



*of Companies*  
**33<sup>rd</sup> Annual Report 2017**

**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<br>Mr. Khurrum Salim<br>Mr. Mohammad Amin<br>Mr. Adil Shakeel<br>Mr. Mohammad Salim<br>Mr. Mohammad Sharif<br>Mr. Mohammad Shaheen<br>Mr. Hamza Shakeel<br>Mr. Iqbal Mehboob   | Chief Executive / Director<br>Non Executive Director<br>Non Executive Director<br>Non Executive Director<br>Non Executive Director / Chairman<br>Executive Director<br>Non Executive Director<br>Non Executive Director<br>Independent Director |
| Chief Financial Officer                   | Mr. Anwar Hussain, FCA  |   |
| Company Secretary                         | Asim Mirza, ACMA, CPA(Aust)   |   |
| Audit Committee                           | Mr. Iqbal Mehboob<br>Mr. Mohammad Amin<br>Mr. Adil Shakeel  | Chairman<br>Member<br>Member  |
| Human Resource and Remuneration Committee | Mr. Mohammad Shaheen<br>Mr. Mohammad Amin<br>Mr. Hamza Shakeel  | Chairman<br>Member<br>Member  |
| Auditors                                  | M/s Mushatq and Company<br>Chartered Accountants<br>407, Commerce Centre,<br>Hasrat Mohani Road, Karachi  |   |
| Legal Advisor                             | Mr. Shahid Pervaiz Jami   |   |
| Bankers                                   | Bank Alfalah Limited<br>Dubai Islamic Bank<br>Habib Bank Limited<br>MCB Bank Limited<br>Meezan Bank Limited<br>Samba Bank Limited<br>Standard Chartered Bank (Pakistan) Limited<br>United Bank Limited  |   |
| Share Registrar                           | Hameed Majeed Associates (Private) Limited<br>5 <sup>th</sup> Floor Karachi Chamber, Karachi  |   |
| Registered Office                         | Umer House, 23/1, Sector 23, S. M. Farooq Road,<br>Korangi Industrial Area, Karachi, Pakistan<br>Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3<br>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<br>Gulberg - II, Lahore, Pakistan<br>Tel : 042 111 130 130 ; Fax: 042 -35770015<br>Email: lhroff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>           |   |
| Mills At:                                 | Spinning Unit is situated at:<br>A-150, SITE Nooriabad, Sindh Tel : 025 4670002<br>Weaving Unit is situated at:<br>18 - KM, Sheikhpura Faisalabad Road, Feroz Watwan,<br>Sheikhpura, Punjab. Tel: 056 3731446-7   |   |



# FAISAL SPINNING MILLS LIMITED *of Companies*

## NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 33rd Annual General Meeting of the members of **Faisal Spinning Mills Limited** will be held on Friday 27th October 2017 at 5:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 28th October 2016.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2017 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 172.50% (i.e. PKR 17.25 per share) for the year ended 30th June, 2017, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2017-2018 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(By the order of the Board)

### Karachi:

Date: 27<sup>th</sup> September 2017

**Asim Mirza**  
Company Secretary

### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 21st October 2017 to 27th October, 2017 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 19th October 2017 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2017.
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.



# FAISAL SPINNING MILLS LIMITED

## NOTICE OF THE ANNUAL GENERAL MEETING

6. Section 242 of Companies Act 2017 which states that, "Any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders". In compliance of section 242 SECP issued a circular CLD/CCD/PR(11)/2017 No.18/2017 dated 1-Aug-17 requiring listed companies to obtain electronic dividend mandate from the Shareholders.

In this regard we request all registered shareholders to provide the bank details in order to credit their cash dividends directly to their bank account, if declared. Also provide us verification of bank detail with your concern bank and submit to in case of book-entry securities in CDS, to CDS participants and in case of physical securities to the Company's Share Registrar.

7. In compliance of section 244 of Companies Act 2017 and SECP circular No. CLD/CCD/PR(11)/2017 Direction No.16 of 2017 dated 7-July -2017 regarding dividends, shares or modaraba certificates remains unclaimed or unpaid for a period of three years from the date it is due or payable shall be vested with Federal Government after complying the requirements of Companies Act 2017.

In this regard, the said shareholders are requested to approach the Company Registered Office or Share Registrar Office with regard to any unclaimed dividend, shares or modarba certificates.

8. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.
9. Pursuant to Notification vide SRO787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.umergroup.com](http://www.umergroup.com). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.
10. Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as follows:
- For filer of income tax return 15%
  - For non-filers of income tax return 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to Hameed Majeed Associates (Private) Limited, by the first day of Book Closure.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Share Registrar, in writing.



# FAISAL SPINNING MILLS LIMITED of Companies

## CHAIRMAN'S REVIEW REPORT

*Review Report by Chairman on Board's overall performance u/s 192 of Companies Act, 2017.*

As per requirement of Code of Corporate Governance, an annual evaluation of Board of Directors of **Faisal Spinning Mills** is carried out.

The purpose of said appraisal is to evaluate whether the Board as a whole discharged its responsibility diligently in the best interest of shareholders and other stakeholders.

The Board has recently completed its annual self -evaluation for the year ended 30 June, 2017 and I am pleased to report that: The Board has exercised its powers and has performed its duties as envisaged in the repealed Companies Ordinance 1984 (now Companies Act 2017) and the Code of Corporate Governance ("the Code") contained in the Rule Book of Pakistan Stock Exchange (the Rule Book) where the Company is Listed.

The Board during the year ended 30 June, 2017 played effective role in managing the affairs of the company in the following manner;

- The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as laid down in Code of Corporate Governance. Moreover, Board ensured that members of the Board and its respective committees has adequate skill experience and knowledge to manage the affairs of the Company;
- The Board has formed an Audit and Human Resource and Remuneration Committee and has approved their respective Terms of References (ToR) and has assigned adequate resources so that the committees are able to perform their responsibilities diligently in line with the expectation of Board.
- The Board has developed and put in place the rigorous mechanisms for an annual evaluation of Boards own performance and that of its committees and individual directors. The findings of the annual evaluation are assessed and re-evaluated by the Board periodically so that areas where improvements are required are duly considered and action plans are framed.
- The Board has ensured that the directors are provided with orientation courses to enable them to perform their duties in an effective manner and directors on the Board have already taken certification under Directors Training Program and the remaining directors meet the qualification and experience criteria of the Code;
- The Board has ensured that the meetings of the Board and that of its committee were held with the requisite quorum, all the decision making were taken through Board resolution and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;
- The Board remain updated with respect to achievement of Company's objectives, goals, strategies and financial performance through review of reports from management, internal auditors and other consultants as a result the Board the was able to provide effective leadership to company;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured the hiring, evaluation and compensation of Chief Executive and other Key Executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that sound system of internal controls are in place and appropriateness and effectiveness of same is considered by internal auditors on regular basis;

Based on aforementioned it can reasonably be argued that Board of Faisal Spinning Mills has played instrumental role in ensuring that corporate objectives are achieved in line with the expectation of shareholders and other important stakeholders.

Karachi:  
Date: September 27<sup>th</sup>, 2017

  
Mohammad Salim  
Chairman



# FAISAL SPINNING MILLS LIMITED

## Directors' Report

We, the Board of Directors' of Faisal Spinning Mills Limited are pleased to present our report on audited financial statements of Company together with auditors' report thereon for the year ended 30th June, 2017.

### Operational Results

The Operational results are here as under

|   | <u>2017</u>               | <u>2016</u>               |
|---|---------------------------|---------------------------|
|   | <u>Rupees</u>             | <u>Rupees</u>             |
| Sales                                       | 1,0563,662,932            | 9,281,954,560             |
| Gross profit                                | 1,046,981,508             | 675,979,290               |
| Profit before taxation                      | <u>494,493,662</u>        | <u>177,970,350</u>        |
| Taxation                                    |                           |                           |
| Current year                                | 44,726,258                | -                         |
| Prior year                                  | -                         | (3,167,649)               |
| Deferred                                    | 18,773,532                | 11,923,781                |
|   | <u>63,499,790</u>         | <u>8,756,132</u>          |
| <b>Profit after taxation</b>                | <b><u>430,993,832</u></b> | <b><u>169,214,218</u></b> |
| <b>Basic and diluted earnings per share</b> | <b><u>43.10</u></b>       | <b><u>16.92</u></b>       |

### Review of Operating Results

During the year under review the company achieved sales of PKR10,563.662 million as compared to PKR 9,281.954 million in last year.

The Gross profit as a percentage of sales stood at 9.91% as compared to 7.28% in last year. The increase in gross profit during the current year as compared to corresponding year is due to tight control over production related overhead costs. The company earned profit after tax of PKR 430.993 million during the year ended 30 June, 2017 as compared to profit after tax of PKR169.214million in last year.

### Economic Overview of Textile Sector in Pakistan

Textile industry in Pakistan is considered as backbone of Pakistan's economy for being the largest manufacturing sector. Moreover, textile sector makes huge contribution in foreign exchange earnings but due to prevailing crisis such as power, political instability, law & order situation and governments ignorance in development of comprehensive textile policy- aiming to address various problems faced by said sector, the textile mills are closing resultantly overall exports have declined.

During the year under review Pakistan's textile spinning industry continued to face various business challenges which created bottlenecks in the operations of various functional units.

The year under review has been very challenging year for Pakistan. The Government failed to meet cotton production target set for 2016-2017. The production has been recorded at 10.6 million bales against the set target of 14.1 million; however, the number surpassed the cotton production of 9.7 million bales recorded during the same period of the last fiscal year (2015-16).

### Dividend

The board of directors is pleased to recommend a final cash dividend of 172.5% i.e PKR 17.25 per share in line with the recommendation of Audit Committee for the approval shareholders in forthcoming annual general meeting to be held on 27th of October, 2017.

### Capital Structure & Financing position

The long term borrowing at year end was PKR 1,626.135 million (2016 PKR 1,354.512 million). The company gearing ratio improved during the year as it reduced from 0.59 to 0.47 as of 30th June, 2017. The short term liquidity of company is quite stable as reflected by current ratio of 2.58 as compared to 2.01 in corresponding year. The shareholders fund stood at PKR 4,171.011 million (2016: PKR 3,790.302 million)



# FAISAL SPINNING MILLS LIMITED

## Cash flow Strategy

Our company has an effective Cash Flow Management System in place where by cash inflows are projected and monitored on regular basis. Working capital requirement are generally managed through internal cash generation.

During the current year the company paid long term debt amounting to PKR 123.681 million and raised new debt amounting to PKR 432.055 million.

## Breakup Value & Earning Per Share

The company has shown its firm commitment towards shareholders as reflected through increase in earnings per share of company from PKR 16.92 in the year 2016 to PKR 43.10 in current year. The breakup value of share stood at PKR 417.10 as compare to PKR 379.03 last year.

## Compliance with Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed.

## 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 Pakistan Stock Exchange Limited under instructions from the Securities & Exchange Commission of Pakistan. 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 Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control was sound in design and has been effectively implemented and monitored.
- There were 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 Code of Conduct 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.
- Five directors of the Company had already completed Directors' Training Program (DTP). In addition three directors met the criteria of exemption under Code of Corporate Governance. The DTP is schedule in October '2017 of recently appointed director Mr.Hamza Shakeel who replaced Mr.Mohammad Shakeel.

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 had been adequately disclosed in the annexed audited financial statements.



# FAISAL SPINNING MILLS LIMITED

- No trading in the Company's shares was carried by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children except as disclosed in pattern of shareholding.

## Board and Audit Committee Meetings

The number of board and audit committee meetings held during the year 2016-17 was four. The attendance of the directors and members are as under:

| Name of Directors    | Committees         |          |                    |          |                                 |          |
|----------------------|--------------------|----------|--------------------|----------|---------------------------------|----------|
|                      | Board of Directors |          | Audit              |          | Human Resource and Remuneration |          |
|                      | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend              | Attended |
| Mr. Mohammad Salim   | 4                  | 4        | -                  | -        | -                               | -        |
| Mr. Mohammad Sharif  | 4                  | 4        | -                  | -        | -                               | -        |
| Mr. Mohammad Shaheen | 4                  | 4        | -                  | -        | -                               | -        |
| Mr. Mohammad Shakeel | 2                  | 2        | -                  | -        | -                               | -        |
| Mr. Khurram Salim    | 4                  | 4        | 4                  | 4        | -                               | -        |
| Mr. Bilal Sharif     | 4                  | 4        | -                  | -        | -                               | -        |
| Mr. Mohammad Amin    | 4                  | 4        | 4                  | 4        | 2                               | 2        |
| Mr. Adil Shakeel     | 4                  | 4        | -                  | -        | 2                               | 2        |
| Mr. Hamza Shakeel    | 2                  | 2        |                    |          |                                 |          |
| Mr. Iqbal Mehboob    | 4                  | 4        | 4                  | 4        | 2                               | 2        |

## Audit Committee

The audit committee has established robust internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held at regular intervals in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

## Human Resource and Remuneration Committee

The human resource and remuneration committee has established sound and effective employees' development programme. Human Resource focused on two key areas: improving productivity / efficiency in the Company and enhancing the quality of our workforce.

## 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 & Company, Chartered Accountants and the auditors have issued clean audit report on the financial statements for the year ended 30th June 2017 and clean review report on Statement of Code of Corporate Governance. These reports are attached with the financial statements.

## Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.



# FAISAL SPINNING MILLS LIMITED

## Auditors

The present auditors M/s Mushtaq & Co., Chartered Accountants shall retire on the conclusion of the annual general meeting. Being eligible, they have offered themselves for re-appointment. The audit committee has suggested the appointment of M/s Mushtaq & Co., Chartered Accountants, as external auditor for the year ended 30th June 2018. The external auditors M/s Mushtaq & Co., 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. The Board of Directors also recommended the appointment of M/s Mushtaq & Co., Chartered Accountants, as external auditor for the year ended 30th June 2018.

## Accounting Standards

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

## Material changes and commitments

No material changes and commitments affecting the financial position of the Company have occurred between the end of financial year of the Company to which the balance sheet relates and the date of report of directors' report.

## Health & Safety Policy

Company is committed to the Health and Safety of its employees and to the protection and continuous improvement of the Environment. It staunchly believes in the application of this commitment to its customers, contractors, suppliers and the community in which it operates.

## Corporate Social responsibility

We abide by the philosophy of appropriate marketing and consumer information, respecting workplace and human rights, reducing environmental impact and eager to seek engagement with our stakeholders. We always try to balance their views and align our business decision-making with the reasonable societal expectations of a society.

## Future Outlook of Cotton

The overall performance of textile sectors is contingent upon the quality of cotton crops and cost of other inputs as the same determine competitiveness of our products in the international market. Currently the textile Sector lacks international competitiveness due to higher cost of production as compared to other countries thus remedial measures needs to be taken by government to address the concerns of textile Sector.

Pakistan is slowly emerging from long term power crises, the textile sector was once a booming sector with an employment engine of around 30% of working population is scrambling to find its feet. The high energy costs and decade lost to competitors mean recovery is still far from assured.

However, there have been few positive measures such as mandatory Crop Insurance Policy for cotton, enhancement of cotton-specific loans and availability of 38,000 metric tons seeds of cotton which are likely to improve the dismal state of textile sector in Pakistan.

## Acknowledgement

I am highly indebted to Board of Directors, valued shareholders, customers, bankers, suppliers and other stakeholders for their support, trust and confidence. I also appreciate to all employees for their loyalty, dedication and hard work which enabled the Company to achieve its objectives.

For and on behalf of the Board of Directors

Karachi:  
Date: 27th September 2017

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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



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## REVIEW REPORT TO THE MEMBERS

*On the Statement of Compliance with Best Practices of the Code of Corporate Governance*

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Faisal Spinning Mills Limited** ("the Company") for the year ended June 30, 2017 to comply with the Code contained in regulation No. 5.19 of the Rule book of Pakistan Stock Exchange Limited.

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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and control or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the audit committee and upon recommendation of audit committee, places before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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 respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

**MUSHTAQ & COMPANY**  
Chartered Accountants

**Karachi:**  
Date: 27th September 2017

**Engagement Partner:**  
Zahid Hussain Zahid,  
ACA



# FAISAL SPINNING MILLS LIMITED *of Companies*

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited 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 has applied 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. At present the board includes;

| Category                | Name  |
|-------------------------|---|
| Independent Director    | Mr. Iqbal Mehboob   |
| Executive Directors     | Mr. Bilal Sharif<br>Mr. Mohammad Sharif   |
| Non Executive Directors | Mr. Hamza Shakeel<br>Mr. Khurram Salim<br>Mr. Mohammad Amin<br>Mr. Adil Shakeel<br>Mr. Mohammad Salim<br>Mr. Mohammad Shaheen |

The independent director meets the criteria of independence under clause 5.19.1 (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred on the board by the resignation of Mr.Mohammad Shakeel during the year was duly filed by Mr.Hamza Shakeel.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. 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.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. 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 at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged one training program for its directors during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.



# FAISAL SPINNING MILLS LIMITED

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. 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.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least 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.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/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 exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

**Karachi:**

Date: 27th September 2017

# MUSHTAQ & CO.

## CHARTERED ACCOUNTANTS

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



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### AUDITORS' REPORT TO THE MEMBER

We have audited the annexed Balance Sheet of **Faisal Spinning Mills Limited** ("the Company") as at June 30, 2017 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, 2017 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 the Central Zakat Fund established under section 7 of that Ordinance.

