidence reposed in the Company.

For and on behalf of the Board of Directors

Karachi:

Date: 23<sup>rd</sup> September 2014



Mohammad Sharif  
Director

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2014.

**MUSHTAQ & COMPANY**  
Chartered Accountants

**Karachi:**  
Date: 23<sup>rd</sup> September 2014

**Engagement Partner:**  
Mushtaq Ahmed Vohra  
F.C.A.

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014

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. At present the includes;

Category	Name
Independent Director	Mr. Iqbal Mehboob
Executive Directors	Mr. Bilal Sharif Mr. Mohammad Sharif Mr. Mohammad Shakeel
Non Executive Directors	Mr. Khurram Salim Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Shaheen

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", and has ensured that appropriate steps have been taken to disseminate it throughout the company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred in board of directors during the year.
6. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment as determined by the CEO. However, there was no new appointment made during the year.
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 NBFIs. No director in the board is a member of any Stock exchange in Pakistan.
9. The company arranged briefing for its directors to apprise them of their duties and responsibilities. An independent director also acquired certification by the Pakistan Institute of Corporate Governance (PICG).
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.

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014

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. The Chairman of the committee is an independent director. The remaining two members 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.
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 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.
19. 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).
20. 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.
21. 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.
22. 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.
23. We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board of Directors



**Mohammad Sharif**  
Director

**Karachi:**

Date: 23<sup>rd</sup> September 2014

# 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 MEMBER

We have audited the annexed Balance Sheet of **Faisal Spinning Mills Limited** as at June 30, 2014 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 except for the change referred to in note 2.5.1(g) to the financial statements, with which we concur;
- (ii) the expenditure incurred during the year was for the purpose of the company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, profit and loss account, 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, 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

**MUSHTAQ & COMPANY**  
Chartered Accountants

**Karachi:**

Date: 23<sup>rd</sup> September 2014

**Engagement Partner:**  
Mushtaq Ahmed Vohra  
F.C.A.

# FAISAL SPINNING MILLS LIMITED



## Balance Sheet As At 30<sup>th</sup> June, 2014

	Note	30 <sup>th</sup> June 2014 Rupees	30 <sup>th</sup> June 2013 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
12,000,000 (2013:12,000,000) 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		3,400,000,000	2,800,000,000
Unappropriated profits		52,943,097	111,294,191
		<b>3,552,943,097</b>	<b>3,011,294,191</b>
<b>NON CURRENT LIABILITIES</b>			
Long-term financing - secured	6	1,041,909,003	534,477,451
Obligation under finance lease	7	-	2,222,968
Infrastructure fee payable	8	28,903,847	19,782,149
Deferred liabilities	9	87,063,318	79,050,611
		<b>1,157,876,168</b>	<b>635,533,179</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	478,850,726	416,420,691
Mark-up accrued on loans and other payables	11	22,779,586	12,899,343
Short-term borrowings - secured	12	349,952,831	929,000,000
Current portion of long term loan	13	276,014,196	85,421,328
		<b>1,127,597,339</b>	<b>1,443,741,362</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,838,416,604</b></u>	<u><b>5,090,568,732</b></u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

Karachi:

Date: 23<sup>rd</sup> September 2014

Mohammad Sharif  
Director

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Chief Executive who for the time being is not in the country.

# FAISAL SPINNING MILLS LIMITED



## Balance Sheet As At 30<sup>th</sup> June, 2014

	Note	30 <sup>th</sup> June 2014 Rupees	30 <sup>th</sup> June 2013 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	2,019,622,057	1,404,361,775
Capital work-in-progress	16	525,689,393	377,111,639
Long term investment	17	484,210,230	447,639,881
Long term deposits	18	7,558,235	5,033,195
		<b>3,037,079,915</b>	<b>2,234,146,490</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	19	85,156,827	78,670,168
Stock in trade	20	2,176,379,677	2,089,299,296
Trade debts	21	216,177,580	397,153,858
Loans and advances	22	41,992,334	60,989,089
Trade deposits and prepayments	23	32,222,856	22,785,820
Other receivables	24	2,594,432	5,409,752
Income tax refundable	25	114,336,345	47,190,115
Sales tax refundable	26	78,822,247	71,497,066
Bank balances	27	53,654,391	83,427,078
		<b>2,801,336,689</b>	<b>2,856,422,242</b>
<b>TOTAL ASSETS</b>		<b>5,838,416,604</b>	<b>5,090,568,732</b>

**Mohammad Salim**  
Director



## Profit and Loss Account For the Year Ended 30<sup>th</sup> June 2014

	Note	30 <sup>th</sup> June 2014  Rupees	30 <sup>th</sup> June 2013 Restated  Rupees
Sales	28	9,780,480,114	8,488,787,464
Cost of goods sold	29	8,501,884,762	7,197,198,989
<b>Gross profit</b>		<b>1,278,595,352</b>	<b>1,291,588,475</b>
Other income	30	9,171,441	5,517,013
		<b>1,287,766,793</b>	<b>1,297,105,488</b>
Distribution cost	31	308,910,100	232,421,375
Administrative expenses	32	69,373,811	58,199,822
Other operating expenses	33	87,594,704	42,324,511
Finance cost	34	231,376,766	154,786,233
		<b>697,255,381</b>	<b>487,731,941</b>
		<b>590,511,412</b>	<b>809,373,547</b>
Share of profit of associated undertaking		42,516,149	72,957,050
<b>Profit before tax</b>		<b>633,027,561</b>	<b>882,330,597</b>
Provision for taxation			
Current year		35,784,440	76,746,114
Prior year		(16,545)	969,225
	35	<b>35,767,895</b>	<b>77,715,339</b>
<b>Profit after tax</b>		<b>597,259,666</b>	<b>804,615,258</b>
<b>Earnings per share - basic and diluted</b>	36	<b>59.73</b>	<b>80.46</b>

The annexed notes from 1 to 51 form an integral part of these financial statements.



**Mohammad Sharif**  
Director



**Mohammad Salim**  
Director

**Karachi:**

Date: 23<sup>rd</sup> September 2014

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Chief Executive who for the time being is not in the country.

## Statement of Comprehensive Income For the Year Ended 30<sup>th</sup> June 2014

	<b>30<sup>th</sup>June 2014 Rupees</b>	<b>30<sup>th</sup>June 2013 Rupees</b>
Profit for the year after taxation	<b>597,259,666</b>	804,615,258
Other comprehensive income for the year Items that will not be reclassified to profit or loss Remeasurement of employees retirement benefits obligation - Actuarial (loss) / gain	<b>(5,610,760)</b>	(6,383,339)
<b>Total comprehensive Income for the year</b>	<b><u>591,648,906</u></b>	<b><u>798,231,919</u></b>

*The annexed notes from 1 to 51 form an integral part of these financial statements.*



**Mohammad Sharif**  
Director



**Mohammad Salim**  
Director

**Karachi:**

Date: 23<sup>rd</sup> September 2014

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Chief Executive who for the time being is not in the country.

# FAISAL SPINNING MILLS LIMITED



## Cash Flow Statement For The Year Ended 30<sup>th</sup> June 2014

	30 <sup>th</sup> June 2014 Rupees	30 <sup>th</sup> June 2013 Rupees
<b>Cash flows from operating activities</b>		
Profit before tax	633,027,561	882,330,597
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	210,241,381	155,025,182
Share profit of associated undertaking	(42,516,149)	(72,957,050)
Provision for bad debts	396,241	2,698,222
Doubtful debts recovered	(1,185,085)	(2,570,319)
Infrastructure fee	9,121,698	7,232,068
Provision for employee benefits	20,603,189	18,921,143
(Gain) on disposal of property, plant and equipment	(5,665,560)	(639,007)
Finance cost	231,376,766	154,786,233
	<b>422,372,481</b>	<b>262,496,472</b>
<b>Operating cash flows before movements in working capital</b>	<b>1,055,400,042</b>	<b>1,144,827,069</b>
(Increase) in stores, spares and loose tools	(6,486,659)	(2,847,274)
(Increase) in stock in trade	(87,080,381)	(899,406,253)
Decrease / (Increase) in trade debts	180,976,278	(76,947,501)
Decrease / (Increase) in loans and advances	18,996,755	(49,852,439)
(Increase) in trade deposits	(9,437,036)	(9,199,622)
Decrease / (Increase) in other receivable	2,815,320	(2,444,820)
(Increase) in sales tax refund and other receivables	(6,536,337)	(16,079,872)
Increase / (decrease) in trade and other payables	61,866,305	(21,489,900)
	<b>155,114,245</b>	<b>(1,078,267,681)</b>
<b>Cash generated by operations</b>	<b>1,210,514,287</b>	<b>66,559,388</b>
Finance cost paid	(221,496,523)	(154,899,814)
Employee benefit costs paid	(18,201,242)	(11,105,331)
Income taxes paid	(102,914,125)	(92,965,062)
Long-term deposits refunded	(2,525,040)	-
	<b>(345,136,930)</b>	<b>(258,970,207)</b>
<b>Net cash from operating activities</b>	<b>865,377,357</b>	<b>(192,410,819)</b>

## Cash Flow Statement For The Year Ended 30<sup>th</sup> June 2014

	<b>30<sup>th</sup> June 2014</b>	<b>30<sup>th</sup> June 2013</b>
	<u>Rupees</u>	<u>Rupees</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	<b>29,834,304</b>	8,629,310
Addition in property plant and equipment	<b>(998,248,161)</b>	(458,420,554)
Dividend received	<b>5,945,800</b>	5,945,800
<b>Net cash used in investing activities</b>	<u><b>(962,468,057)</b></u>	<u>(443,845,444)</u>
<b>Cash flows from financing activities</b>		
Proceed from long term finance	<b>781,222,345</b>	432,341,451
Payment of long-term financing	<b>(83,434,500)</b>	(82,736,190)
Payment of obligation under finance lease	<b>(1,986,393)</b>	(4,726,321)
Increase / (decrease) in short-term borrowings	<b>(579,047,169)</b>	388,500,000
Dividend paid	<b>(49,436,270)</b>	(49,676,799)
<b>Net cash from financing activities</b>	<u><b>67,318,013</b></u>	<u>683,702,141</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(29,772,687)</b>	47,445,878
<b>Cash and cash equivalent at the beginning of year</b>	<b>83,427,078</b>	35,981,200
<b>Cash and cash equivalent at the end of year</b>	<u><b>53,654,391</b></u>	<u>83,427,078</u>

*The annexed notes from 1 to 51 form an integral part of these financial statements.*



**Mohammad Sharif**  
Director



**Mohammad Salim**  
Director

**Karachi:**

Date: 23<sup>rd</sup> September 2014

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Chief Executive who for the time being is not in the country.

# FAISAL SPINNING MILLS LIMITED



## Statement of Changes in Equity For The Year Ended 30<sup>th</sup> June 2014

	Share Capital Rupees	Reserves			Unappropriated Profit Rupees	Total Rupees
		Capital Reserves Rupees	General Reserves Rupees	Total		
<b>Balance as at 30th June, 2012</b>	100,000,000	24,150,000	2,075,850,000	2,100,000,000	63,062,272	2,263,062,272
Final dividend for the year ended June 30, 2012 PKR.5.0 per share	-	-	-	-	(50,000,000)	(50,000,000)
Total comprehensive income for the year - Restated	-	-	-	-	798,231,919	798,231,919
Transferred to general reserve	-	-	700,000,000	700,000,000	(700,000,000)	-
<b>Balance as at 30th June, 2013</b>	100,000,000	24,150,000	2,775,850,000	2,800,000,000	111,294,191	3,011,294,191
Final dividend for the year ended June 30, 2013 PKR.5.0 per share	-	-	-	-	(50,000,000)	(50,000,000)
Total comprehensive income for the year	-	-	-	-	591,648,906	591,648,906
Transferred to general reserve	-	-	600,000,000	600,000,000	(600,000,000)	-
<b>Balance as at 30th June, 2014</b>	<b>100,000,000</b>	<b>24,150,000</b>	<b>3,375,850,000</b>	<b>3,400,000,000</b>	<b>52,943,097</b>	<b>3,552,943,097</b>

The annexed notes from 1 to 51 form an integral part of these financial statements.

