



*of Companies*  
**29<sup>th</sup> Annual Report 2013**

**UMER GROUP OF COMPANIES**

**FAISAL SPINNING MILLS LIMITED**

## Vision

*A Company providing quality textile  
Products and maintaining  
An excellent level of ethical and  
Professional standards*



## Mission Statement

*To become a leader of textile products  
In the local and  
International markets  
And to achieve  
The highest level of success*

## CORPORATE INFORMATION

Board of Directors	Mr. Bilal Sharif Mr. Khurram Salim Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel 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 Mushtaq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Bank Al Habib Limited Bank Islami Pakistan Limited Barclays Bank Plc Pakistan Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited Meezan Bank Limited Samba 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: lhrhoff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
Mills At:	<b>Spinning Unit is situated at:</b> A-150, SITE Nooriabad, Sindh <b>Weaving Unit is situated at:</b> 18 - KM, Sheikhpura Faisalabad Road, Feroz Watwan, Sheikhpura, Punjab.	

## NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 29th Annual General Meeting of the members of **Faisal Spinning Mills Limited** will be held on Tuesday 22nd October 2013 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 Extra Ordinary General Meeting held on 31st December 2012.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2013 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, 2013, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2013-2014 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.

### Special Business

6. To approve the remuneration and perquisite of Chief Executive and Directors of Company

### Statement Under Section 160(1)/(b) of the Companies Ordinance 1984; Regarding the Special Business

The shareholders approval is sought for remuneration and perquisite of Chief Executive and two Directors of the company; For this purpose it is proposed that the following resolution be passed with or without modification by the shareholders as an ordinary resolution;

"Resolved that the company hereby approves the monthly remuneration of Mr. Bilal Sharif, Chief Executive, a sum not exceeding PKR 400,000, Mr. Mohammad Sharif - Director a sum not exceeding PKR 400,000 and Mr. Mohammad Shakeel - Director, a sum not exceeding PKR 400,000. In addition to above the company also approves following perquisites to them;

#### 1. Company maintained car

Estimated expenses for fuel and repair  
Chief Executive-Mr. Bilal Sharif  
PKR 800,000 per annum  
Director - Mr. Mohammad Sharif  
PKR 800,000 per annum  
Director - Mr. Mohammad Shakeel  
PKR 800,000 per annum

#### 2. Telephone and mobile phone facilities for personal and official use

Chief Executive-Mr. Bilal Sharif  
PKR 125,000 per annum  
Director - Mr. Mohammad Sharif  
PKR 125,000 per annum  
Director - Mr. Mohammad Shakeel  
PKR 125,000 per annum

#### 3. Business travelling

Chief Executive - Mr. Bilal Sharif  
On actual basis  
Director - Mr. Mohammad Sharif  
On actual basis  
Director - Mr. Mohammad Shakeel  
On actual basis

(By the order of the Board)

Karachi:  
Dated: 19<sup>th</sup> September, 2013

Syed Ashraf Ali  
FCA  
Company Secretary

## NOTES:

1. The Shares Transfer Books of the Company will remain closed from 19th October 2013 to 26th October, 2013 (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 2013 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2013.
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.

## Directors' Report

The Directors of Faisal Spinning Mills Limited are pleased to present before you a review of your company's performance for the year ended 30th June 2013 alongwith annual audited financial statements for the year ended 30th June 2013.

### Overview

By the blessing of Allah Al Mighty your company has earned all time high profit since the incorporation of company. The company has earned profit after tax of PKR 798.231 million during the year ended 30th June 2013 against the last year profit after tax of PKR 298.997 million. The earning per share of company is PKR 79.82 as compared to PKR 29.90 in previous year.

### Economic Challenges and Current Crisis

Pakistan's economy continues to face copious domestic and external distresses from 2007 onwards. Economic performance was affected from the devastating the energy crisis, the internal security hazards, and floods and rains. The economy of Pakistan during the last five years grew on average at the rate of 2.9 percent per annum. Deterioration in the power sector is the main constraint on growth. Energy crisis is frustrating the realization of our true economic potential. Power outages have restricted annual GDP growth to 2 percent. GDP growth has been stuck at a level, which is half of the level of Pakistan's long-term trend potential of about 6.5 percent per annum and is lower than what is required for sustained increase in employment and income and a reduction in poverty.

No concrete steps have been taken by government in order to overcome the energy crises. Government must work on war footing in order to solve the energy crises and achieve the GDP growth of 5% and above. Government should consider the immediate total exemption from electricity and gas load shedding for the industries. Moreover government should also consider rationalization and reduction of electricity and gas tariff.

Furthermore, higher inflation in the country is another major cause of concern. The cost of production has risen due to instant increase in inflation. In the absence of power, the mills are being operated on alternative source of energy like furnace oil which increases their cost of production. The competitiveness of this industry in international market has been affected severely due to above mentioned factors.

Government should develop strong reforms to face various challenges including that of energy, investment, insecurity and law and order.

### Operating Results

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

	2013 Rupees	2012 Rupees
Sales	8,488,787,464	7,632,725,213
Gross profit	1,286,668,447	860,465,545
Profit before taxation	875,947,258	375,498,091
Taxation		
Current year	76,746,114	77,165,508
Prior year	969,225	(664,869)
	77,715,339	76,500,639
Profit after taxation	798,231,919	298,997,452
Un-appropriated profit brought forward	63,062,272	139,064,820
Profit available for appropriation	861,294,191	438,062,272
Appropriations:		
Dividend paid	(50,000,000)	(75,000,000)
Transferred to General Reserve	(700,000,000)	(300,000,000)
Un-appropriated profit carried forward	111,294,191	63,062,272
	=====	=====
Basic and diluted earning per share	79.82	29.90
	=====	=====

Sales of the company have increased from PKR 7.632 billion to 8.488 billion therefore registered a growth of 11.22%. Gross profit for the year under review is amounting to PKR 1,286.668 million as compared to PKR 860.465 million in prior year. Whereas profit before taxation for the year under review is amounting to PKR 875.947 million as compared to PKR 375.498 million in prior year.

The Honourable Lahore High Court in its judgement on writ petition bearing number W.P. No. 8763/2011 decided that the amendments made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 are unconstitutional and unlawful. Subsequently, Honourable Sindh High Court in its judgement on the same matter upheld the amendments. 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. No provision for Workers' Welfare Fund amounting to PKR 17.175 million (June 2012: PKR 7.362 million) has been made in these financial statements based on the Company's legal advisor the Company has a strong chances of a favourable judgment.

### Dividend

The board of directors is pleased to recommend a final cash dividend of 50% i.e PKR 5.0 per share (June 2012: 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 536.700 million (2012: PKR 181.679 million). Gearing ratio was 0.52 at 30th June 2013 as compared to 0.36 at 30th June 2012. The liquidity position of the company is good with a current ratio of 1.93 as at 30th June 2013 (June 2012: 1.56). The total of shareholders' fund stood at PKR 3.011 billion (2012: PKR 2.263 billion).

### Cash Flow Management

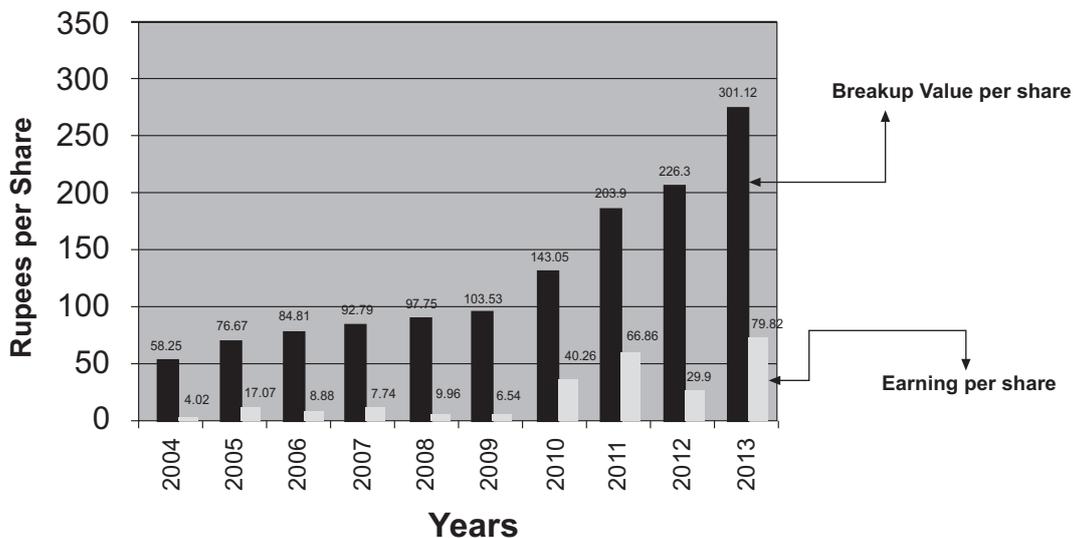
Due to better working capital management by the Company, Cash and Cash Equivalents increased by 131.86% closing at PKR 83.427 million as compared to PKR 35.981 million last year.

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

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 2013 is PKR 301.13 (30th June 2012: PKR 226.306). The Earning per Share (EPS) of your company for the year ended 30th June 2013 is PKR 79.82 (30th June 2012: PKR 29.90).



## Statement on Corporate and Financial Reporting Framework

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

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

## Human Resource and Remuneration Committee:

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

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

## Related Party transaction and Transfer Pricing

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

## **Audit Committee**

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

## **Financial statements**

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

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2013 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements.

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

## **Pattern of Shareholding**

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

## **Auditors**

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 29th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 29th annual general meeting until the conclusion of 30th 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 2013. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

## **Corporate Social Responsibility**

Company is extensively supporting educational and health projects with renowned NGO chartered by Government of Pakistan. Company spent PKR 1.125 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**

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. Safety is an all-encompassing priority for the Company, from the Board down to the business units.

Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the business units. 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.

## **Expansion Plan**

Production capacity of spinning unit is being enhanced by 6,000 spindles. The expansion plan is under progress and expected to be completed by the end of current year. Total cost of expansion is around PKR 600.0 Million.

In weaving unit aggressive BMR has been planned. Wider width looms are being replaced by narrow width air jet looms.