**MUSHTAQ & COMPANY**  
Chartered Accountants

**Karachi:**  
Date: 27th September 2017

**Engagement Partner:**  
Zahid Hussain Zahid,  
ACA

# FAISAL SPINNING MILLS LIMITED

## Balance Sheet As At 30<sup>th</sup> June, 2017

|  | Note | 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|--|------|---|---|
| <b>EQUITY AND LIABILITIES</b>                                |      |   |   |
| <b>SHARE CAPITAL AND RESERVES</b>                            |      |   |   |
| <b>Authorized capital</b>                                    |      |   |   |
| 12,000,000 (2016: 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    | <u>100,000,000</u>                      | 100,000,000                             |
| Reserves   |      | <u>3,890,000,000</u>                    | 3,650,000,000                           |
| Unappropriated profits                                       |      | <u>181,011,828</u>                      | 40,302,285                              |
|  |      | <b>4,171,011,827</b>                    | 3,790,302,285                           |
| <b>NON CURRENT LIABILITIES</b>                               |      |   |   |
| Long-term financing - secured                                | 6    | <u>1,626,135,483</u>                    | 1,354,511,673                           |
|  |      | <b>1,626,135,483</b>                    | 1,354,511,673                           |
| <b>DEFERRED LIABILITIES</b>                                  |      |   |   |
|  | 7    | <b>266,319,321</b>                      | 219,829,831                             |
| <b>CURRENT LIABILITIES</b>                                   |      |   |   |
| Trade and other payables                                     | 8    | <u>920,486,691</u>                      | 751,075,218                             |
| Accrued markup / interest                                    | 9    | <u>18,583,998</u>                       | 13,144,572                              |
| Short-term borrowings - secured                              | 10   | <u>164,039,661</u>                      | 752,995,786                             |
| Current portion of non current liabilities                   | 11   | <u>160,431,324</u>                      | 123,681,061                             |
|  |      | <b>1,263,541,674</b>                    | 1,640,896,637                           |
| <b>CONTINGENCIES AND COMMITMENTS</b>                         |      |   |   |
|  | 12   | -                                       | -                                       |
| <b>TOTAL EQUITY AND LIABILITIES</b>                          |      | <u><b>7,327,008,306</b></u>             | <u><b>7,005,540,426</b></u>             |

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:  
Date: 27th September 2017



**Bilal Sharif**  
Chief Executive

# FAISAL SPINNING MILLS LIMITED of Companies

## Balance Sheet As At 30<sup>th</sup> June, 2017

|                                     | Note | 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|-------------------------------------|------|---|---|
| <b>ASSETS</b>                       |      |   |   |
| <b>NON CURRENT ASSETS</b>           |      |   |   |
| Property, plant and equipment       | 13   | 3,256,739,270                           | 3,196,192,909                           |
| Capital work-in-progress            | 14   | 242,440,194                             | 77,664                                  |
| Long term investment                | 15   | 549,595,876                             | 510,098,368                             |
| Long term deposits                  | 16   | 8,859,135                               | 8,859,135                               |
|                                     |      | <b>4,057,634,476</b>                    | <b>3,715,228,076</b>                    |
| <b>CURRENT ASSETS</b>               |      |   |   |
| Stores, spare parts and loose tools | 17   | 85,731,511                              | 66,536,840                              |
| Stock in trade                      | 18   | 2,010,274,290                           | 1,998,879,799                           |
| Trade debts                         | 19   | 395,871,780                             | 497,572,089                             |
| Loans and advances                  | 20   | 71,488,616                              | 120,980,511                             |
| Trade deposits and prepayments      | 21   | 74,568,804                              | 62,369,077                              |
| Other receivables                   | 22   | 2,594,432                               | 2,594,432                               |
| Income tax refundable               | 23   | 307,380,377                             | 229,282,810                             |
| Sales tax refundable                | 24   | 210,749,047                             | 258,330,159                             |
| Cash and bank balances              | 25   | 110,714,973                             | 53,766,633                              |
|                                     |      | <b>3,269,373,830</b>                    | <b>3,290,312,350</b>                    |
| <b>TOTAL ASSETS</b>                 |      | <b>7,327,008,306</b>                    | <b>7,005,540,426</b>                    |

  
**Mohammad Salim**  
 Director

## Profit and Loss Account For the Year Ended 30<sup>th</sup> June 2017

|   | Note | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|---|------|-------------------------------|-------------------------------|
|   |      | <u>Rupees</u>                 | <u>Rupees</u>                 |
| Sales                                       | 26   | 10,563,662,932                | 9,281,954,560                 |
| Cost of sales                               | 27   | 9,516,681,424                 | 8,605,975,270                 |
| <b>Gross profit</b>                         |      | <b>1,046,981,508</b>          | 675,979,290                   |
| <br>  |      |                               |                               |
| Other income                                | 28   | 1,920,275                     | 28,138,352                    |
|   |      | <u>1,048,901,783</u>          | <u>704,117,642</u>            |
| <br>  |      |                               |                               |
| Distribution cost                           | 29   | 322,323,053                   | 293,399,992                   |
| Administrative expenses                     | 30   | 97,374,868                    | 96,767,491                    |
| Other operating expenses                    | 31   | 25,766,898                    | 12,136,544                    |
| Finance cost                                | 32   | 154,386,651                   | 143,489,676                   |
|   |      | <u>599,851,470</u>            | <u>545,793,703</u>            |
|   |      | <u>449,050,313</u>            | <u>158,323,939</u>            |
| Share of profit from associated undertaking |      | 45,443,308                    | 19,646,411                    |
| <b>Profit before tax</b>                    |      | <b>494,493,621</b>            | 177,970,350                   |
| Provision for taxation                      | 33   |                               |                               |
| Current tax - Current year                  |      | 44,726,258                    | -                             |
| Current tax - Prior year                    |      | -                             | (3,167,649)                   |
| Deferred                                    |      | 18,773,532                    | 11,923,781                    |
|   |      | <u>63,499,790</u>             | <u>8,756,132</u>              |
| <b>Profit after taxation for the year</b>   |      | <b>430,993,831</b>            | <b>169,214,218</b>            |
| <br>  |      |                               |                               |
| Earnings per share - basic and diluted      | 34   | <u>43.10</u>                  | <u>16.92</u>                  |

The annexed notes from 1 to 49 form an integral part of these financial statements.

**Bilal Sharif**  
Chief Executive

**Mohammad Salim**  
Director

Karachi:  
Date: 27th September 2017

**Statement of Comprehensive Income  
For the Year Ended 30<sup>th</sup> June 2017**

|  | <b>30<sup>th</sup>June<br/>2017</b> | <b>30<sup>th</sup>June<br/>2016</b> |
|--|-------------------------------------|-------------------------------------|
|  | <b>Rupees</b>                       | <b>Rupees</b>                       |
| Profit after taxation for the year   | <b>430,993,832</b>                  | 169,214,218                         |
| <b>Other comprehensive income for the year</b>                                       |                                     |                                     |
| <b>Items that will not be reclassified to profit or loss:</b>                        |                                     |                                     |
| Actuarial gain / (loss) on remeasurement of employees retirement benefits - gratuity | <b>(303,538)</b>                    | 7,207,892                           |
| Related deferred tax on remeasurement of employees retirement benefits - gratuity    | <b>19,249</b>                       | (505,788)                           |
|  | <b>(284,289)</b>                    | 6,702,104                           |
| <b>Total comprehensive Income for the year</b>                                       | <b>430,709,543</b>                  | 175,916,322                         |

*The annexed notes from 1 to 49 form an integral part of these financial statements.*



**Bilal Sharif**  
Chief Executive



**Mohammad Salim**  
Director

**Karachi:**

Date: 27th September 2017

## Statement of Changes in Equity For The Year Ended 30<sup>th</sup> June 2017

|   | Share<br>Capital<br>Rupees | Reserves                      |                               |                      | Unappropriated<br>Profit<br>Rupees | Total<br>Rupees      |
|---|----------------------------|-------------------------------|-------------------------------|----------------------|------------------------------------|----------------------|
|   |                            | Capital<br>Reserves<br>Rupees | General<br>Reserves<br>Rupees | Total                |                                    |                      |
| <b>Balance as at 30th June, 2015</b>                                  | 100,000,000                | 24,150,000                    | 3,475,850,000                 | 3,500,000,000        | 64,385,963                         | 3,664,385,963        |
| Final dividend for the year ended<br>June 30, 2015 PKR. 5.0 per share | -                          | -                             | -                             | -                    | (50,000,000)                       | (50,000,000)         |
| Total comprehensive income for<br>the year                            | -                          | -                             | -                             | -                    | 175,916,322                        | 175,916,322          |
| Transferred to general reserve  | -                          | -                             | 150,000,000                   | 150,000,000          | (150,000,000)                      | -                    |
| <b>Balance as at 30th June, 2016</b>                                  | 100,000,000                | 24,150,000                    | 3,625,850,000                 | 3,650,000,000        | 40,302,285                         | 3,790,302,285        |
| Final dividend for the year ended<br>June 30, 2016 PKR. 5.0 per share | -                          | -                             | -                             | -                    | (50,000,000)                       | (50,000,000)         |
| Total comprehensive income<br>for the year                            | -                          | -                             | -                             | -                    | 430,709,543                        | 430,709,543          |
| Transferred to general reserve  | -                          | -                             | 240,000,000                   | 240,000,000          | (240,000,000)                      | -                    |
| <b>Balance as at 30th June, 2017</b>                                  | <b>100,000,000</b>         | <b>24,150,000</b>             | <b>3,865,850,000</b>          | <b>3,890,000,000</b> | <b>181,011,828</b>                 | <b>4,171,011,828</b> |

The annexed notes from 1 to 49 form an integral part of these financial statements.



**Bilal Sharif**  
Chief Executive



**Mohammad Salim**  
Director

**Karachi:**

Date: 27th September 2017

# FAISAL SPINNING MILLS LIMITED

## Cash Flow Statement For The Year Ended 30<sup>th</sup> June 2017

|   | 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|---|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |   |   |
| Profit before tax   | 494,493,622                             | 177,970,350                             |
| <b>Adjustments for:</b>   |   |   |
| Depreciation of property, plant and equipment                   | 339,949,215                             | 300,497,789                             |
| Share of profit from associated undertaking                     | (45,443,309)                            | (19,646,411)                            |
| Provision for bad debts   | 336,623                                 | 656,838                                 |
| Infrastructure fee  | 22,349,295                              | 17,671,209                              |
| Provision for staff retirement benefits - gratuity              | 32,740,228                              | 37,383,888                              |
| (Gain) on disposal of property, plant and equipment             | 1,099,372                               | (26,687,599)                            |
| Finance cost  | 154,386,651                             | 143,489,676                             |
|   | <b>505,418,075</b>                      | <b>453,365,390</b>                      |
| <b>Operating cash flows before movements in working capital</b> | <b>999,911,697</b>                      | <b>631,335,740</b>                      |
| <b>Changes in working capital</b>                               |   |   |
| (Increase) Decrease in stores, spares and loose tools           | (19,194,671)                            | 1,296,665                               |
| (Increase) in stock in trade                                    | (11,394,491)                            | (295,832,848)                           |
| Decrease / (Increase) in trade debts                            | 101,700,309                             | (230,183,646)                           |
| (Increase) in loans and advances                                | 49,491,895                              | (27,178,479)                            |
| (Increase) in trade deposits                                    | (12,199,727)                            | (26,816,700)                            |
| Decrease/ (Increase) in sales tax refund and other receivables  | 47,244,489                              | (178,847,924)                           |
| Increase in trade and other payables                            | 168,919,790                             | 197,746,659                             |
|   | <b>324,567,594</b>                      | <b>(559,816,273)</b>                    |
| <b>Cash generated by operations</b>                             | <b>1,324,479,291</b>                    | <b>71,519,467</b>                       |
| Finance cost paid   | (148,947,225)                           | (142,882,012)                           |
| Staff retirement benefits - gratuity paid                       | (27,657,854)                            | (22,679,816)                            |
| Income taxes paid   | (122,823,827)                           | (88,663,107)                            |
| Long-term deposits refunded                                     | -                                       | -                                       |
|   | <b>(299,428,906)</b>                    | <b>(254,224,935)</b>                    |
| <b>Net cash from operating activities</b>                       | <b>1,025,050,385</b>                    | <b>(182,705,468)</b>                    |

## Cash Flow Statement For The Year Ended 30<sup>th</sup> June 2017

|   | <u>30<sup>th</sup> June<br/>2017<br/>Rupees</u> | <u>30<sup>th</sup> June<br/>2016<br/>Rupees</u> |
|---|---|---|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |   |   |
| Proceeds from disposal of property, plant and equipment           | 86,500,000                                      | 202,404,550                                     |
| Addition in property plant and equipment                          | (730,457,476)                                   | (1,205,586,467)                                 |
| Dividend received   | 5,945,800                                       | 5,945,800                                       |
| <b>Net cash used in investing activities</b>                      | <u>(638,011,676)</u>                            | <u>(997,236,117)</u>                            |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |   |   |
| Proceed from long term finance                                    | 432,055,134                                     | 1,113,624,050                                   |
| Payment of long-term financing                                    | (123,681,061)                                   | (660,683,819)                                   |
| Decrease in short-term borrowings                                 | (588,956,125)                                   | 752,995,786                                     |
| Dividend paid   | (49,508,317)                                    | (49,440,825)                                    |
| <b>Net cash from financing activities</b>                         | <u>(330,090,369)</u>                            | <u>1,156,495,192</u>                            |
| <br><b>Net increase / (decrease) in cash and cash equivalents</b> | <br><b>56,948,340</b>                           | <br><b>(23,446,393)</b>                         |
| <b>Cash and cash equivalent at the beginning of year</b>          | <b>53,766,633</b>                               | <b>77,213,026</b>                               |
| <b>Cash and cash equivalent at the end of year</b>                | <u><b>110,714,973</b></u>                       | <u><b>53,766,633</b></u>                        |

*The annexed notes from 1 to 49 form an integral part of these financial statements.*



**Bilal Sharif**  
Chief Executive



**Mohammad Salim**  
Director

**Karachi:**

Date: 27th September 2017



# FAISAL SPINNING MILLS LIMITED *of Companies*

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

### 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 Pakistan Stock Exchanges Limited. 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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year :

Following standards, amendments and interpretations are effective for the year beginning on or after January 1, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, plant and equipment (effective for periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are highly correlated, or when the intangible asset is expressed as a measure of revenue. The Company's policy is already in line with these amendments.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

- IAS 19, 'Employee Benefits' This amendment as part of Annual improvements 2014 clarifies that when determining the discount rate for post-employment obligation, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The Company's policy is already in line with this change.
- Amendments to IAS 1, 'Presentation of financial statements are made in the context of the IASB's disclosure initiative, which explores how financial statements disclosure can be improved. The amendments provide clarifications on a number of issues, including:
  - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
  - Notes – confirmation that the notes do not need to be presented in a particular order.
  - Disaggregation and subtotals – line items specify in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position and performance.
  - Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.
- The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

### **2.5.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the company**

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2018). IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.
- IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the balance sheet date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.
- Amendments to IAS 12, 'Income taxes' are applicable for annual periods beginning on or after January 1, 2017. The amendment clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have a material impact on the Company's financial statements.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

- Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a material impact on the Company's financial statements.
- There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the company and therefore have not been presented here.

### 3 Summary of Significant Accounting Policies

#### 3.1 Borrowings

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

#### 3.2 Employee benefits

##### Short term employees benefits

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

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

##### Post retirement benefits

##### Defined benefit plans

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

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

Actuarial gains and losses are recognized in comprehensive income 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,

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

### 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.

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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

### 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.

### 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.

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

|                  |  |
|------------------|--|
| 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 realizable value whichever is lower |
| Waste            | Net realizable value   |

Valuation of raw material, work in process and finished goods as on 30<sup>th</sup> June 2016 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.

### 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.



# FAISAL SPINNING MILLS LIMITED

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

### 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

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

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

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

## 4 Capital Management

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

## 5 Issued, Subscribed and Paid up Capital

| Number of shares  |                   |   | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|-------------------|-------------------|---|-------------------------------|-------------------------------|
| June 30<br>2017   | June 30<br>2016   |   | Rupees                        | Rupees                        |
|                   |                   | Ordinary shares of Rs. 10 each                          |                               |                               |
| 6,300,000         | 6,300,000         | 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>            |

# FAISAL SPINNING MILLS LIMITED *of Companies*

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

5.1 Associated company holds 1,282,900 (2016: 1,282,900) ordinary shares of Rs. 10 each in the company.

|   | LTFE<br>Loans<br>Rupees | Non LTFE<br>Loans<br>Rupees | 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|---|-------------------------|-----------------------------|---|---|
| <b>6 Long Term Finances<br/>From Financial Institutions - Secured</b> |                         |                             |   |   |
| 6.01 United Bank Limited - Term Finance Loan                          | 23,761,000              | -                           | 23,761,000                              | 29,041,000                              |
| 6.02 United Bank Limited - Term Finance Loan                          | 41,625,000              | -                           | 41,625,000                              | 41,625,000                              |
| 6.03 United Bank Limited - Term Finance Loan                          | 74,181,000              | -                           | 74,181,000                              | 74,181,000                              |
| 6.04 United Bank Limited - Term Finance Loan                          | 162,972,000             | -                           | 162,972,000                             | 177,789,000                             |
| 6.05 United Bank Limited - Term Finance Loan                          | 234,169,000             | -                           | 234,169,000                             | 255,457,000                             |
| 6.06 United Bank Limited - Term Finance Loan                          | 159,492,000             | -                           | 159,492,000                             | 168,872,000                             |
| 6.07 United Bank Limited - Term Finance Loan                          | 220,434,750             | -                           | 220,434,750                             | 220,434,750                             |
| 6.08 United Bank Limited - Term Finance Loan                          | 45,616,000              | -                           | 45,616,000                              | 45,616,000                              |
| 6.09 United Bank Limited - Term Finance Loan                          | 88,603,000              | -                           | 88,603,000                              | 88,603,000                              |
| 6.10 United Bank Limited - Term Finance Loan                          | 46,577,189              | -                           | 46,577,189                              | -                                       |
| 6.11 United Bank Limited - Term Finance Loan                          | 170,248,662             | -                           | 170,248,662                             | -                                       |
| 6.12 United Bank Limited - Term Finance Loan                          | 13,716,996              | -                           | 13,716,996                              | -                                       |
| 6.13 United Bank Limited - Term Finance Loan                          | 157,078,237             | -                           | 157,078,237                             | -                                       |
| 6.14 United Bank Limited - Term Finance Loan                          | 44,434,050              | -                           | 44,434,050                              | -                                       |
| 6.15 United Bank Limited - Term Finance Loan                          | -                       | 12,308,939                  | 12,308,939                              | 15,825,779                              |
| 6.16 United Bank Limited - Term Finance Loan                          | -                       | 11,616,320                  | 11,616,320                              | 14,714,000                              |
| 6.17 United Bank Limited - Term Finance Loan                          | -                       | 12,990,138                  | 12,990,138                              | 16,454,138                              |
| 6.18 United Bank Limited - Term Finance Loan                          | -                       | 16,983,855                  | 16,983,855                              | 21,229,815                              |
| 6.19 United Bank Limited - Term Finance Loan                          | -                       | 67,738,496                  | 67,738,496                              | 84,673,120                              |
| 6.20 United Bank Limited - Term Finance Loan                          | -                       | 146,104,664                 | 146,104,664                             | 182,630,832                             |
| 6.21 United Bank Limited - Term Finance Loan                          | -                       | 35,915,511                  | 35,915,511                              | 41,046,300                              |
|   | <u>1,482,908,884</u>    | <u>303,657,923</u>          | <u>1,786,566,807</u>                    | <u>1,478,192,734</u>                    |
| <b>Less: Current Maturity</b>   |                         |                             |   |   |
| 6.01 United Bank Limited - Term Finance Loan                          | 5,280,000               | -                           | 5,280,000                               | 5,280,000                               |
| 6.02 United Bank Limited - Term Finance Loan                          | 3,903,000               | -                           | 3,903,000                               | -                                       |
| 6.03 United Bank Limited - Term Finance Loan                          | 6,954,000               | -                           | 6,954,000                               | -                                       |
| 6.04 United Bank Limited - Term Finance Loan                          | 19,756,000              | -                           | 19,756,000                              | 14,817,000                              |
| 6.05 United Bank Limited - Term Finance Loan                          | 28,384,000              | -                           | 28,384,000                              | 21,288,000                              |
| 6.06 United Bank Limited - Term Finance Loan                          | 18,760,000              | -                           | 18,760,000                              | 9,380,000                               |
| 6.07 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.08 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.09 United Bank Limited - Term Finance Loan                          | 2,768,000               | -                           | 2,768,000                               | -                                       |
| 6.10 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.11 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.12 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.13 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.14 United Bank Limited - Term Finance Loan                          | -                       | -                           | -                                       | -                                       |
| 6.15 United Bank Limited - Term Finance Loan                          | -                       | 3,516,840                   | 3,516,840                               | 3,516,840                               |
| 6.16 United Bank Limited - Term Finance Loan                          | -                       | 3,097,680                   | 3,097,680                               | 3,097,680                               |
| 6.17 United Bank Limited - Term Finance Loan                          | -                       | 3,464,000                   | 3,464,000                               | 3,464,000                               |
| 6.18 United Bank Limited - Term Finance Loan                          | -                       | 4,245,960                   | 4,245,960                               | 4,245,960                               |
| 6.19 United Bank Limited - Term Finance Loan                          | -                       | 16,934,624                  | 16,934,624                              | 16,934,624                              |
| 6.20 United Bank Limited - Term Finance Loan                          | -                       | 36,526,168                  | 36,526,168                              | 36,526,168                              |
| 6.21 United Bank Limited - Term Finance Loan                          | -                       | 6,841,052                   | 6,841,052                               | 5,130,789                               |
|   | <u>85,805,000</u>       | <u>74,626,324</u>           | <u>160,431,324</u>                      | <u>123,681,061</u>                      |
| <b>Total Term Finance Loan Payable</b>                                | <u>1,397,103,884</u>    | <u>229,031,599</u>          | <u>1,626,135,483</u>                    | <u>1,354,511,673</u>                    |

# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|      | Security  | Repayment   | Markup on LTFF      | Markup on Non LTFF |
|------|---|---|---------------------|--------------------|
| 6.01 | First pari passu charge over plant and machinery of Weaving Unit situated at 18 Kilometer, Faisalabad Road, Feroz Watwan, District Sheikhupura, to the extent of PKR 1,266.0 million. | The loan is repayable in twenty equal quarterly installments, commenced from 2nd June, 2016.            | 5.15% (2016: 5.15%) | -                  |
| 6.02 | Covered under securities for term finance 6.01  | The loan is repayable in thirty two equal quarterly installments, commenced from 4th November 2017.     | 3.50% (2016: 3.50%) | -                  |
| 6.03 | Covered under securities for term finance 6.01  | The loan is repayable in thirty two equal quarterly installments, commenced from 24th November, 2017.   | 3.50% (2016: 3.50%) | -                  |
| 6.04 | Covered under securities for term finance 6.01  | The loan is repayable in thirty six equal quarterly installments, commenced from 09th December, 2016.   | 3.50% (2016: 3.50%) | -                  |
| 6.05 | Covered under securities for term finance 6.01  | The loan is repayable in thirty six equal quarterly installments, commenced from 17th December, 2016.   | 3.50% (2016: 3.50%) | -                  |
| 6.06 | Covered under securities for term finance 6.01  | The loan is repayable in thirty six equal quarterly installments, commenced from 23rd February, 2017.   | 2.50% (2016: 2.50%) | -                  |
| 6.07 | Covered under securities for term finance 6.01  | The loan is repayable in thirty two equal quarterly installments, commenced from 13th September, 2018.  | 2.50% (2016: 2.50%) | -                  |
| 6.08 | First pari passu charge over plant and machinery of Spinning Unit situated at A - 150, SITE Nooriabad, Sindh, to the extent of PKR 1.374 billion .                                    | The loan is repayable in thirty two equal quarterly installments, commencing from 14th September, 2018. | 2.50% (2016: 2.50%) | -                  |
| 6.09 | Covered under securities for term finance 6.08  | The loan is repayable in thirty two equal quarterly installments, commencing from 28th May, 2018.       | 2.50% (2016: 2.50%) | -                  |
| 6.10 | Covered under securities for term finance 6.08  | The loan is repayable in thirty two equal quarterly installments, commencing from 29th March, 2019.     | 2.50% (2016: Nil )  | -                  |
| 6.11 | Covered under securities for term finance 6.08  | The loan is repayable in thirty two equal quarterly installments, commencing from 29th March, 2019.     | 2.50% (2016: Nil )  | -                  |
| 6.12 | Covered under securities for term finance 6.08  | The loan is repayable in thirty two equal quarterly installments, commencing from 4th April, 2019.      | 2.50% (2016: Nil )  | -                  |

# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|      | Security                                       | Repayment   | Markup on LTFF     | Markup on Non LTFF  |
|------|--|---|--------------------|---|
| 6.13 | Covered under securities for term finance 6.08 | The loan is repayable in thirty two equal quarterly installments, commencing from 4th April, 2019.      | 2.50% (2016: Nil ) | -   |
| 6.14 | Covered under securities for term finance 6.08 | The loan is repayable in thirty two equal quarterly installments, commencing from 24th August, 2019.    | 2.50% (2016: Nil ) | -   |
| 6.15 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 30th March, 2015.    | -                  | Three month KIBOR plus 0.75% (2016: Three month KIBOR plus 0.75%) |
| 6.16 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 5th May, 2015.       | -                  | Three month KIBOR plus 0.75% (2016: Three month KIBOR plus 0.75%) |
| 6.17 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 25th May, 2015.      | -                  | Three month KIBOR plus 0.75% (2016: Three month KIBOR plus 0.75%) |
| 6.18 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 9th July, 2015.      | -                  | Three month KIBOR plus 0.75% (2016: Three month KIBOR plus 0.75%) |
| 6.19 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 4th August, 2015.    | -                  | Three month KIBOR plus 0.75% (2016: Three month KIBOR plus 0.75%) |
| 6.20 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 5th September, 2015. | -                  | Three month KIBOR plus 0.75% (2016: Three month KIBOR plus 0.75%) |
| 6.21 | Covered under securities for term finance 6.08 | The loan is repayable in twenty four equal quarterly installments, commencing from 27th October, 2016.  | -                  | Three month KIBOR plus 0.50% (2016: Three month KIBOR plus 0.75%) |

# FAISAL SPINNING MILLS LIMITED *of Companies*

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

| 7 | Deferred Liability                   | Note  | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|---|--------------------------------------|-------|-------------------------------|-------------------------------|
|   |                                      |       | Rupees                        | Rupees                        |
|   | Infra structure fee payable          | 7.1   | 72,946,016                    | 50,596,721                    |
|   | Staff retirement benefits - gratuity | 7.2.1 | 134,655,721                   | 129,269,809                   |
|   | Deferred taxation                    | 7.3   | 58,717,584                    | 39,963,301                    |
|   |                                      |       | <b>266,319,321</b>            | <b>219,829,831</b>            |

7.1 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 73.909 Million (June 30, 2016: PKR 50.705 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

| 7.2   | Staff retirement benefits - gratuity  | Note  | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|-------|---|-------|-------------------------------|-------------------------------|
|       |   |       | Rupees                        | Rupees                        |
| 7.2.1 | <b>Movement in liability recognized in the balance sheet</b>                  |       |                               |                               |
|       | Balance at beginning of year  |       | 129,269,809                   | 121,773,629                   |
|       | Charged to profit and loss account and other comprehensive income             | 7.2.2 | 33,043,766                    | 30,175,996                    |
|       | Benefits paid during the year   |       | (27,657,854)                  | (22,679,816)                  |
|       | Balance at the end of the year  |       | <b>134,655,721</b>            | <b>129,269,809</b>            |
| 7.2.2 | <b>Amount charged to profit and loss account / other comprehensive income</b> |       |                               |                               |
|       | Current service cost  |       | 22,350,548                    | 25,788,347                    |
|       | Interest cost   |       | 10,389,680                    | 11,595,541                    |
|       | Charge to profit and loss account   |       | 32,740,228                    | 37,383,888                    |
|       | Remeasurement charge to other comprehensive income                            |       | 303,538                       | (7,207,892)                   |
|       |   |       | <b>33,043,766</b>             | <b>30,175,996</b>             |

7.2.3 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. Actuarial valuation has been carried out by independent actuary as at June 30, 2017 using the "Projected Unit Credit Method" assuming a discount rate of 9.25% (June 30, 2016: 9%) per annum, expected rate of increase in salaries at 9.25% (June 30, 2016: 9%) per annum.

# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

7.2.4 There is no unrecognized actuarial loss/gain.

## 7.2.5 Historical information

|                            | Actuarial<br>adjustment arising<br>(%) | Present value of<br>defined benefit<br>obligation<br>PKR | Experience<br>adjustment on<br>plan liabilities<br>PKR |
|----------------------------|--|--|--|
| 30 <sup>th</sup> June 2017 | 0.23%                                  | 134,655,721  | 303,538  |
| 30 <sup>th</sup> June 2016 | -5.58%                                 | 129,269,809  | (7,207,892)  |
| 30 <sup>th</sup> June 2015 | -5.58%                                 | 129,269,809  | (7,207,892)  |
| 30 <sup>th</sup> June 2014 | 6.44%                                  | 87,063,318   | 5,610,760  |
| 30 <sup>th</sup> June 2013 | 8.08%                                  | 79,050,611   | 6,383,339  |

## 7.2.6 Sensitivity analysis of actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions by 100 basis point.

|  | Increase in<br>assumption | Decrease in<br>assumption |
|--|---------------------------|---------------------------|
| Discount rate                              | (15,774,379)              | 19,294,826                |
| Expected rate of increase in future salary | 19,764,372                | (16,411,637)              |

7.2.7 The expected gratuity expense comprising of service cost and net interest for the year ending 30<sup>th</sup> June 2017 works out to PKR 39,448,903.

7.2.8 The weighted average duration of defined benefit obligation is 11 years.

## 7.3 Deferred taxation

Deferred tax liability / (assets) arising in respect of:

### Taxable temporary differences

Accelerated tax depreciation on owned assets

| 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|---|---|
| 71,635,063                              | 70,226,880                              |
| (8,539,430)                             | (9,071,046)                             |
| (4,378,049)                             | (4,899,155)                             |
| -                                       | (16,293,378)                            |
| (12,917,479)                            | (30,263,579)                            |
| 58,717,584                              | 39,963,301                              |
| 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
| 18,773,532                              | 11,923,781                              |
| (19,249)                                | 505,788                                 |
| 18,754,283                              | 12,429,569                              |

### Deductible temporary differences

Provision for employee benefit

Provision for doubtful debts and obsolete store

Unused tax losses

## 7.3.1 Deferred taxation has been recognized as follows

Recognized in profit and loss account

Recognized in equity

7.3.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 30% of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|  |     | 30th June<br>2017  | 30th June<br>2016   |
|--|-----|--------------------|---------------------|
|  |     | Rupees             | Rupees              |
| <b>8 Trade and Other Payable</b>                     |     |                    |                     |
| Creditors  |     | 329,501,102        | 303,139,867         |
| Accrued liabilities                                  |     | 509,148,520        | 382,151,583         |
| Workers' profit participation fund                   | 8.1 | 23,773,802         | 8,577,137           |
| Workers' welfare fund                                |     | 50,737,091         | 48,743,995          |
| Unclaimed dividend                                   |     | 5,431,439          | 4,939,756           |
| Others   |     | 1,894,737          | 3,522,880           |
|  |     | <u>920,486,691</u> | <u>751,075,218</u>  |
| <b>8.1 Workers' profit participation fund</b>        |     |                    |                     |
| Balance at beginning of the year                     |     | 8,577,137          | 12,866,553          |
| Interest on funds utilized in the Company's business |     | 658,809            | 1,082,276           |
|  |     | <u>9,235,946</u>   | <u>13,948,829</u>   |
| Paid during the year                                 |     | <u>(9,235,946)</u> | <u>(13,948,829)</u> |
|  |     | -                  | -                   |
| Allocation / expense for the year                    |     | <u>23,773,802</u>  | <u>8,577,137</u>    |
|  |     | <u>23,773,802</u>  | <u>8,577,137</u>    |

**8.2** Interest on workers' profit participation fund has been provided @ 37.5% (June 30, 2016: 37.5%) per annum.

## 9 Accrued markup / interest

Accrued markup / interest on secured

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| - long-term financing   | 13,054,940        | 10,073,284        |
| - short-term borrowings | 5,529,058         | 3,071,288         |
|                         | <u>18,583,998</u> | <u>13,144,572</u> |

## 10 Short Term Borrowings

**From banking companies-secured**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Short term money market loan | <u>164,039,661</u> | <u>752,995,786</u> |
|------------------------------|--------------------|--------------------|

**10.1** The aggregate unded approved short term borrowing facilities amounted to PKR 4,360.0 Million (2016: PKR 4,360.0 Million).

**10.2** These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.05% to 2% (2016: 1 to 3 month KIBOR + spread between 0.1% to 2%) per annum payable quarterly. These facilities are secured against hypothecation charge on stock, stores and receivables.

## 11 Current Portion of Non Current Liabilities

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Long term financing | 160,431,324        | 123,681,061        |
|                     | <u>160,431,324</u> | <u>123,681,061</u> |

## 12 Contingencies and Commitments

### Contingencies

**12.1** In normal course of business, the Company has issued indemnity bonds amounting to PKR 46.968 Million (June 30, 2016: PKR 46.968 Million) and post dated cheques amounting to PKR 188.461 Million (2016: PKR 464.239 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.

**12.2** Bank guarantee issued to Sui Southern Gas Company Limited on behalf of the company PKR 57.870 Million (June 30, 2016: PKR 57.870 million), Sui Northern Pipeline Company Limited amounting to PKR 44.398 Million (2016: PKR 44.398 million), Hyderabad Electric Supply Company Limited PKR 11.920 million (June 30, 2016: PKR 11.920 million), Excise and Taxation - Government of Sindh PKR 50.705 million (June 30, 2016: PKR 50.705) and Pakistan State Oil Company Limited PKR 2.250 million (June 30, 2016: PKR 2.250 million).



# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|   | 30th June<br>2017 | 30th June<br>2016    |
|---|-------------------|----------------------|
|   | Rupees            | Rupees               |
| <b>13 PROPERTY, PLANT AND EQUIPMENT</b>                   |                   |                      |
| <b>Commitments</b>  |                   |                      |
| Letters of credit for: (Raw material, stores & machinery) | 11,132,963        | 1,351,315,177        |
|   | <u>11,132,963</u> | <u>1,351,315,177</u> |

## 13 PROPERTY, PLANT AND EQUIPMENT

| Description                                 | COST                |             |                         |                     | DEPRECIATION        |                     |                        | Book value as at June 30, 2017 | Rate          |                     |
|---|---------------------|-------------|-------------------------|---------------------|---------------------|---------------------|------------------------|--------------------------------|---------------|---------------------|
|   | As at July 01, 2016 | Additions   | Transfers / (disposals) | As at June 30, 2017 | As at July 01, 2016 | Charge For the year | Transfers / (disposal) |                                |               | As at June 30, 2017 |
| Rupees                                      |                     |             |                         |                     |                     |                     |                        |                                |               |                     |
| Freehold land                               | 17,519,028          | -           | -                       | 17,519,028          | -                   | -                   | -                      | -                              | 17,519,028    | -                   |
| Leasehold land                              | 7,115,885           | -           | -                       | 7,115,885           | -                   | -                   | -                      | -                              | 7,115,885     | -                   |
| Factory building on freehold land           | 234,041,827         | -           | -                       | 234,041,827         | 175,259,424         | 5,878,241           | -                      | 181,137,665                    | 52,904,162    | 10                  |
| Factory building on leasehold land          | 81,785,248          | -           | -                       | 81,785,248          | 70,658,662          | 7,973,000           | -                      | 78,631,662                     | 3,153,586     | 10                  |
| factory building on Leasehold extension     | 135,619,314         | -           | -                       | 135,619,314         | 45,976,444          | 2,144,939           | -                      | 48,121,383                     | 87,497,931    | 10                  |
| Non factory building on freehold land       | 91,734,032          | -           | -                       | 91,734,032          | 41,729,877          | 2,500,208           | -                      | 44,230,085                     | 47,503,947    | 5                   |
| Non factory building on leasehold land      | 27,854,396          | -           | -                       | 27,854,396          | 14,759,870          | 317,914             | -                      | 15,077,784                     | 12,776,612    | 5                   |
| Non factory building on Leasehold extension | 138,276,370         | 617,567     | -                       | 138,893,937         | 21,365,745          | 9,484,964           | -                      | 30,850,709                     | 108,043,228   | 5                   |
| Plant and machinery                         | 3,994,922,669       | 458,135,412 | -                       | 4,234,191,118       | 1,361,250,280       | 277,680,741         | -                      | 1,507,092,728                  | 2,727,098,390 | 10                  |
|   |                     |             |                         | (218,866,963)       |                     |                     |                        | (131,838,293)                  |               |                     |
| Electric equipment and fitting              | 199,934,587         | 11,354,185  | -                       | 211,288,772         | 71,999,535          | 13,161,731          | -                      | 85,161,266                     | 126,127,506   | 10                  |
| Gas line and pipe fitting                   | 7,943,179           | -           | -                       | 7,943,179           | 5,524,374           | 241,879             | -                      | 5,766,253                      | 2,176,926     | 10                  |
| Factory equipment                           | 25,999,754          | -           | -                       | 25,999,754          | 15,192,547          | 1,329,858           | -                      | 16,522,405                     | 9,477,349     | 10                  |
| Office equipment                            | 2,478,707           | 1,115,300   | -                       | 3,594,007           | 1,716,121           | 49,007              | -                      | 1,765,128                      | 1,828,879     | 10                  |
| Furniture and fixtures                      | 7,331,344           | -           | -                       | 7,331,344           | 5,581,913           | 174,944             | -                      | 5,756,857                      | 1,574,487     | 10                  |
| Equipment and other assets                  | 181,260,817         | 4,869,224   | -                       | 186,130,041         | 165,837,937         | 10,188,282          | -                      | 176,026,219                    | 10,103,822    | Three years         |
| Vehicles                                    | 75,256,316          | 12,003,258  | (1,996,957)             | 85,262,617          | 36,027,835          | 8,823,507           | (1,426,257)            | 43,425,085                     | 41,837,532    | 20                  |
|   |                     |             |                         |                     |                     |                     |                        |                                |               |                     |
|   | 5,229,073,473       | 488,094,946 |                         | -5,496,304,499      | 2,032,880,564       | 339,949,215         |                        | -2,239,565,229                 | 3,256,739,270 |                     |
| 2017  |                     |             |                         | (220,863,920)       |                     |                     |                        | (133,264,550)                  |               |                     |

## PROPERTY, PLANT AND EQUIPMENT

| Description                                 | COST                |                         |               |                     | DEPRECIATION        |                     |                        | Book value as at June 30, 2016 | Rate          |                     |
|---|---------------------|-------------------------|---------------|---------------------|---------------------|---------------------|------------------------|--------------------------------|---------------|---------------------|
|   | As at July 01, 2015 | Additions / (disposals) | Transfers     | As at June 30, 2016 | As at July 01, 2015 | Charge For the year | Transfers / (disposal) |                                |               | As at June 30, 2016 |
| Rupees                                      |                     |                         |               |                     |                     |                     |                        |                                |               |                     |
| Freehold land                               | 23,879,028          | -                       | (6,360,000)   | 17,519,028          | -                   | -                   | -                      | -                              | 17,519,028    | -                   |
| Leasehold land                              | 7,115,885           | -                       | -             | 7,115,885           | -                   | -                   | -                      | -                              | 7,115,885     | -                   |
| Factory building on freehold land           | 234,041,827         | -                       | -             | 234,041,827         | 168,728,045         | 6,531,379           | -                      | 175,259,424                    | 58,782,403    | 10                  |
| Factory building on leasehold land          | 81,785,248          | -                       | -             | 81,785,248          | 67,538,746          | 3,119,916           | -                      | 70,658,662                     | 11,126,586    | 10                  |
| factory building on Leasehold extension     | 133,551,808         | 2,067,506               | -             | 135,619,314         | 38,007,353          | 7,969,091           | -                      | 45,976,444                     | 89,642,870    | 10                  |
| Non factory building on freehold land       | 91,734,032          | -                       | -             | 91,734,032          | 39,098,080          | 2,631,797           | -                      | 41,729,877                     | 50,004,155    | 5                   |
| Non factory building on leasehold land      | 26,956,055          | 898,341                 | -             | 27,854,396          | 14,468,565          | 291,305             | -                      | 14,759,870                     | 13,094,526    | 5                   |
| Non factory building on Leasehold extension | 133,024,920         | 5,251,450               | -             | 138,276,370         | 11,417,839          | 9,947,906           | -                      | 21,365,745                     | 116,910,625   | 5                   |
| Plant and machinery                         | 3,368,210,343       | 1,164,825,520           | -             | 3,994,922,669       | 1,511,186,408       | 231,730,505         | -                      | 1,361,250,280                  | 2,633,672,389 | 10                  |
|   |                     |                         |               | (538,113,194)       |                     |                     |                        | (381,666,633)                  |               |                     |
| Electric equipment and fitting              | 192,726,983         | 7,207,604               | -             | 199,934,587         | 58,737,126          | 13,262,409          | -                      | 71,999,535                     | 127,935,052   | 10                  |
| Gas line and pipe fitting                   | 7,943,179           | -                       | -             | 7,943,179           | 5,255,618           | 268,756             | -                      | 5,524,374                      | 2,418,805     | 10                  |
| Factory equipment                           | 23,529,391          | 2,470,363               | -             | 25,999,754          | 13,783,548          | 1,408,999           | -                      | 15,192,547                     | 10,807,207    | 10                  |
| Office equipment                            | 2,478,707           | -                       | -             | 2,478,707           | 1,680,524           | 35,597              | -                      | 1,716,121                      | 762,586       | 10                  |
| Furniture and fixtures                      | 7,331,344           | -                       | -             | 7,331,344           | 5,387,532           | 194,381             | -                      | 5,581,913                      | 1,749,431     | 10                  |
| Equipment and other assets                  | 195,124,827         | 9,229,799               | (23,093,809)  | 181,260,817         | 162,740,961         | 14,731,624          | (11,634,648)           | 165,837,937                    | 15,422,880    | Three years         |
| Vehicles                                    | 67,781,033          | 14,366,445              | (6,891,162)   | 75,256,316          | 33,093,643          | 8,374,124           | (5,439,932)            | 36,027,835                     | 39,228,481    | 20                  |
|   |                     |                         |               |                     |                     |                     |                        |                                |               |                     |
|   | 4,597,214,610       | 1,206,317,028           | (574,458,165) | 5,229,073,473       | 2,131,123,988       | 300,497,789         | (398,741,213)          | 2,032,880,564                  | 3,196,192,909 |                     |
| <b>ASSETS SUBJECT TO FINANCE LEASE:</b>     |                     |                         |               |                     |                     |                     |                        |                                |               |                     |
| Vehicles                                    | -                   | -                       | -             | -                   | -                   | -                   | -                      | -                              | -             | -                   |
|   |                     |                         |               |                     |                     |                     |                        |                                |               |                     |
| 2016  | 4,597,214,610       | 1,206,317,028           | (574,458,165) | 5,229,073,473       | 2,131,123,988       | 300,497,789         | (398,741,213)          | 2,032,880,564                  | 3,196,192,909 |                     |