**Mohammad Sharif**  
Director

**Mohammad Salim**  
Director

**Karachi:**

Date: 23<sup>rd</sup> September 2014

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Chief Executive who for the time being is not in the country.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### 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 standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

Standards, interpretations and amendments	Description
<p><b>a</b> Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information</p>	<p>This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period. The amendment is effective from accounting period beginning on or after January 01, 2013.</p>
<p><b>b</b> Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment</p>	<p>This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The standard is effective from accounting period beginning on or after January 01, 2013.</p>
<p><b>c</b> Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction</p>	<p>This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The standard is effective from accounting period beginning on or after January 01, 2013.</p>
<p><b>d</b> Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities</p>	<p>The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. The standard is effective from accounting period beginning on or after January 01, 2013.</p>
<p><b>e</b> Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities</p>	<p>These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment is effective from accounting period beginning on or after January 01, 2013.</p>
<p><b>f</b> IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine</p>	<p>"This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The amendment is effective from accounting period beginning on or after January 01, 2013."</p>
<p><b>g</b> <b>The amendments to IAS 19 - Employee Benefits</b> is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursuing paragraph. These changes are considered as change in policy.</p>	

IAS 19 'Employee benefits' was revised in June 2011. The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gains or losses / actuarial gains or losses in the Other Comprehensive Income (OCI) immediately as they occur. In accordance with the transitional provisions as set out in IAS 19 (Revised), the Company has applied the revised standard retrospectively and, consequently the earliest periods presented in the profit and loss account, statement of comprehensive income and the statement of changes in equity have been restated. The impact of retrospective application of IAS 19 (Revised) is as follows:



# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	Employees' Retirement benefit obligations	Other Comprehensive Income – Remeasurement of employees' retirement benefits - Actuarial loss
	Rupees	Rupees
Balance as at 30th June, 2013 - as previously reported	79,050,611	-
Restatement - Recognition of remeasurement loss in OCI	-	(6,383,339)
Balance as at 30th June, 2013 - Restated	<u>79,050,611</u>	<u>(6,383,339)</u>
	<b>2014</b>	<b>2013</b>
	<i>Rupees</i>	<i>Rupees</i>
<b>Impact on profit or loss</b>		
Decrease in cost of sales	<b>5,069,737</b>	4,920,028
Decrease/(increase) in administrative expenses	<b>541,023</b>	1,463,311
Increase in profit after taxation	<b><u>5,610,760</u></b>	<b><u>6,383,339</u></b>

There is no unrecognized actuarial gain / (loss) as on 30th June 2013 and 30th June 2012. The company has already recognized the all actuarial loss as on 30th June 2013 and 30th June 2012. The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on earnings per share and statement of cash flows is immaterial. There is no effect of change in accounting policy on balance sheet.

### 2.5.2 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.

#### Standards, interpretations and amendments

#### Description

Amendments to IAS 19 Employee Benefits:  
Employee contributions

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment is effective from accounting period beginning on or after July 01, 2014

Amendments to IAS 19 - Employee Benefits

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss in other comprehensive income in the period of initial application. The amendment is effective from accounting period beginning on or after January 01, 2014.

Amendments to IAS 32 Financial Instruments:  
Presentation - Offsetting financial assets and  
financial liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### Standards, interpretations and amendments

### Description

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	<p>may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendment is effective effective from accounting period beginning on or after January 01, 2014.</p> <p>"The amendments: - remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and - introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal. The amendment is effective effective from accounting period beginning on or after January 01, 2014."</p>
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	<p>The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditiond are met.t off in accordance with IAS 32. The amendment is effective effective from accounting period beginning on or after January 01, 2014.</p>
IFRIC 21 - Levies	<p>IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The standard is effective effective from accounting period beginning on or after January 01, 2014.</p>

**2.5.3** Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan till 30th June 2014:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

### 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.

**Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2014****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.

**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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### 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.

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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

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.

### 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 2013 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

Dividend income is recognized when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

### 3.16 Borrowing costs

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

### 3.17 Impairment

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

### 3.18 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit and loss account.

### 3.19 Offsetting of financial assets and financial liabilities

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

### 3.20 Transactions with related party

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

**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 <sup>th</sup> June 2014	30 <sup>th</sup> June 2013
June 30 2014	June 30 2013		Rupees	Rupees
6,300,000	6,300,000	Ordinary shares of Rs. 10 each	63,000,000	63,000,000
3,700,000	3,700,000	allotted for consideration'- fully paid in cash	37,000,000	37,000,000
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs 10. each allotted as bonus shares	<u>100,000,000</u>	<u>100,000,000</u>



# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

5.1 Associated company holds 1,282,900 (2013: 1,282,900) ordinary shares of Rs. 10 each in the company.

6	Long Term Finances From Financial Institutions - Secured	LTFF Loans	Non LTFF Loans	30 <sup>th</sup> June 2014	30 <sup>th</sup> June 2013
		Rupees	Rupees	Rupees	Rupees
6.01	Citi Bank - Term Finance Loan	-	-	-	20,195,000
6.02	United Bank Limited - Term Finance Loan	55,844,000	-	55,844,000	95,724,000
6.03	United Bank Limited - Term Finance Loan	1,015,000	-	1,015,000	1,740,000
6.04	United Bank Limited - Term Finance Loan	35,864,000	-	35,864,000	53,792,000
6.05	Bank Al Habib Limited - Term Finance Loan	9,413,000	-	9,413,000	14,119,500
6.06	United Bank Limited - Term Finance Loan	81,300,000	-	81,300,000	81,300,000
6.07	United Bank Limited - Term Finance Loan	125,552,000	-	125,552,000	-
6.08	United Bank Limited - Term Finance Loan	-	129,000,000	129,000,000	129,000,000
6.09	United Bank Limited - Term Finance Loan	-	95,547,851	95,547,851	95,547,851
6.10	United Bank Limited - Term Finance Loan	-	126,493,600	126,493,600	126,493,600
6.11	United Bank Limited - Term Finance Loan	-	11,144,700	11,144,700	-
6.12	United Bank Limited - Term Finance Loan	-	187,813,849	187,813,849	-
6.13	United Bank Limited - Term Finance Loan	-	21,101,039	21,101,039	-
6.14	United Bank Limited - Term Finance Loan	-	18,586,100	18,586,100	-
6.15	United Bank Limited - Term Finance Loan	-	20,784,138	20,784,138	-
6.16	United Bank Limited - Term Finance Loan	25,000,000	25,000,000	50,000,000	-
6.17	United Bank Limited - Term Finance Loan	-	25,475,775	25,475,775	-
6.18	United Bank Limited - Term Finance Loan	-	101,607,744	101,607,744	-
6.19	United Bank Limited - Term Finance Loan	-	219,157,000	219,157,000	-
		<u>333,988,000</u>	<u>981,711,796</u>	<u>1,315,699,796</u>	<u>617,911,951</u>
	<b>Less: Current Maturity</b>				
6.01	Citi Bank - Term Finance Loan	-	-	-	20,195,000
6.02	United Bank Limited - Term Finance Loan	31,904,000	-	31,904,000	39,880,000
6.03	United Bank Limited - Term Finance Loan	580,000	-	580,000	725,000
6.04	United Bank Limited - Term Finance Loan	17,928,000	-	17,928,000	17,928,000
6.05	Bank Al Habib Limited - Term Finance Loan	4,706,500	-	4,706,500	4,706,500
6.06	United Bank Limited - Term Finance Loan	20,324,000	-	20,324,000	-
6.07	United Bank Limited - Term Finance Loan	15,694,000	-	15,694,000	-
6.08	United Bank Limited - Term Finance Loan	-	43,000,000	43,000,000	-
6.09	United Bank Limited - Term Finance Loan	-	31,849,284	31,849,284	-
6.10	United Bank Limited - Term Finance Loan	-	42,164,532	42,164,532	-
6.11	United Bank Limited - Term Finance Loan	-	2,786,175	2,786,175	-
6.12	United Bank Limited - Term Finance Loan	-	46,953,462	46,953,462	-
6.13	United Bank Limited - Term Finance Loan	-	1,758,420	1,758,420	-
6.14	United Bank Limited - Term Finance Loan	-	774,420	774,420	-
6.15	United Bank Limited - Term Finance Loan	-	866,000	866,000	-
6.16	United Bank Limited - Term Finance Loan	6,252,000	6,250,000	12,502,000	-
		<u>97,388,500</u>	<u>176,402,293</u>	<u>273,790,793</u>	<u>83,434,500</u>
	<b>Total Long Term Loans Payable</b>	<u>236,599,500</u>	<u>805,309,503</u>	<u>1,041,909,003</u>	<u>534,477,451</u>



# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	Security	Repayment	Markup on LTFF	Markup on Non LTFF
6.01	First mortgage charge over entire present and future immovable property, first hypothecation charge over plant and machinery of Unit-II amounting to PKR 430 million.	The loan is repayable in eighteen equal quarterly installments commencing from June 01, 2005.	6% (2013: 6%)	-
6.02	First pari passu charge over plant and machinery of Weaving Unit situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura, to the extent of PKR 508.0 million.	The loan is repayable in sixteen equal quarterly installments, commencing from July 03, 2012.	11.1% (2013: 11.1%)	-
6.03	Covered under securities for term finance 6.02	The loan is repayable in sixteen equal quarterly installments, commencing from July 03, 2012.	11.1% (2013: 11.1%)	-
6.04	Covered under securities for term finance 6.02	The loan is repayable in sixteen equal quarterly installments, commencing from August 27, 2012.	11.1% (2013: 11.1%)	-
6.05	Specific hypothecation charge of PKR 26.0 million over 507 number GTP Weaving Frames installed at weaving unit of company situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura.	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2013: 11.1%)	-
6.06	Covered under securities for term finance 6.02	The loan is repayable in sixteen equal quarterly installments, commencing from 14th September, 2014.	9.4% (2013: 9.4%)	-
6.07	Covered under securities for term finance 6.02	The loan is repayable in sixteen equal quarterly installments, commencing from 17th March, 2015.	9.05% (2013: Nil)	-
6.08	First pari passu charge over plant and machinery of Spinning Unit situated at A - 150, SITE Nooriabad, Sindh, to the extent of PKR 1.374 billion.	The loan is repayable in twelve equal quarterly installments, commencing from 11th September, 2014.	-	Three month KIBOR plus 0.75% (2013: Three month KIBOR plus 0.75%)
6.09	Covered under securities for term finance 6.08	The loan is repayable in twelve equal quarterly installments, commencing from 20th September, 2014.	-	Three month KIBOR plus 0.75% (2013: Three month KIBOR plus 0.75%)
6.10	Covered under securities for term finance 6.08	The loan is repayable in twelve equal quarterly installments, commencing from 24th September, 2014.	-	Three month KIBOR plus 0.75% (2013: Three month KIBOR plus 0.75%)
6.11	Covered under securities for term finance 6.08	The loan is repayable in twelve equal quarterly installments, commencing from 8th October, 2014.	-	Three month KIBOR plus 0.75% (2013: Nil)
6.12	Covered under securities for term finance 6.08	The loan is repayable in twelve equal quarterly installments, commencing from 16th October, 2014.	-	Three month KIBOR plus 0.75% (2013: Nil)