## Future Prospect and Cotton Expectation

Currently the price of cotton in local market is around PKR 7,000 per maund. The estimated consumption for 2013-14 of local industry is around 14.0 million bales, whereas the production estimated for 2013-14 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 (480 lb) bales to meet the domestic requirements. Based on above it is expected that the prices of cotton would be moderate in both local and international markets in the coming quarter.

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.

The results of the First Quarter of the next fiscal year will depend on the direction of cotton prices. The management expects a reasonable 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



**Bilal Sharif**  
Chief Executive

Karachi:

Dated: 19<sup>th</sup> September, 2013

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre Hasrat Mohani Road Karachi-74200 Tel: 32638521-4 Fax: 32639843  
**Branch Office:** 501-B, City Towers, Main Boulevard Lahore, Tel: 35788637-8 Fax: 35788626  
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, 2013.

**MUSHTAQ & COMPANY**  
Chartered Accountants

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

**Karachi:**  
**Dated: 19<sup>th</sup> September, 2013**

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2013

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

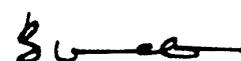
Independent director meets the criteria of independence under clause under the clause i(b) of the Code.

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, 2013

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 directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
19. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
21. The "Closed Period", prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of directors' meeting for their consideration and formal approval.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board of Directors



**Bilal Sharif**  
Chief Executive

**Karachi:**  
**Dated: 19<sup>th</sup> September, 2013**

# MUSHTAQ & CO.

## CHARTERED ACCOUNTANTS

407-Commerce Centre Hasrat Mohani Road Karachi-74200 Tel: 32638521-4 Fax: 32639843  
**Branch Office:** 501-B, City Towers, Main Boulevard Lahore, Tel: 35788637-8 Fax: 35788626  
Email: Address: mustaq\_vohra@hotmail.com

Member of



Illinois, USA

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Faisal Spinning Mills Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
- (i) the Balance Sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
- (ii) the expenditure incurred during the year was for the purpose of the company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

**MUSHTAQ & COMPANY**  
Chartered Accountants

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

**Karachi:**  
**Dated: 19<sup>th</sup> September, 2013**

# FAISAL SPINNING MILLS LIMITED



## Balance Sheet As At 30<sup>th</sup> June, 2013

	Note	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
12,000,000 (2012:12,000,000)ordinary shares of PKR 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	5	100,000,000	100,000,000
Reserves		2,800,000,000	2,100,000,000
Unappropriated profits		111,294,191	63,062,272
		<b>3,011,294,191</b>	<b>2,263,062,272</b>
<b>NON CURRENT LIABILITIES</b>			
Long-term financing - secured	6	534,477,451	177,449,500
Obligation under finance lease	7	2,222,968	4,230,147
Infrastructure fee payable	8	19,782,149	12,550,081
Deferred liabilities	9	79,050,611	64,851,460
		<b>635,533,179</b>	<b>259,081,188</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	416,420,691	437,587,390
Mark-up accrued on loans and other payables	11	12,899,343	13,012,924
Short-term borrowings - secured	12	929,000,000	540,500,000
Current portion of long term loan	13	85,421,328	95,563,160
		<b>1,443,741,362</b>	<b>1,086,663,474</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,090,568,732</b></u>	<u><b>3,608,806,934</b></u>

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

Karachi:  
Dated: 19<sup>th</sup> September, 2013

Bilal Sharif  
Chief Executive

# FAISAL SPINNING MILLS LIMITED



## Balance Sheet As At 30<sup>th</sup> June, 2013

	Note	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	1,404,361,775	1,439,394,698
Capital work-in-progress	16	377,111,639	46,673,647
Long term investment	17	447,639,881	380,628,631
Long term deposits	18	5,033,195	5,033,195
		<b>2,234,146,490</b>	<b>1,871,730,171</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	19	78,670,168	75,822,894
Stock in trade	20	2,089,299,296	1,189,893,043
Trade debts	21	397,153,858	319,241,243
Loans and advances	22	60,989,089	11,136,650
Trade deposits and prepayments	23	22,785,820	13,586,198
Other receivables	24	5,409,752	2,964,932
Income tax refundable	25	47,190,115	31,940,392
Sales tax refundable	26	71,497,066	56,510,211
Bank balances	27	83,427,078	35,981,200
		<b>2,856,422,242</b>	<b>1,737,076,763</b>
<b>TOTAL ASSETS</b>		<b>5,090,568,732</b>	<b>3,608,806,934</b>

  
**Mohammad Salim**  
 Director

# FAISAL SPINNING MILLS LIMITED



## Profit and Loss Account For the Year Ended 30<sup>th</sup> June 2013

	Note	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
Sales	28	8,488,787,464	7,632,725,213
Cost of goods sold	29	7,202,119,017	6,772,259,668
<b>Gross profit</b>		<b>1,286,668,447</b>	860,465,545
Other income	30	5,517,013	6,197,531
		<b>1,292,185,460</b>	866,663,076
Distribution cost	31	232,421,375	253,319,750
Administrative expenses	32	59,663,133	86,441,555
Other operating expenses	33	42,324,511	17,160,078
Finance cost	34	154,786,233	186,617,318
		<b>489,195,252</b>	543,538,701
		<b>802,990,208</b>	323,124,375
Share of profit of associated undertaking		72,957,050	52,373,716
<b>Profit before tax</b>		<b>875,947,258</b>	375,498,091
Provision for taxation			
Current year		76,746,114	77,165,508
Prior year		969,225	(664,869)
	35	77,715,339	76,500,639
<b>Profit after tax</b>		<b>798,231,919</b>	298,997,452
<b>Earnings per share - basic and diluted</b>	36	<b>79.82</b>	29.90

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

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

Karachi:  
Dated: 19<sup>th</sup> September, 2013

# FAISAL SPINNING MILLS LIMITED



## Statement of Comprehensive Income For the Year Ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
Profit for the year after taxation	798,231,919	298,997,452
Other comprehensive income for the year	-	-
<b>Total comprehensive Income for the year</b>	<b><u>798,231,919</u></b>	<b><u>298,997,452</u></b>

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

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

Karachi:  
Dated: 19<sup>th</sup> September, 2013

# FAISAL SPINNING MILLS LIMITED



## Cash Flow Statement For The Year Ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2012
	Rupees	Rupees
<b>Cash flows from operating activities</b>		
Profit before tax	875,947,258	375,498,091
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	155,025,182	161,237,119
Share profit of associated undertaking	(72,957,050)	(52,373,716)
Provision for bad debts	2,698,222	32,808,443
Doubtful debts recovered	(2,570,319)	(3,400,000)
Infrastructure fee	7,232,068	1,483,940
Provision for employee benefits	25,304,482	19,681,349
(Gain) on disposal of property, plant and equipment	(639,007)	(778,946)
Finance cost	154,786,233	190,017,318
	<b>268,879,811</b>	<b>348,675,507</b>
<b>Operating cash flows before movements in working capital</b>	<b>1,144,827,069</b>	<b>724,173,598</b>
(Increase) in stores, spares and loose tools	(2,847,274)	(8,202,449)
Decrease / (Increase) in stock in trade	(899,406,253)	72,957,270
(Increase) in trade debts	(76,947,501)	(112,107,443)
Decrease / (Increase) in loans and advances	(49,852,439)	34,011,550
(Increase) in trade deposits	(9,199,622)	(1,329,990)
Decrease / (Increase) in other receivable	(2,444,820)	(1,435,072)
(Increase) in sales tax refund and other receivables	(16,079,872)	(17,312,744)
Increase / (decrease) in trade and other payables	(21,489,900)	36,709,762
	<b>(1,078,267,681)</b>	<b>3,290,884</b>
<b>Cash generated by operations</b>	<b>66,559,388</b>	<b>727,464,482</b>
Finance cost paid	(154,899,814)	(189,308,902)
Employee benefit costs paid	(11,105,331)	(14,123,684)
Income taxes paid	(92,965,062)	(80,128,747)
Long-term deposits refunded	-	736,250
	<b>(258,970,207)</b>	<b>(282,825,083)</b>
<b>Net cash from operating activities</b>	<b>(192,410,819)</b>	<b>444,639,399</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	8,629,310	1,075,000
Addition in property plant and equipment	(458,420,554)	(132,244,360)
Dividend received	5,945,800	8,918,700
<b>Net cash used in investing activities</b>	<b>(443,845,444)</b>	<b>(122,250,660)</b>
<b>Cash flows from financing activities</b>		
Proceed from long term finance	432,341,451	-
Proceeds from finance lease	-	7,002,900
Payment of long-term financing	(82,736,190)	(168,100,000)
Payment of obligation under finance lease	(4,726,321)	(3,787,997)
Increase / (decrease) in short-term borrowings	388,500,000	(84,840,854)
Dividend paid	(49,676,799)	(74,421,497)
<b>Net cash from financing activities</b>	<b>683,702,141</b>	<b>(324,147,448)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>47,445,878</b>	<b>(1,758,709)</b>
<b>Cash and cash equivalent at the beginning of year</b>	<b>35,981,200</b>	<b>37,739,909</b>
<b>Cash and cash equivalent at the end of year</b>	<b>83,427,078</b>	<b>35,981,200</b>

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

Bilal Sharif  
Chief Executive

Mohammad Salim  
Director

Karachi:  
Dated: 19<sup>th</sup> September, 2013

# FAISAL SPINNING MILLS LIMITED



## Statement of Changes in Equity For The Year Ended 30<sup>th</sup> June 2013

	Share Capital Rupees	Reserves			Unappropriated Profit Rupees	Total Rupees
		Capital Reserves Rupees	General Reserves Rupees	Total		
<b>Balance as at 30th June, 2011</b>	100,000,000	24,150,000	1,775,850,000	1,800,000,000	139,064,820	2,039,064,820
Final dividend for the year ended June 30, 2011 PKR. 7.5 per share	-	-	-	-	(75,000,000)	(75,000,000)
Profit for the year	-	-	-	-	298,997,452	298,997,452
Transferred to general reserve	-	-	300,000,000	300,000,000	(300,000,000)	-
<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)
Profit for the year	-	-	-	-	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>	<b>100,000,000</b>	<b>24,150,000</b>	<b>2,775,850,000</b>	<b>2,800,000,000</b>	<b>111,294,191</b>	<b>3,011,294,191</b>

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

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

Karachi:  
Dated: 19<sup>th</sup> September, 2013

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### 1 The Company and its Operations

1.1 Faisal Spinning Mills Limited ("the Company") was incorporated on 31st January 1985 as a public limited company in Pakistan under Companies Ordinance, 1984 and is quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is located at Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area Karachi.