# FAISAL SPINNING MILLS LIMITED *of Companies*

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

13.1 Equipment and other assets includes assets amounting to PKR 103,315,668 (2016: PKR 99,950,299) which has been fully depreciated.

|  | Year<br>ended June 30<br>2017 | Year<br>ended June 30<br>2016 |
|--|-------------------------------|-------------------------------|
| Note   | .....Rupees.....              |                               |
| 13.2 The depreciation charge for the year has been allocated as follows: |                               |                               |
| <b>Cost of sales</b>   | 27                            | 330,901,757                   |
| <b>Administrative expenses</b>   | 30                            | 291,893,687                   |
|  |                               | 9,047,458                     |
|  |                               | 8,604,102                     |
|  |                               | <u>339,949,215</u>            |
|  |                               | <u>300,497,789</u>            |

### 13.3 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   |
|--|--------------------|--------------------------|--------------------|---|---------------------|--|------------------|--|
|  |                    |                          |                    |   |                     |  |                  |  |
| Rupees                                     |                    |                          |                    |   |                     |  |                  |  |
| <b>Plant and machinery</b>                 |                    |                          |                    |   |                     |  |                  |  |
| Looms 4 No Zax 190 CM                      | 9,066,218          | 6,805,709                | 2,260,509          | 500,000   | (1,760,509)         |  | Negotiation      | AliAkhlaq(Private)Limited,Faisalabad                               |
| Looms 4 No Zax 190 CM                      | 9,066,218          | 6,845,022                | 2,221,196          | 500,000   | (1,721,196)         |  | Negotiation      | AliAkhlaq(Private)Limited,Faisalabad                               |
| Looms 6 No Zax 190 CM                      | 13,599,326         | 10,297,018               | 3,302,308          | 750,000   | (2,552,308)         |  | Negotiation      | AliAkhlaq(Private)Limited,Faisalabad                               |
| Six Schlaforst Auto Coner - 2003           | 62,968,672         | 45,040,953               | 17,927,719         | 21,000,000  | 3,072,281           |  | Negotiation      | M/sCrescentCottonMill,22-G,<br>Gulberg-III,Lahore                  |
| Seven Schlaforst Auto Coner - 2003 to 2012 | 123,560,829        | 62,272,105               | 61,288,724         | 62,900,000  | 1,611,276           |  | Negotiation      | M/sBhanerTextileMillsLimited,Karachi                               |
| Auto Cone Winding - 1990                   | 605,700            | 577,484                  | 28,216             | 200,000   | 171,784             |  | Negotiation      | Mr.Atiq,Faisalabad,<br>CNIC#33100-0625569-1                        |
|  | <u>218,866,963</u> | <u>131,838,291</u>       | <u>87,028,672</u>  | <u>85,850,000</u>                                       | <u>(1,178,672)</u>  |  |                  |  |
| <b>Vehicles</b>                            |                    |                          |                    |   |                     |  |                  |  |
| Suzuki Alto - AWZ-134                      | 812,610            | 533,298                  | 279,312            | 300,000   | 20,688              |  | Negotiation      | Mr.Shamshad,Chak#L7/10kara   |
| Suzuki Liana LED 10-7249                   | 1,184,347          | 892,959                  | 291,388            | 350,000   | 58,612              |  | Negotiation      | Ch,FidaMuhammad,Lahore.<br>CNIC-35201-1203693-3                    |
|  | <u>1,996,957</u>   | <u>1,426,257</u>         | <u>570,700</u>     | <u>650,000</u>  | <u>79,300</u>       |  |                  |  |
| <b>30-Jun-17</b>                           | <u>220,863,920</u> | <u>133,264,548</u>       | <u>87,599,372</u>  | <u>86,500,000</u>                                       | <u>(1,099,372)</u>  |  |                  |  |
| <b>Land</b>                                |                    |                          |                    |   |                     |  |                  |  |
| Freehold land                              | 6,360,000          | -                        | 6,360,000          | 6,500,000   | 140,000             |  | Negotiation      | Mr.TariqFarooq,Lahore  |
|  | <u>6,360,000</u>   | <u>-</u>                 | <u>6,360,000</u>   | <u>6,500,000</u>  | <u>140,000</u>      |  |                  |  |
| <b>Plant and machinery</b>                 |                    |                          |                    |   |                     |  |                  |  |
| Reiter Cards                               | 20,587,149         | 13,642,103               | 6,945,046          | 7,200,000   | 254,954             |  | Negotiation      | BlessedTextilesLimited,Karachi                                     |
| Generators                                 | 41,012,870         | 30,651,361               | 10,361,509         | 8,000,000   | (2,361,509)         |  | Negotiation      | OrientEnergySystems<br>(Private)Limited,Karachi                    |
| 2 Looms                                    | 4,786,533          | 3,549,206                | 1,237,327          | 400,000   | (837,327)           |  | Negotiation      | Mr.LiaquatAli;   |
| 6 Looms                                    | 13,599,324         | 9,700,764                | 3,898,560          | 1,200,000   | (2,698,560)         |  | Negotiation      | ZKIndustries,PlotD-149/B<br>MonghopirRoad,S.I.T.E,Karachi          |
| 6 Looms                                    | 13,599,324         | 9,700,764                | 3,898,560          | 1,200,000   | (2,698,560)         |  | Negotiation      | Abrasco  |
| 112 Air jet looms                          | 371,998,260        | 261,199,846              | 110,798,414        |   |                     |  |                  |  |
| Equipment and other assets                 | 23,093,809         | 11,634,648               | 11,459,161         |   |                     |  |                  |  |
|  | <u>395,092,069</u> | <u>272,834,494</u>       | <u>122,257,575</u> | <u>171,644,550</u>                                      | <u>49,386,975</u>   |  | Negotiation      | NomanTerryTowel,Bangladesh   |
| 4 Air jet looms                            | 9,066,217          | 6,510,859                | 2,555,358          | 800,000   | (1,755,358)         |  | Negotiation      | HananTradingCo,Lahore  |
| 14 Air jet looms                           | 31,731,760         | 23,323,106               | 8,408,654          | 1,750,000   | (6,658,654)         |  | Negotiation      | MadinaWeavingfactory,Gujranwala                                    |
| 2 Air jet looms                            | 4,533,108          | 3,331,871                | 1,201,237          | 250,000   | (951,237)           |  | Negotiation      | HafizAbrar,MainStreetBaraDariTown,<br>Gujrat                       |
| 12 Air jet looms                           | 27,198,648         | 20,056,753               | 7,141,895          | 1,500,000   | (5,641,895)         |  | Negotiation      | AliAkhlaq(Private)Limited,Faisalabad                               |
|  | <u>561,207,002</u> | <u>393,301,281</u>       | <u>167,905,721</u> | <u>193,944,550</u>                                      | <u>(23,348,146)</u> |  |                  |  |
| <b>Vehicles</b>                            |                    |                          |                    |   |                     |  |                  |  |
| Toyota Harrier - BD-6643                   | 2,678,742          | 2,236,814                | 441,928            | 500,000   | 58,072              |  | Negotiation      | Mr.Nansha;Houseno.8169/70,<br>LabourColony,SectorF2,Landhi,Karachi |
| Veh # LEA-09-1163                          | 1,404,140          | 1,065,448                | 338,692            | 500,000   | 161,308             |  | Negotiation      | M/sToyotaTownship,Lahore   |
| Veh # LEA-09-1165                          | 1,404,140          | 1,065,448                | 338,692            | 500,000   | 161,308             |  | Negotiation      | M/sToyotaTownship,Lahore   |
| Vehicle LEE-10-1167                        | 1,404,140          | 1,072,222                | 331,918            | 460,000   | 128,082             |  | Negotiation      | M/sToyotaTownship,Lahore   |
|  | <u>6,891,162</u>   | <u>5,439,932</u>         | <u>1,451,230</u>   | <u>1,960,000</u>  | <u>508,770</u>      |  |                  |  |
| <b>30-Jun-16</b>                           | <u>574,458,164</u> | <u>398,741,213</u>       | <u>175,716,951</u> | <u>202,404,550</u>                                      | <u>(22,699,376)</u> |  |                  |  |



# FAISAL SPINNING MILLS LIMITED *of Companies*

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|   | 30 <sup>th</sup> June<br>2017<br>Rupees        | 30 <sup>th</sup> June<br>2016<br>Rupees        |
|---|--|--|
| <b>14 Capital Work in Progress</b>  |  |  |
| Building and other civil works  | 12,440,194                                     | 77,664   |
| Plant and machinery   | -  | -  |
| Electric installation   | -  | -  |
| Other - Stores for capitalization   | -  | -  |
| Advances for land   | 230,000,000                                    | -  |
|   | <u>242,440,194</u>                             | <u>77,664</u>                                  |
| <b>15 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) | 549,595,877                                    | 510,098,368                                    |
| Cost of investment  | 11,891,600                                     | 11,891,600                                     |
| Accumulated share of post acquisition profit - net of dividends received                    | 498,206,768                                    | 484,506,157                                    |
| Share of profit for the year  | 45,443,309                                     | 19,646,411                                     |
| Dividend received during the year   | (5,945,800)                                    | (5,945,800)                                    |
|   | <u>537,704,277</u>                             | <u>498,206,768</u>                             |
|   | <u>549,595,877</u>                             | <u>510,098,368</u>                             |
| <b>15.1 Summarized financial information of Blessed Textiles Limited is set out below:</b>  |  |  |
| Total assets  | 7,081,674,885                                  | 6,119,435,627                                  |
| Total liabilities   | 4,108,396,327                                  | 3,360,384,954                                  |
| Net assets  | <u>2,973,278,558</u>                           | <u>2,759,050,673</u>                           |
| Company's share of associate's net assets   | <u>549,705,213</u>                             | <u>510,098,368</u>                             |
| Sales- net  | <u>8,064,238,429</u>                           | <u>6,846,744,492</u>                           |
| Profit for the year   | <u>245,796,500</u>                             | <u>112,369,996</u>                             |
| Company's share of associate's profit for the year  | <u>45,443,309</u>                              | <u>19,646,411</u>                              |
| <b>15.2 Market value per share</b>  | <u>289.90</u>                                  | <u>141.00</u>                                  |
| Percentage of holding   | <u>18.49%</u>                                  | <u>18.49%</u>                                  |
|   | <b>30<sup>th</sup>June<br/>2017<br/>Rupees</b> | <b>30<sup>th</sup>June<br/>2016<br/>Rupees</b> |
| <b>16 Long Term Deposits</b>  |  |  |
| Security deposits   | 8,597,335                                      | 8,597,335                                      |
| Others deposits   | 261,800  | 261,800  |
|   | <u>8,859,135</u>                               | <u>8,859,135</u>                               |
| <b>17 Stores, spare parts and loose tools</b>   |  |  |
| Stores, spare parts and loose tools   | 78,645,271                                     | 57,373,369                                     |
| Packing material  | 8,166,728                                      | 10,243,959                                     |
|   | <u>86,811,999</u>                              | <u>67,617,328</u>                              |
| Provision for slow moving store items   | (1,080,488)                                    | (1,080,488)                                    |
|   | <u>85,731,511</u>                              | <u>66,536,840</u>                              |

# FAISAL SPINNING MILLS LIMITED of Companies

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

|  |  | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|--|--|-------------------------------|-------------------------------|
|  |  | Rupees                        | Rupees                        |
| <b>17.1 Provision for slow moving items comprises;</b> |  |                               |                               |
| Balance at the beginning of the year                   |  | 1,080,488                     | 1,080,488                     |
| Recognised during the year                             |  | -                             | -                             |
| Written off during the year                            |  | -                             | -                             |
| Balance at the end of the year                         |  | <u>1,080,488</u>              | <u>1,080,488</u>              |
| <b>18 Stock in Trade</b>                               |  |                               |                               |
| Raw material   |  | 1,420,366,421                 | 1,415,216,409                 |
| Raw material in transit                                |  | -                             | 17,545,814                    |
| Work in process  |  | 117,591,854                   | 96,305,274                    |
| Finished goods   |  | 467,454,897                   | 466,610,195                   |
| Waste  |  | 4,861,118                     | 3,202,107                     |
|  |  | <u>2,010,274,290</u>          | <u>1,998,879,799</u>          |
| <b>18.1</b>  | Finished goods stock cost PKR Nil (2016: PKR 18,842,280) has been valued at PKR Nil (2016: PKR 6,825,501) being the replacement value of finished goods. The amount charge to profit and loss in respect of finished goods written down to net realizable value is PKR Nil (2016: 12,016,779). |                               |                               |
| <b>18.2</b>  | No item of stock in trade is pledged as security as at the reporting date.   |                               |                               |
|  |  | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|  |  | Rupees                        | Rupees                        |
| <b>19 Trade Debts</b>                                  | <b>Note</b>  |                               |                               |
| Considered good  |  |                               |                               |
| Foreign secured through letters of credit              |  | 137,904,728                   | 117,774,358                   |
| Local : unsecured                                      |  | 257,967,052                   | 379,797,731                   |
| Considered doubtful:                                   |  | 395,871,780                   | 497,572,089                   |
| Export   |  | 14,204,494                    | 14,204,494                    |
| Local  |  | 49,742,560                    | 49,742,560                    |
|  |  | 63,947,054                    | 63,947,054                    |
| Provision for doubtful debts                           | <b>19.1</b>  | (63,947,054)                  | (63,947,054)                  |
|  |  | <u>395,871,780</u>            | <u>497,572,089</u>            |
| <b>19.1</b>  | The movement of the provision of doubtful receivable is as follow  |                               |                               |
| Balance at the beginning of the year                   |  | 63,947,054                    | 63,947,054                    |
| Bad debts recovered during the year                    |  | -                             | -                             |
| Bad debts provided during the year                     |  | -                             | -                             |
| Balance at the ended of the year                       |  | <u>63,947,054</u>             | <u>63,947,054</u>             |
| <b>20 Loans and Advances</b>                           |  |                               |                               |
| Considered good  |  |                               |                               |
| Advances to suppliers - unsecured; considered good     |  | 61,253,345                    | 86,187,573                    |
| Advances to employees                                  |  | 9,968,800                     | 11,519,699                    |
| Letters of credit                                      |  | 118,161                       | 23,259,129                    |
| Others   |  | 148,310                       | 14,110                        |
|  |  | <u>71,488,616</u>             | <u>120,980,511</u>            |
| <b>21 Trade Deposits and Prepayments</b>               |  |                               |                               |
| Deposit against infrastructure fee payable             |  | 73,909,526                    | 51,322,586                    |
| Trade deposit  |  | -                             | -                             |
| Prepaid expenses                                       |  | 659,278                       | 11,046,491                    |
|  |  | <u>74,568,804</u>             | <u>62,369,077</u>             |



# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|           |   | 30 <sup>th</sup> June<br>2017       | 30 <sup>th</sup> June<br>2016       |
|-----------|---|-------------------------------------|-------------------------------------|
|           |   | Rupees                              | Rupees                              |
| 21.1      | Effective mark up rate on these deposits range from 4.5% to 6% per annum (June 30, 2016: 4.5% to 6% per annum). |                                     |                                     |
| <b>22</b> | <b>Other Receivables</b>  |                                     |                                     |
|           | Quality claim and other receivables   | 2,594,432                           | 2,594,432                           |
|           |   | <u>2,594,432</u>                    | <u>2,594,432</u>                    |
| <b>23</b> | <b>Income Tax Refundable</b>  |                                     |                                     |
|           | Advance income tax / Income tax refundable  | 352,327,789                         | 229,282,810                         |
|           | Provision for taxation  | (44,947,412)                        | -                                   |
|           |   | <u>307,380,377</u>                  | <u>229,282,810</u>                  |
| <b>24</b> | <b>Sales Tax Refundable</b>   |                                     |                                     |
|           | Sales tax refundable  | 210,749,047                         | 258,330,159                         |
|           | Excise duty and federal excise duty refundable  | 4,811,044                           | 4,474,421                           |
|           | Provision for doubtful excise duty and federal excise duty refundable   | (4,811,044)                         | (4,474,421)                         |
|           |   | <u>210,749,047</u>                  | <u>258,330,159</u>                  |
|           |   | <b>30<sup>th</sup>June<br/>2017</b> | <b>30<sup>th</sup>June<br/>2016</b> |
|           |   | <b>Rupees</b>                       | <b>Rupees</b>                       |
| <b>25</b> | <b>Cash and bank balances</b>   |                                     |                                     |
|           | Cash in hand  | -                                   | -                                   |
|           | Balances with banks in:   |                                     |                                     |
|           | Current accounts  | 106,088,372                         | 49,574,340                          |
|           | Foreign currency accounts   | 1,054,279                           | 2,513,501                           |
|           | Deposit accounts  | 3,572,322                           | 1,678,792                           |
|           |   | <u>110,714,973</u>                  | <u>53,766,633</u>                   |
|           | 25.1  |                                     |                                     |
|           | 25.1 It carries mark up at the rate of 4.5 to 6 (2016: 4.5 to 6) percent per annum.                             |                                     |                                     |
| <b>26</b> | <b>Sales - Net</b>  |                                     |                                     |
|           | Export  |                                     |                                     |
|           | Yarn  | 4,950,652,132                       | 3,774,180,027                       |
|           | Fabric  | 3,306,517,089                       | 2,912,558,595                       |
|           | Waste   | -                                   | -                                   |
|           |   | 8,257,169,221                       | 6,686,738,622                       |
|           | Export rebate   | 2,913,960                           | 1,902,127                           |
|           |   | <u>8,260,083,181</u>                | <u>6,688,640,749</u>                |
|           | Local   |                                     |                                     |
|           | Yarn  | 121,603,111                         | 496,688,603                         |
|           | Fabric  | 2,046,987,260                       | 2,061,650,777                       |
|           | Cotton  | -                                   | -                                   |
|           | Waste and others  | 135,302,283                         | 118,931,209                         |
|           |   | <u>2,303,892,654</u>                | <u>2,677,270,589</u>                |
|           | Gross sales   | 10,563,975,835                      | 9,365,911,338                       |
|           | Sales tax   | (312,903)                           | (83,956,778)                        |
|           |   | <u>10,563,662,932</u>               | <u>9,281,954,560</u>                |

# FAISAL SPINNING MILLS LIMITED *of Companies*

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

**26.1** Export sales include PKR 551,843,131 (2016: PKR 158,456,296) in respect of indirect export sales.

**26.2** Export sales include exchange gain of PKR 71.3 million (2016: PKR 123.17 million).

|             |  | <b>30<sup>th</sup>June<br/>2017<br/>Rupees</b> | <b>30<sup>th</sup>June<br/>2016<br/>Rupees</b> |
|-------------|--|--|--|
| <b>27</b>   | <b>Cost of Sales</b>                     |  |  |
|             | Raw material consumed                    | 27.1   | 7,606,600,086                                  |
|             | Packing material consumed                |  | 6,677,670,533                                  |
|             | Stores and spare parts consumed          |  | 104,283,125                                    |
|             | Salaries, wages and benefits             | 27.2   | 154,895,252                                    |
|             | Fuel, power and water                    |  | 182,171,441                                    |
|             | Insurance                                |  | 534,241,936                                    |
|             | Repair and maintenance                   |  | 737,201,467                                    |
|             | Rent, rates and taxes                    |  | 22,930,413                                     |
|             | Travelling, conveyance and entertainment |  | 20,286,282                                     |
|             | Vehicle running expenses                 |  | 4,842,931                                      |
|             | Communication                            |  | 7,599,653                                      |
|             | Fee and subscription                     |  | 920,164  |
|             | Depreciation                             | 13.2   | 900,421  |
|             | Others                                   |  | 1,226,195                                      |
|             |  |  | 1,595,951                                      |
|             |  |  | 5,578,604                                      |
|             |  |  | 663,337  |
|             |  |  | 320,230  |
|             |  |  | 330,901,757                                    |
|             |  |  | 823,556  |
|             |  |  | <u>9,505,429,053</u>                           |
|             | Work in process                          |  | <u>8,559,168,568</u>                           |
|             | Opening stock                            |  | 96,305,274                                     |
|             | Closing stock                            |  | (117,591,854)                                  |
|             |  |  | (21,286,580)                                   |
|             | Cost of goods manufactured               |  | <u>9,484,142,473</u>                           |
|             | Finished stocks                          |  | <u>8,551,032,244</u>                           |
|             | Opening stock                            |  | 469,812,302                                    |
|             | Finished goods purchased - fabric        |  | 506,513,818                                    |
|             | Yarn purchased                           |  | 35,042,664                                     |
|             | Closing stock                            |  | -  |
|             |  |  | (472,316,015)                                  |
|             |  |  | 32,538,951                                     |
|             |  |  | <u>54,943,026</u>                              |
|             |  |  | <u>9,516,681,424</u>                           |
|             |  |  | <u>8,605,975,270</u>                           |
| <b>27.1</b> | <b>Raw material consumed</b>             |  |  |
|             | Opening stock                            |  | 1,432,762,223                                  |
|             | Purchases                                |  | 1,108,364,183                                  |
|             | Cost of Raw material sold - cotton       |  | 7,621,569,531                                  |
|             | Cost of Raw material sold - yarn         |  | -  |
|             | Closing stock                            |  | (27,365,247)                                   |
|             |  |  | (7,259,533)                                    |
|             |  |  | <u>(1,420,366,421)</u>                         |
|             |  |  | <u>7,606,600,086</u>                           |
|             |  |  | <u>6,677,670,533</u>                           |