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	Security	Repayment	Markup on LTFF	Markup on Non LTFF
6.13	Covered under securities for term finance 6.08	The loan is repayable in twenty four equal quarterly installments, commencing from 30th March, 2015.	-	Three month KIBOR plus 0.75% (2013: Nil)
6.14	Covered under securities for term finance 6.08	The loan is repayable in twenty four equal quarterly installments, commencing from 5th May, 2015.	-	Three month KIBOR plus 0.75% (2013: Nil)
6.15	Covered under securities for term finance 6.08	The loan is repayable in twenty four equal quarterly installments, commencing from 25th May, 2015.	-	Three month KIBOR plus 0.75% (2013: Nil)
6.16	Covered under securities for term finance 6.08	The loan is repayable in twelve equal quarterly installments, commencing from 28th October, 2014.	9.4% (2013: Nil)	Three month KIBOR plus 0.75% (2013: Nil)
6.17	Covered under securities for term finance 6.08	The loan is repayable in twenty four equal quarterly installments, commencing from 9th July, 2015.	-	Three month KIBOR plus 0.75% (2013: Nil)
6.18	Covered under securities for term finance 6.08	The loan is repayable in twenty four equal quarterly installments, commencing from 4th August, 2015.	-	Three month KIBOR plus 0.75% (2013: Nil)
6.19	Covered under securities for term finance 6.08	The loan is repayable in twenty four equal quarterly installments, commencing from 5th September, 2015.	-	Three month KIBOR plus 0.75% (2013: Nil)
			<b>30<sup>th</sup>June 2014</b>	<b>30<sup>th</sup>June 2013</b>
<b>7</b>	<b>Obligation Under Finance Lease</b>		<b>Rupees</b>	<b>Rupees</b>
	Minimum lease payments			
	Up to one year		2,301,473	2,287,302
	More than one year but less than five years		-	2,295,959
			2,301,473	4,583,261
	Financial charges not yet due			
	Up to one year		(78,070)	(300,474)
	More than one year but less than five years		-	(72,991)
			(78,070)	(373,465)
	Present value of minimum lease payments			
	Up to one year		2,223,403	1,986,828
	More than one year but less than five years		-	2,222,968
			2,223,403	4,209,796
	Current portion shown under current liabilities		2,223,403	1,986,828
	<b>Present value of total minimum lease payments payable later than one year but not later than 5 years</b>		<b>-</b>	<b>2,222,968</b>

7.1 This represents finance lease entered into with a banking institution for lease of vehicles. Markup is payable on three month KIBOR + 1.10% (2013: three month KIBOR + 1.10%) 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.

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	2014 Rupees	2013 Rupees
<b>8 Infra Structure Fee Payable</b>	<u>28,903,847</u>	<u>19,782,149</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 30.005 Million (June 30, 2013: PKR 20.305 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

## 9 Deferred Liability

Employee benefits	9.2	<b>87,063,318</b>	79,050,611
		<u><b>87,063,318</b></u>	<u>79,050,611</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.

The Company has applied the requirements of IAS 19 (Revised) retrospectively by recognizing the remeasurement losses in Other Comprehensive Income. Consequently, the earliest period presented in Profit and loss account, Statement of Comprehensive Income and the Statement of Changes in Equity has been restated. There is no unrecognized actuarial gain / (loss) as on 30th June 2013 and 30th June 2012. The company has already recognized the all actuarial loss as on 30th June 2013 and 30th June 2012. The full policy disclosure and the related reclassifications have been more fully explained in note 2.5.1(g) to these financial statements.

### 9.2 Movement in liability recognized in the balance sheet

Balance at beginning of year		<b>79,050,611</b>	64,851,460
Charged to profit and loss account and other comprehensive income	9.2.1	<b>26,213,949</b>	25,304,482
Benefits paid during the year		<u><b>(18,201,242)</b></u>	<u>(11,105,331)</u>
Balance at the end of the year		<u><b>87,063,318</b></u>	<u><b>79,050,611</b></u>

### 9.2.1 The following amounts have been charged to the profit and loss account and other comprehensive income during the year

Current service cost	<b>14,260,884</b>	13,517,433
Interest cost	<b>6,342,305</b>	5,403,710
Net amount chargeable to profit and loss account	<u><b>20,603,189</b></u>	<u>18,921,143</u>
Actuarial loss / (gain) recognized during the year - Charge to comprehensive income	<b>5,610,760</b>	6,383,339
	<u><b>26,213,949</b></u>	<u><b>25,304,482</b></u>

**9.2.2** Actuarial valuation has been carried out internally by the management of the company as at June 30, 2014 using the "Projected Unit Credit Method" assuming a discount rate of 10% (June 30, 2013 : 9%) per annum, expected rate of increase in salaries at 10% (June 30, 2013 : 9%) per annum.

**9.2.3** There is no unrecognized actuarial loss / gain.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	Actuarial adjustment arising (%)	Present value of defined benefit obligation <b>Rupees</b>	Experience adjustment on plan liabilities <b>Rupees</b>
<b>9.2.4 Historical information</b>			
30th June 2014	6.44%	87,063,318	5,610,760
30th June 2013	8.08%	79,050,611	6,383,339
30th June 2012	4.49%	64,851,460	2,911,852
30th June 2011	8.46%	59,293,795	5,016,794
30th June 2010	3.34%	50,118,480	1,672,806
<b>9.2.5</b> The expected gratuity expense for the year ending 30th June 2014 is work out to PKR 28,458,220.			
<b>10 Trade and Other Payable</b>			
Creditors		229,169,722	218,265,793
Accrued liabilities		155,722,396	151,012,593
Workers' profit participation fund	10.1	34,007,628	42,324,511
Workers' welfare fund	33.1	53,587,076	-
Unclaimed dividend		3,880,751	3,317,021
Others		2,483,153	1,500,773
		<u>478,850,726</u>	<u>416,420,691</u>
<b>10.1 Workers' profit participation fund</b>			
Balance at beginning of year		42,324,511	17,160,078
Interest on funds utilized in the Company's business	10.2	2,046,430	1,175,500
		<u>44,370,941</u>	<u>18,335,578</u>
Paid during the year		(44,370,941)	(18,335,578)
		-	-
Allocation / expense for the year		34,007,628	42,324,511
		<u>34,007,628</u>	<u>42,324,511</u>
<b>10.2</b> Interest on workers' profit participation fund has been provided @ 37.5% (June 30, 2013: 37.5%) per annum.			
<b>11 Mark-up accrued on :</b>			
- long-term financing		19,335,588	6,449,878
- short-term borrowings		3,443,998	6,449,465
		<u>22,779,586</u>	<u>12,899,343</u>
<b>12 Short Term Borrowings</b>			
<b>From banking companies-secured</b>			
Short term money market loan		349,952,831	929,000,000

**12.1** The aggregate approved short term borrowing facilities amounted to PKR 4,260.0 Million (2013: PKR 4,820.0 Million).

**12.2** These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.1% to 2% (2013: 1 to 3 month KIBOR + spread between 0.1% to 2.5%) per annum payable quarterly. These facilities are secured against hypothecation charge on stock, stores and receivables.

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	30 <sup>th</sup> June 2014	30 <sup>th</sup> June 2013
	Rupees	Rupees
<b>13 Current Portion of Long Term Financing</b>		
Long term loans	273,790,793	83,434,500
Obligations under finance lease	2,223,403	1,986,828
	<u>276,014,196</u>	<u>85,421,328</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, 2013 : PKR 46.968 Million) and post dated cheques amounting to PKR 168.439 Million (2013: PKR 82.463 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 42.059 Million (June 30, 2013: PKR 35.439 million) and to Sui Northern Pipeline Company Limited amounting to PKR 39.073 Million (2013: PKR 39.073 million).

## Commitments

Letters of credit for: (Raw material, stores & machinery)	45,230,008	435,333,160
Civil works	12,000,000	100,000,000
	<u>57,230,008</u>	<u>535,333,160</u>

## 15 PROPERTY, PLANT AND EQUIPMENT

### YEAR ENDED JUNE 30, 2014

Description	COST			DEPRECIATION				Book value as at June 30, 2014	Rate	
	As at July 01, 2013	Additions / (disposals)	Transfers	As at June 30, 2014	As at July 01, 2013	Charge For the year	Transfers / (disposal)			As at June 30, 2014
	Rupees									
Freehold land	23,879,028	-	-	23,879,028	-	-	-	-	23,879,028	-
Leasehold land	6,944,885	171,000	-	7,115,885	-	-	-	-	7,115,885	-
Factory building on freehold land	234,041,827	-	-	234,041,827	153,407,526	8,063,431	-	161,470,957	72,570,870	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	64,675,603	1,183,599	-	65,859,202	15,926,046	10
factory building on Leasehold extension	47,534,953	43,687,724	-	91,222,677	26,275,493	5,216,599	-	31,492,092	59,730,585	10
Non factory building on freehold land	91,734,032	-	-	91,734,032	33,411,646	2,916,120	-	36,327,766	55,406,266	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	13,847,241	318,628	-	14,165,869	12,790,186	5
Non factory building on Leasehold extension	14,786,333	48,757,791	-	63,544,124	6,414,579	2,178,170	-	8,592,749	54,951,375	5
Plant and machinery	2,356,710,370	673,642,022	1,671,346	2,948,571,818	1,292,562,506	143,035,101	(2,803,587)	1,372,493,332	1,576,078,486	10
			(83,451,920)				(60,300,688)			
Electric equipment and fitting	74,407,671	34,821,252	-	109,228,923	40,995,619	4,581,653	2,441,695	48,018,967	61,209,956	10
Gas line and pipe fitting	7,943,179	-	-	7,943,179	4,625,203	331,798	-	4,957,001	2,986,178	10
Factory equipment	16,277,920	7,251,471	-	23,529,391	11,080,855	772,191	570,812	12,423,858	11,105,533	10
Office equipment	2,478,707	-	-	2,478,707	1,597,024	43,948	-	1,640,972	837,735	10
Furniture and fixtures	7,204,422	126,922	-	7,331,344	4,933,926	237,626	-	5,171,552	2,159,792	10
Equipment and other assets	144,779,185	23,620,643	(1,671,346)	166,728,482	101,651,834	36,359,897	(208,920)	137,802,811	28,925,671	Three
Vehicles	37,476,624	17,591,582	-	53,209,926	20,421,813	5,002,620	-	24,583,665	28,626,261	20
			(1,858,280)				(840,768)			
	3,174,940,439	849,670,407	(85,310,200)	3,939,303,646	1,775,900,868	210,241,381	(61,141,456)	1,925,000,793	2,014,299,853	
<b>ASSETS SUBJECT TO FINANCE LEASE:</b>										
Vehicle	7,002,900	-	-	7,002,900	1,680,696	-	-	1,680,696	5,322,204	20
	7,002,900	-	-	7,002,900	1,680,696	-	-	1,680,696	5,322,204	
<b>2014</b>	<b>3,181,943,339</b>	<b>849,670,407</b>	<b>(85,310,200)</b>	<b>3,946,303,546</b>	<b>1,777,581,564</b>	<b>210,241,381</b>	<b>(61,141,456)</b>	<b>1,926,681,489</b>	<b>2,019,622,057</b>	