1.2 The company is principally engaged in manufacturing and sales of yarn and fabric. The production facilities are located at Nooriabad, District Dadu in the province of Sindh and Feroz Watwan, District Sheikhpura in the province of Punjab.

### 2 Basis of Preparation

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

#### 2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 45 to these financial statements.

#### 2.5 Standards, interpretations and amendments to published approved accounting standards

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

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for the current year.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### Standards, interpretations and amendments

Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

### Description

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. The amendment is effective for annual periods beginning on or after July 01, 2012.

### 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

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment

### Description

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 for annual periods beginning on or after January 01, 2013.

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 standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

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 for annual periods beginning on or after January 01, 2013.

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 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 standard is effective for annual periods beginning on or after January 01, 2014.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

Standards, interpretations and amendments	Description
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	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 for annual periods beginning on or after January 01, 2013.
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	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 for annual periods beginning on or after January 01, 2013.
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	"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 for annual periods beginning on or after January 01, 2013."

**2.5.3** Securities and Exchange Commission of Pakistan through SRO 182(I)/2013 dated 4th March 2013 has amended the requirements of 4th Schedule of the Companies Ordinance 1984. The amendments require some additional disclosure and modification of existing disclosure.

### 3 Summary of Significant Accounting Policies

#### 3.1 Borrowings

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

#### 3.2 Employee benefits

##### Short term employees benefits

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

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

##### Post retirement benefits

##### Defined benefit plans

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

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

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

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.

### 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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

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

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

### Impairment

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

### Leased assets

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

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

### 3.8 Capital work in process

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

### 3.9 Investments

#### Investments in associate - Equity Method

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

### 3.10 Derivative financial instruments

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

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

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

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

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

### Other financial liabilities

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

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### 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.

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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### 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			30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2012
			Rupees	Rupees
<b>Number of shares</b>				
<b>June 30 2013</b>	<b>June 30 2012</b>			
6,300,000	6,300,000	Ordinary shares of Rs. 10 each allotted for consideration'- fully paid in cash	63,000,000	63,000,000
3,700,000	3,700,000	Ordinary shares of Rs 10. each allotted as bonus shares	37,000,000	37,000,000
<u>10,000,000</u>	<u>10,000,000</u>		<u>100,000,000</u>	<u>100,000,000</u>

5.1 Associated company holds 1,282,900 (2012: 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 2013	30 <sup>th</sup> June 2012
		Rupees	Rupees	Rupees	Rupees
6.01	Citi Bank - Term Finance Loan	20,195,000	-	20,195,000	30,295,000
6.02	Bank of Punjab - Term Finance Loan	-	-	-	17,517,690
6.03	United Bank Limited - Term Finance Loan	95,724,000	-	95,724,000	127,628,000
6.04	United Bank Limited - Term Finance Loan	1,740,000	-	1,740,000	2,320,000

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	LTFF Loans Rupees	Non LTFF Loans Rupees	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
6.05 United Bank Limited - Term Finance Loan	53,792,000	-	53,792,000	71,720,000
6.06 Bank Al Habib Limited - Term Finance Loan	14,119,500	-	14,119,500	18,826,000
6.07 United Bank Limited - Term Finance Loan	-	129,000,000	129,000,000	-
6.08 United Bank Limited - Term Finance Loan	-	95,547,851	95,547,851	-
6.09 United Bank Limited - Term Finance Loan	-	126,493,600	126,493,600	-
6.10 United Bank Limited - Term Finance Loan	81,300,000	-	81,300,000	-
	<u>266,870,500</u>	<u>351,041,451</u>	<u>617,911,951</u>	<u>268,306,690</u>
<b>Less: Current Maturity</b>				
6.01 Citi Bank - Term Finance Loan	20,195,000	-	20,195,000	10,100,000
6.02 Bank of Punjab - Term Finance Loan	-	-	-	17,517,690
6.03 United Bank Limited - Term Finance Loan	39,880,000	-	39,880,000	39,880,000
6.04 United Bank Limited - Term Finance Loan	725,000	-	725,000	725,000
6.05 United Bank Limited - Term Finance Loan	17,928,000	-	17,928,000	17,928,000
6.06 Bank Al Habib Limited - Term Finance Loan	4,706,500	-	4,706,500	4,706,500
	<u>83,434,500</u>	<u>-</u>	<u>83,434,500</u>	<u>90,857,190</u>
<b>Total Term Finance Loan Payable</b>	<u>183,436,000</u>	<u>351,041,451</u>	<u>534,477,451</u>	<u>177,449,500</u>

	Security	Repayment	Markup on LTF	Markup on Non LTF
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% (2012: 6%)	-
6.02	First pari passu charge over fixed assets of Weaving Unit at Sheikhpura for PKR 387 million.	The loan is repayable in ten equal semi annual installments, commencing from December 23, 2007.	7% (2012: 7%)	Three month KIBOR plus 2% (2012: Three month KIBOR plus 2%)
6.03	First pari passu charge over plant and machinery of Weaving Unit situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhpura, to the extent of PKR 334.0 million.	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2012: 11.1%)	-
6.04	Covered under securities for term finance 6.03	The loan is repayable in sixteen equal quarterly installments, commencing from June 30, 2012.	11.1% (2012: 11.1%)	-
6.05	Covered under securities for term finance 6.03	The loan is repayable in sixteen equal quarterly installments, commencing from August 25, 2012.	11.1% (2012: 11.1%)	-
6.06	Specific hypothecation charge of Rupees 26 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% (2012: 11.1%)	-
6.07	First pari passu charge over plant and machinery of Spinning Unit situated at A - 150, SITE Nooriabad, Sindh, to the extent of PKR 800.0 million.	The loan is repayable in twelve equal quarterly installments, commencing from 14th September, 2014.	-	Three month KIBOR plus 0.75%

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	Security	Repayment	Markup on LTFF	Markup on Non LTFF
6.08	Covered under securities for term finance 6.07	The loan is repayable in twelve equal quarterly installments, commencing from 20th September, 2014.	-	Three month KIBOR plus 0.75%
6.09	Covered under securities for term finance 6.07	The loan is repayable in twelve equal quarterly installments, commencing from 24th September, 2014.	-	Three month KIBOR plus 0.75%
6.10	Covered under securities for term finance 6.03	The loan is repayable in sixteen equal quarterly installments, commencing from 14th September, 2014.	9.4%	-
			<b>30<sup>th</sup>June 2013</b>	<b>30<sup>th</sup>June 2012</b>
			<b>Rupees</b>	<b>Rupees</b>
<b>7</b>	<b>Obligation Under Finance Lease</b>			
	Minimum lease payments			
	Up to one year		2,287,302	5,653,052
	More than one year but less than five years		2,295,959	4,926,460
			4,583,261	10,579,512
	Financial charges not yet due			
	Up to one year		(300,474)	(947,082)
	More than one year but less than five years		(72,991)	(696,313)
			(373,465)	(1,643,395)
	Present value of minimum lease payments			
	Up to one year		1,986,828	4,705,970
	More than one year but less than five years		2,222,968	4,230,147
			4,209,796	8,936,117
	Current portion shown under current liabilities		1,986,828	4,705,970
	<b>Present value of total minimum lease payments payable later than one year but not later than 5 years</b>		<u>2,222,968</u>	<u>4,230,147</u>
<b>7.1</b>	This represents finance lease entered into with a banking institution for lease of vehicles. Markup is payable on three to six month KIBOR + 1.25% to 1.5% on monthly rental basis for a period of 36 months. The lease agreement contains purchase bargain option. Taxes, repairs, replacement and insurance costs are borne by the company. This is secured against the leased assets.			
<b>8</b>	<b>Infra Structure Fee Payable</b>		<u>19,782,149</u>	<u>12,550,081</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 20.305 Million (June 30, 2012: PKR 12.555 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

		30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
<b>9 Deferred Liability</b>			
Employee benefits	9.2	<b>79,050,611</b>	64,851,460
		<b>79,050,611</b>	64,851,460

**9.1** The company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income.

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

Balance at beginning of year		<b>64,851,460</b>	59,293,795
Charged to profit and loss account	9.2.1	<b>25,304,482</b>	19,681,349
Benefits paid during the year		<b>(11,105,331)</b>	(14,123,684)
Balance at the end of the year		<b>79,050,611</b>	<b>64,851,460</b>

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

Current service cost		<b>13,517,433</b>	10,356,615
Interest cost		<b>5,403,710</b>	6,412,882
Actuarial loss / (gain) recognized during the year		<b>6,383,339</b>	2,911,852
Net amount chargeable to profit and loss account		<b>25,304,482</b>	<b>19,681,349</b>

**9.2.2** Actuarial valuation has been carried out internally by the management of the company as at June 30, 2013 using the "Projected Unit Credit Method" assuming a discount rate of 9% (June 30, 2012 : 12%) per annum, expected rate of increase in salaries at 9% (June 30, 2012 : 12%) per annum.