# FAISAL SPINNING MILLS LIMITED *of Companies*

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

27.2 Salaries, wages and benefits includes employees retirement benefits amounting to PKR 28,574,748 ( June 30,2016: PKR 30,183,977).

|   | Note | 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|---|------|---|---|
| <b>28 Other Income</b>                                    |      |   |   |
| <b>From financial assets</b>                              |      |   |   |
| Interest on bank deposits                                 |      | 3,067,638                               | 1,383,828                               |
| <b>From non-financial assets</b>                          |      |   |   |
| (Loss)/ Gain on disposal of property, plant and equipment | 13.3 | (1,099,372)                             | 26,687,599                              |
| Exchange (loss)/ gain on foreign currency translation     |      | (47,991)                                | 66,925                                  |
|   |      | <u>1,920,275</u>                        | <u>28,138,352</u>                       |
| <b>29 Distribution Cost</b>                               |      |   |   |
| <b>Export</b>   |      |   |   |
| Steamer and air freight                                   |      | 73,277,541                              | 60,730,728                              |
| Trailer freight   |      | 27,899,656                              | 31,190,097                              |
| Clearing and forwarding                                   |      | 28,009,276                              | 25,076,414                              |
| Export development surcharge                              |      | 18,896,172                              | 16,389,706                              |
| Commission  |      | 125,145,792                             | 108,928,503                             |
| Sales promotion expenses                                  |      | 13,838,389                              | 12,650,875                              |
| Insurance expenses  |      | 2,537,239                               | 3,703,661                               |
| Claim settlement  |      | 1,282,452                               | 1,251,660                               |
| Other export expenses                                     |      | 6,571,982                               | 6,569,831                               |
|   |      | 297,458,499                             | 266,491,475                             |
| <b>Local</b>  |      |   |   |
| Freight on local sales                                    |      | 6,397,776                               | 6,981,919                               |
| Commission  |      | 17,661,027                              | 19,879,459                              |
| Quality claim   |      | 599,927                                 | -                                       |
| Others  |      | 205,824                                 | 47,139                                  |
|   |      | 24,864,554                              | 26,908,517                              |
|   |      | <u>322,323,053</u>                      | <u>293,399,992</u>                      |
| <b>30 Administrative Expenses</b>                         |      |   |   |
| Directors' remuneration                                   |      | 17,800,000                              | 14,400,000                              |
| Staff salaries and benefits                               | 30.1 | 46,098,489                              | 45,917,439                              |
| Traveling, conveyance and entertainment                   |      | 5,477,510                               | 6,174,362                               |
| Printing and stationery                                   |      | 1,970,524                               | 2,104,479                               |
| Communication expenses                                    |      | 1,202,631                               | 856,979                                 |
| Vehicles running and maintenance                          |      | 4,518,211                               | 3,936,234                               |
| Legal and professional                                    |      | 3,281,042                               | 1,312,444                               |
| Auditors' remuneration                                    | 30.2 | 1,716,000                               | 1,716,000                               |
| Fee and subscription                                      |      | 1,079,815                               | 2,885,090                               |
| Repair and maintenance                                    |      | 72,196                                  | 183,907                                 |
| Rent, rates and taxes                                     |      | 1,076,037                               | 1,058,316                               |
| Depreciation  | 13.2 | 9,047,458                               | 8,604,102                               |
| Charity and donation                                      |      | 1,050,000                               | 5,550,000                               |
| Bad debts expenses  |      | 336,623                                 | 656,838                                 |
| Software license renewal and maintenance fee              |      | 1,038,304                               | 1,071,250                               |
| Others  |      | 1,610,028                               | 340,051                                 |
|   |      | <u>97,374,868</u>                       | <u>96,767,491</u>                       |

# FAISAL SPINNING MILLS LIMITED

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

**30.1** Staff salaries and benefits includes employee retirement benefits amounting to PKR 4,469,018 (June 30, 2016: PKR 7,199,911).

|  |             | <b>30<sup>th</sup> June<br/>2017</b> | <b>30<sup>th</sup> June<br/>2016</b> |
|--|-------------|--------------------------------------|--------------------------------------|
|  | <b>Note</b> | <b>Rupees</b>                        | <b>Rupees</b>                        |
| <b>30.2 Auditors' remuneration</b>     |             |                                      |                                      |
| Annual statutory audit                 |             | 1,460,000                            | 1,460,000                            |
| Half yearly review                     |             | 176,000                              | 176,000                              |
| Review of Code of Corporate Governance |             | 80,000                               | 80,000                               |
|  |             | <u>1,716,000</u>                     | <u>1,716,000</u>                     |

### 31 Other Operating Expenses

|                                    |     |                   |                   |
|------------------------------------|-----|-------------------|-------------------|
| Workers' Profit Participation Fund | 8.1 | 23,773,802        | 8,577,137         |
| Workers' Welfare Fund              |     | 1,993,096         | 3,559,407         |
|                                    |     | <u>25,766,898</u> | <u>12,136,544</u> |

### 32 Finance Cost

|                                      |  |                    |                    |
|--------------------------------------|--|--------------------|--------------------|
| Mark-up on:                          |  |                    |                    |
| - long term financing                |  | 61,386,396         | 73,651,044         |
| - short term borrowings              |  | 56,230,442         | 40,023,275         |
| - finance lease                      |  | -                  | -                  |
| - workers' profit participation fund |  | 658,809            | 1,082,276          |
| Letter of credit discounting         |  | 32,968,450         | 25,646,869         |
| Bank charges and commission          |  | 3,142,554          | 3,086,212          |
|                                      |  | <u>154,386,651</u> | <u>143,489,676</u> |

### 33 Provision for Taxation

**33.1** 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 2016. Tax credit under Section 65 B of Income Tax Ordinance 2001 amounting to PKR 61,395,543 (June 2016: PKR 95,215,592) has been deducted from tax payable.

**33.2** The Finance Act, 2017 amended Section 5A of the Income Tax Ordinance, 2001, now tax at the rate of 7.5% shall be imposed on every public company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors in their meeting held on September 27, 2017 has distributed sufficient cash dividend for the year ended 30 June 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2017.

|   | <b>30<sup>th</sup> June<br/>2017</b> | <b>30<sup>th</sup> June<br/>2016</b> |
|---|--------------------------------------|--------------------------------------|
|   | <b>%</b>                             | <b>%</b>                             |
| <b>33.3 Numerical reconciliation between the average tax rate and the applicable tax rate</b> |                                      |                                      |
| Applicable tax rate   | 31.00                                | 32.00                                |



# FAISAL SPINNING MILLS LIMITED

of Companies

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|  | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|--|-------------------------------|-------------------------------|
|  | %                             | %                             |
| <b>Tax effect of amounts that are:</b>     |                               |                               |
| adjustment of the prior years              | -                             | (1.78)                        |
| Income chargeable to tax at different rate | (9.54)                        | 29.94                         |
| Tax credit                                 | (12.42)                       | (53.46)                       |
| Deferred tax                               | 3.80                          | (6.70)                        |
| Effective tax rate                         | <u>12.84</u>                  | <u>-</u>                      |

## 34 Earnings per Share - Basic and Diluted

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

### Earnings

|  |                    |                    |
|--|--------------------|--------------------|
| Earnings for the purpose of basic earnings per share - After tax profit for the year | <u>430,993,832</u> | <u>169,214,218</u> |
|--|--------------------|--------------------|

### Number of shares

|  |                   |                   |
|--|-------------------|-------------------|
| Weighted average number of ordinary shares | <u>10,000,000</u> | <u>10,000,000</u> |
|--|-------------------|-------------------|

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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| <b>Basic earnings per share</b> | <u>43.10</u> | <u>16.92</u> |
|---------------------------------|--------------|--------------|

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

## 35 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 27<sup>th</sup> September 2017 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.

## 36 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

|                   | Chief Executive             |                             | Director                    |                             |
|-------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                   | Year ended June 30,<br>2017 | Year ended June 30,<br>2016 | Year ended June 30,<br>2017 | Year ended June 30,<br>2016 |
| Remuneration      | <u>6,800,000</u>            | <u>4,800,000</u>            | <u>11,000,000</u>           | <u>9,600,000</u>            |
|                   | <u>6,800,000</u>            | <u>4,800,000</u>            | <u>11,000,000</u>           | <u>9,600,000</u>            |
| Number of persons | <u>1</u>                    | <u>1</u>                    | <u>2</u>                    | <u>2</u>                    |

**36.1** 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.

**36.2** No remuneration to executive directors have been paid

## 37 Related Party Transactions

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

# FAISAL SPINNING MILLS LIMITED

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

| Nature of relationship       | Nature of transactions | 30 <sup>th</sup> June | 30 <sup>th</sup> June |
|------------------------------|------------------------|-----------------------|-----------------------|
|                              |                        | 2017                  | 2016                  |
|                              |                        | Rupees                | Rupees                |
| Associated undertaking       |                        |                       |                       |
|                              | Sales of fabric        | 60,522,101            | 3,424,750             |
|                              | Sales of machinery,    | 73,593,000            | 8,424,000             |
|                              | Sales of yarn          | 8,943,697             | 12,564,695            |
|                              | Purchase of yarn       | 931,947,745           | 831,006,010           |
|                              | Purchase of cotton     | 155,618,220           | 150,082,711           |
|                              | Purchase of fabrics    | 6,195,269             | 11,240,135            |
|                              | Services received      | 324,000               | 318,000               |
|                              | Dividend received      | 5,945,800             | 5,945,800             |
|                              | Electricity purchased  | 433,419,991           | 330,246,960           |
| Retirement benefits          | Provision for gratuity | 33,043,766            | 30,175,996            |
| Key management               | Remuneration           | 17,800,000            | 14,400,000            |
| Balance with related parties |                        | 20,000                | 20,000                |

## 38 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2017 is as follows

| 38.1 Operating Results          | Spinning           |                     | Weaving            |                    | Power Generation  |                   | Company              |                      |
|---------------------------------|--------------------|---------------------|--------------------|--------------------|-------------------|-------------------|----------------------|----------------------|
|                                 | Jun-17             | Jun-16              | Jun-17             | Jun-16             | Jun-17            | Jun-16            | Jun-17               | Jun-16               |
| <b>Sales</b>                    |                    |                     |                    |                    |                   |                   |                      |                      |
| Export sales                    | 4,950,652,132      | 3,774,180,027       | 3,306,517,089      | 2,912,558,595      | -                 | -                 | 8,257,169,221        | 6,686,738,622        |
| Local sales                     | 211,943,238        | 589,902,453         | 2,091,949,416      | 2,087,368,136      | -                 | -                 | 2,303,892,654        | 2,677,270,589        |
| Custom rebate                   | -                  | -                   | 2,913,960          | 1,902,127          | -                 | -                 | 2,913,960            | 1,902,127            |
| Inter-segment sales             | 51,996,700         | 38,737,300          | -                  | -                  | 450,623,579       | 464,627,248       | 502,620,279          | 503,364,548          |
|                                 | 5,214,592,070      | 4,402,819,780       | 5,401,380,465      | 5,001,828,858      | 450,623,579       | 464,627,248       | 11,066,596,114       | 9,869,275,886        |
| Discount and sales tax          |                    |                     |                    |                    |                   |                   |                      |                      |
| Discount                        | -                  | -                   | -                  | -                  | -                 | -                 | -                    | -                    |
| Sales tax                       | (294,220)          | (22,006,555)        | (18,683)           | (61,950,223)       | -                 | -                 | (312,903)            | (83,956,778)         |
|                                 | (294,220)          | (22,006,555)        | (18,683)           | (61,950,223)       | -                 | -                 | (312,903)            | (83,956,778)         |
| Net sales                       | 5,214,297,850      | 4,380,813,225       | 5,401,361,782      | 4,939,878,635      | 450,623,579       | 464,627,248       | 11,066,283,211       | 9,785,319,108        |
| Cost of sales                   | 4,791,632,427      | 4,287,254,035       | 4,819,812,813      | 4,440,947,030      | 407,856,463       | 381,138,753       | 10,019,301,703       | 9,109,339,818        |
| Gross profit                    | 422,665,423        | 93,559,190          | 581,548,969        | 498,931,605        | 42,767,116        | 83,488,495        | 1,046,981,508        | 675,979,290          |
| Distribution cost               | 125,961,147        | 101,870,717         | 196,361,906        | 191,529,275        | -                 | -                 | 322,323,053          | 293,399,992          |
| Administrative cost             | 53,151,881         | 48,442,641          | 43,857,301         | 47,431,234         | 365,686           | 893,616           | 97,374,868           | 96,767,491           |
|                                 | 179,113,028        | 150,313,358         | 240,219,207        | 238,960,509        | 365,686           | 893,616           | 419,697,921          | 390,167,483          |
| <b>Operating result</b>         | <b>243,552,395</b> | <b>(56,754,168)</b> | <b>341,329,762</b> | <b>259,971,096</b> | <b>42,401,430</b> | <b>82,594,879</b> | <b>627,283,587</b>   | <b>285,811,807</b>   |
| <b>38.2 Segment assets</b>      | 3,145,859,215      | 3,120,280,720       | 2,845,253,579      | 2,620,882,625      | 185,401,550       | 206,484,023       | 6,176,514,344        | 5,947,647,368        |
| <b>Unallocated assets</b>       |                    |                     |                    |                    |                   |                   | 1,150,493,962        | 1,057,893,058        |
|                                 |                    |                     |                    |                    |                   |                   | <b>7,327,008,306</b> | <b>7,005,540,426</b> |
| <b>38.3 Segment liabilities</b> | 1,180,607,295      | 1,016,831,659       | 1,365,854,002      | 491,485,847        | 472,440,142       | 199,634,338       | 3,018,901,439        | 1,707,951,844        |
| <b>Unallocated liabilities</b>  |                    |                     |                    |                    |                   |                   | 137,095,039          | 95,499,778           |
|                                 |                    |                     |                    |                    |                   |                   | <b>3,155,996,478</b> | <b>1,803,451,622</b> |



# FAISAL SPINNING MILLS LIMITED *of Companies*

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

30<sup>th</sup> June  
2017  
Rupees

30<sup>th</sup> June  
2016  
Rupees

## 38.4 Inter-segment pricing

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. There were no major customer of company which formed 10 percent or more of the company's revenue.

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

### 39.1 Turnover

|  |                       |                      |
|--|-----------------------|----------------------|
| Total turnover for reportable segments | 11,066,283,211        | 9,785,319,108        |
| Elimination of inter-segment turnover  | (502,620,279)         | (503,364,548)        |
| Total turnover                         | <u>10,563,662,932</u> | <u>9,281,954,560</u> |

### 39.2 Cost of sales

|   |                      |                      |
|---|----------------------|----------------------|
| Total cost of sales for reportable segments | 10,019,301,703       | 9,109,339,818        |
| Elimination of inter-segment revenue        | (502,620,279)        | (503,364,548)        |
| Total cost of sales                         | <u>9,516,681,424</u> | <u>8,605,975,270</u> |

### 39.3 Assets

|                                      |                      |                      |
|--------------------------------------|----------------------|----------------------|
| Total assets for reportable segments | 6,176,514,344        | 5,947,647,368        |
| Taxation recoverable                 | 518,129,424          | 487,612,969          |
| Bank deposits                        | 73,909,526           | 51,322,586           |
| Long term investment                 | 549,595,877          | 510,098,368          |
| Long term deposit                    | 8,859,135            | 8,859,135            |
| Total assets                         | <u>7,327,008,306</u> | <u>7,005,540,426</u> |

### 39.4 Liabilities

|   |                      |                      |
|---|----------------------|----------------------|
| Total liabilities for reportable segments | 3,018,901,439        | 1,707,951,844        |
| Unclaimed dividends                       | 5,431,439            | 4,939,756            |
| Infrastructure fee                        | 72,946,016           | 50,596,721           |
| Deferred taxation                         | 58,717,584           | 39,963,301           |
| Total liabilities                         | <u>3,155,996,478</u> | <u>1,803,451,622</u> |

| Note                                     | Spinning             |                      | Weaving              |                      | Power Generation   |                    | Company               |                      |
|--|----------------------|----------------------|----------------------|----------------------|--------------------|--------------------|-----------------------|----------------------|
|  | Jun-17               | Jun-16               | Jun-17               | Jun-16               | Jun-17             | Jun-16             | Jun-17                | Jun-16               |
| <b>40 Cost of sales</b>                  |                      |                      |                      |                      |                    |                    |                       |                      |
| Raw material consumed                    | 3,798,373,675        | 3,353,400,981        | 3,860,223,111        | 3,363,006,852        | -                  | -                  | 7,658,596,786         | 6,716,407,833        |
| Packing material consumed                | 88,133,505           | 91,054,059           | 16,149,620           | 14,402,106           | -                  | -                  | 104,283,125           | 105,456,165          |
| Stores and spare parts                   | 33,037,420           | 31,170,479           | 111,653,028          | 138,678,793          | 10,204,804         | 12,322,169         | 154,895,252           | 182,171,441          |
| Salaries, wages and benefits             | 267,235,968          | 267,071,079          | 259,011,848          | 245,108,985          | 7,994,120          | 8,205,777          | 534,241,936           | 520,385,841          |
| Fuel, power and water                    |                      |                      |                      |                      |                    |                    |                       |                      |
| Inter-segment                            | 382,427,911          | 427,943,023          | 68,195,668           | 36,684,225           | -                  | -                  | 450,623,579           | 464,627,248          |
| Other                                    | 9,922,216            | 47,455,453           | 362,960,805          | 357,288,512          | 363,951,836        | 337,498,540        | 736,834,857           | 742,242,505          |
|  | 392,350,127          | 475,398,476          | 431,156,473          | 393,972,737          | 363,951,836        | 337,498,540        | 1,187,458,436         | 1,206,869,753        |
| Electricity duty                         | -                    | -                    | -                    | -                    | 366,610            | 350,776            | 366,610               | 350,776              |
| Insurance                                | 11,920,568           | 10,603,756           | 6,660,088            | 5,010,312            | 4,349,757          | 4,672,214          | 22,930,413            | 20,286,282           |
| Repair and maintenance                   | 2,612,483            | 4,517,419            | 1,877,080            | 2,533,527            | 353,368            | 548,707            | 4,842,931             | 7,599,653            |
| Rent, rates and taxes                    | 738,429              | 751,966              | 181,735              | 148,455              | -                  | -                  | 920,164               | 900,421              |
| Travelling, conveyance and entertainment | 551,531              | 986,118              | 611,895              | 520,016              | 62,769             | 89,817             | 1,226,195             | 1,595,951            |
| Vehicle running expenses                 | 3,861,295            | 4,508,811            | 1,563,064            | 1,862,013            | 154,245            | 104,363            | 5,578,604             | 6,475,187            |
| Communication                            | 134,898              | 140,001              | 513,328              | 495,103              | 15,111             | 21,092             | 663,337               | 656,196              |
| Fee and subscription                     | 238,800              | 3,800                | 81,430               | 552,710              | -                  | -                  | 320,230               | 556,510              |
| Depreciation                             | 155,837,427          | 155,636,300          | 154,711,363          | 118,944,875          | 20,352,967         | 17,312,512         | 330,901,757           | 291,893,687          |
| Others                                   | -                    | -                    | 772,680              | 914,634              | 50,876             | 12,786             | 823,556               | 927,420              |
|  | <u>4,755,026,126</u> | <u>4,395,243,245</u> | <u>4,845,166,743</u> | <u>4,286,151,118</u> | <u>407,856,463</u> | <u>381,138,753</u> | <u>10,008,049,332</u> | <u>9,062,533,116</u> |