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

YEAR ENDED JUNE 30, 2013

Description	COST			DEPRECIATION				Book value as at June 30, 2013	Rate	
	As at July 01, 2012	Additions / (disposals)	Transfers	As at June 30, 2013	As at July 01, 2012	Charge For the year	Transfers / (disposal)			As at June 30, 2013
Rupees										
Freehold land	23,879,028	-	-	23,879,028	-	-	-	-	23,879,028	-
Leasehold land	2,994,885	3,950,000	-	6,944,885	-	-	-	-	6,944,885	-
Factory building on freehold land	230,709,146	3,332,681	-	234,041,827	144,787,599	8,619,927	-	153,407,526	80,634,301	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	62,774,531	1,901,072	-	64,675,603	17,109,645	10
factory building on Leasehold extension	47,534,953	-	-	47,534,953	25,157,275	1,118,218	-	26,275,493	21,259,460	10
Non factory building on freehold land	91,202,012	532,020	-	91,734,032	30,367,714	3,043,932	-	33,411,646	58,322,386	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	13,511,843	335,398	-	13,847,241	13,108,814	5
Non factory building on Leasehold extension	14,786,333	-	-	14,786,333	5,618,719	795,860	-	6,414,579	8,371,754	5
Plant and machinery	2,289,588,677	92,288,247	(25,166,554)	2,356,710,370	1,200,512,163	109,255,859	(17,205,516)	1,292,562,506	1,064,147,864	10
Electric equipment and fitting	74,407,671	-	-	74,407,671	37,810,137	3,185,482	-	40,995,619	33,412,052	10
Gas line and pipe fitting	7,943,179	-	-	7,943,179	4,256,538	368,665	-	4,625,203	3,317,976	10
Factory equipment	16,137,880	140,040	-	16,277,920	10,411,008	669,847	-	11,080,855	5,197,065	10
Office equipment	2,478,707	-	-	2,478,707	1,548,194	48,830	-	1,597,024	881,683	10
Furniture and fixtures	7,204,422	-	-	7,204,422	4,681,648	252,278	-	4,933,926	2,270,496	10
Equipment and other assets	121,349,691	23,429,494	-	144,779,185	82,166,418	19,485,416	-	101,651,834	43,127,351	Three years
Vehicles	25,365,962	4,310,080	9,499,460	37,476,624	13,905,702	4,263,702	3,922,022	20,421,813	17,054,811	20
			(1,698,878)				(1,669,613)			
	<b>3,064,323,849</b>	<b>127,982,562</b>	<b>(17,365,972)</b>	<b>3,174,940,439</b>	<b>1,637,509,489</b>	<b>153,344,486</b>	<b>(14,953,107)</b>	<b>1,775,900,868</b>	<b>1,399,039,571</b>	

### ASSETS SUBJECT TO FINANCE LEASE:

Vehicles	16,502,360	-	(9,499,460)	7,002,900	3,922,022	1,680,696	(3,922,022)	1,680,696	5,322,204	20
	16,502,360	-	(9,499,460)	7,002,900	3,922,022	1,680,696	(3,922,022)	1,680,696	5,322,204	
<b>2013</b>	<b>3,080,826,209</b>	<b>127,982,562</b>	<b>(26,865,432)</b>	<b>3,181,943,339</b>	<b>1,641,431,511</b>	<b>155,025,182</b>	<b>(18,875,129)</b>	<b>1,777,581,564</b>	<b>1,404,361,775</b>	

**15.1** Equipment and other assets includes assets amounting to PKR 99,950,299 (2013: PKR 99,950,299) which has been fully depreciated.

	Year ended June 30 2014	Year ended June 30 2013
Note	.....Rupees.....	

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

	<b>29</b>	204,965,829	148,748,796
<b>Cost of sales</b>	<b>32</b>	5,275,552	6,276,386
<b>Administrative expenses</b>		<u>210,241,381</u>	<u>155,025,182</u>

### 15.3 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
<b>Plant and machinery</b>							
Air jet looms - eight sets	18,142,468	13,223,574	4,918,894	6,600,000	1,681,106	Negotiation	Gagan Textile
Air jet looms - six sets	13,606,851	9,917,680	3,689,171	4,600,000	910,829	Negotiation	Ahmed Industries
Air jet looms - four sets	9,071,234	6,674,315	2,396,919	3,000,000	603,081	Negotiation	Ahmed Industries
Air jet looms - one set	2,519,979	1,818,972	701,007	750,000	48,993	Negotiation	Ahmed Industries
Air jet looms - sixteen sets	36,284,936	26,697,260	9,587,676	11,134,304	1,546,628	Negotiation	Van Guard Industries
Air jet looms - one set	2,519,979	1,831,163	688,816	750,000	61,184	Negotiation	Ahmed Industries
Jacquard - four sets	1,306,473	137,724	1,168,749	1,200,000	31,251	Negotiation	Ahmed Industries
	<u>83,451,920</u>	<u>60,300,688</u>	<u>23,151,232</u>	<u>28,034,304</u>	<u>4,883,072</u>		

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

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
<b>Vehicles</b>							
Honda Civic - AUU-663	1,858,280	840,768	1,017,512	1,800,000	782,488	Insurance claim	UBL Insurer Limited
	1,858,280	840,768	1,017,512	1,800,000	782,488		
<b>30-Jun-14</b>	<b>85,310,200</b>	<b>61,141,456</b>	<b>24,168,744</b>	<b>29,834,304</b>	<b>5,665,560</b>		
<b>Plant and machinery</b>							
Autocone	10,785,530	8,291,787	2,493,743	2,629,310	135,567	Negotiation	Fimcotex Industries; G/15 Sindh Industries Trading Estate SITE Kotri.
Comber	7,234,080	4,057,333	3,176,747	3,200,000	23,253	Negotiation	Blessed Textiles Limited
Inspection frames	2,689,163	1,741,526	947,637	1,100,000	152,363	Negotiation	Blessed Textiles Limited
Loom take ups	4,457,781	3,114,870	1,342,911	1,500,000	157,089	Negotiation	Blessed Textiles Limited
	25,166,554	17,205,516	7,961,038	8,429,310	468,272		
<b>Vehicles</b>							
Land Cruiser - BC-3074	1,698,878	1,669,613	29,265	200,000	170,735	Negotiation	Mr. Idress Ali, House No. 28 B Punjab Corporate Housing Society Lahore Cantt.
	1,698,878	1,669,613	29,265	200,000	170,735		
<b>30-Jun-13</b>	<b>26,865,432</b>	<b>18,875,129</b>	<b>7,990,303</b>	<b>8,629,310</b>	<b>639,007</b>		

	<b>30<sup>th</sup> June 2014</b>	<b>30<sup>th</sup> June 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>16 Capital Work in Progress</b>		
Building and other civil works	50,307,694	66,712,728
Plant and machinery	419,184,096	257,883,289
Electric installation	50,791,345	28,798,310
Other - Stores for capitalization	5,406,258	23,717,312
	<u>525,689,393</u>	<u>377,111,639</u>
<b>17 Long term Investment</b>		
<b>Investment in associates</b>		
Investment in shares of Blessed Textiles Limited (1,189,160 ordinary shares of Rs. 10 each)	<u>484,210,230</u>	<u>447,639,881</u>
Cost of investment	11,891,600	11,891,600
Accumulated share of post acquisition profit - net of dividends received	435,748,281	368,737,031
Share of profit for the year	42,516,149	72,957,050
Dividend received during the year	(5,945,800)	(5,945,800)
	<u>472,318,630</u>	<u>435,748,281</u>
	<u>484,210,230</u>	<u>447,639,881</u>



# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	<b>30<sup>th</sup>June 2014</b>	30 <sup>th</sup> June 2013
	<b>Rupees</b>	Rupees
<b>17.1</b> Summarized financial information of Blessed Textiles Limited is set out below:		
Total assets	5,466,062,719	4,156,531,608
Total liabilities	2,847,037,357	735,310,145
Net assets	<u>2,619,025,362</u>	<u>3,421,221,463</u>
Company's share of associate's net assets	<u>484,210,230</u>	<u>632,521,722</u>
Sales- net	<u>7,379,619,755</u>	<u>5,765,588,282</u>
Profit for the year	<u>229,963,899</u>	<u>394,614,471</u>
Company's share of associate's profit for the year	<u>42,516,149</u>	<u>72,957,050</u>
<b>17.2</b> Market value per share	<u>151.96</u>	<u>118.00</u>
Percentage of holding	<u>18.49%</u>	<u>18.49%</u>
<b>18 Long Term Deposits</b>		
Security deposits	6,660,335	4,385,295
Others deposits	897,900	647,900
	<u>7,558,235</u>	<u>5,033,195</u>
<b>19 Stores, Spare Parts and Loose Tools</b>		
Stores, spare parts and loose tools	67,316,837	63,345,298
Chemicals and lubricants	9,548,641	8,623,124
Packing material	9,371,837	7,782,234
	<u>86,237,315</u>	<u>79,750,656</u>
Provision for slow moving store items	<u>(1,080,488)</u>	<u>(1,080,488)</u>
	<u>85,156,827</u>	<u>79,750,656</u>
<b>19.1 Provision for slow moving items comprises;</b>		
Balance at the beginning of the year	1,080,488	-
Recognised during the year	-	1,080,488
Written off during the year	-	-
Balance at the end of the year	<u>1,080,488</u>	<u>1,080,488</u>
<b>20 Stock in Trade</b>		
Raw material	1,604,818,137	1,700,842,910
Raw material in transit	-	53,178,866
Work in process	104,810,078	77,154,693
Finished goods	462,180,774	252,953,041
Waste	4,570,688	5,169,786
	<u>2,176,379,677</u>	<u>2,089,299,296</u>
<b>20.1</b> Raw material stock cost PKR 1,658,001,466 (2013: PKR Nil) have been valued at PKR 1,416,192,976 (2013: PKR Nil) being the replacement cost of raw material.		
<b>20.2</b> Finished goods stock cost PKR 146,648,110 (2013: PKR Nil) has been valued at PKR 130,053,436 (2013: PKR Nil) being the replacement value of finished goods.		
<b>20.3</b> No item of stock in trade is pledged as security as at the reporting date.		