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

#### 9.2.4 Historical information

	Actuarial adjustment arising (%)	Present value of defined benefit obligation Rupees	Experience adjustment on plan liabilities Rupees
30th June 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
30th June 2009	5.92%	42,853,660	2,535,990

**9.2.5** The expected gratuity expense for the year ending 30th June 2014 is work out to PKR 28,458,220.

## 10 Trade and Other Payable

Creditors		218,265,793	261,003,111
Accrued liabilities		151,012,593	155,905,995
Workers' profit participation fund	10.1	42,324,511	17,160,078
Unclaimed dividend		3,317,021	2,993,820
Others		1,500,773	524,386
		<b>416,420,691</b>	<b>437,587,390</b>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2012
	Rupees	Rupees
<b>10.1 Workers' profit participation fund</b>		
Balance at beginning of year	17,160,078	33,876,524
Interest on funds utilized in the Company's business 10.2	1,175,500	2,917,116
	<u>18,335,578</u>	<u>36,793,640</u>
Paid during the year	(18,335,578)	(36,793,640)
Allocation / expense for the year	42,324,511	17,160,078
	<u>42,324,511</u>	<u>17,160,078</u>
<b>10.2</b> Interest on workers' profit participation fund has been provided @ 37.5% (June 30, 2012: 56.25%) per annum.		
<b>11 Mark-up accrued on :</b>		
- long-term financing	6,449,878	7,299,826
- short-term borrowings	6,449,465	5,713,098
	<u>12,899,343</u>	<u>13,012,924</u>
<b>12 Short Term Borrowings</b>		
<b>From banking companies-secured</b>		
Short term money market loan	<u>929,000,000</u>	<u>540,500,000</u>
<b>12.1</b> The aggregate approved short term borrowing facilities amounted to PKR 4,820.0 Million (2012: PKR 4,620.0 Million).		
<b>12.2</b> These facilities are subject to mark-up ranging from 1 to 6 month KIBOR + spread between 0.1% to 2.5% (2012: 1 to 3 month KIBOR + spread between 0.3 to 3%) per annum payable quarterly. These facilities are secured against hypothecation charge on stock, stores and receivables.		
<b>13 Current Portion of Long Term Financing</b>		
Long term loans	83,434,500	90,857,190
Obligations under finance lease	1,986,828	4,705,970
	<u>85,421,328</u>	<u>95,563,160</u>
<b>14 Contingencies and Commitments</b>		
<b>Contingencies</b>		
<b>14.1</b> In normal course of business, the Company has issued indemnity bonds amounting to PKR 46.968 Million (June 30, 2012 : PKR 46.968 Million) and post dated cheques amounting to PKR 82.463 Million (2012: PKR 14.704 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.		
<b>14.2</b> Bank guarantee issued to Sui Southern Gas Company Limited on behalf of the company PKR 35.439 Million (June 30, 2012: PKR 35.439 million) and to Sui Northern Pipeline Company Limited amounting to PKR 39.073 Million (2012: PKR 39.073 million).		
<b>14.3</b> The Company has not provided the provision for Workers' Welfare Fund of Rs. 17,175,436 in the financial statements for the year ended 30th June 2013 as the Company has challenged the decision of the High Court of Sindh in Supreme Court of Pakistan. The petition No. B-280 K of 2013 of the Company has been admitted by the Supreme Court. The Company received favorable opinion from its legal advisor and as such no provision was made. Honorable Supreme Court has already allowed the Civil Petition No. 198/K and others and has issued following orders on the levy of Workers' Welfare Fund. Amendment through Finance Act. 2006 and 2008 and to determination whether Workers' Welfare Fund is a tax or fee. "The leave to appeal is granted to these also on the same points as noted above". The outcome of civil appeal filed by the Company will be accounted for on the basis of decision by the Honorable Supreme Court of Pakistan.		

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### Commitments

Letters of credit for: (Raw material, stores & machinery)  
Civil works

	30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2012
	Rupees	Rupees
Letters of credit for: (Raw material, stores & machinery)	435,333,160	18,157,880
Civil works	100,000,000	4,000,000
	<u>535,333,160</u>	<u>22,157,880</u>

### 15 Property, plant and equipment

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)			
	<u>3,064,323,849</u>	<u>127,982,562</u>	<u>(17,365,972)</u>	<u>3,174,940,439</u>	<u>1,637,509,489</u>	<u>153,344,486</u>	<u>(14,953,107)</u>	<u>1,775,900,868</u>	<u>1,399,039,571</u>	

### ASSETS SUBJECT TO FINANCE LEASE:

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

Description	COST				DEPRECIATION				Book value as at June 30, 2012	Rate
	As at July 01, 2011	Additions / (disposals)	Transfers	As at June 30, 2012	As at July 01, 2011	Charge For the year	Transfers / (disposal)	As at June 30, 2012		
	Rupees									
Freehold land	23,879,028	-	-	23,879,028	-	-	-	-	23,879,028	-
Leasehold land	2,994,885	-	-	2,994,885	-	-	-	-	2,994,885	-
Factory building on freehold land	230,709,146	-	-	230,709,146	135,240,760	9,546,839	-	144,787,599	85,921,547	10
Factory building on leasehold land	81,785,248	-	-	81,785,248	60,662,229	2,112,302	-	62,774,531	19,010,717	10
factory building on Leasehold extension	47,534,953	-	-	47,534,953	22,672,347	2,484,928	-	25,157,275	22,377,678	10
Non factory building on freehold land	80,546,365	10,655,647	-	91,202,012	27,399,585	2,968,129	-	30,367,714	60,834,298	5
Non factory building on leasehold land	26,956,055	-	-	26,956,055	13,158,793	353,050	-	13,511,843	13,444,212	5
Non factory building on Leasehold extension	14,786,333	-	-	14,786,333	4,780,972	837,747	-	5,618,719	9,167,614	5
Plant and machinery	2,237,291,801	52,296,876	-	2,289,588,677	1,084,346,489	116,165,674	-	1,200,512,163	1,089,076,514	10
Electric equipment and fitting	74,407,671	-	-	74,407,671	34,270,712	3,539,425	-	37,810,137	36,597,534	10
Gas line and pipe fitting	7,943,179	-	-	7,943,179	3,846,911	409,627	-	4,256,538	3,686,641	10
Factory equipment	16,137,880	-	-	16,137,880	9,682,294	728,714	-	10,411,008	5,726,872	10
Office equipment	2,478,707	-	-	2,478,707	1,493,938	54,256	-	1,548,194	930,513	10
Furniture and fixtures	7,204,422	-	-	7,204,422	4,401,340	280,308	-	4,681,648	2,522,774	10
Equipment and other assets	107,758,110	13,591,581	-	121,349,691	64,528,294	17,638,124	-	82,166,418	39,183,273	Three years
Vehicles	25,128,202	3,623,110	(3,385,350)	25,365,962	14,271,362	2,723,636	(3,089,296)	13,905,702	11,460,260	20
	<u>2,987,541,985</u>	<u>80,167,214</u>	<u>(3,385,350)</u>	<u>3,064,323,849</u>	<u>1,480,756,026</u>	<u>159,842,759</u>	<u>(3,089,296)</u>	<u>1,637,509,489</u>	<u>1,426,814,360</u>	

### ASSETS SUBJECT TO FINANCE LEASE:

Vehicle	9,499,460	7,002,900	-	16,502,360	2,527,662	1,394,360	-	3,922,022	12,580,338	20
	<u>9,499,460</u>	<u>7,002,900</u>	<u>-</u>	<u>16,502,360</u>	<u>2,527,662</u>	<u>1,394,360</u>	<u>-</u>	<u>3,922,022</u>	<u>12,580,338</u>	
<b>2012</b>	<b><u>2,997,041,445</u></b>	<b><u>87,170,114</u></b>	<b><u>(3,385,350)</u></b>	<b><u>3,080,826,209</u></b>	<b><u>1,483,283,688</u></b>	<b><u>161,237,119</u></b>	<b><u>(3,089,296)</u></b>	<b><u>1,641,431,511</u></b>	<b><u>1,439,394,698</u></b>	

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

15.1 Equipment and other assets includes assets amounting to PKR 99,950,299 (2012: PKR 15,546,289) which has been fully depreciated.

		Year ended June 30 2013	Year ended June 30 2012
	Note	.....Rupees.....	
15.2 The depreciation charge for the year has been allocated as follows:			
<b>Cost of sales</b>	<b>29</b>	148,748,796	156,761,036
<b>Administrative expenses</b>	<b>32</b>	6,276,386	4,476,083
		<u>155,025,182</u>	<u>161,237,119</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

#### Plant and machinery

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

#### Vehicles

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.
<b>30-Jun-13</b>	<u>26,865,432</u>	<u>18,875,129</u>	<u>7,990,303</u>	<u>8,629,310</u>	<u>639,007</u>		

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

#### Vehicles

Suzuki Alto - AES-164	474,890	413,940	60,950	350,000	289,050	Negotiation	UBL Insurers Limited
Toyota Hilux - CK-9024	839,380	774,263	65,117	200,000	134,883	Negotiation	Mr. Saeed Ahmed Khan, House No. 28, Scheme 40, Qasba Metro Vill, Orangi Town, Mongapir Road, Karachi
Nissan Van - CD-4628	302,700	299,548	3,152	100,000	96,848	Negotiation	Mr. Muhammad Naeem, Sector 6, Mongapir Qasba, Islamia Goth, Karachi
Suzuki Alto - AEG-928	476,090	429,922	46,168	125,000	78,832	Negotiation	Mr. Muhammad Ikram, House No. N-750, Korangi No. 3.5, Karachi
Suzuki Alto - AES-930	563,290	486,979	76,311	200,000	123,689	Negotiation	Mr. Akram, N-750, Korangi no. 3 1/2, Karachi
Suzuki Baleno - XO-4933	729,000	684,644	44,356	100,000	55,644	Negotiation	Mr. Qaiser Iqbal, E-55/15, Bilal Town, Bedian Road, Lahore Cantt, Lahore.
<b>30-Jun-12</b>	<u>3,385,350</u>	<u>3,089,296</u>	<u>296,054</u>	<u>1,075,000</u>	<u>778,946</u>		