# FAISAL SPINNING MILLS LIMITED of Companies

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

| Note                              | Spinning        |                 | Weaving       |               | Power Generation |             | Company         |                 |
|-----------------------------------|-----------------|-----------------|---------------|---------------|------------------|-------------|-----------------|-----------------|
|                                   | Jun-17          | Jun-16          | Jun-17        | Jun-16        | Jun-17           | Jun-16      | Jun-17          | Jun-16          |
| Work in process                   |                 |                 |               |               |                  |             |                 |                 |
| Opening stock                     | 24,138,656      | 20,654,369      | 72,166,618    | 67,514,581    | -                | -           | 96,305,274      | 88,168,950      |
| Closing stock                     | (28,460,558)    | (24,138,656)    | (89,131,296)  | (72,166,618)  | -                | -           | (117,591,854)   | (96,305,274)    |
|                                   | (4,321,902)     | (3,484,287)     | (16,964,678)  | (4,652,037)   | -                | -           | (21,286,580)    | (8,136,324)     |
| Cost of goods manufactured        | 4,750,704,224   | 4,391,758,958   | 4,828,202,065 | 4,281,499,081 | 407,856,463      | 381,138,753 | 9,986,762,752   | 9,054,396,792   |
| Cost of cotton sold <b>40.2</b>   | -               | -               | -             | -             | -                | -           | -               | -               |
| Finished stocks                   |                 |                 |               |               |                  |             |                 |                 |
| Opening stock                     | 226,744,729     | 122,239,806     | 243,067,573   | 384,274,012   | -                | -           | 469,812,302     | 506,513,818     |
| Finished goods purchased          | 1,334,500       | -               | 33,708,164    | 18,241,510    | -                | -           | 35,042,664      | 18,241,510      |
| Yarn purchased                    | -               | -               | -             | -             | -                | -           | -               | -               |
| Closing stock                     | (187,151,026)   | (226,744,729)   | (285,164,989) | (243,067,573) | -                | -           | (472,316,015)   | (469,812,302)   |
|                                   | 40,928,203      | (104,504,923)   | (8,389,252)   | 159,447,949   | -                | -           | 32,538,951      | 54,943,026      |
|                                   | 4,791,632,427   | 4,287,254,035   | 4,819,812,813 | 4,440,947,030 | 407,856,463      | 381,138,753 | 10,019,301,703  | 9,108,989,042   |
| <b>40.1 Raw material consumed</b> |                 |                 |               |               |                  |             |                 |                 |
| Opening stock                     | 1,214,839,188   | 947,853,583     | 217,923,035   | 160,510,600   | -                | -           | 1,432,762,223   | -               |
| Purchases                         |                 |                 |               |               |                  |             |                 |                 |
| Inter-segment                     | -               | -               | 51,996,700    | 38,737,300    | -                | -           | 51,996,700      | 38,737,300      |
| Other                             | 3,634,925,604   | 3,620,386,586   | 3,986,643,927 | 3,388,941,520 | -                | -           | 7,621,569,531   | 7,009,328,106   |
|                                   | 3,634,925,604   | 3,620,386,586   | 4,038,640,627 | 3,427,678,820 | -                | -           | 7,673,566,231   | 7,048,065,406   |
| Raw material sold - cotton        | -               | -               | -             | -             | -                | -           | -               | -               |
| Raw material sold - yarn          | -               | -               | (27,365,247)  | (7,259,533)   | -                | -           | (27,365,247)    | (7,259,533)     |
| Closing stock                     | (1,051,391,117) | (1,214,839,188) | (368,975,304) | (217,923,035) | -                | -           | (1,420,366,421) | (1,432,762,223) |
|                                   | 3,798,373,675   | 3,353,400,981   | 3,860,223,111 | 3,363,006,852 | -                | -           | 7,658,596,786   | -               |
| <b>40.2 Cost of cotton sold</b>   |                 |                 |               |               |                  |             |                 |                 |
| Cost of purchase                  | -               | -               | -             | -             | -                | -           | -               | -               |
| Direct expenses                   | -               | -               | -             | -             | -                | -           | -               | -               |
|                                   | -               | -               | -             | -             | -                | -           | -               | -               |
| <b>41 Distribution cost</b>       |                 |                 |               |               |                  |             |                 |                 |
| <b>Export</b>                     |                 |                 |               |               |                  |             |                 |                 |
| Steamer and air freight           | 32,166,952      | 25,891,574      | 41,110,589    | 34,839,154    | -                | -           | 73,277,541      | 60,730,728      |
| Trailer freight                   | 13,628,942      | 13,286,820      | 14,270,714    | 17,903,277    | -                | -           | 27,899,656      | 31,190,097      |
| Clearing and forwarding           | 12,787,958      | 10,137,657      | 15,221,318    | 14,938,757    | -                | -           | 28,009,276      | 25,076,414      |
| Export development surcharge      | 10,642,493      | 8,948,548       | 8,253,679     | 7,441,158     | -                | -           | 18,896,172      | 16,389,706      |
| Commission                        | 43,824,498      | 30,650,905      | 81,321,294    | 78,277,598    | -                | -           | 125,145,792     | 108,928,503     |
| Sales promotion expenses          | 1,219,026       | 1,210,280       | 12,619,363    | 11,440,595    | -                | -           | 13,838,389      | 12,650,875      |
| Adhesive stamps                   | -               | -               | 2,537,239     | 3,703,661     | -                | -           | 2,537,239       | 3,703,661       |
| Claim settlement                  | -               | -               | 1,282,452     | 1,251,660     | -                | -           | 1,282,452       | 1,251,660       |
| Other export expenses             | 487,072         | 525,386         | 6,084,910     | 6,044,445     | -                | -           | 6,571,982       | 6,569,831       |
|                                   | 114,756,941     | 90,651,170      | 182,701,558   | 175,840,305   | -                | -           | 297,458,499     | 266,491,475     |
| <b>Local</b>                      |                 |                 |               |               |                  |             |                 |                 |
| Freight on local sales            | 5,137,431       | 6,594,269       | 1,260,345     | 387,650       | -                | -           | 6,397,776       | 6,981,919       |
| Commission                        | 6,066,775       | 4,625,278       | 11,594,252    | 15,254,181    | -                | -           | 17,661,027      | 19,879,459      |
| Quality claim                     | -               | -               | 599,927       | -             | -                | -           | 599,927         | -               |
| Others                            | -               | -               | 205,824       | 47,139        | -                | -           | 205,824         | 47,139          |
|                                   | 11,204,206      | 11,219,547      | 13,660,348    | 15,688,970    | -                | -           | 24,864,554      | 26,908,517      |
|                                   | 125,961,147     | 101,870,717     | 196,361,906   | 191,529,275   | -                | -           | 322,323,053     | 293,399,992     |

# FAISAL SPINNING MILLS LIMITED of Companies

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

|  | Spinning          |                   | Weaving           |                   | Power Generation |                | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|------------------|----------------|-------------------|-------------------|
|  | Jun-17            | Jun-16            | Jun-17            | Jun-16            | Jun-17           | Jun-16         | Jun-17            | Jun-16            |
| <b>42 Administrative cost</b>                |                   |                   |                   |                   |                  |                |                   |                   |
| Directors' remuneration                      | 17,800,000        | 14,400,000        | -                 | -                 | -                | -              | 17,800,000        | 14,400,000        |
| Staff salaries and benefits                  | 25,784,485        | 24,687,616        | 20,314,004        | 21,229,823        | -                | -              | 46,098,489        | 45,917,439        |
| Traveling, conveyance and entertainment      | 439,495           | 1,038,039         | 5,038,015         | 5,136,323         | -                | -              | 5,477,510         | 6,174,362         |
| Printing and stationery                      | 438,340           | 422,030           | 1,527,034         | 1,672,199         | 5,150            | 10,250         | 1,970,524         | 2,104,479         |
| Communication expenses                       | 555,025           | 296,577           | 647,606           | 560,402           | -                | -              | 1,202,631         | 856,979           |
| Vehicles running and maintenance             | 543,485           | 708,145           | 3,974,726         | 3,228,089         | -                | -              | 4,518,211         | 3,936,234         |
| Legal and professional                       | 2,641,042         | 80,000            | 380,000           | 437,000           | 260,000          | 795,444        | 3,281,042         | 1,312,444         |
| Auditors' remuneration                       | 858,000           | 858,000           | 858,000           | 858,000           | -                | -              | 1,716,000         | 1,716,000         |
| Fee and subscription                         | -                 | 1,507,185         | 1,062,815         | 1,377,905         | 17,000           | -              | 1,079,815         | 2,885,090         |
| Repair and maintenance                       | -                 | -                 | 72,196            | 183,907           | -                | -              | 72,196            | 183,907           |
| Rent, rates and taxes                        | 1,076,037         | 1,058,316         | -                 | -                 | -                | -              | 1,076,037         | 1,058,316         |
| Depreciation                                 | 2,628,399         | 2,413,970         | 6,399,434         | 6,168,327         | 19,625           | 21,805         | 9,047,458         | 8,604,102         |
| Charity and donation                         | -                 | 300,000           | 1,050,000         | 5,250,000         | -                | -              | 1,050,000         | 5,550,000         |
| Inadmissible Input                           | 7,760             | -                 | 63,911            | 66,117            | 3,876            | 19,953         | 75,547            | 86,070            |
| Bad debts expenses                           | 336,623           | 656,838           | -                 | -                 | -                | -              | 336,623           | 656,838           |
| Software license renewal and maintenance fee | -                 | -                 | 1,038,304         | 1,071,250         | -                | -              | 1,038,304         | 1,071,250         |
| Others                                       | 43,190            | 15,925            | 1,491,291         | 238,056           | -                | -              | 1,534,481         | 253,981           |
|  | <u>53,151,881</u> | <u>48,442,641</u> | <u>43,857,301</u> | <u>47,431,234</u> | <u>365,686</u>   | <u>893,616</u> | <u>97,374,868</u> | <u>96,767,491</u> |

## 43 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, 2017 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:

|                               | 2017                           |                 |                               |                                |                    |                      |                      |                           |
|-------------------------------|--------------------------------|-----------------|-------------------------------|--------------------------------|--------------------|----------------------|----------------------|---------------------------|
|                               | Interest / Markup bearing      |                 |                               | Non Interest / Markup bearing  |                    |                      | Total                | 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    | Rupees               |                      |                           |
| <b>Financial assets</b>       |                                |                 |                               |                                |                    |                      |                      |                           |
| Trade debts                   | -                              | -               | -                             | 395,871,780                    | -                  | 395,871,780          | 395,871,780          |                           |
| Loans and advances            | -                              | -               | -                             | 10,117,110                     | -                  | 10,117,110           | 10,117,110           |                           |
| Trade deposits                | 73,909,526                     | -               | 73,909,526                    | -                              | -                  | 73,909,526           | 73,909,526           | 4.50 to 6                 |
| Other receivables             | -                              | -               | -                             | 2,594,432                      | -                  | 2,594,432            | 2,594,432            |                           |
| Cash and Bank balances        | 3,572,322                      | -               | 3,572,322                     | 107,142,651                    | -                  | 107,142,651          | 110,714,973          |                           |
| Long-term deposits            | -                              | -               | -                             | -                              | 8,859,135          | 8,859,135            | 8,859,135            |                           |
| Long-term investments         | -                              | -               | -                             | -                              | 549,595,877        | 549,595,877          | 549,595,877          |                           |
|                               | <u>77,481,848</u>              | <u>-</u>        | <u>77,481,848</u>             | <u>515,725,973</u>             | <u>558,455,012</u> | <u>1,074,180,985</u> | <u>1,151,662,833</u> |                           |

# FAISAL SPINNING MILLS LIMITED of Companies

Notes to the financial statements  
For the year ended 30<sup>th</sup> June 2017

2017

|                                     | Interest / Markup bearing              |   |                        | Non Interest / Markup bearing          |   |                    | Total<br>Rupees        | Effective<br>Interest<br>Rate<br>%       |
|-------------------------------------|--|---|------------------------|--|---|--------------------|------------------------|--|
|                                     | Maturity<br>Upto<br>One year<br>Rupees | Maturity<br>After<br>One year<br>Rupees | Subtotal<br>Rupees     | Maturity<br>Upto<br>One year<br>Rupees | Maturity<br>After<br>One year<br>Rupees | Subtotal<br>Rupees |                        |  |
| <b>Financial liabilities</b>        |  |   |                        |  |   |                    |                        |  |
| Long-term financing                 | 160,431,324                            | 1,626,135,483                           | 1,786,566,807          | -                                      | -                                       | -                  | 1,786,566,807          | 2.5 to 9.4<br>and KIBOR<br>+ 0.5 to 0.75 |
| Trade and other payables            | 23,773,802                             | -                                       | 23,773,802             | 845,975,798                            | -                                       | 845,975,798        | 869,749,600            |  |
| Mark-up accrued on loans            | -                                      | -                                       | -                      | 18,583,998                             | -                                       | 18,583,998         | 18,583,998             |  |
| Short-term borrowings               | 164,039,661                            | -                                       | 164,039,661            | -                                      | -                                       | -                  | 164,039,661            | KIBOR + 0.1 to 2                         |
|                                     | <u>348,244,787</u>                     | <u>1,626,135,483</u>                    | <u>1,974,380,270</u>   | <u>864,559,796</u>                     | <u>-</u>                                | <u>864,559,796</u> | <u>2,838,940,066</u>   |  |
| <b>On balance sheet gap</b>         | <u>(270,762,939)</u>                   | <u>(1,626,135,483)</u>                  | <u>(1,896,898,422)</u> | <u>(348,833,823)</u>                   | <u>558,455,012</u>                      | <u>209,621,189</u> | <u>(1,687,277,233)</u> |  |
| <b>Contingencies</b>                |  |   |                        |  |   |                    |                        |  |
| Post dated cheques                  |  |   |                        |  |   |                    | 188,461,262            |  |
| Indemnity bonds                     |  |   |                        |  |   |                    | 46,968,016             |  |
| Guarantees (Note 8.1 and Note 13.2) |  |   |                        |  |   |                    | 190,348,497            |  |
| Letters of credit                   |  |   |                        |  |   |                    | 11,132,963             |  |

2016

|                                     | Interest / Markup bearing              |   |                        | Non Interest / Markup bearing          |   |                      | Total<br>Rupees        | Effective<br>Interest<br>Rate<br>%       |
|-------------------------------------|--|---|------------------------|--|---|----------------------|------------------------|--|
|                                     | Maturity<br>Upto<br>One year<br>Rupees | Maturity<br>After<br>One year<br>Rupees | Subtotal<br>Rupees     | Maturity<br>Upto<br>One year<br>Rupees | Maturity<br>After<br>One year<br>Rupees | Subtotal<br>Rupees   |                        |  |
| <b>Financial assets</b>             |  |   |                        |  |   |                      |                        |  |
| Trade debts                         | -                                      | -                                       | -                      | 497,572,089                            | -                                       | 497,572,089          | 497,572,089            |  |
| Loans and advances                  | -                                      | -                                       | -                      | 11,533,809                             | -                                       | 11,533,809           | 11,533,809             |  |
| Trade deposits                      | 51,322,586                             | -                                       | 51,322,586             | -                                      | -                                       | -                    | 51,322,586             | 4.5 to 6                                 |
| Other receivables                   | -                                      | -                                       | -                      | 2,594,432                              | -                                       | 2,594,432            | 2,594,432              |  |
| Bank balances                       | 1,678,792                              | -                                       | 1,678,792              | 52,087,841                             | -                                       | 52,087,841           | 53,766,633             |  |
| Long-term deposits                  | -                                      | -                                       | -                      | -                                      | 8,859,135                               | 8,859,135            | 8,859,135              |  |
| Long term investments               | -                                      | -                                       | -                      | -                                      | 510,098,368                             | 510,098,368          | 510,098,368            |  |
|                                     | <u>53,001,378</u>                      | <u>-</u>                                | <u>53,001,378</u>      | <u>563,788,171</u>                     | <u>518,957,503</u>                      | <u>1,082,745,674</u> | <u>1,135,747,052</u>   |  |
| <b>Financial liabilities</b>        |  |   |                        |  |   |                      |                        |  |
| Long-term financing                 | 123,681,061                            | 1,354,511,673                           | 1,478,192,734          | -                                      | -                                       | -                    | 1,478,192,734          | 2.5 to 9.4<br>and KIBOR<br>+ 0.5 to 0.75 |
| Trade and other payables            | 8,577,137                              | -                                       | 8,577,137              | 693,754,086                            | -                                       | 693,754,086          | 702,331,223            |  |
| Mark-up accrued on loans            | -                                      | -                                       | -                      | 13,144,572                             | -                                       | 13,144,572           | 13,144,572             |  |
| Short-term borrowings               | 752,995,786                            | -                                       | 752,995,786            | -                                      | -                                       | -                    | 752,995,786            | KIBOR + 0.1 to 2                         |
|                                     | <u>885,253,984</u>                     | <u>1,354,511,673</u>                    | <u>2,239,765,657</u>   | <u>706,898,658</u>                     | <u>-</u>                                | <u>706,898,658</u>   | <u>2,946,664,315</u>   |  |
| <b>On balance sheet gap</b>         | <u>(832,252,606)</u>                   | <u>(1,354,511,673)</u>                  | <u>(2,186,764,279)</u> | <u>(143,110,487)</u>                   | <u>518,957,503</u>                      | <u>375,847,016</u>   | <u>(1,810,917,263)</u> |  |
| <b>Contingencies</b>                |  |   |                        |  |   |                      |                        |  |
| Post dated cheques                  |  |   |                        |  |   |                      | 188,461,262            |  |
| Indemnity bonds                     |  |   |                        |  |   |                      | 46,968,016             |  |
| Guarantees (Note 8.1 and Note 13.2) |  |   |                        |  |   |                      | 167,144,154            |  |
| Letters of credit                   |  |   |                        |  |   |                      | 1,351,315,177          |  |

### 43.1 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.

# FAISAL SPINNING MILLS LIMITED of Companies

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

### 43.2 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 1,135,747,052 (June 30, 2016: PKR 1,135,747,052), unsecured local trade debts, advances to suppliers, and other advances amounting in aggregate to PKR 511,700,330 (June 30, 2016: PKR 511,700,330) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales."

### 43.3 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.

### 43.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2017, the total foreign currency risk exposure was PKR 120,287,859 (June 30, 2016: PKR 120,287,859) in respect of foreign trade debts.

### 43.5 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."

### 43.6 Credit risk

#### 43.6.1 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<br>2017 | 30 <sup>th</sup> June<br>2016 |
|-------------------------------------|-------------------------------|-------------------------------|
|                                     | Rupees                        | Rupees                        |
| Loans and receivables:              |                               |                               |
| Long term deposits                  | 8,859,135                     | 8,859,135                     |
| Trade receivables                   | 395,871,780                   | 497,572,089                   |
| Deposit with financial institutions | 74,568,804                    | 62,369,077                    |
| Other receivables                   | 2,594,432                     | 2,594,432                     |
| Cash at banks                       | 110,714,973                   | 53,766,633                    |
|                                     | <b>592,609,124</b>            | <b>625,161,366</b>            |

#### 43.6.2 Concentration of credit risk

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

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Domestic                 | 257,967,052        | 379,797,731        |
| Europe                   | -                  | 85,210,619         |
| United States of America | -                  | -                  |
| Asia and Middle East     | 137,904,728        | 32,563,739         |
|                          | <b>395,871,780</b> | <b>497,572,089</b> |

#### 43.6.3 Impairment losses

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

|  |                     |                     |
|--|---------------------|---------------------|
| Not past due   | 148,316,770         | 497,572,089         |
| Past dues less than one year                           | 247,555,010         | 52,344,109          |
| Past dues more than one year but less than three years | -                   | -                   |
| Past dues more than three years                        | 63,947,054          | 63,947,054          |
|  | <b>459,818,834</b>  | <b>613,863,252</b>  |
| Impairment   | <b>(63,947,054)</b> | <b>(63,947,054)</b> |
|  | <b>395,871,780</b>  | <b>549,916,198</b>  |

# FAISAL SPINNING MILLS LIMITED

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

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

|                             | 30 <sup>th</sup> June<br>2017<br>Rupees | 30 <sup>th</sup> June<br>2016<br>Rupees |
|-----------------------------|---|---|
| As at beginning of the year | 63,947,054                              | 63,947,054                              |
| Impairment loss recognized  | -                                       | -                                       |
| Impairment loss reversed    | -                                       | -                                       |
| As at end of the year       | <u>63,947,054</u>                       | <u>63,947,054</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.