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	<b>30<sup>th</sup>June 2014</b>	<b>30<sup>th</sup>June 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>21 Trade Debts</b>		
Considered good		
Foreign secured through letters of credit	62,266,475	221,334,532
Local : unsecured	153,911,105	175,819,326
	<u>216,177,580</u>	<u>397,153,858</u>
Considered doubtful:		
Export	14,204,494	14,204,494
Local	50,057,560	50,057,560
	64,262,054	64,262,054
Provision for doubtful debts	(64,262,054)	(64,262,054)
	<u>216,177,580</u>	<u>397,153,858</u>
<b>21.1</b> The movement of the provision of doubtful receivable is as follow		
Balance at the beginning of the year	64,262,054	64,262,054
Bad debts recovered during the year	-	-
Bad debts provided during the year	-	-
Balance at the ended of the year	<u>64,262,054</u>	<u>64,262,054</u>
<b>22 Loans And Advances</b>		
Advances to suppliers - unsecured; considered good	35,486,930	55,520,644
Advances to employees	6,322,849	4,706,749
Letters of credit	174,335	580,454
Others	8,220	181,242
	<u>41,992,334</u>	<u>60,989,089</u>
<b>23 Trade Deposits and Prepayments</b>		
Deposit against infrastructure fee payable	30,764,977	20,310,509
Trade deposit	555,000	1,845,000
Prepaid expenses	902,879	630,311
	<u>32,222,856</u>	<u>22,785,820</u>
<b>23.1</b> Effective mark up rate on these deposits range from 7% to 8% per annum (June 30, 2013: 7% to 9% per annum).		
<b>24 Other Receivables</b>		
Quality claim and other receivables	2,594,432	5,409,752
	<u>2,594,432</u>	<u>5,409,752</u>
<b>25 Income Tax Refundable</b>		
Advance income tax	102,914,126	92,812,835
Income tax refundable	47,427,813	31,344,548
	150,341,939	124,157,383
Provision for taxation	(36,005,594)	(76,967,268)
	<u>114,336,345</u>	<u>47,190,115</u>
<b>26 Sales Tax Refundable</b>		
Sales tax refundable	78,822,247	71,497,066
Excise duty and federal excise duty refundable	3,817,583	4,606,427
Provision for doubtful excise duty and federal excise duty refundable	(3,817,583)	(4,606,427)
	-	-
	<u>78,822,247</u>	<u>71,497,066</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

		<b>30<sup>th</sup>June 2014</b>	30 <sup>th</sup> June 2013
		<b>Rupees</b>	Rupees
<b>27 Bank Balances</b>			
Balances with banks in:			
Current accounts		44,133,930	33,550,098
Foreign currency accounts		9,474,516	9,526,221
Deposit accounts	27.1	45,945	40,350,759
		<u>53,654,391</u>	<u>83,427,078</u>

**27.1** This represents deposit made in term deposit held for a period of three months mark-up is nil (June 30, 2013: 6.30% per annum).

<b>28 Sales - Net</b>			
Export			
Yarn		4,387,301,011	3,814,525,027
Fabric		4,067,039,326	3,573,118,765
Waste		27,062,170	32,803,475
		8,481,402,507	7,420,447,267
Export rebate		1,444,112	2,691,198
		<u>8,482,846,619</u>	<u>7,423,138,465</u>
Local			
Yarn		164,404,863	44,201,949
Fabric		1,045,000,822	933,084,714
Cotton		15,955,750	-
Waste and others		128,502,248	107,716,603
		1,353,863,683	1,085,003,266
		<u>9,836,710,302</u>	<u>8,508,141,731</u>
Gross sales			
Duties and discounts		-	(18,329)
Discount on sales		(56,230,188)	(19,335,938)
Sales tax		(56,230,188)	(19,354,267)
		<u>9,780,480,114</u>	<u>8,488,787,464</u>

**28.1** Export sales include PKR 855,020,669 (2013: PKR 1,921,206,750) in respect of indirect export sales.

**28.2** Export sales include exchange gain of PKR 133,079,928 (2013: PKR 111,223,570).

<b>29 Cost of Sales</b>		<b>30<sup>th</sup>June 2014</b>	30 <sup>th</sup> June 2013 Restated
		<b>Rupees</b>	Rupees
Raw material consumed	29.1	7,148,532,815	5,842,315,966
Packing material consumed		106,348,995	83,270,436
Stores and spare parts consumed		152,842,035	157,121,432
Yarn and fabric processing charges		-	5,659,187
Salaries, wages and benefits	29.2	382,862,106	349,991,697
Fuel, power and water		667,616,608	507,216,999
Electricity duty		1,225,523	1,395,951

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

		<b>30<sup>th</sup>June 2014</b>	30 <sup>th</sup> June 2013 Restated
		<b>Rupees</b>	Rupees
Insurance		22,302,854	18,695,898
Repair and maintenance		9,723,633	13,001,601
Rent, rates and taxes		2,815,647	853,817
Travelling, conveyance and entertainment		833,922	838,798
Vehicle running expenses		8,514,103	6,820,756
Communication		562,433	498,828
Fee and subscription		81,160	113,750
Depreciation	15.2	204,965,829	148,748,796
Provision for slow moving store items		-	1,080,488
Others		1,219,496	1,943,533
		<u>8,700,547,159</u>	<u>7,139,567,933</u>
Work in process			
Opening stock		77,154,693	93,522,659
Closing stock		(104,810,078)	(77,154,693)
		(27,655,385)	16,367,966
Cost of goods manufactured		<u>8,682,791,774</u>	<u>7,155,935,899</u>
Cost of cotton sold	29.3	14,250,791	-
Finished stocks			
Opening stock		258,122,827	224,168,311
Finished goods purchased		465,920	29,176,641
Yarn and waste purchased		13,004,912	46,040,965
Closing stock		(466,751,462)	(258,122,827)
		(195,157,803)	41,263,090
		<u>8,501,884,762</u>	<u>7,197,198,989</u>
<b>29.1 Raw material consumed</b>			
Opening stock		1,754,021,776	872,202,073
Purchases		7,025,050,559	6,765,263,903
Raw material sold - cotton		(12,716,471)	-
Raw material sold - yarn		(13,004,912)	(41,128,234)
Closing stock		(1,604,818,137)	(1,754,021,776)
		<u>7,148,532,815</u>	<u>5,842,315,966</u>
<b>29.2</b> Salaries, wages and benefits includes employees retirement benefits amounting to PKR 17,988,573 ( June 30,2013: Restated PKR 17,311,139).			
<b>29.3 Cost of cotton sold</b>			
Cost of purchase		12,716,471	-
Salaries, wages and other benefits		55,000	-
Loading and unloading		1,141	-
Insurance		256,449	-
Finance cost		1,221,730	-
		<u>14,250,791</u>	<u>-</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

		30 <sup>th</sup> June 2014 Rupees	30 <sup>th</sup> June 2013 Rupees
<b>30 Other Income</b>			
<b>Income from financial assets</b>			
Interest on bank deposits		2,332,867	1,840,273
<b>Income from assets other than financial assets</b>			
Gain on disposal of property, plant and equipment	15.3	5,665,560	639,007
Exchange gain/(loss) on foreign currency translation		(12,071)	467,414
Bad debts reversed / recovered		1,185,085	2,570,319
		9,171,441	5,517,013
<b>31 Distribution Cost</b>			
<b>Export</b>			
Steamer and air freight		102,401,895	78,695,912
Trailer freight		30,033,080	23,086,100
Clearing and forwarding		18,485,103	16,077,324
Export development surcharge		19,063,966	13,284,037
Commission		88,536,392	57,672,126
Sales promotion expenses		14,234,427	12,590,288
Insurance expenses		3,909,747	2,603,612
Claim settlement		2,985,420	-
Other export expenses		5,663,489	2,699,499
		285,313,519	206,708,898
<b>Local</b>			
Freight on local sales		9,530,697	7,644,584
Commission		13,210,944	17,771,894
Quality claim		522,540	141,174
Others		332,400	154,825
		23,596,581	25,712,477
		308,910,100	232,421,375
		<b>30<sup>th</sup>June 2014 Rupees</b>	<b>30<sup>th</sup>June 2013 Restated Rupees</b>
<b>32 Administrative Cost</b>			
Directors' remuneration		12,400,000	5,160,000
Staff salaries and benefits	32.1	29,170,689	23,007,316
Traveling, conveyance and entertainment		6,246,921	4,845,257
Printing and stationery		1,800,975	1,498,958
Communication expenses		1,422,160	1,078,067
Vehicles running and maintenance		4,430,540	4,481,578
Legal and professional		2,251,311	1,228,439
Auditors' remuneration	32.2	1,531,000	1,390,200
Fee and subscription		715,000	1,821,316
Repair and maintenance		92,310	-
Rent, rates and taxes		1,032,647	863,604
Depreciation	15.2	5,275,552	6,276,386
Charity and donation		2,150,000	1,125,000
Bad debts expenses		396,241	2,698,222
Software license renewal and maintenance fee		-	2,162,752
Others		458,465	562,727
		69,373,811	58,199,822

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

**32.1** Staff salaries and benefits includes employee retirement benefits amounting to PKR 2,614,616 (June 30, 2013: Restated - PKR 1,610,004).

	<b>30<sup>th</sup> June 2014</b>	30 <sup>th</sup> June 2013
	<b>Rupees</b>	Rupees
<b>32.2 Auditors' remuneration</b>		
Annual statutory audit	1,331,000	1,210,000
Half yearly review	160,000	145,200
Review of Code of Corporate Governance	40,000	35,000
	<u>1,531,000</u>	<u>1,390,200</u>

### 33 Other Operating Expenses

Workers' Profit Participation Fund	10.1	34,007,628	42,324,511
Workers' Welfare Fund	33.1	53,587,076	-
		<u>87,594,704</u>	<u>42,324,511</u>

**33.1** It includes the provision for Workers' Welfare Fund for the year ended 30th June 2014 amounting to PKR 13,514,014 and PKR 40,124,043 for the tax year 2011 to 2013. The company has recognised the WWF liability of earlier years. The company has filed the appeal before the Supreme Court of Pakistan against the decision of Sindh High Court. The case is pending before the Supreme Court of Pakistan.

### 34 Finance Cost

Mark-up on:

- long term financing		78,783,907	25,574,746
- short term borrowings		123,221,478	101,914,852
- finance lease		300,635	744,296
- workers' profit participation fund		2,046,430	1,175,500
Letter of credit discounting		25,101,552	23,709,177
Bank charges and commission		1,922,764	1,667,662
		<u>231,376,766</u>	<u>154,786,233</u>

### 35 Provision for Taxation

**35.1** 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 finalized upto tax year 2013. Tax credit under Section 65 B of Income Tax Ordinance 2001 amounting to PKR 67,364,202 (June 2013: PKR 9,181,175) has been deducted from tax payable.

**35.2** No provision in these accounts has been made for deferred tax. A technical release i.e. TR-27 issued by the Institute of Chartered Accountants of Pakistan prescribed that deferred tax accounting does not apply to those companies whose entire sales are covered under section 143B now 154 of the Income Tax Ordinance, 1979 now section 169 of the Income Tax Ordinance, 2001, as there will be no timing differences.

	<b>2014</b>	2013
	%	%
<b>35.3 Numerical reconciliation between the average tax rate and the applicable tax rate</b>		
Applicable tax rate	34.00	35.00
<b>Tax effect of amounts that are:</b>		
adjustment of the prior years	-	0.11
income chargeable to tax at different rate	(10.06)	(17.43)
tax credit	(10.51)	(1.05)
inadmissible expense / (non taxable income)	(7.93)	(7.85)
Effective tax rate	<u>5.50</u>	<u>8.78</u>

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### 36 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	597,259,666	804,615,258
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#### Number of shares

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

<b>Basic earnings per share</b>	<b>59.73</b>	<b>80.46</b>
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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.

### 37 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 23rd September 2014 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.