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
<b>16 Capital Work in Progress</b>		
Building and other civil works	66,712,728	18,000,827
Plant and machinery	257,883,289	-
Electric installation	28,798,310	28,672,820
Other - Stores for capitalization	23,717,312	-
	<u>377,111,639</u>	<u>46,673,647</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>447,639,881</u>	<u>380,628,631</u>
Cost of investment	11,891,600	11,891,600
Accumulated share of post acquisition profit - net of dividends received	368,737,031	325,282,015
Share of profit for the year	72,957,050	52,373,716
Dividend received during the year	(5,945,800)	(8,918,700)
	<u>435,748,281</u>	<u>368,737,031</u>
	<u>447,639,881</u>	<u>380,628,631</u>
<b>17.1 Summarized financial information of Blessed Textiles Limited is set out below:</b>		
Total assets	4,149,521,741	3,260,530,551
Total liabilities	1,728,300,278	1,201,763,559
Net assets	<u>2,421,221,463</u>	<u>2,058,766,992</u>
Company's share of associate's net assets	<u>447,639,881</u>	<u>380,628,631</u>
Sales- net	<u>5,765,769,907</u>	<u>5,447,990,694</u>
Profit for the year	<u>394,614,471</u>	<u>283,282,099</u>
Company's share of associate's profit for the year	<u>72,957,050</u>	<u>52,373,716</u>
<b>17.2 Market value per share</b>	<u>118.00</u>	<u>77.44</u>
Percentage of holding	<u>18.49%</u>	<u>18.49%</u>
<b>18 Long Term Deposits</b>		
Security deposits	5,021,395	5,021,395
Others deposits	11,800	11,800
	<u>5,033,195</u>	<u>5,033,195</u>
<b>19 Stores, Spare Parts and Loose Tools</b>		
Stores, spare parts and loose tools	63,345,298	58,126,658
Chemicals and lubricants	8,623,124	6,712,216
Packing material	7,782,234	10,984,020
	<u>79,750,656</u>	<u>75,822,894</u>
Provision for slow moving store items	(1,080,488)	-
	<u>78,670,168</u>	<u>75,822,894</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2012
	Rupees	Rupees
<b>19.1 Provision for slow moving items comprises;</b>		
Balance at the beginning of the year	-	-
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>-</u>
<b>20 Stock in Trade</b>		
Raw material	1,700,842,910	777,186,425
Raw material in transit	53,178,866	95,015,648
Work in process	77,154,693	93,522,659
Finished goods	252,953,041	218,203,919
Waste	5,169,786	5,964,392
	<u>2,089,299,296</u>	<u>1,189,893,043</u>
<b>20.1</b> No item of stock in trade is pledged as security as at the reporting date.		
<b>21 Trade Debts</b>		
Considered good		
Foreign secured through letters of credit	221,334,532	98,221,384
Local : unsecured	175,819,326	221,019,859
	<u>397,153,858</u>	<u>319,241,243</u>
Considered doubtful:		
Export	14,204,494	14,204,494
Local	50,057,560	51,022,674
	64,262,054	65,227,168
Provision for doubtful debts	<b>21.1</b> (64,262,054)	(65,227,168)
	<u>397,153,858</u>	<u>319,241,243</u>
<b>21.1</b> The movement of the provision of doubtful receivable is as follow		
Balance at the beginning of the year	65,227,167	29,018,724
Bad debts recovered during the year	(965,113)	-
Bad debts provided during the year	-	36,208,443
Balance at the ended of the year	<u>64,262,054</u>	<u>65,227,167</u>
<b>22 Loans And Advances</b>		
Advances to suppliers - unsecured; considered good	55,520,644	2,185,496
Advances to employees	4,706,749	3,156,249
Letters of credit	580,454	4,371,085
Security deposit	-	1,372,350
Others	181,242	51,470
	<u>60,989,089</u>	<u>11,136,650</u>
<b>22.1</b> The movement of the provision of doubtful receivable is as follow		
Balance at the beginning of the year	-	3,400,000
Bad debts recovered during the year	-	(3,400,000)
Bad debts provided during the year	-	-
Balance at the ended of the year	<u>-</u>	<u>-</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
<b>23 Trade Deposits and Prepayments</b>		
Deposit against infrastructure fee payable	20,310,509	12,561,570
Trade deposit	1,845,000	-
Prepaid expenses	630,311	1,024,628
	<u>22,785,820</u>	<u>13,586,198</u>
<b>23.1</b> Effective mark up rate on these deposits range from 7% to 9% per annum (June 30, 2012: 8% to 9.5% per annum).		
<b>24 Other Receivables</b>		
Quality claim and other receivables	5,409,752	2,964,932
	<u>5,409,752</u>	<u>2,964,932</u>
<b>25 Income Tax Refundable</b>		
Advance income tax	92,812,835	80,128,747
Income tax refundable	31,344,548	29,198,307
	124,157,383	109,327,054
Provision for taxation	(76,967,268)	(77,386,662)
	<u>47,190,115</u>	<u>31,940,392</u>
<b>26 Sales Tax Refundable</b>		
Sales tax refundable	71,497,066	56,510,211
Excise duty and federal excise duty refundable	4,606,427	3,513,410
Provision for doubtful excise duty and federal excise duty refundable	(4,606,427)	(3,513,410)
	-	-
	<u>71,497,066</u>	<u>56,510,211</u>
<b>27 Bank Balances</b>		
Balances with banks in:		
Current accounts	-	33,550,098
Foreign currency accounts	-	22,933,499
Deposit accounts	27.1	9,526,221
	40,350,759	12,258,305
	<u>83,427,078</u>	<u>789,396</u>
	<u>83,427,078</u>	<u>35,981,200</u>
<b>27.1</b> This represents deposit made in term deposit held for a period of three months mark-up is 6.30% (June 30, 2012: 8% to 11.5%) per annum.		
<b>28 Sales - Net</b>		
Export		
Yarn	3,814,525,027	3,261,269,362
Fabric	3,573,118,765	3,465,331,614
Waste	32,803,475	31,909,601
	7,420,447,267	6,758,510,577
Export rebate	2,691,198	168,889
	<u>7,423,138,465</u>	<u>6,758,679,466</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
Local		
Yarn	44,201,949	78,295,894
Fabric	933,084,714	591,427,849
Cotton	-	80,988,703
Waste and others	107,716,603	123,333,301
	<u>1,085,003,266</u>	<u>874,045,747</u>
Gross sales	8,508,141,731	7,632,725,213
Duties, commission and brokerage		
Discount on sales	(18,329)	-
Sales tax	(19,335,938)	-
	<u>(19,354,267)</u>	-
	<u>8,488,787,464</u>	<u>7,632,725,213</u>

**28.1** Export sales include PKR 1,921,206,750 (2012: PKR 1,735,258,188) in respect of indirect export sales.

**28.2** Export sales include exchange gain of PKR 111,223,570 (2012: PKR 130,879,079).

### 29 Cost of Sales

Raw material consumed	29.1	5,842,315,966	5,236,815,869
Packing material consumed		83,270,436	76,930,940
Stores and spare parts consumed		157,121,432	132,146,433
Yarn and fabric processing charges		5,659,187	12,513,002
Salaries, wages and benefits	29.2	354,911,725	290,616,415
Fuel, power and water		507,216,999	530,597,279
Electricity duty		1,395,951	1,396,632
Insurance		18,695,898	13,855,149
Repair and maintenance		13,001,601	10,641,549
Rent, rates and taxes		853,817	585,755
Travelling, conveyance and entertainment		838,798	938,277
Vehicle running expenses		6,820,756	6,799,196
Communication		498,828	555,398
Fee and subscription		113,750	45,806
Depreciation	15.2	148,748,796	156,761,036
Provision for slow moving store items		1,080,488	-
Others		1,943,533	1,091,921
		<u>7,144,487,961</u>	<u>6,472,290,657</u>
Work in process			
Opening stock		93,522,659	103,566,533
Closing stock		(77,154,693)	(93,522,659)
		<u>16,367,966</u>	<u>10,043,874</u>
Cost of goods manufactured		<u>7,160,855,927</u>	<u>6,482,334,531</u>
Cost of cotton sold	29.3	-	80,969,061
Finished stocks			

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

	30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2012
	Rupees	Rupees
Opening stock	224,168,311	360,484,498
Finished goods purchased	29,176,641	4,839,928
Yarn and waste purchased	46,040,965	67,799,961
Closing stock	(258,122,827)	(224,168,311)
	<u>41,263,090</u>	<u>208,956,076</u>
	<u>7,202,119,017</u>	<u>6,772,259,668</u>
<b>29.1 Raw material consumed</b>		
Opening stock	872,202,073	798,799,282
Purchases	6,765,263,903	5,441,387,034
Raw material sold - cotton	-	(78,885,073)
Raw material sold - yarn	(41,128,234)	(52,283,301)
Closing stock	(1,754,021,776)	(872,202,073)
	<u>5,842,315,966</u>	<u>5,236,815,869</u>
<b>29.2</b> Salaries, wages and benefits includes employees retirement benefits amounting to PKR 22,231,167 ( June 30, 2012: PKR 16,609,512).		
<b>29.3 Cost of cotton sold</b>		
Cost of purchase	-	78,885,073
Salaries, wages and other benefits	-	58,240
Loading and unloading	-	7,854
Insurance	-	147,880
Finance cost	-	1,870,014
	<u>-</u>	<u>80,969,061</u>
<b>30 Other Income</b>		
<b>Income from financial assets</b>		
Interest on bank deposits	1,840,273	1,181,253
<b>Income from assets other than financial assets</b>		
Gain on disposal of property, plant and equipment	15.3 639,007	778,946
Exchange gain/(loss) on foreign currency translation	467,414	837,332
Bad debts recovered	2,570,319	3,400,000
	<u>5,517,013</u>	<u>6,197,531</u>
<b>31 Distribution Cost</b>		
<b>Export</b>		
Steamer and air freight	78,695,912	76,903,542
Trailer freight	23,086,100	22,158,003
Clearing and forwarding	16,077,324	14,821,187
Export development surcharge	13,284,037	12,169,783
Commission	57,672,126	88,627,682
Sales promotion expenses	12,590,288	6,524,507
Insurance expenses	2,603,612	3,865,410
Claim settlement	-	1,789,547
Other export expenses	2,699,499	2,354,001
	<u>206,708,898</u>	<u>229,213,662</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

		30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
<b>Local</b>			
Freight on local sales		7,644,584	7,019,760
Commission		17,771,894	15,909,075
Quality claim		141,174	1,066,084
Others		154,825	111,169
		<u>25,712,477</u>	<u>24,106,088</u>
		<u>232,421,375</u>	<u>253,319,750</u>
<b>32 Administrative Cost</b>			
Directors' remuneration		5,160,000	1,920,000
Staff salaries and benefits	32.1	24,470,627	24,877,328
Traveling, conveyance and entertainment		4,845,257	5,902,127
Printing and stationery		1,498,958	1,326,849
Communication expenses		1,078,067	1,294,617
Vehicles running and maintenance		4,481,578	3,752,604
Legal and professional		1,228,439	936,156
Auditors' remuneration	32.2	1,390,200	1,267,000
Fee and subscription		1,821,316	2,191,411
Repair and maintenance		-	288,050
Rent, rates and taxes		863,604	120,000
Depreciation	15.2	6,276,386	4,476,083
Charity and donation		1,125,000	900,000
Inadmissible input		-	127,244
Bad debts expenses		2,698,222	36,208,443
Software license renewal and maintenance fee		2,162,752	-
Others		562,727	853,643
		<u>59,663,133</u>	<u>86,441,555</u>
<b>32.1</b>	Staff salaries and benefits includes employee retirement benefits amounting to PKR 3,073,315 (June 30, 2012: PKR 3,056,957).		
<b>32.2 Auditors' remuneration</b>			
Annual statutory audit		1,210,000	1,100,000
Half yearly review		145,200	132,000
Review of Code of Corporate Governance		35,000	35,000
		<u>1,390,200</u>	<u>1,267,000</u>
<b>33 Other Operating Expenses</b>			
Workers' Profit Participation Fund	10.1	42,324,511	17,160,078
Workers' Welfare Fund	14.3	-	-
		<u>42,324,511</u>	<u>17,160,078</u>
<b>34 Finance Cost</b>			
Mark-up on:			
- long term financing		25,574,746	33,484,611
- short term borrowings		101,914,852	120,851,642
- finance lease		744,296	712,865
- workers' profit participation fund		1,175,500	2,917,116
Letter of credit discounting		23,709,177	27,102,832
Bank charges and commission		1,667,662	1,548,252
		<u>154,786,233</u>	<u>186,617,318</u>

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### 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 2012. Tax credit under Section 65 B of Income Tax Ordinance 2001 amounting to PKR 9,181,175 (June 2012: PKR Nil) 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.