### 43.6.4 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.

### 43.7 Liquidity risk

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

|                           | As at June 30, 2017          |                                     |                               |                                |                                   |
|---------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------|-----------------------------------|
|                           | Carrying<br>amount<br>Rupees | Contractual<br>cash flows<br>Rupees | One year<br>or less<br>Rupees | One to<br>five years<br>Rupees | More than<br>five years<br>Rupees |
| Long term financing       | 1,786,566,807                | 2,065,649,700                       | 230,480,454                   | 1,445,661,159                  | 619,988,541                       |
| Short term borrowings     | 164,039,661                  | 174,439,776                         | 174,439,776                   | -                              | -                                 |
| Accrued markup / Interest | 18,583,998                   | 18,583,998                          | 18,583,998                    | -                              | -                                 |
| Trade creditors           | 329,501,102                  | 329,501,102                         | 329,501,102                   | -                              | -                                 |
| Accrued liabilities       | 509,148,520                  | 509,148,520                         | 509,148,520                   | -                              | -                                 |
| Unclaimed dividend        | 5,431,439                    | 5,431,439                           | 5,431,439                     | -                              | -                                 |
| Other payables            | 25,668,539                   | 25,668,539                          | 25,668,539                    | -                              | -                                 |
|                           | <u>2,838,940,066</u>         | <u>3,128,423,074</u>                | <u>1,293,253,828</u>          | <u>1,445,661,159</u>           | <u>619,988,541</u>                |

|                           | As at June 30, 2016          |                                     |                               |                                |                                   |
|---------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------|-----------------------------------|
|                           | Carrying<br>amount<br>Rupees | Contractual<br>cash flows<br>Rupees | One year<br>or less<br>Rupees | One to<br>five years<br>Rupees | More than<br>five years<br>Rupees |
| Long term finances        | 1,478,192,734                | 1,757,275,627                       | 193,730,191                   | 1,137,287,086                  | 619,988,541                       |
| Accrued markup / interest | 13,144,572                   | 13,144,572                          | 13,144,572                    | -                              | -                                 |
| Trade creditors           | 303,139,867                  | 303,139,867                         | 303,139,867                   | -                              | -                                 |
| Accrued liabilities       | 382,151,583                  | 382,151,583                         | 382,151,583                   | -                              | -                                 |
| Unclaimed dividend        | 4,939,756                    | 4,939,756                           | 4,939,756                     | -                              | -                                 |
| Other payables            | 12,100,017                   | 12,100,017                          | 12,100,017                    | -                              | -                                 |
|                           | <u>2,193,668,529</u>         | <u>2,472,751,422</u>                | <u>909,205,986</u>            | <u>1,137,287,086</u>           | <u>619,988,541</u>                |

### 43.8 Market risk

#### 43.8.1 Currency risk

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

|                           |                    |                    |
|---------------------------|--------------------|--------------------|
| Trade receivables         | 137,904,728        | 117,774,358        |
| Cash and cash equivalents | 1,054,279          | 2,513,501          |
| Total exposure            | <u>138,959,007</u> | <u>120,287,859</u> |

# FAISAL SPINNING MILLS LIMITED

## Notes to the financial statements For the year ended 30<sup>th</sup> June 2017

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 104.80 / USD 2016: PKR 104.80 / USD ).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 12,028,786 (2016: PKR 12,028,786). 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.

### 43.8.2 Interest rate risk

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

|                                  | 30 <sup>th</sup> June<br>2017 | 30 <sup>th</sup> June<br>2016 |
|----------------------------------|-------------------------------|-------------------------------|
|                                  | Rupees                        | Rupees                        |
| <b>Fixed rate instruments</b>    |                               |                               |
| Financial assets                 | -                             | -                             |
| Financial liabilities            | 1,482,908,884                 | 1,101,618,750                 |
| <b>Variable rate instruments</b> |                               |                               |
| Financial assets                 | 77,481,848                    | 53,001,378                    |
| Financial liabilities            | 467,697,584                   | 1,129,569,770                 |

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 11,295,698 (2016: PKR 11,295,698). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

### 43.9 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.

## 44 Accounting Estimates and Judgments

### 44.1 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.

### 44.2 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.

### 44.3 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 equipment with a corresponding affect on the depreciation charge and impairment.

### 44.4 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.

### 44.5 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 2017

## 45 PLANT CAPACITY AND ACTUAL PRODUCTION

2017 2016

### 45.1 Spinning unit

|  |            |            |
|--|------------|------------|
| Number of spindles installed   | 38,208     | 38,208     |
| Number of spindles worked (Average)  | 38,208     | 38,208     |
| Number of working days   | 364        | 364        |
| Number of shifts per day   | 3          | 3          |
| Installed capacity in kilograms, after conversion into 20/s count (based on actual number of working days) | 19,921,801 | 19,921,801 |
| Actual production of yarn in kilograms,  | 19,910,812 | 19,511,917 |

### 45.2 Weaving unit

|   |            |            |
|---|------------|------------|
| Number of looms installed   | 265        | 265        |
| Number of looms worked  | 265        | 265        |
| Number of working days  | 364        | 364        |
| Number of shifts per day  | 3          | 3          |
| Installed capacity in meters, after conversion into 50 picks (based on number of actual working days) | 41,780,006 | 41,550,746 |
| Actual production of fabric in meters   | 38,862,180 | 35,797,770 |

**45.3** 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.

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

## 46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 27<sup>rd</sup> September 2017v.

## 47 NUMBER OF EMPLOYEES

|  | 2017         | 2016         |
|--|--------------|--------------|
| Average number of employees for the year ended 30th June | <u>1,028</u> | <u>1,078</u> |
| Number of employees as on 30th June                      | <u>1,034</u> | <u>1,083</u> |

## 48 CORRESPONDING FIGURES

**48.1** Corresponding figures have not been rearranged and reclassified in these financial statements.

## 49 GENERAL

The figures have been rounded off to the nearest Rupee.



**Bilal Sharif**  
Chief Executive

Karachi:

Date: 27th September 2017



**Mohammad Salim**  
Director



# FAISAL SPINNING MILLS LIMITED of Companies

## Year wise Operating Data

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

|  | 2017       | 2016       | 2015       | 2014       | 2013       | 2012       |
|--|------------|------------|------------|------------|------------|------------|
| <b>Spinning Unit</b>                                     |            |            |            |            |            |            |
| Spindle installed  | 38208      | 38,208     | 38,208     | 37,920     | 30,720     | 30,720     |
| Spindles worked - Average                                | 38208      | 38,208     | 38,208     | 32,186     | 30,720     | 30,720     |
| Installed capacity after conversion into 20/s count - Kg | 19,921,801 | 19,921,801 | 19,921,801 | 11,957,025 | 11,434,172 | 11,434,172 |
| Actual production - Kg                                   | 19,910,812 | 19,511,917 | 19,185,613 | 15,695,603 | 13,231,667 | 12,291,733 |

### Weaving Unit

|   |             |            |            |            |            |            |
|---|-------------|------------|------------|------------|------------|------------|
| Air jet looms installed                                   | 265         | 265        | 263        | 263        | 277        | 263        |
| Air jet looms worked                                      | 265         | 265        | 263        | 263        | 263        | 263        |
| Installed capacity after conversion into 50 picks - Meter | 41,780,006  | 41,550,746 | 41,237,155 | 41,237,155 | 41,237,155 | 41,237,155 |
| Actual production - Meter                                 | 388,862,180 | 35,797,770 | 32,012,776 | 32,931,606 | 31,489,829 | 31,585,583 |

## Year wise Financial Data

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

|                                | 2017       | 2016      | 2015      | 2014      | 2013      | 2012      |
|--------------------------------|------------|-----------|-----------|-----------|-----------|-----------|
| <b>Rupees in Thousands</b>     |            |           |           |           |           |           |
| <b>Profit and loss account</b> |            |           |           |           |           |           |
| Turnover (Net)                 | 10,563,662 | 9,281,954 | 9,281,027 | 9,780,480 | 8,488,787 | 7,632,725 |
| Gross profit                   | 1,046,981  | 675,979   | 807,076   | 1,279,136 | 1,286,668 | 860,465   |
| Operating profit               | 603,436    | 301,813   | 449,623   | 821,889   | 957,776   | 509,741   |
| Financial expenses             | 154,386    | 143,489   | 211,756   | 231,377   | 154,786   | 186,617   |
| Share profit of associate      | 45,443     | 19,646    | 15,160    | 42,516    | 72,957    | 52,374    |
| Profit before tax              | 494,493    | 177,970   | 253,027   | 633,028   | 875,947   | 375,498   |
| Profit after tax               | 430,993    | 169,214   | 174,549   | 597,259   | 798,232   | 298,997   |
| Cash dividend                  | 172,500    | 50,000    | 50,000    | 50,000    | 50,000    | 75,000    |

### Balance Sheet

|                                    |           |           |           |           |           |           |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Share capital                      | 100,000   | 100,000   | 100,000   | 100,000   | 100,000   | 100,000   |
| Reserves                           | 3,650,000 | 3,650,000 | 3,400,000 | 3,400,000 |           |           |
| Shareholder equity                 | 4,171,011 | 3,790,302 | 3,664,386 | 3,552,943 | 3,011,294 | 2,263,062 |
| Long term liabilities              | 1,626,135 | 1,354,512 | 704,433   | 1,041,909 | 536,700   | 181,680   |
| Short term loan                    | 164,039   | 752,996   | -         | 349,953   | 929,000   | 540,500   |
| Current liabilities                | 1,263,541 | 1,640,897 | 886,126   | 1,127,597 | 1,443,741 | 1,086,663 |
| Current portion of long term loans | 160,431   | 123,681   | 320,820   | 276,014   | 85,421    | 95,563    |
| Fixed assets                       | 3,256,739 | 3,196,193 | 2,466,091 | 2,019,622 | 1,404,362 | 1,439,395 |
| Current assets                     | 3,269,373 | 3,290,312 | 2,465,022 | 2,801,337 | 2,856,422 | 1,737,076 |

### Ratios

#### Performance

Sales growth percentage -

Year to Year basis

|                       |       |        |        |        |         |        |
|-----------------------|-------|--------|--------|--------|---------|--------|
| 13.80%                | 0.01% | -5.11% | 15.22% | 11.22% | -16.46% |        |
| Gross profit (%)      | 9.91% | 7.28%  | 8.70%  | 13.08% | 15.16%  | 11.27% |
| Profit before tax (%) | 4.68% | 1.92%  | 2.73%  | 6.47%  | 10.32%  | 4.92%  |
| Profit after tax (%)  | 4.08% | 1.82%  | 1.88%  | 6.11%  | 9.40%   | 3.92%  |

#### Leverage

Gearing ratio

Debt to equity (%)

Interest covering ratio

|      |        |        |        |        |       |
|------|--------|--------|--------|--------|-------|
| 0.47 | 0.59   | 0.28   | 0.47   | 0.52   | 0.36  |
| 39%  | 35.74% | 19.22% | 29.33% | 17.82% | 8.03% |
| 4.20 | 2.24   | 2.19   | 3.74   | 6.66   | 3.01  |

#### Liquidity ratio

Current ratio

|      |      |      |      |      |      |
|------|------|------|------|------|------|
| 2.58 | 2.01 | 2.78 | 2.48 | 1.98 | 1.60 |
|------|------|------|------|------|------|

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2017**

| NUMBER OF<br>SHAREHOLDERS | SHARE HOLDING |         | TOTAL<br>SHARES HELD |
|---------------------------|---------------|---------|----------------------|
|                           | FROM          | TO      |                      |
| 333                       | 1             | 100     | 10,471               |
| 334                       | 101           | 500     | 155,845              |
| 33                        | 501           | 1000    | 29,883               |
| 41                        | 1001          | 5000    | 103,800              |
| 10                        | 5001          | 10000   | 65,200               |
| 2                         | 10001         | 15000   | 24,200               |
| 1                         | 15001         | 20000   | 15,600               |
| 1                         | 20001         | 25000   | 20,701               |
| 1                         | 25001         | 30000   | 28,846               |
| 1                         | 30001         | 35000   | 32,692               |
| 2                         | 40001         | 45000   | 86,100               |
| 2                         | 45001         | 50000   | 98,077               |
| 1                         | 50001         | 55000   | 53,400               |
| 3                         | 95001         | 100000  | 294,923              |
| 1                         | 105001        | 110000  | 109,500              |
| 1                         | 125001        | 130000  | 129,231              |
| 1                         | 135001        | 140000  | 136,919              |
| 1                         | 140001        | 145000  | 145,000              |
| 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                         | 310001        | 315000  | 312,688              |
| 2                         | 330001        | 335000  | 665,415              |
| 3                         | 335001        | 340000  | 1,011,980            |
| 1                         | 360001        | 365000  | 363,841              |
| 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>790</u>                |               |         | <u>10,000,000</u>    |

\* There is no shareholding in the slab not mentioned



# FAISAL SPINNING MILLS LIMITED

AS AT JUNE 30, 2017

| 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. MOHAMMAD SHAKEEL  | 0.48       | 48,077        |
|          | 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       |
|          | MR. ABDULLAH BILAL  | 3.37       | 337,257       |
|          | MR. UMER KHURRAM  | 0.97       | 97,000        |
|          | MRS. NAZLI BEGUM  | 1.29       | 129,231       |
|          | 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       |
| <b>2</b> | <b>NIT</b>  |            |               |
|          | INVESTMENT CORPORATION OF PAKISTAN  | 0.01       | 500           |
| <b>3</b> | <b>CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN</b>  |            |               |
|          | MR. MUHAMMAD SHARIF   | 0.01       | 500           |
|          | MR. MUHAMMAD SALEEM   | 0.29       | 28,846        |
|          | MR. MUHAMMAD SHAHEEN  | 0.33       | 32,692        |
|          | MR. KHURRAM SALEEM  | 2.00       | 200,380       |
|          | MR. BILAL SHARIF  | 3.64       | 363,841       |
|          | MR. MUHAMMAD AMIN   | 4.61       | 460,923       |
|          | MR. ADIL SHAKEEL  | 6.62       | 661,500       |
|          | MR. HAMZA SHAKEEL   | 3.31       | 330,500       |
|          | MR. IQBAL MEHBOOB VOHRA   | 0.01       | 500           |
|          | MRS. YASMIN BEGUM   | 2.39       | 238,577       |
|          | MRS. SEEMA BEGUM  | 3.35       | 334,915       |
|          | MRS. AMNA KHURRAM   | 1.10       | 109,500       |
|          | MRS. SAMIA BILAL  | 5.34       | 533,960       |
|          | MRS. FATIMA AMIN  | 4.51       | 451,000       |
|          | MASTER ALI BILAL  | 3.37       | 337,361       |
|          | MASTER AZAAN BILAL  | 3.37       | 337,362       |
| <b>4</b> | <b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODABARAS AND MUTUAL FUNDS</b> |            |               |
|          | NATIONAL DEVELOPMENT FINANCE CORPORATION (INVESTAR)   | 0.04       | 3,600         |
|          | STATE LIFE INSURANCE CORPORATION OF PAKISTAN  | 2.23       | 222,700       |
|          | FIRST TRI-STAR MODARABA   | 0.00       | 100           |

# FAISAL SPINNING MILLS LIMITED

AS AT JUNE 30, 2017

| Sr #     | Shareholder Category  | Percentage    | No. of Shares     |
|----------|---|---------------|-------------------|
| <b>5</b> | <b>JOINT STOCK COMPANIES</b>  |               |                   |
|          | TAURUS SECURITIES LIMITED   | 0.01          | 500               |
|          | MRA SECURITIES LIMITED-MF   | 0.00          | 400               |
| <b>6</b> | <b>OTHER COMPANIES</b>  | 0.21          | 21,201            |
| <b>7</b> | <b>INDIVIDUAL SHAREHOLDERS</b>  | 8.32          | 831,899           |
|          | <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<br/>COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN</b> | -             | NIL               |
| <b>9</b> | <b>SHAREHOLDERS HOLDING 05% OR MORE</b>   |               |                   |
|          | ADMIRAL (PVT) LTD   | 12.83         | 1,282,900         |
|          | MR. FAISAL SHAKEEL  | 7.40          | 739,977           |
|          | MR. ADIL SHAKEEL  | 6.62          | 661,500           |
|          | MRS. SAMIA BILAL  | 5.34          | 533,960           |

## CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2017

| SR # | CATEGORIES OF SHAREHOLDERS  | NUMBERS OF<br>SHAREHOLDERS | SHARES HELD       | PERCENTAGE<br>% |
|------|---|----------------------------|-------------------|-----------------|
| 1    | Directors Chief Executive Officer their<br>Spouses and Minor Children | 17                         | 4,422,357         | 44.22           |
| 2    | Associated Companies, Undertaking<br>and Related Parties              | 14                         | 4,496,743         | 44.97           |
| 3    | NIT / ICP   | 1                          | 500               | 0.01            |
| 4    | Bank / Financial Institution  | 1                          | 3,600             | 0.04            |
| 5    | Insurance Company   | 1                          | 222,700           | 2.23            |
| 6    | Modarabas & Mutual Funds  | 1                          | 100               | 0.00            |
| 7    | General Public / Individuals  | 751                        | 831,899           | 8.32            |
| 8    | Other Companies   | 2                          | 21,201            | 0.21            |
| 9    | Joint Stock Companies   | 2                          | 900               | 0.01            |
|      |   | <b>790</b>                 | <b>10,000,000</b> | <b>100.00</b>   |

# JamaPunji

## Securities and Exchange Commission of Pakistan's Landmark Initiative for Investor Education



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## ڈائریکٹرز کی رپورٹ

ہم، بورڈ آف ڈائریکٹرز کے فیصل اسپننگ ملز لمیٹڈ کمپنی کی آڈٹ شدہ مالی بیانات کے ساتھ مل کر کارکردگیوں کی رپورٹ پر ہماری رپورٹ اس پر سال 30 جون، 2017 کے خاتمے کے لیے پیش کرنے کے لئے راضی ہیں۔

| 2016 (روپے)        | 2017 (روپے)        | آپریٹنگ نتائج آپریٹنگ نتائج یہاں کچھ اس طرح ہیں |
|--------------------|--------------------|---|
| 9,281,954,560      | 1,0563,662,932     | فروخت   |
| 675,979,290        | 1,046,981,508      | مجموعی منافع                                    |
| 177,970,350        | 494,493,662        | ٹیکس کی وصولی سے پہلے نفع                       |
| -                  | 44,726,258         | ٹیکس کی وصولی                                   |
| (3,167,649)        | -                  | موجودہ سال                                      |
| 11,923,781         | 18,773,532         | گزشتہ سال                                       |
| 8,756,132          | 63,499,790         | ملتی  |
| <b>169,214,218</b> | <b>430,993,832</b> | ٹیکس کی وصولی کے بعد فائدہ                      |
| <b>16.92</b>       | <b>43.10</b>       | نی شیئر آمدنی بنیادی                            |

### چلانے کے نتائج کا جائزہ

کام کے نتائج کے دوران کا حاصل کمپنی کی فروخت 2,10,563,662 ملین روپے، 9,281,954 ملین روپے کے مقابلے میں گزشتہ سال کے تیسرے کے تحت سال کا جائزہ لیں۔ مجموعی منافع ایک فی صد کی فروخت میں گزشتہ سال 7.28% 9.91% کے مقابلے میں کھڑے ہوئے کے طور پر۔ متعلقہ سال کے مقابلے رواں سال کے دوران مجموعی منافع میں اضافے کی وجہ سے سخت کنٹرول ختم ہوئی پیداوار ہیڈ کے اخراجات سے متعلق ہے 430.993 ملین روپے کا ٹیکس سال کے دوران 30 جون، 2017 ختم ہونے کے بعد کمپنی منافع گزشتہ سال میں 169.214 ملین روپے کے ٹیکس کے بعد نفع کے مقابلے میں کے طور پر کمائے۔