### 38 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	Chief Executive		Director	
	Year ended June	Year ended June 30,	Year ended June 30,	Year ended June
	30, 2014	2013	2014	30, 2013
Remuneration	4,400,000	2,280,000	8,000,000	2,880,000
	4,400,000	2,280,000	8,000,000	2,880,000
Number of persons	1	1	2	2

**38.1** 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.

### 39 Related Party Transactions

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

Nature of relationship	Nature of transactions	30 <sup>th</sup> June 2014	30 <sup>th</sup> June 2013
		Rupees	Rupees
Associated undertaking	Sales of fabric	1,154,635	8,986,534
	Sales of machinery, stores, spare parts and loose tools	-	6,728,000
	Sales of yarn	34,735,350	128,013,409
	Purchase of yarn	829,486,849	663,953,228
	Purchase of fabrics	479,898	219,997
	Services received	300,000	5,337,204
	Dividend received	5,945,800	5,945,800
	Electricity purchased	128,694,966	84,653,966
Retirement benefits	Provision for gratuity	26,213,949	25,304,482
Key management	Remuneration	12,400,000	5,160,000
Balance with related parties		20,000	20,000



# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### 40 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2014 is as follows

40.1 Operating Results	Spinning		Weaving		Power Generation		Company	
	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13
<b>Sales</b>								
Export sales	4,409,109,956	3,834,387,947	4,072,292,551	3,586,059,320	-	-	8,481,402,507	7,420,447,267
Local sales	284,433,332	106,864,628	1,069,430,351	978,138,638	-	-	1,353,863,683	1,085,003,266
Custom rebate	-	466	1,444,112	2,690,732	-	-	1,444,112	2,691,198
Inter-segment sales	140,627,900	63,383,200	-	-	498,359,817	346,383,560	638,987,717	409,766,760
	4,834,171,188	4,004,636,241	5,143,167,014	4,566,888,690	498,359,817	346,383,560	10,475,698,019	8,917,908,491
Discount and sales tax								
Discount	-	(18,329)	-	-	-	-	-	(18,329)
Sales tax	(9,619,819)	(3,122,654)	(46,610,369)	(16,213,284)	-	-	(56,230,188)	(19,335,938)
	(9,619,819)	(3,140,983)	(46,610,369)	(16,213,284)	-	-	(56,230,188)	(19,354,267)
Net sales	4,824,551,369	4,001,495,258	5,096,556,645	4,550,675,406	498,359,817	346,383,560	10,419,467,831	8,898,554,224
Cost of sales	4,448,031,646	3,188,334,377	4,385,251,627	4,139,098,729	307,589,206	279,532,643	9,140,872,479	7,606,965,749
Gross profit	376,519,723	813,160,881	711,305,018	412,613,408	190,770,611	66,850,917	1,278,595,352	1,291,588,475
Distribution cost	138,943,422	124,550,201	169,966,678	107,871,174	-	-	308,910,100	232,421,375
Administrative cost	40,881,452	35,561,993	28,473,331	22,485,898	19,028	151,931	69,373,811	58,199,822
	179,824,874	160,112,194	198,440,009	130,357,072	19,028	151,931	378,283,911	290,621,197
<b>Operating result</b>	<u>196,694,849</u>	<u>653,048,687</u>	<u>512,865,009</u>	<u>281,219,605</u>	<u>190,751,583</u>	<u>66,698,986</u>	<u>900,311,441</u>	<u>1,000,967,278</u>
<b>40.2 Segment assets</b>	3,186,878,157	2,604,276,629	1,785,813,862	1,783,883,468	149,968,728	110,737,869	5,122,660,747	4,498,897,966
<b>Unallocated assets</b>							715,692,034	591,670,766
							<u>5,838,352,781</u>	<u>5,090,568,732</u>
<b>40.3 Segment liabilities</b>	1,509,014,809	1,454,960,528	653,710,017	572,514,665	89,964,083	28,700,178	2,252,688,909	2,056,175,371
<b>Unallocated liabilities</b>							32,784,598	23,099,170
							<u>2,285,473,507</u>	<u>2,079,274,541</u>

### 40.4 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.

41 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities	30 <sup>th</sup> June 2014	30 <sup>th</sup> June 2013
	Rupees	Rupees
<b>41.1 Turnover</b>		
Total turnover for reportable segments	10,419,467,831	8,898,554,224
Elimination of inter-segment turnover	(638,987,717)	(409,766,760)
Total turnover	<u>9,780,480,114</u>	<u>8,488,787,464</u>
<b>41.2 Cost of sales</b>		
Total cost of sales for reportable segments	9,140,872,479	7,606,965,749
Elimination of inter-segment revenue	(638,987,717)	(409,766,760)
Total cost of sales	<u>8,501,884,762</u>	<u>7,197,198,989</u>
<b>41.3 Assets</b>		
Total assets for reportable segments	5,122,660,747	4,498,897,966
Taxation recoverable	193,158,592	118,687,181
Bank deposits	30,764,977	20,310,509
Long term investment	484,210,230	447,639,881
Long term deposit	7,558,235	5,033,195
Total assets	<u>5,838,352,781</u>	<u>5,090,568,732</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

		30 <sup>th</sup> June 2014		30 <sup>th</sup> June 2013	
		Rupees		Rupees	
<b>41.4 Liabilities</b>					
Total liabilities for reportable segments		2,252,688,909	2,056,175,371		
Unclaimed dividends		3,880,751	3,317,021		
Infrastructure fee		28,903,847	19,782,149		
Total liabilities		<u>2,285,473,507</u>	<u>2,079,274,541</u>		

Note	Spinning		Weaving		Power Generation		Company	
	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13
<b>42 Cost of sales</b>								
Raw material consumed	42.1 3,597,425,655	2,576,984,973	3,691,735,060	3,328,714,193	-	-	7,289,160,715	5,905,699,166
Packing material consumed	88,154,742	67,816,436	18,194,253	15,454,000	-	-	106,348,995	83,270,436
Stores and spare parts	30,918,219	28,248,540	105,708,814	106,836,517	16,215,002	22,036,375	152,842,035	157,121,432
Cost of cotton sold	42.2 14,250,791	-	-	-	-	-	14,250,791	-
Yarn and fabric processing charges	-	5,013,412	-	645,775	-	-	-	5,659,187
Salaries, wages and benefits	203,758,278	177,114,158	171,551,019	166,158,456	7,552,809	6,719,083	382,862,106	349,991,697
Fuel, power and water								
Inter-segment	443,817,127	245,741,464	54,542,690	100,642,096	-	-	498,359,817	346,383,560
Other	18,249,401	30,800,229	389,575,168	245,689,908	259,792,039	230,726,862	667,616,608	507,216,999
	462,066,528	276,541,693	444,117,858	346,332,004	259,792,039	230,726,862	1,165,976,425	853,600,559
Electricity duty	-	-	-	-	1,225,523	1,395,951	1,225,523	1,395,951
Insurance	13,151,937	10,056,984	4,319,622	4,305,590	4,831,295	4,333,324	22,302,854	18,695,898
Repair and maintenance	3,782,383	5,360,161	3,277,138	5,323,076	2,664,112	2,318,364	9,723,633	13,001,601
Rent, rates and taxes	2,713,607	724,847	102,040	128,970	-	-	2,815,647	853,817
Travelling, conveyance and entertainment	447,940	392,110	238,632	223,878	147,350	222,810	833,922	838,798
Vehicle running expenses	6,385,995	4,852,736	1,961,582	1,849,862	166,526	118,158	8,514,103	6,820,756
Communication	156,698	101,061	384,243	378,403	21,492	19,364	562,433	498,828
Fee and subscription	-	35,900	63,860	77,850	17,300	-	81,160	113,750
Depreciation	87,620,842	53,100,395	102,407,212	84,030,906	14,937,775	11,617,495	204,965,829	148,748,796
Provision for slow moving store items	-	1,080,488	-	-	-	-	-	1,080,488
Others	-	-	1,201,513	1,918,676	17,983	24,857	1,219,496	1,943,533
	4,510,417,443	3,206,997,314	4,545,137,995	4,061,341,425	307,589,206	279,532,643	9,363,144,644	7,547,871,382
Work in process								
Opening stock	18,141,488	13,659,032	59,013,205	79,863,627	-	-	77,154,693	93,522,659
Closing stock	(22,648,416)	(18,141,488)	(82,161,662)	(59,013,205)	-	-	(104,810,078)	(77,154,693)
	(4,506,928)	(4,482,456)	(23,148,457)	20,850,422	-	-	(27,655,385)	16,367,966
Cost of goods manufactured	4,505,910,515	3,202,514,858	4,521,989,538	4,082,191,847	307,589,206	279,532,643	9,335,489,259	7,564,239,348
Finished stocks								
Opening stock	76,028,698	56,508,906	182,094,129	167,659,405	-	-	258,122,827	224,168,311
Finished goods purchased	-	-	465,920	29,176,641	-	-	465,920	29,176,641
Yarn purchased	-	4,912,731	13,004,912	41,128,234	-	-	13,004,912	46,040,965
Closing stock	(134,323,739)	(76,028,698)	(332,427,723)	(182,094,129)	-	-	(466,751,462)	(258,122,827)
	(58,295,041)	(14,607,061)	(136,862,762)	55,870,151	-	-	(195,157,803)	41,263,090
	<u>4,447,615,474</u>	<u>3,187,907,797</u>	<u>4,385,126,776</u>	<u>4,138,061,998</u>	<u>307,589,206</u>	<u>279,532,643</u>	<u>9,140,331,456</u>	<u>7,605,502,438</u>
<b>42.1 Raw material consumed</b>								
Opening stock	1,475,616,373	734,875,314	278,405,403	137,326,759	-	-	1,754,021,776	872,202,073
Purchases								
Inter-segment	-	-	140,627,900	63,383,200	-	-	140,627,900	63,383,200
Other	3,550,718,728	3,317,726,032	3,474,331,831	3,447,537,871	-	-	7,025,050,559	6,765,263,903
	3,550,718,728	3,317,726,032	3,614,959,731	3,510,921,071	-	-	7,165,678,459	6,828,647,103
Raw material sold - cotton	(12,716,471)	-	-	-	-	-	(12,716,471)	-
Raw material sold - yarn	-	-	(13,004,912)	(41,128,234)	-	-	(13,004,912)	(41,128,234)
Closing stock	(1,416,192,975)	(1,475,616,373)	(188,625,162)	(278,405,403)	-	-	(1,604,818,137)	(1,754,021,776)
	<u>3,597,425,655</u>	<u>2,576,984,973</u>	<u>3,691,735,060</u>	<u>3,328,714,193</u>	<u>-</u>	<u>-</u>	<u>7,289,160,715</u>	<u>5,905,699,166</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	Spinning		Weaving		Power Generation		Company	
	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13
<b>42.2 Cost of cotton sold</b>								
Cost of purchase	12,716,471	-	-	-	-	-	12,716,471	-
Salaries, wages and other benefits	55,000	-	-	-	-	-	55,000	-
Loading and unloading	1,141	-	-	-	-	-	1,141	-
Insurance	256,449	-	-	-	-	-	256,449	-
Finance cost	1,221,730	-	-	-	-	-	1,221,730	-
	<u>14,250,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,250,791</u>	<u>-</u>
<b>43 Distribution cost</b>								
<b>Export</b>								
Steamer and air freight	45,950,899	42,405,191	56,450,996	36,290,721	-	-	102,401,895	78,695,912
Trailer freight	13,431,880	10,787,620	16,601,200	12,298,480	-	-	30,033,080	23,086,100
Clearing and forwarding	9,297,238	7,642,403	9,187,865	8,434,921	-	-	18,485,103	16,077,324
Export development surcharge	10,546,729	8,307,489	8,517,237	4,976,548	-	-	19,063,966	13,284,037
Sales promotion expenses	2,495,767	1,607,447	11,738,660	10,982,841	-	-	14,234,427	12,590,288
Adhesive stamps	-	-	3,909,747	2,603,612	-	-	3,909,747	2,603,612
Commission	45,394,428	45,686,986	43,141,964	11,985,140	-	-	88,536,392	57,672,126
Claim settlement	-	-	2,985,420	-	-	-	2,985,420	-
Other export expenses	933,490	680,520	4,729,999	2,018,979	-	-	5,663,489	2,699,499
	<u>128,050,431</u>	<u>117,117,656</u>	<u>157,263,088</u>	<u>89,591,242</u>	<u>-</u>	<u>-</u>	<u>285,313,519</u>	<u>206,708,898</u>
<b>Local</b>								
Freight on local sales	9,085,523	6,575,313	445,174	1,069,271	-	-	9,530,697	7,644,584
Commission	1,807,468	857,232	11,403,476	16,914,662	-	-	13,210,944	17,771,894
Advertisement expenses	-	-	-	-	-	-	-	-
Quality claim	-	-	522,540	141,174	-	-	522,540	141,174
Others	-	-	332,400	154,825	-	-	332,400	154,825
	<u>10,892,991</u>	<u>7,432,545</u>	<u>12,703,590</u>	<u>18,279,932</u>	<u>-</u>	<u>-</u>	<u>23,596,581</u>	<u>25,712,477</u>
	<u>138,943,422</u>	<u>124,550,201</u>	<u>169,966,678</u>	<u>107,871,174</u>	<u>-</u>	<u>-</u>	<u>308,910,100</u>	<u>232,421,375</u>
<b>44 Administrative cost</b>								
Directors' remuneration	12,400,000	5,160,000	-	-	-	-	12,400,000	5,160,000
Staff salaries and benefits	18,304,517	15,530,890	11,407,195	8,939,737	-	-	29,711,712	24,470,627
Traveling, conveyance and entertainment	890,645	510,979	5,356,276	4,334,278	-	-	6,246,921	4,845,257
Printing and stationery	351,259	303,559	1,446,776	1,195,399	2,940	-	1,800,975	1,498,958
Communication expenses	659,890	343,684	762,270	734,383	-	-	1,422,160	1,078,067
Vehicles running and maintenance	1,604,295	1,255,400	2,826,245	3,226,178	-	-	4,430,540	4,481,578
Legal and professional	1,697,311	794,956	554,000	327,100	-	106,383	2,251,311	1,228,439
Auditors' remuneration	765,500	695,100	765,500	695,100	-	-	1,531,000	1,390,200
Fee and subscription	-	1,148,718	715,000	672,598	-	-	715,000	1,821,316
Repair and maintenance	13,710	-	78,600	-	-	-	92,310	-
Rent, rates and taxes	1,032,647	863,604	-	-	-	-	1,032,647	863,604
Office expenses	-	-	-	-	-	-	-	-
Depreciation	2,651,351	3,845,439	2,608,273	2,415,399	15,928	15,548	5,275,552	6,276,386
Charity and donation	500,000	750,000	1,650,000	375,000	-	-	2,150,000	1,125,000
Inadmissible input	-	-	-	-	-	-	-	-
Bad debts expenses	396,241	2,598,992	-	99,230	-	-	396,241	2,698,222
Software license renewal and maintenance fee	-	2,162,752	-	-	-	-	-	2,162,752
Others	30,258	24,500	428,047	508,227	160	30,000	458,465	562,727
	<u>41,297,624</u>	<u>35,988,573</u>	<u>28,598,182</u>	<u>23,522,629</u>	<u>19,028</u>	<u>151,931</u>	<u>69,914,834</u>	<u>59,663,133</u>