	2013	2012
<b>35.3 Numerical reconciliation between the average tax rate and the applicable tax rate</b>	<b>%</b>	<b>%</b>
Applicable tax rate	35.00	35.00
<b>Tax effect of amounts that are:</b>		
adjustment of the prior years	0.11	(0.18)
income chargeable to tax at different rate	(17.43)	(10.00)
tax credit	(1.05)	-
inadmissible expense / (non taxable income)	(7.85)	(4.29)
Effective tax rate	<b>8.78</b>	<b>20.53</b>

### 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	798,231,919	298,997,452
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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>79.82</b>	<b>29.90</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 19th September 2013 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 30,		Year ended June 30,	
	2013	2012	2013	2012
			<b>PKR</b>	
Remuneration	2,280,000	960,000	2,880,000	960,000
Allowances	-	-	-	-
	2,280,000	960,000	2,880,000	960,000
Number of persons	1	1	2	1

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

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	2013	2012
		Rupees	Rupees
Associated undertaking	Sales of cotton	-	80,988,703
	Sales of fabric	8,986,534	53,386,537
	Sales of machinery, stores, spare parts and loose tools	6,728,000	3,123,938
	Sales of yarn	128,013,409	82,903,268
	Purchase of yarn	663,953,228	683,595,096
	Purchase of fabrics	219,997	1,700,499
	Services received	5,337,204	8,480,160
	Dividend received	5,945,800	8,918,700
	Electricity purchased	84,653,966	160,403,723
Retirement benefits	Provision for gratuity	25,304,482	19,681,349
Key management	Remuneration	5,160,000	1,920,000
Balance with related parties		20,000	20,000

### 40 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2013 is as follows

#### 40.1 Operating Results

Note	Spinning		Weaving		Power Generation		Company	
	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12
<b>Sales</b>								
Export sales	3,834,387,947	3,264,397,575	3,586,059,320	3,494,113,002	-	-	7,420,447,267	6,758,510,577
Local sales	106,864,628	241,309,823	978,138,638	630,677,924	-	2,058,000	1,085,003,266	874,045,747
Custom rebate	466	511	2,690,732	168,378	-	-	2,691,198	168,889
Inter-segment sales	63,383,200	140,469,362	-	-	346,383,560	305,549,449	409,766,760	446,018,811
	4,004,636,241	3,646,177,271	4,566,888,690	4,124,959,304	346,383,560	307,607,449	8,917,908,491	8,078,744,024
Discount and sales tax								
Discount	(18,329)	-	-	-	-	-	(18,329)	-
Sales tax	(3,122,654)	-	(16,213,284)	-	-	-	(19,335,938)	-
	(3,140,983)	-	(16,213,284)	-	-	-	(19,354,267)	-
Net sales	4,001,495,258	3,646,177,271	4,550,675,406	4,124,959,304	346,383,560	307,607,449	8,898,554,224	8,078,744,024
Cost of sales	3,189,336,606	2,996,827,354	4,141,738,414	3,955,472,213	279,730,269	265,978,912	7,610,805,289	7,218,278,479
Gross profit	812,158,652	649,349,917	408,936,992	169,487,091	66,653,291	41,628,537	1,287,748,935	860,465,545
Distribution cost	124,550,201	112,958,932	107,871,174	140,360,818	-	-	232,421,375	253,319,750
Administrative cost	35,988,573	24,747,504	23,522,629	61,672,277	151,931	21,774	59,663,133	86,441,555
	160,538,774	137,706,436	131,393,803	202,033,095	151,931	21,774	292,084,508	339,761,305
<b>Operating result</b>	<b>651,619,878</b>	<b>511,643,481</b>	<b>277,543,189</b>	<b>(32,546,004)</b>	<b>66,501,360</b>	<b>41,606,763</b>	<b>995,664,427</b>	<b>520,704,240</b>
<b>40.2 Segment assets</b>	2,604,276,629	1,488,741,372	1,783,883,468	1,513,316,525	110,737,869	120,075,038	4,498,897,966	3,122,132,935
<b>Unallocated assets</b>							591,670,766	486,673,999
							5,090,568,732	3,608,806,934
<b>40.3 Segment liabilities</b>	1,491,851,730	446,369,161	613,831,601	914,915,425	27,459,308	46,302,837	2,133,142,639	1,407,587,423
<b>Unallocated liabilities</b>							23,099,170	15,543,901
							2,156,241,809	1,423,131,324

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

<b>30<sup>th</sup>June 2013</b>	<b>30<sup>th</sup>June 2012</b>
<b>Rupees</b>	<b>Rupees</b>

### 41 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities

#### 41.1 Turnover

Total turnover for reportable segments	8,898,554,224	8,078,744,024
Elimination of inter-segment turnover	(409,766,760)	(446,018,811)
Total turnover	<u>8,488,787,464</u>	<u>7,632,725,213</u>

#### 41.2 Cost of sales

Total cost of sales for reportable segments	7,611,885,777	7,218,278,479
Elimination of inter-segment revenue	(409,766,760)	(446,018,811)
Total cost of sales	<u>7,202,119,017</u>	<u>6,772,259,668</u>

#### 41.3 Assets

Total assets for reportable segments	4,498,897,966	3,122,132,935
Taxation recoverable	118,687,181	88,450,603
Bank deposits	20,310,509	12,561,570
Long term investment	447,639,881	380,628,631
Long term deposit	5,033,195	5,033,195
Total assets	<u>5,090,568,732</u>	<u>3,608,806,934</u>

#### 41.4 Liabilities

Total liabilities for reportable segments	2,133,142,639	1,407,587,423
Unclaimed dividends	3,317,021	2,993,820
Infrastructure fee	19,782,149	12,550,081
Sponsor loan	-	-
Total liabilities	<u>2,156,241,809</u>	<u>1,423,131,324</u>

	Note	Spinning		Weaving		Power Generation		Company	
		Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12
<b>42 Cost of sales</b>									
Raw material consumed	42.1	2,576,984,973	2,320,468,352	3,328,714,193	3,056,816,879	-	-	5,905,699,166	5,377,285,231
Packing material consumed		67,816,436	63,224,776	15,454,000	13,706,164	-	-	83,270,436	76,930,940
Stores and spare parts		28,248,540	23,373,331	106,836,517	91,678,895	22,036,375	17,094,207	157,121,432	132,146,433
Cost of cotton sold	42.2	-	80,969,061	-	-	-	-	-	80,969,061
Yarn and fabric processing charges		5,013,412	6,480,000	645,775	6,033,002	-	-	5,659,187	12,513,002
Salaries, wages and benefits		179,196,875	154,754,200	168,798,141	130,496,025	6,916,709	5,366,190	354,911,725	290,616,415
Fuel, power and water									
Inter-segment		245,741,464	199,105,933	100,642,096	106,443,516	-	-	346,383,560	305,549,449
Other		30,800,229	27,362,540	245,689,908	279,886,147	230,726,862	223,348,592	507,216,999	530,597,279
		276,541,693	226,468,473	346,332,004	386,329,663	230,726,862	223,348,592	853,600,559	836,146,728
Electricity duty		-	-	-	-	1,395,951	1,396,632	1,395,951	1,396,632
Insurance		10,056,984	6,243,713	4,305,590	3,171,187	4,333,324	4,440,249	18,695,898	13,855,149
Repair and maintenance		5,360,161	5,335,823	5,323,076	4,171,097	2,318,364	1,134,629	13,001,601	10,641,549
Rent, rates and taxes		724,847	505,915	128,970	79,840	-	-	853,817	585,755
Travelling, conveyance and entertainment		392,110	513,007	223,878	166,399	222,810	258,871	838,798	938,277
Vehicle running expenses		4,852,736	4,786,637	1,849,862	1,919,096	118,158	93,463	6,820,756	6,799,196
Communication		101,061	123,465	378,403	419,712	19,364	12,221	498,828	555,398
Fee and subscription		35,900	10,000	77,850	35,806	-	-	113,750	45,806
Depreciation		53,100,395	51,223,980	84,030,906	92,712,284	11,617,495	12,824,772	148,748,796	156,761,036
Provision for slow moving store item		1,080,488	-	-	-	-	-	1,080,488	-
Others		-	-	1,918,676	1,082,835	24,857	9,086	1,943,533	1,091,921
		<u>3,209,506,611</u>	<u>2,944,480,733</u>	<u>4,065,017,841</u>	<u>3,788,818,884</u>	<u>279,730,269</u>	<u>265,978,912</u>	<u>7,554,254,721</u>	<u>6,999,278,529</u>