### ٹیکسٹائل کے شعبے میں پاکستان کا اقتصادی جائزہ

پاکستان میں ٹیکسٹائل کی صنعت کو سب سے بڑا مینوفیکچرنگ شعبہ ہونے کے لیے پاکستان کی معیشت کی ریڑھ کی ہڈی سمجھا جاتا ہے۔ اس کے علاوہ، ٹیکسٹائل سیکٹر بڑی شراکت مبادلہ میں مگر طاقت، سیاسی عدم استحکام، قانون اور امان کی صورت حال اور حکومتوں کی جہالت کی ترقی کے جامع ٹیکسٹائل پالیسی پتہ کے لئے کوشاں۔ میں موجودہ بحران کی وجہ سے کرتا ہے کہا کہ شعبے کی طرف سے مختلف مسائل کا سامنا کرنا پڑا، ٹیکسٹائل ملز resultantly کر رہے ہیں مجموعی طور پر برآمدات نے رد کیا۔

ریویو کے تحت سال کے دوران جو نو کرشاہی فنکشنل کے مختلف یونٹس کے آپریشن میں مختلف برنس چیلنجوں کا سامنا کرنا پاکستان کی ٹیکسٹائل صنعت کتنا جاری رکھا۔

سال کے زیر نظر کافی مشکل رہا ہے پاکستان کے لئے سال ہے۔ حکومت 2016-2017 کی سیٹ کپاس کی پیداوار کے ہدف کو پورا کرنے میں ناکام رہا۔ پیداوار 10 پر ریکارڈ کیا گیا ہے۔ 6 ملین بیلز 14.1 ملین کے مقررہ ہدف کے خلاف۔ تاہم، کپاس کی پیداوار 9.7 ملین بیلز (2015-16) گزشتہ مالی سال کی اسی مدت کے دوران ریکارڈ کی تعداد دوسرا سا۔

بجرا

ڈائریکٹرز کی بورڈ کے ایک حتمی نقد منافع 172.5 فیصد یعنی 17.25 روپے فی شیئر مطابق 27 اکتوبر، 2017 کو منعقد ہونے کی سفارش آڈٹ کمیٹی کی منظوری شاریہولڈرز میں سالانہ عام اجلاس آئندہ کے لئے سفارش کرنے کے لئے راضی ہے۔

## دارالحکومت ساخت اور مالی پوزیشن

سال کے اختتام پر مستعار لینا طویل مدت کے 1,626.135 ملین روپے تھا (2016) روپے 1,354.512 ملین (طور پر اسے 30 جون، 2017 تک 0.47 کو 0.59 سے کمی سال کے دوران کمیٹی ریجنز تناسب بہتر ہوئی۔ قلیل مدتی رقت کمیٹی کے موجودہ تناسب 2.01 2.58 مقابلے کی طرف سے اسی سال میں اس کی عکاسی کرتے بہت مستحکم ہے۔ شاریہولڈرز فنڈ کھڑے پر 4,171.011 ملین روپے (2016: 3,790.302) ملین روپے)

## نقدی کی حکمت عملی

ہماری کمیٹی ایک مشرکیش فلو کے انتظام کے نظام جہاں نقدی طرف سے inflows ہیں خیالی اور مستقل بنیاد پر نگرانی کی جاتی ہے۔ کام کردار حکومت کی ضرورت عام طور پر داخلی نقد نسل کے ذریعے کامیاب رہی۔

رواں سال کے دوران کمیٹی 123.681 ملین روپے کے انچارج طویل مدتی قرض ادا اور 432.055 ملین روپے کے انچارج نئے قرض اٹھایا۔

## رجیم قدر اور فی شیئر کی کمائی

کمیٹی شاریہولڈرز کی طرف اپنے پچھلے عزم سنہ 2016 روپے 43.10 کو موجودہ سال میں فی شیئر روپے 16.92 سے کمیٹی کی آمدنی میں اضافے کے ذریعے اس کی عکاسی کرتے دکھایا گیا ہے۔ رجیم قدر کی حصہ داری روپے 417.10 پر کے طور پر کاموازند کریں روپے 379.03 کو گزشتہ سال کھڑے تھے۔

## کارپوریٹ سیلف گورننس کے کوڈ کے ساتھ تعمیل

کارپوریٹ گورننس کے کوڈ کے ساتھ تعمیل کے بیان کو شامل کر لیا ہے۔

## کارپوریٹ اور مالی رپورٹنگ کے فریم ورک پر بیان

آپ کی کمیٹی کے ڈائریکٹرز کوڈ کے کارپوریٹ پاکستان کے اسٹاک ایکسچینج لمیٹڈ نے تمہارا تا اینڈ ایکسچینج کمیشن آف پاکستان سے ہدایات کے تحت کی فہرست قواعد میں شامل کر لیا اسلوب حکمرانی کے تحت اپنی ذمہ داریوں سے آگاہ ہیں۔ ضابطہ کی تعمیل کا ایک حصہ کے طور پر، ہم مندرجہ ذیل کی تصدیق:

☆ ان مالی بیانات تیار کمیٹی، موجودہ کے انتظام کی طرف سے کافی اس ریاست کے معاملات، آپریشن، نقد کا بہا اور مساوات میں تبدیلیوں کا نتیجہ ہے۔

☆ کمیٹی کے اکاؤنٹ کی صحیح کتابوں کو برقرار رکھا گیا ہے۔

☆ اکاؤنٹنگ کی مناسب پالیسیوں مسلسل مالی بیانات کی تیاری میں لگائے گئے ہیں اور اکاؤنٹنگ اندازوں کے مطابق معقول اور محتاط عدالت پر مبنی ہوتے ہیں۔



## FAISAL SPINNING MILLS LIMITED of Companies

☆ بین الاقوامی مالیاتی رپورٹنگ کے معیار، پاکستان میں قابل اطلاق کے طور پر مالی کے بیانات کی تیاری میں بیرونی ہے۔

☆ اندرونی کنٹرول کے نظام ڈیزائن میں آواز تھی اور ہے گئی مٹر طریقے سے نافذ اور نگرانی کی جاتی ہے۔

☆ کمپنی کے ایک مسلسل تشویش کے طور پر جاری کرنے کی صلاحیت پر کوئی اہم ٹیکو و شہادت تھے۔

☆ کوئی مادی روانگی لسٹنگ ریگولیشنز میں تفصیلی طور پر کارپوریٹ گورننس کے بہترین طور طریقوں سے رہا ہے۔

☆ ہم تیار کر سکتے ہیں اور ایک ضابطہ اخلاق کے ذریعے اور ڈائریکٹرز اور ملازمین کے درمیان تجارتی حکمت عملی میں تقسیم کیا ہے۔

☆ بورڈ آف ڈائریکٹرز ایک ڈٹن اور مشن کے بیان اور مجموعی طور پر کاروباری حکمت عملی کا ایک بیان اختیار کیا ہے۔

☆ پانچ ڈائریکٹرز کمپنی کے ڈائریکٹرز کے تربیتی پروگرام (DTP) پہلے ہی مکمل کر لیا تھا۔ اس کے علاوہ تین ڈائریکٹرز کارپوریٹ گورننس کے کوڈ کے تحت اسٹیمپ کی کسوٹی کی ملاقات ہوئی۔ DTP

میقات بندی میں اکتوبر 2017 کی حال ہی میں مقرر کردہ ڈائریکٹرز مسٹر۔ حمزہ شکیل جو جناب محمد شکیل کی جگہ لے لی۔

☆ ضرورت کے طور پر کوڈ کے کارپوریٹ گورننس کی طرف سے، ہم مندرجہ ذیل معلومات اس رپورٹ میں شامل ہیں:

☆ اے شار یہولڈنگ کے رجحان کا بیان الگ الگ دی گئی ہے۔

☆ اے حصص کا بیان سے وابستہ عزم کی طرف سے منعقد کیا اور افراد سے متعلق ہے۔

☆ اے سال اور حاضری کے دوران ہر ڈائریکٹر کی طرف سے منعقد بورڈ کے اجلاسوں کا بیان الگ الگ دی گئی ہے۔

☆ اے کلید آ پریٹنگ اور مالیاتی اعداد و شمار گزشتہ چھ سالوں کے لئے۔

☆ ٹیکس اور لیویز کے بارے میں معلومات کا پورے طور پر متبوضہ آڈٹ شدہ مالی بیانات میں انکشاف کیا گیا تھا۔

☆ کوئی ٹریڈنگ کمپنی کے حصص میں اپنی ڈائریکٹرز، سی ای او، کف، کمپنی سیکرٹری، اندرونی آڈٹ کے سربراہ اور ان میاں بیوی اور سوائے معمولی بچوں کی طرف سے شار یہولڈنگ کے اسلوب میں

انکشاف کیا ہے کے طور پر کیا گیا ہے۔

بورڈ اور آڈٹ کمیٹی اجلاس

2016-17 سال کے دوران منعقد بورڈ اور آڈٹ کمیٹی کی ملاقاتوں کی تعداد چار تھی۔ ہدایت کار اور ارکان کی حاضری کچھ اس طرح ہیں:

## کمیٹیاں

| افراد قوت اور مشاہیرہ |             | آڈٹ  |             | بورڈ آف ڈائریکٹرز |             | ڈائریکٹر کا نام  |
|-----------------------|-------------|------|-------------|-------------------|-------------|------------------|
| شریک                  | شرکت کے اہل | شریک | شرکت کے اہل | شریک              | شرکت کے اہل |                  |
| -                     | -           | -    | -           | 4                 | 4           | جناب محمد سلیم   |
| -                     | -           | -    | -           | 4                 | 4           | جناب محمد شریف   |
| -                     | -           | -    | -           | 4                 | 4           | جناب محمد شاہین  |
| -                     | -           | -    | -           | 2                 | 2           | جناب محمد ثقیل   |
| -                     | -           | 4    | 4           | 4                 | 4           | جناب خرم سلیم    |
| -                     | -           | -    | -           | 4                 | 4           | جناب بلال شریف   |
| 2                     | 2           | 4    | 4           | 4                 | 4           | جناب محمد امین   |
| 2                     | 2           | -    | -           | 4                 | 4           | جناب عادل ثقیل   |
|                       |             |      |             | 2                 | 2           | جناب حمزہ ثقیل   |
| 2                     | 2           | 4    | 4           | 4                 | 4           | جناب اقبال محبوب |

## آڈٹ کمیٹی

کمیٹی نے آڈٹ کو غنیمت اور ہر سطح پر اندرونی کنٹرول پر عمل درآمد کا جائزہ کے لئے مضبوط اندرونی آڈٹ نظام قائم کیا ہے۔ یہ ملاقاتیں کی آڈٹ کمیٹی میں منعقد ہوئیں

باقاعدہ وقفوں کے ساتھ میں کارپوریٹ گورننس کے ضابطہ اخلاق کے تقاضوں کی تعمیل کی۔ عبوری اور سالانہ مالی گوشوارے آڈٹ کمیٹی کی منظوری کے بورڈ آف ڈائریکٹرز سے پہلے جائزہ لیا گیا۔

## انسانی وسائل اور صلہ کمیٹی:

آواز اور مشر ملازمین کے ترقیاتی پروگرام انسانی وسائل اور صلہ کمیٹی قائم کی ہے۔ انسانی وسائل دو اہم علاقوں پر توجہ مرکوز رکھی: پیداواری صلاحیت کو بہتر بنانا / کارکردگی کمیٹی اور ہماری افرادی قوت کے معیار کو بڑھانے میں۔

## مالی بیانات

لسٹنگ کے تحت مطلوبہ بطور ضوابط اسٹاک کے کہا نگاس چیف ایگزیکٹو آفیسر اور چیف مالی افسر پیش مالی بیانات کو مکمل حتمہ ان متعلقہ دستخط، غور اور بورڈ آف ڈائریکٹرز کی منظوری کے لئے زیر حمایت اور بورڈ، غور اور منظوری کے بعد اجازت دینا مالی بیانات کے اجرا اور گردش کے لئے دستخط۔



## FAISAL SPINNING MILLS LIMITED of Companies

کمپنی کے مالی بیانات کا حتمہ کمپنی کی کارکردگیوں کی کاڈٹ کیا گیا ہے، مشتاق اینڈ کمپنی، چارٹرڈ اکائونٹنٹس اور کارکردگیوں مالی بیانات پر پاک آڈٹ رپورٹ 30 جون 2017 ختم ہوئی سال کے لیے جاری کیا ہے اور صاف نظر ثانی بیان کے کوڈ کے کارپوریٹ گورننس پر اطلاع دیں۔ یہ رپورٹیں مالی بیانات کے ساتھ منسلک ہیں۔

### شاریہولڈنگ کا نمونہ

شاریہولڈنگ اور شاریہولڈنگ کے اسلوب کے بارے میں اضافی معلومات کا نمونہ علیحدہ علیحدہ سے منسلک ہے۔

### کارکردگیوں

موجودہ کارکردگیوں ہٹھگ یف ریویلوک مشتاق اینڈ کمپنی، چارٹرڈ اکائونٹنٹس کی سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو گئے۔ اہل جا رہا ہے، وہ اپنے آپ کو دوبارہ ملاقات کے لئے پیش کر رہے ہیں۔ کمپنی نے آڈٹ ہٹھگ یف ریویلوک مشتاق اینڈ کمپنی، چارٹرڈ اکائونٹنٹس، کی بیرونی آڈیٹر سال 30 جون سیڈنی کے خاتمے کے لئے کے طور پر تقرری کی تجویز دی ہے۔ خارجی کارکردگیوں ہٹھگ یف ریویلوک مشتاق اینڈ کمپنی، چارٹرڈ اکائونٹنٹس تسلی بخش درجہ بندی نے انسٹی ٹیوٹ کی چارٹرڈ اکائونٹنٹس آف پاکستان کے معیار کا جائزہ پروگرام کے تحت دی گئی ہے اور فرم اور اس کے سب ساتھی کے بموجب کارروائی بین الاقوامی فیڈریشن کے اکائونٹنٹس کی ہدایات پر ہیں کوڈ کے انسٹی ٹیوٹ آف چارٹرڈ اکائونٹنٹس کے پاکستان کی طرف سے اپنایا اس اخلاقیات۔ بورڈ آف ڈائریکٹرز بھی جس میں 30 جون سیڈنی ختم ہوئی سال کے لئے بیرونی آڈیٹر ہٹھگ یف ریویلوک مشتاق اینڈ کمپنی، چارٹرڈ اکائونٹنٹس، کی تقرری کی سفارش کی جاتی ہے۔

### اکائونٹنگ کے معیارات

کمپنی کے اکائونٹنگ پالیسیاں مکمل طور پر کمپنیوں آڈیٹنٹس 1984 کی ضروریات کی عکاسی ہوتی ہے اور اس طرح بین الاقوامی حساب کتاب معیارات اور بین الاقوامی مالیاتی رپورٹنگ کے معیار اس آڈیٹنٹس کے تحت مطلع کیا گیا ہے کے طور پر منظوری دے دی اسی طرح سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ ہدایات کے ذریعے۔

### مواد میں تبدیلیاں اور وعدے

کوئی مواد میں تبدیلیاں اور کمپنی کی مالی پوزیشن کو متاثر کرنے والے وعدوں کو کمپنی کی طرف سے مالی سال کے اختتام کے درمیان واقع ہوا ہے جو بیلنس شیٹ سے متعلق اور ڈائریکٹرز کی رپورٹ کی رپورٹ کی تاریخ ہے۔

### صحت اور سیفٹی کی پالیسی

کمپنی ماحول کی صحت کے لئے اپنے ملازمین کی حفاظت کی اور حفاظت کے لیے عدم اور مسلسل بہتری آئی ہے۔ یہ مکتب صارفین، ٹھیکیداروں، سپلائرز اور جس میں اس پالیسی پر عمل پیرا یہ کمیونٹی اس وعدے کے اپیلی کیشن میں یقین رکھتا ہے۔

کاروباری سماجی ذمہ داری ہم مناسب مارکیٹنگ اور کنزرویٹو معلومات، کے فلسفہ کی طرف سے انسانی حقوق، اور کام کی جگہ پر ہمارے شراکت داروں کے ساتھ مشغولیت کو تلاش کرنے کے مشتاق اور ماحولیاتی اثر کو کم کرنے کا احترام کرنے میں قائم رہو۔ ہم نے ہمیشہ اپنے نظریات کے درمیان توازن اور ہمارے کاروبار کی فیصلہ سازی کے ایک ایسے معاشرے کی معقول معاشرتی توقعات کے ساتھ سیدھ کریں کوشش کریں۔

یہی ہماری مصنوعات کی بین الاقوامی مارکیٹ میں مسابقت کا تعین مستقبل Outlook کی کپاس ٹیکسٹائل کے شعبوں کی مجموعی کارکردگی کا معیار کی فصلیں کپاس اور دیگر پٹ کی قیمت پر ہے۔ اس وقت بین الاقوامی مسابقت اس طرح انسدادی اقدامات کی ضرورت ہے ٹیکسٹائل سیکٹر کے تحفظات کو حل کرنے کے لیے حکومت کی طرف سے لیا جائے دوسرے ممالک کے مقابلے میں پیداوار کی اعلیٰ قیمت کی وجہ سے ٹیکسٹائل کے شعبے موجود نہیں ہے۔



## FAISAL SPINNING MILLS LIMITED of Companies

پاکستان کو آہستہ آہستہ سے طویل مدتی طاقت بخرانوں ابھر رہا ہے، ایک بار ایک توپوں کا شعبہ ایک ملازمت انجن کام آبادی کا 30 فیصد کے ساتھ اس کے پاؤں کو تلاش کرنے کے لئے جسد ہے ٹیکسٹائل سیکٹرز۔ اعلیٰ توانائی کے اخراجات اور حریف کو کھود ہائی کا مطلب وصولی سے دو راب بھی یقین دلا یا ہے۔  
تاہم، چکے ہیں کچھ مثبت اقدامات جیسے لازمی فصل کی انشورنس پالیسی کپاس، کپاس کی مخصوص قرض امرز اور ٹیکسٹائل کے شعبے میں پاکستان کی مایوس کن حالت کو بہتر بنانے کے لئے کے امکان ہیں جو 38,000 میٹرک ٹن کے بیج کپاس کی دستیابی کے لیے۔

### بھریائی

میں بورڈ آف ڈائریکٹرز، قابل قدر شارپ ہولڈرز، گاہکوں، بینکاروں، سپلائرز اور دیگر اسٹیک ہولڈرز کے لئے اپنی حمایت، اعتبار اور اعتماد انتہائی مقروض ہوں۔ میں بھی ان کی وفاداری لگن اور سخت محنت جو کہ اپنی اپنے مقاصد کے حصول کے لئے اہل کے لئے تمام ملازمین کی تعریف۔

بحکم پورڈ  
بلال شریف  
چیف ایگزیکٹو

کراچی 27 ستمبر 2017ء

**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 33<sup>rd</sup> Annual General Meeting of the Company to be held on  
Friday 27<sup>th</sup> October, 2017 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

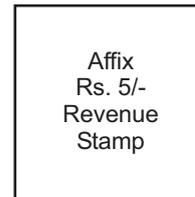
Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

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



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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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.

## پرکسی فارم

میں \_\_\_\_\_ کے \_\_\_\_\_  
 کے رکن اور عام شیئر کے حامل کی حیثیت کے \_\_\_\_\_ (شیئر کی تعداد)  
 رجسٹرڈ کارڈ نمبر \_\_\_\_\_ اور ای سی ڈی سی فوئیو کا آئی ڈی نمبر \_\_\_\_\_ اور ذیلی اکاؤنٹ نمبر \_\_\_\_\_ کے  
 یا \_\_\_\_\_ کے \_\_\_\_\_  
 کو کمپنی کے سالانہ اجلاس جو 27 اکتوبر 2017 کو منعقد ہوگا، میں میرے / ہمارے لئے اور میری / ہماری طرف سے بحیثیت اپنا پرکسی، ووٹ دینے کے لئے نامزد کرتا ہوں / کرتے ہیں۔

دستخط \_\_\_\_\_ بروز \_\_\_\_\_ تاریخ \_\_\_\_\_ / \_\_\_\_\_ / 2017۔

گواہان:

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: \_\_\_\_\_

پاسپورٹ نمبر: \_\_\_\_\_

دستخط شیئر ہولڈر

(دستخط کا کاپی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: \_\_\_\_\_

پاسپورٹ نمبر: \_\_\_\_\_

نوٹ: نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم مینٹیننگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہیے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔  
 سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرد افراد اور خواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ تصدیق شدہ نقل یا پاسپورٹ، پرکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

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