## 45 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, 2014 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### 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 reprising 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

2014

	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		
<b>Financial assets</b>								
Trade debts	-	-	-	216,177,580	-	216,177,580	216,177,580	
Loans and advances	-	-	-	41,992,334	-	41,992,334	41,992,334	
Trade deposits	30,764,977	-	30,764,977	1,457,879	-	1,457,879	32,222,856	7 to 8
Other receivables	-	-	-	2,594,432	-	2,594,432	2,594,432	
Bank balances	45,945	-	45,945	53,608,446	-	53,608,446	53,654,391	
Long-term deposits	-	-	-	-	7,558,235	7,558,235	7,558,235	
Long term investments	-	-	-	-	484,210,230	484,210,230	484,210,230	
	<u>30,810,922</u>	<u>-</u>	<u>30,810,922</u>	<u>315,830,671</u>	<u>491,768,465</u>	<u>807,599,136</u>	<u>838,410,058</u>	
<b>Financial liabilities</b>								
Long-term financing	276,014,196	1,041,909,003	1,317,923,199	-	-	-	1,317,923,199	6 to 11.1 and KIBOR + 0.75
Trade and other payables	34,007,628	-	34,007,628	444,843,098	-	444,843,098	478,850,726	
Mark-up accrued on loans	-	-	-	22,779,586	-	22,779,586	22,779,586	
Short-term borrowings	349,952,831	-	349,952,831	-	-	-	349,952,831	KIBOR + 0.1 to 2
	<u>659,974,655</u>	<u>1,041,909,003</u>	<u>1,701,883,658</u>	<u>467,622,684</u>	<u>-</u>	<u>467,622,684</u>	<u>2,169,506,342</u>	
<b>On balance sheet gap</b>	<u>(629,163,733)</u>	<u>(1,041,909,003)</u>	<u>(1,671,072,736)</u>	<u>(151,792,013)</u>	<u>491,768,465</u>	<u>339,976,452</u>	<u>(1,331,096,284)</u>	
<b>Contingencies</b>								
Post dated cheques							168,439,963	
Indemnity bonds							46,968,016	
Guarantees (Note 8 and Note 14.2)							111,138,460	
Letters of credit							45,230,008	
Civil work							12,000,000	

2013

	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		
<b>Financial assets</b>								
Trade debts	-	-	-	397,153,858	-	397,153,858	397,153,858	
Loans and advances	-	-	-	60,989,089	-	60,989,089	60,989,089	
Trade deposits	20,310,509	-	20,310,509	2,475,311	-	2,475,311	22,785,820	7 to 9
Other receivables	-	-	-	5,409,752	-	5,409,752	5,409,752	
Bank balances	-	-	-	83,427,078	-	83,427,078	83,427,078	6.3
Long-term loans	-	-	-	-	-	-	-	
Long-term deposits	-	-	-	-	5,033,195	5,033,195	5,033,195	
Long term investments	-	-	-	-	447,639,881	447,639,881	447,639,881	
	<u>20,310,509</u>	<u>-</u>	<u>20,310,509</u>	<u>549,455,088</u>	<u>452,673,076</u>	<u>1,002,128,164</u>	<u>1,022,438,673</u>	

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

2013

	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		
<b>Financial liabilities</b>								6 to 11.1 and KIBOR + 0.75 to 2
Long-term financing	85,421,328	536,700,419	622,121,747	-	-	-	622,121,747	
Trade and other payables	42,324,511	-	42,324,511	374,096,180	-	374,096,180	416,420,691	
Mark-up accrued on loans	-	-	-	12,899,343	-	12,899,343	12,899,343	
Short-term borrowings	929,000,000	-	929,000,000	-	-	-	929,000,000	KIBOR + 0.1 to 2.5
	<u>1,056,745,839</u>	<u>536,700,419</u>	<u>1,593,446,258</u>	<u>386,995,523</u>	<u>-</u>	<u>386,995,523</u>	<u>1,980,441,781</u>	
<b>On balance sheet gap</b>	<u>(1,036,435,330)</u>	<u>(536,700,419)</u>	<u>(1,573,135,749)</u>	<u>162,459,565</u>	<u>452,673,076</u>	<u>615,132,641</u>	<u>(958,003,108)</u>	
<b>Contingencies</b>								
Post dated cheques							82,463,437	
Indemnity bonds							46,968,016	
Guarantees (Note 8 and Note 14.2)							94,818,703	
Letters of credit							435,333,160	
Civil work							100,000,000	

### 45.1 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.

### 45.2 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 838,410,058 (June 30, 2013: PKR 1,022,438,673), unsecured local trade debts, advances to suppliers, and other advances amounting in aggregate to PKR 260,764,346 (June 30, 2013: PKR 463,552,699) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales."

### 45.3 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.

### 45.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2014, the total foreign currency risk exposure was PKR 71,740,991 (June 30, 2013: PKR 230,860,753) in respect of foreign trade debts.

### 45.5 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."

### 45.6 Credit risk

#### 45.6.1 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:

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	30 <sup>th</sup> June 2014	30 <sup>th</sup> June 2013
	Rupees	Rupees
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	7,558,235	5,033,195
Trade receivables	216,177,580	397,153,858
Deposit with financial institutions	32,222,856	22,785,820
Other receivables	2,594,432	5,409,752
Cash at banks	53,654,391	83,427,078
	<b>312,207,494</b>	513,809,703
Available for sale financial assets	-	-
	<b>312,207,494</b>	513,809,703

### 45.6.2 Concentration of credit risk

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

Domestic	153,911,105	175,819,326
Europe	21,422,782	22,052,326
United States of America	7,377,099	-
Asia and Middle East	33,466,594	186,943,912
Africa	-	12,338,294
Other regions	-	-
	<b>216,177,580</b>	397,153,858

### 45.6.3 Impairment losses

The ageing of trade debts as at the reporting date is as follows:

Not past due	215,033,414	397,153,858
Past dues less than one year	1,144,166	-
Past dues more than one year but less than three years	-	-
Past dues more than three years	64,262,054	64,262,054
	<b>280,439,634</b>	461,415,912

The movement in allowance for impairment in respect of trade debts during the year is as follows:

As at beginning of the year	64,262,054	64,262,054
Impairment loss recognized	-	-
Impairment loss reversed	-	-
As at end of the year	<b>64,262,054</b>	64,262,054

Credit quality of counter parties is assessed based on historical default rates. All trade debts not past due are considered good. The management believes that allowance for impairment of trade debts 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.

### 45.6.4 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.

### 45.7 Liquidity risk

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

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

	As at June 30, 2014				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Long term finances	1,315,699,796	1,650,478,927	391,041,244	<b>1,259,437,683</b>	-
Liabilities against assets subject to finance lease	2,223,403	2,301,473	2,301,473	-	-
Long term payables	28,903,847	28,903,847	-	<b>28,903,847</b>	-
Short term borrowings	349,952,831	387,047,831	387,047,831	-	-
Mark-up accrued on borrowings	22,779,586	22,779,586	22,779,586	-	-
Trade creditors	229,169,722	229,169,722	229,169,722	-	-
Accrued liabilities	155,722,396	155,722,396	155,722,396	-	-
Unclaimed dividend	3,880,751	3,880,751	3,880,751	-	-
Other payables	36,490,781	36,490,781	36,490,781	-	-
	<u>2,144,823,113</u>	<u>2,516,775,314</u>	<u>1,228,433,784</u>	<u><b>1,288,341,530</b></u>	<u>-</u>
	As at June 30, 2013				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Long term finances	617,911,951	837,067,919	138,374,540	615,258,879	-
Liabilities against assets subject to finance lease	4,209,796	4,583,261	2,287,302	2,295,959	-
Long term payables	19,782,149	19,782,149	-	19,782,149	-
Short term borrowings	929,000,000	1,030,261,000	1,030,261,000	-	-
Mark-up accrued on borrowings	12,899,343	12,899,343	12,899,343	-	-
Trade creditors	218,265,793	218,265,793	218,265,793	-	-
Accrued liabilities	151,012,593	151,012,593	151,012,593	-	-
Unclaimed dividend	3,317,021	3,317,021	3,317,021	-	-
Other payables	43,825,284	43,825,284	43,825,284	-	-
	<u>2,000,223,930</u>	<u>2,321,014,363</u>	<u>1,600,242,876</u>	<u>637,336,987</u>	<u>-</u>
				<b>30<sup>th</sup> June 2014</b>	<b>30<sup>th</sup> June 2013</b>
				<u>Rupees</u>	<u>Rupees</u>

### 45.8 Market risk

#### 45.8.1 Currency risk

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

Trade receivables	<b>62,266,475</b>	221,334,532
Cash and cash equivalents	<b>9,474,516</b>	9,526,221
Total exposure	<u><b>71,740,991</b></u>	<u>230,860,753</u>

All foreign currency balances are denominated in USD. Average exchange rate used during the year and spot exchange rate applied at the reporting date was PKR 98.55 / USD (2013: PKR 99.25 / USD). Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 95.6754 / USD (2013: PKR 96.32 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 7,174,099 (2013: PKR 23,086,075). 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.