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

Note	Spinning		Weaving		Power Generation		Company	
	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12
Work in process								
Opening stock	13,659,032	19,612,149	79,863,627	83,954,384	-	-	93,522,659	103,566,533
Closing stock	(18,141,488)	(13,659,032)	(59,013,205)	(79,863,627)	-	-	(77,154,693)	(93,522,659)
	(4,482,456)	5,953,117	20,850,422	4,090,757	-	-	16,367,966	10,043,874
Cost of goods manufactured	3,205,024,155	2,950,433,850	4,085,868,263	3,792,909,641	279,730,269	265,978,912	7,570,622,687	7,009,322,403
Finished stocks								
Opening stock	56,508,906	87,385,750	167,659,405	273,098,748	-	-	224,168,311	360,484,498
Finished goods purchased	-	-	29,176,641	4,839,928	-	-	29,176,641	4,839,928
Yarn purchased	4,912,731	15,516,660	41,128,234	52,283,301	-	-	46,040,965	67,799,961
Closing stock	(76,028,698)	(56,508,906)	(182,094,129)	(167,659,405)	-	-	(258,122,827)	(224,168,311)
	(14,607,061)	46,393,504	55,870,151	162,562,572	-	-	41,263,090	208,956,076
	3,190,417,094	2,996,827,354	4,141,738,414	3,955,472,213	279,730,269	265,978,912	7,611,885,777	7,218,278,479
<b>42.1 Raw material consumed</b>								
Opening stock	734,875,314	614,204,429	137,326,759	184,594,853	-	-	872,202,073	798,799,282
Purchases								
Inter-segment	-	-	63,383,200	140,469,362	-	-	63,383,200	140,469,362
Other	3,317,726,032	2,520,024,310	3,447,537,871	2,921,362,724	-	-	6,765,263,903	5,441,387,034
	3,317,726,032	2,520,024,310	3,510,921,071	3,061,832,086	-	-	6,828,647,103	5,581,856,396
Raw material sold - cotton	-	(78,885,073)	-	-	-	-	-	(78,885,073)
Raw material sold - yarn	-	-	(41,128,234)	(52,283,301)	-	-	(41,128,234)	(52,283,301)
Closing stock	(1,475,616,373)	(734,875,314)	(278,405,403)	(137,326,759)	-	-	(1,754,021,776)	(872,202,073)
	2,576,984,973	2,320,468,352	3,328,714,193	3,056,816,879	-	-	5,905,699,166	5,377,285,231
<b>42.2 Cost of cotton sold</b>								
Cost of purchase	-	78,885,073	-	-	-	-	-	78,885,073
Salaries, wages and other benefits	-	58,240	-	-	-	-	-	58,240
Loading and unloading	-	7,854	-	-	-	-	-	7,854
Insurance	-	147,880	-	-	-	-	-	147,880
Finance cost	-	1,870,014	-	-	-	-	-	1,870,014
	-	80,969,061	-	-	-	-	-	80,969,061
<b>43 Distribution cost</b>								
<b>Export</b>								
Steamer and air freight	42,405,191	34,448,893	36,290,721	42,454,649	-	-	78,695,912	76,903,542
Trailer freight	10,787,620	9,069,080	12,298,480	13,088,923	-	-	23,086,100	22,158,003
Clearing and forwarding	7,642,403	6,487,788	8,434,921	8,333,399	-	-	16,077,324	14,821,187
Export development surcharge	8,307,489	7,137,211	4,976,548	5,032,572	-	-	13,284,037	12,169,783
Sales promotion expenses	1,607,447	1,973,212	10,982,841	4,551,295	-	-	12,590,288	6,524,507
Adhesive stamps	-	-	2,603,612	3,865,410	-	-	2,603,612	3,865,410
Commission	45,686,986	43,842,555	11,985,140	44,785,127	-	-	57,672,126	88,627,682
Claim settlement	-	854,818	-	934,729	-	-	-	1,789,547
Other export expenses	680,520	765,060	2,018,979	1,588,941	-	-	2,699,499	2,354,001
	117,117,656	104,578,617	89,591,242	124,635,045	-	-	206,708,898	229,213,662
<b>Local</b>								
Freight on local sales	6,575,313	6,273,459	1,069,271	746,301	-	-	7,644,584	7,019,760
Commission	857,232	2,106,856	16,914,662	13,802,219	-	-	17,771,894	15,909,075
Advertisement expenses	-	-	-	-	-	-	-	-
Quality claim	-	-	141,174	1,066,084	-	-	141,174	1,066,084
Others	-	-	154,825	111,169	-	-	154,825	111,169
	7,432,545	8,380,315	18,279,932	15,725,773	-	-	25,712,477	24,106,088
	124,550,201	112,958,932	107,871,174	140,360,818	-	-	232,421,375	253,319,750
<b>44 Administrative cost</b>								
Directors' remuneration	5,160,000	1,920,000	-	-	-	-	5,160,000	1,920,000
Staff salaries and benefits	15,530,890	15,251,107	8,939,737	9,626,221	-	-	24,470,627	24,877,328
Traveling, conveyance and entertainment	510,979	589,727	4,334,278	5,312,400	-	-	4,845,257	5,902,127
Printing and stationery	303,559	340,845	1,195,399	984,054	-	1,950	1,498,958	1,326,849
Communication expenses	343,684	381,561	734,383	913,056	-	-	1,078,067	1,294,617
Vehicles running and maintenance	1,255,400	1,070,314	3,226,178	2,682,290	-	-	4,481,578	3,752,604
Legal and professional	794,956	419,056	327,100	517,100	106,383	-	1,228,439	936,156

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

Note	Spinning		Weaving		Power Generation		Company	
	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12
Auditors' remuneration	695,100	633,500	695,100	633,500	-	-	1,390,200	1,267,000
Fee and subscription	1,148,718	1,279,390	672,598	912,021	-	-	1,821,316	2,191,411
Repair and maintenance	-	288,050	-	-	-	-	-	288,050
Rent, rates and taxes	863,604	120,000	-	-	-	-	863,604	120,000
Office expenses	-	-	-	-	-	-	-	-
Depreciation	3,845,439	2,206,737	2,415,399	2,252,071	15,548	17,275	6,276,386	4,476,083
Charity and donation	750,000	200,000	375,000	700,000	-	-	1,125,000	900,000
Inadmissible input	-	21,104	-	106,140	-	-	-	127,244
Bad debts expenses	2,598,992	-	99,230	36,208,443	-	-	2,698,222	36,208,443
Software license renewal and maintenance fee	2,162,752	-	-	-	-	-	2,162,752	-
Others	24,500	26,113	508,227	824,981	30,000	2,549	562,727	853,643
	<u>35,988,573</u>	<u>24,747,504</u>	<u>23,522,629</u>	<u>61,672,277</u>	<u>151,931</u>	<u>21,774</u>	<u>59,663,133</u>	<u>86,441,555</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, 2013 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

### Long-term deposits

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

### Non-current liabilities

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

	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	40,350,759	-	40,350,759	43,076,319	-	43,076,319	83,427,078	6.3
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>60,661,268</u>	<u>-</u>	<u>60,661,268</u>	<u>509,104,329</u>	<u>452,673,076</u>	<u>961,777,405</u>	<u>1,022,438,673</u>	
<b>Financial liabilities</b>								
Long-term financing	85,421,328	536,700,419	622,121,747	-	-	-	622,121,747	6 to 11.1 and KIBOR+ 0.75 to 2
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>(996,084,571)</u>	<u>(536,700,419)</u>	<u>(1,532,784,990)</u>	<u>122,108,806</u>	<u>452,673,076</u>	<u>574,781,882</u>	<u>(958,003,108)</u>	

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### Contingencies

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

2012

	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	-	-	-	319,241,243	-	319,241,243	319,241,243	
Loans and advances	-	-	-	11,136,650	-	11,136,650	11,136,650	
Trade deposits	12,561,570	-	12,561,570	1,024,628	-	1,024,628	13,586,198	5 to 9
Other receivables	-	-	-	2,964,932	-	2,964,932	2,964,932	
Bank balances	-	-	-	35,981,200	-	35,981,200	35,981,200	
Long-term deposits	-	-	-	-	5,033,195	5,033,195	5,033,195	
Long term investments	-	-	-	-	380,628,631	380,628,631	380,628,631	
	<u>12,561,570</u>	<u>-</u>	<u>12,561,570</u>	<u>370,348,653</u>	<u>385,661,826</u>	<u>756,010,479</u>	<u>768,572,049</u>	
<b>Financial liabilities</b>								
Long-term financing	95,563,160	181,679,647	277,242,807	-	-	-	277,242,807	6 to 11.1 and KIBOR + 0.75 to 2
Trade and other payables	17,160,078	-	17,160,078	420,427,312	-	420,427,312	437,587,390	
Mark-up accrued on loans	-	-	-	13,012,924	-	13,012,924	13,012,924	
Short-term borrowings	540,500,000	-	540,500,000	-	-	-	540,500,000	KIBOR + 0.3 to 3
	<u>653,223,238</u>	<u>181,679,647</u>	<u>834,902,885</u>	<u>433,440,236</u>	<u>-</u>	<u>433,440,236</u>	<u>1,268,343,121</u>	
<b>On balance sheet gap</b>	<u>(640,661,668)</u>	<u>(181,679,647)</u>	<u>(822,341,315)</u>	<u>(63,091,583)</u>	<u>385,661,826</u>	<u>322,570,243</u>	<u>(499,771,072)</u>	

### 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 1,020,870,870 (June 30, 2012: PKR 768,572,049), unsecured local trade debts, advances to suppliers, and other advances amounting in aggregate to PKR 463,586,971 (June 30, 2012: PKR 333,342,825) 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, 2013, the total foreign currency risk exposure was PKR 230,860,753 (June 30, 2012: PKR 110,479,689) 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."

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### 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:

	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	5,033,195	5,033,195
Trade receivables	397,153,858	319,241,243
Deposit with financial institutions	22,785,820	13,586,198
Other receivables	5,409,752	2,964,932
Cash at banks	83,427,078	35,981,200
	513,809,703	376,806,768
Available for sale financial assets	-	-
	<u>513,809,703</u>	<u>376,806,768</u>

#### 45.6.2 Concentration of credit risk

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

Domestic	175,819,326	221,019,859
Europe	22,052,326	-
United States of America	-	-
Asia and Middle East	186,943,912	98,221,384
Africa	12,338,294	-
Other regions	-	-
	<u>397,153,858</u>	<u>319,241,243</u>

#### 45.6.3 Impairment losses

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

Not past due	397,153,858	319,241,243
Past dues less than one year	-	-
Past dues more than one year but less than three years	36,208,443	36,208,443
Past dues more than three years	28,053,611	29,018,725
	<u>461,415,912</u>	<u>384,468,411</u>

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

As at beginning of the year	65,227,168	29,018,724
Impairment loss recognized	-	36,208,443
Impairment loss reversed	(965,113)	-
As at end of the year	<u>64,262,055</u>	<u>65,227,167</u>

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.