#### 45.8.2 Interest rate risk

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



**Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2014**

	<b>30<sup>th</sup>June 2014</b>	30 <sup>th</sup> June 2013
	<b>Rupees</b>	Rupees
<b>Fixed rate instruments</b>		
Financial assets	<b>45,945</b>	-
Financial liabilities	<b>333,988,000</b>	266,870,500
<b>Variable rate instruments</b>		
Financial assets	<b>30,764,977</b>	20,310,509
Financial liabilities	<b>1,333,888,030</b>	1,284,251,247

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 13,338,880 (2013: PKR 12,842,512). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

**45.9 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.

**46 Accounting Estimates and Judgments**

**46.1 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.

**46.2 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.

**46.3 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.

**46.4 Stock-in-trade and stores and spares**

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales. As the selling price of yarn has decreased substantially after the balance sheet date therefore the valuation of raw material, work in process and finished goods as on 30<sup>th</sup> June 2014 has been made using the following accounting estimates and judgments;

**a Raw Material Valuation**

Due to erratic variation in cotton price in the month of June 2014, July 2014, August 2014 and September 2014 ranging from PKR 5,400 per mound to PKR 6,700, 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 2014, August 2014 and September 2014. The value of raw cotton as on 30<sup>th</sup> June 2014 has been reduced by PKR 241,808,490 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 30<sup>th</sup> June 2014 has been reduced by PKR 16,594,674 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 46.4 (a) plus overhead cost.

**d Waste Valuation**

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

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2014

### 46.5 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."

<b>47 PLANT CAPACITY AND ACTUAL PRODUCTION</b>	<b>2014</b>	<b>2013</b>
<b>47.1 Spinning unit</b>		
Number of spindles installed	37,920	30,720
Number of spindles worked (Average)	37,920	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)	11,957,025	11,434,172
Actual production of yarn in kilograms, (based on actual number of working days)	15,695,603	13,231,677
<b>47.2 Weaving unit</b>		
Number of looms installed	263	277
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)	41,754,296	31,489,829

**47.3** 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.

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

### 48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 18th September 2014.

### 49 NUMBER OF EMPLOYEES

	<b>2014</b>	<b>2013</b>
Number of employees for the year ended 30th June	1,026	1,026

### 50 RECLASSIFICATION

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

### 51 GENERAL

The figures have been rounded off to the nearest Rupee.

**Karachi:**

Date: 23<sup>rd</sup> September 2014



**Mohammad Sharif**  
Director



**Mohammad Salim**  
Director

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Chief Executive who for the time being is not in the country.

## Year wise Operating Data

### Year Ended 30<sup>th</sup> June

	2014	2013	2012	2011	2010	2009
<b>Spinning Unit</b>						
Spindle installed	37,920	30,720	30,720	30,720	30,720	30,720
Spindle worked	37,920	30,720	30,720	30,720	30,720	30,720
Installed capacity after conversion in to 20/s count (Kgs)	11,957,025	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)	22,963,045	13,231,667	12,291,733	12,110,907	11,554,389	11,004,531
<b>Weaving Unit</b>						
Air jet looms installed	263	277	263	263	243	243
Air jet looms worked	263	263	263	263	243	243
Installed capacity after conversion into 50 picks - (meters)	41,237,155	41,237,155	41,237,155	41,237,155	41,107,384	41,107,384
Actual production after conversion into 50 picks - (meters)	41,754,296	31,489,829	31,585,583	39,542,809	43,814,538	41,891,009

## Year wise Financial Data

### Year Ended 30<sup>th</sup> June

	2014	2013	2012	2011	2010	2009
<b>Rupees in Thousands</b>						
Turnover (Net)	9,780,480	8,488,787	7,632,725	9,137,111	5,230,637	4,271,909
Gross profit	1,278,595	1,291,588	860,465	1,248,952	875,473	445,258
Operating profit	821,889	957,776	509,741	867,387	567,198	345,760
Financial expenses	231,377	154,786	186,617	223,733	211,118	264,679
Share profit of associate	42,516	72,957	52,374	112,704	78,301	13,051
Profit before tax	633,028	875,947	375,498	756,358	434,381	94,132
Profit after tax	597,259	798,232	298,997	658,553	402,630	65,360
Cash dividend	50,000	50,000	75,000	50,000	7,500	7,500
Transfer to reserves	600,000	700,000	300,000	550,000	400,000	10,000
Profit carried forward	52,943	111,294	63,062	139,064	80,510	85,380
Sales growth percentage - Year to Year basis	15.22%	11.22%	-16.46%	74.68%	22.44%	16.18%
Gross profit ratio	13.07%	15.21%	11.27%	13.67%	16.74%	10.42%
Profit before tax	6.47%	10.32%	4.92%	8.28%	8.30%	2.20%
Profit after tax	6.11%	9.40%	3.92%	7.21%	7.70%	1.53%
Fixed assets	2,019,622	1,404,362	1,439,395	1,513,757	1,340,343	1,461,869
Current assets	2,801,337	2,856,422	1,737,076	1,733,161	1,291,859	1,206,600
Shareholder equity	3,552,943	3,011,294	2,263,062	2,039,064	1,430,510	1,035,380
Long term liabilities	1,041,909	536,700	181,680	263,194	121,716	380,445
Short term loan	349,953	929,000	540,500	625,341	599,783	831,306
Current liabilities	1,127,597	1,443,741	1,086,663	1,218,842	1,193,096	1,243,806
Current portion of long term loans	276,014	85,421	95,563	178,933	266,916	174,616
Current ratio	2.48	1.98	1.60	1.42	1.08	0.97
Gearing ratio	0.47	0.52	0.36	0.52	0.69	1.34

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
226	1	100	11,322
387	101	500	178,931
55	501	1000	49,095
55	1001	5000	136,909
14	5001	10000	99,600
2	10001	15000	24,200
1	15001	20000	19,700
1	20001	25000	20,600
2	25001	30000	57,692
3	30001	35000	99,992
1	35001	40000	40,000
3	45001	50000	144,577
1	50001	55000	53,400
2	95001	100000	194,923
1	105001	110000	109,500
1	110001	150000	112,700
1	125001	130000	129,231
1	135001	140000	136,919
1	195001	200000	199,055
1	200001	205000	200,380
1	210001	215000	211,500
1	220001	225000	222,700
1	230001	235000	235,000
1	235001	240000	237,577
1	270001	275000	274,000
1	280001	285000	280,500
1	310001	315000	312,688
2	330001	335000	669,910
3	335001	340000	1,011,923
1	395001	400000	395,216
1	450001	455000	451,000
1	460001	465000	460,923
1	530001	535000	533,960
1	660001	665000	661,500
1	735001	740000	739,977
1	1280001	1285000	1,282,900
<u>778</u>			<u>10,000,000</u>

\* There is no shareholding in the slab not mentioned

## CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2014

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer their spouse and minor children	20	4,701,922	47.02
2	Associated Companies, Undertaking and Related Parties	12	4,215,678	42.16
3	NIT / ICP	1	1,000	0.01
4	Bank / Financial Institution	1	3,600	0.04
5	Insurance Company	1	222,700	2.23
6	Modarabas & Mutual Funds	2	1,300	0.01
7	General Public / Individuals	734	835,400	8.35
8	Other Companies	5	17,800	0.18
9	Joint Stock Companies	2	600	0.01
		<b>778</b>	<b>10,000,000</b>	<b>100.00</b>

# FAISAL SPINNING MILLS LIMITED



AS AT JUNE 30, 2014

Sr #	Shareholder Category	Percentage	No. of Shares
<b>1</b>	<b>ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES</b>		
	ADMIRAL (PVT) LTD	12.83	1,282,900
	MR. FARRUKH SALEEM	1.37	136,919
	MR. YOUSUF SALEEM	3.13	312,688
	MR. SAQIB SALEEM	1.99	199,055
	MR. MUHAMMAD QASIM	3.95	395,216
	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
<b>2</b>	<b>NIT</b>		
	INVESTMENT CORPORATION OF PAKISTAN	0.01	1,000
<b>3</b>	<b>CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN</b>		
	MR. MUHAMMAD SHARIF	0.29	28,846
	MR. MUHAMMAD SALEEM	0.29	28,846
	MR. MUHAMMAD SHAHEEN	0.33	32,692
	MR. MUHAMMAD SHAKEEL	0.48	48,077
	MR. KHURRAM SALEEM	2.00	200,380
	MR. BILAL SHARIF	3.35	334,995
	MR. MUHAMMAD AMIN	4.61	460,923
	MR. ADIL SHAKEEL	6.62	661,500
	MR. IQBAL MEHBOOB VOHRA	0.01	500
	MRS. YASMIN BEGUM	2.38	237,577
	MRS. ANJUM BEGUM	0.00	57
	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	3.37	337,200
	MASTER ALI BILAL	3.37	337,361
	MASTER AZAAN BILAL	3.37	337,362
	MR. MOHAMMAD UMER	0.97	97,000
<b>4</b>	<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODABARAS AND MUTUAL FUNDS</b>		
	NATIONAL DEVELOPMENT FINANCE CORPORATION (INVESTAR)	0.04	3,600
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.23	222,700
	FIRST TRI-STAR MODARABA	0.01	1,300

# FAISAL SPINNING MILLS LIMITED



**AS AT JUNE 30, 2014**

Sr #	Shareholder Category	Percentage	No. of Shares
<b>5</b>	<b>JOINT STOCK COMPANIES</b>		
	ACE SECURITIES (PVT.) LIMITED	0.00	100
	TAURUS SECURITIES LIMITED	0.01	500
<b>6</b>	<b>OTHER COMPANIES</b>	0.18	17,800
<b>7</b>	<b>INDIVIDUAL SHAREHOLDERS</b>	8.35	835,400
	<b>TOTAL</b>	<b>100.00</b>	<b>10,000,000</b>
<b>8</b>	<b>DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN</b>		
<b>9</b>	<b>SHAREHOLDERS HOLDING 05% OR MORE</b>		
	ADMIRAL (PVT) LTD	12.83	1,282,900
	MR. FAISAL SHAKEEL	7.40	739,977
	MR. ADIL SHAKEEL	6.62	661,500
	MRS. SAMIA BILAL	5.34	533,960



## *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*

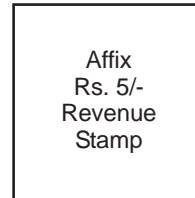
*The highest level of success*

**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 30<sup>th</sup> Annual General Meeting of the Company to be held on  
Monday 27<sup>th</sup> October, 2014 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 \_\_\_\_\_ 2014

Notes:

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

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

**REGISTERED OFFICE**

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

Phones : 021 - 35115177 - 80

Fax No. : 021 - 35063002 - 3

E-mail : [khioff@umergroup.com](mailto:khioff@umergroup.com)

Website : [www.umergroup.com](http://www.umergroup.com)