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

### 45.7 Liquidity risk

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

	As at June 30, 2013				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Long term finances	617,911,951	758,284,012	143,025,133	615,258,880	-
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>2,242,230,456</u>	<u>1,604,893,469</u>	<u>637,336,988</u>	<u>-</u>

	As at June 30, 2012				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Long term finances	268,306,690	325,070,643	116,431,936	208,638,707	-
Liabilities against assets subject to finance lease	8,936,117	10,579,512	5,653,052	4,926,460	-
Long term payables	12,550,081	12,550,081	-	12,550,081	-
Short term borrowings	540,500,000	599,414,500	599,414,500	-	-
Mark-up accrued on borrowings	13,012,924	13,012,924	13,012,924	-	-
Trade creditors	261,003,111	261,003,111	261,003,111	-	-
Accrued liabilities	155,905,995	155,905,995	155,905,995	-	-
Unclaimed dividend	2,993,820	2,993,820	2,993,820	-	-
Other payables	17,684,464	17,684,464	17,684,464	-	-
	<u>1,280,893,202</u>	<u>1,398,215,050</u>	<u>1,172,099,802</u>	<u>226,115,248</u>	<u>-</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:

	30 <sup>th</sup> June 2013 Rupees	30 <sup>th</sup> June 2012 Rupees
Trade receivables	221,334,532	98,221,384
Cash and cash equivalents	40,350,759	789,396
Total exposure	<u>261,685,291</u>	<u>99,010,780</u>

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

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 99.25 / USD (2012: PKR 89.64 / USD and PKR 94.40 / USD) respectively. Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 96.32 / USD (2012: PKR 91.63 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 26,168,529 (2012: PKR 9,822,138). 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:

	<b>30<sup>th</sup> June 2013</b>	<b>30<sup>th</sup> June 2012</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Fixed rate instruments</b>		
Financial assets	<b>40,350,759</b>	-
Financial liabilities	<b>266,870,500</b>	268,306,690
<b>Variable rate instruments</b>		
Financial assets	<b>20,310,509</b>	12,561,570
Financial liabilities	<b>1,284,251,247</b>	549,436,117

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 12,842,512 (2012: PKR 5,480,638). 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.

### 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."

# FAISAL SPINNING MILLS LIMITED



## Notes to the financial statements For the year ended 30<sup>th</sup> June 2013

47 PLANT CAPACITY AND ACTUAL PRODUCTION	2013	2012
<b>47.1 Spinning unit</b>		
Number of spindles installed	30,720	30,720
Number of spindles worked (Average)	30,720	30,720
Number of working days	365	365
Number of shifts per day	3	3
Installed capacity in kilograms, after conversion into 20/s count (based on actual number of working days)	11,434,172	11,434,172
Actual production of yarn in kilograms, (based on actual number of working days)	13,231,677	12,291,733
<b>47.2 Weaving unit</b>		
Number of looms installed	277	263
Number of looms worked	263	263
Number of working days	365	365
Number of shifts per day	3	3
Installed capacity in meters, after conversion into 50 picks (based on number of actual working days)	41,237,155	41,237,155
Actual production of fabric in meters, after conversion into 50 picks (based on number of actual working days)	31,489,829	31,585,583

**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 19<sup>th</sup> September 2013 .

49 NUMBER OF EMPLOYEES	2013	2012
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. Significant reclassifications made is as following:

From	TO	Nature	Amount
Income tax and sales tax refundable	Income tax refundable		31,940,392
	Sales tax refundable		56,510,211
<b>Cash and bank balance</b>			
Deposit account	Foreign currency account		12,258,305

## 51 GENERAL

The figures have been rounded off to the nearest Rupee.

Karachi:  
Dated: 19<sup>th</sup> September, 2013

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

## Year wise Operating Data

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

	2013	2012	2011	2010	2009	2008
<b>Spinning Unit</b>						
Spindle installed	30,720	30,720	30,720	30,720	30,720	30,720
Spindle worked	30,720	30,720	30,720	30,720	30,720	30,720
Installed capacity after conversion in to 20/s count (Kgs)	11,434,172	11,434,172	11,434,172	11,434,172	11,434,172	11,434,172
Actual production after conversion in to 20/s count (Kgs)	12,291,733	12,291,733	12,110,907	11,554,389	11,004,531	11,364,457
<b>Weaving Unit</b>						
Air jet looms installed	277	263	263	243	243	243
Air jet looms worked	263	263	263	243	243	243
Installed capacity after conversion into 50 picks - (meters)	41,237,155	41,237,155	41,237,155	41,107,384	41,107,384	41,107,384
Actual production after conversion into 50 picks - (meters)	31,489,829	31,585,583	39,542,809	43,814,538	41,891,009	43,702,051

## Year wise Financial Data

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

	2013	2012	2011	2010	2009	2008
	<b>Rupees in Thousands</b>					
Fixed assets	1,404,361	1,439,395	1,513,757	1,340,343	1,461,869	1,603,499
Investments and long term deposits	452,673,076	385,662	342,943	238,988	162,538	151,018
Current assets	2,856,422	1,737,076	1,733,161	1,291,859	1,206,600	1,287,177
Shareholders equity	3,011,294	2,263,062	2,039,064	1,430,510	1,035,380	977,520
Long term liabilities	536,700	181,680	263,194	121,716	380,445	494,053
Deferred liabilities	79,050	64,851	59,293	70,108	82,108	65,300
Current liabilities	1,433,741	1,086,663	1,218,842	1,193,096	1,243,806	1,425,326
Turnover (Net)	8,488,787	7,632,725	9,137,111	5,230,637	4,271,909	3,677,037
Gross profit	1,286,668	860,465	1,248,952	875,473	445,258	372,063
Operating profit	957,776	509,742	867,386	575,885	345,760	284,242
Financial charges	154,786	186,617	223,733	211,118	264,679	188,532
Share profit of associate	72,957	52,374	112,704	78,301	13,051	11,948
Profit before tax	875,947	375,498	756,358	434,381	94,132	107,658
Profit after tax	798,232	298,997	658,553	402,630	65,360	59,605
Cash Dividend	50,000	75,000	50,000	7,500	7,500	10,000
Transfer to reserves	700,000	300,000	550,000	400,000	10,000	100,000
Profit carried forward	111,294	63,062	139,064	80,510	85,380	37,520

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
193	1	100	10,421
363	101	500	174,700
38	501	1000	38,000
58	1001	5000	152,199
13	5001	10000	92,737
5	10001	15000	61,200
2	15001	20000	35,500
2	25001	30000	57,692
3	30001	35000	99,192
1	35001	40000	36,000
3	45001	50000	148,077
1	50001	55000	55,000
1	85001	90000	88,000
2	95001	100000	194,923
1	105001	110000	109,500
1	125001	130000	129,231
1	135001	140000	136,919
1	195001	200000	199,055
1	200001	205000	200,380
1	210001	215000	211,500
1	220001	225000	222,700
1	230001	235000	235,000
1	235001	240000	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>709</u>			<u>10,000,000</u>

\* There is no shareholding in the slab not mentioned

**CATEGORIES OF SHAREHOLDERS  
AS AT JUNE 30, 2013**

<b>SR #</b>	<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NUMBERS OF SHAREHOLDERS</b>	<b>SHARES HELD</b>	<b>PERCENTAGE %</b>
1	Directors Chief Executive Officer their spouse and minor children	20	4,701,922	47.01
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	2	7,600	0.08
5	Insurance Company	1	222,700	2.23
6	Modarabas & Mutual Funds	1	2,600	0.03
7	General Public / Individuals	667	794,000	7.94
8	Other Companies	3	47,500	
9	Joint Stock Companies	2	7,000	0.07
		<b>709</b>	<b>10,000,000</b>	<b>100</b>

# FAISAL SPINNING MILLS LIMITED



AS AT JUNE 30, 2013

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
	Master Umer Khurram	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
	SME Bank Limited	0.04	4,000
	State Life Insurance Corporation of Pakistan	2.23	222,700
	First Tri-star Modaraba	0.03	2,600

# FAISAL SPINNING MILLS LIMITED



AS AT JUNE 30, 2013

Sr #	Shareholder Category	Percentage	No. of Shares
<b>5</b>	<b>JOINT STOCK COMPANIES</b>		
	ACE Securities (Pvt.) Limited	0.01	1,000
	Sherman Securities (Pvt.) Limited	0.06	6,000
<b>6</b>	<b>OTHER COMPANIES</b>	0.48	47,500
<b>7</b>	<b>INDIVIDUAL SHAREHOLDERS</b>	7.94	794,000
	<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>Mrs. Anjum Begum gifted shares to her grandsons</b>		
	Master Abdullah Bilal	0.65	64,700
	Master Azaan Bilal	3.37	337,362
	Master Ali Bilal	3.37	337,361
<b>9</b>	<b>SHAREHOLDERS HOLDING 5% OR MORE</b>		
	Admiral (Private) Limited	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

## Board of Directors Meetings

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

Directors	2012	2013			Total
	24 <sup>th</sup> Oct	28 <sup>th</sup> Feb	30 <sup>th</sup> April	19 <sup>th</sup> Sept	
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	3/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Mohammad Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Iqbal Mehboob	-	★	★	★	3/3
Total	8/8	9/9	9/9	9/9	35/35

## Audit Committee Meetings

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

Directors	2012	2013			Total
	17 <sup>th</sup> Oct	21 <sup>st</sup> Feb	23 <sup>rd</sup> April	12 <sup>th</sup> Sept	
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	-	-	-	1/1
Mr. Khurram Salim	★	-	-	-	1/1
Mr. Iqbal Mehboob	-	★	★	★	3/3
Mr. Mohammad Amin	-	★	★	★	3/3
Total	3/3	3/3	3/3	3/3	12/12

**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 29<sup>th</sup> Annual General Meeting of the Company to be held on  
Tuesday 22<sup>nd</sup> October, 2013 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.

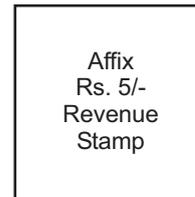
WITNESS

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

CNIC/Passport # \_\_\_\_\_



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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

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)