JUTE SPINNERS LIMITED
Notes to the Financial Statements
as at and for the year ended 30 June 2012

1.00 The background and activities of the Company

1.01 Status of the Company

This is a Public Limited Company registered under the Companies Act, 1913 (now Companies Act, 1994). The company was incorporated in Bangladesh on 26th July, 1979. The shares of the company are listed in the Dhaka Stock Exchange Limited of Bangladesh. The mill is located at BSCIC Industrial Estate, Shiromoni, Khulna.

1.02 Principal Activities

The company operates in a single industry segment. It owns and operates a jute spinning mill and producing and selling Jute Yarn and Twine.

2.00 Bases of Financial Statement – Its Preparation and Presentation

2.01 Measurement Bases

The financial statements have been prepared on the Historical Cost basis.

Accordingly, historical cost is employed to determine the monetary amounts at which the elements of the financial statements are to be recognized and carried in the statement of financial position and statement of comprehensive income.

Under the Historical Cost, assets are recorded at the amount of cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

2.02 Reporting Framework and Compliance thereof

The financial statements have been prepared in compliance with the requirements of the *Companies Act 1994,* the Securities and Exchange Rules 1987, the Listing Regulations of Dhaka Stock Exchange and other relevant local laws and regulations as applicable and in accordance with the applicable Bangladesh Financial Reporting Standards (BFRSs) including Bangladesh Accounting Standards (BASs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

2.03 Presentation of Financial Statements

The presentation of these financial statements is in accordance with the guidelines provided by *BAS 1: Presentation of Financial Statements.*

The Financial Statements Comprises:

(a) a statement of financial position as at 30 June 2012;

(b) a statement of comprehensive income for the year ended 30 June 2012;

(c) a statement of changes in equity for the year ended 30 June 2012;

(d) a statement of cash flows for the year ended 30 June 2012 and

(e) notes, comprising a summary of significant accounting policies and other explanatory information.

2.04 Reporting Period

The financial statements cover one calendar year from 1 July 2011 to 30 June 2012.

2.05 Authorization for Issue

The financial statements have been authorized for issue by the Board of Directors on 21 October 2012.

2.06 Functional and Presentation Currency

The financial statements are prepared and presented in *Bangladesh Currency (Taka)*, which is the company's functional currency. All financial information presented has been rounded off to the nearest Taka except where indicated otherwise.

2.07 Comparative Information

Comparative information has been disclosed in respect of the year ended 30 June 2011 for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

Figures for the year ended 30 June 2011 have been re-arranged wherever considered necessary to ensure better comparability with the current year.

2.08 Use of Estimates and Judgments

The preparation of financial statement in conformity with BFRSs / BASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure requirements for contingent assets and liabilities during and at the date of the financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected as required by *BAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.*

3.00 Significant Accounting Policies

3.01 Revenue Recognition

In compliance with the requirements of *BAS 18: Revenue*, revenue from receipts from customers against sales is recognized when the bill of lading is made

Accounting for Government Grants and Disclosure of Government Assistance.

A government grant (cash subsidy) that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related cost is recognized in profit and loss of the period on cash basis consistently

3.02 Property, Plant and Equipment

3.02.1 Recognition and Measurement

Property, plant and equipment are capitalized at cost of acquisition and subsequently stated at cost revalued amount less accumulated depreciation in compliance with the requirements of *BAS 16: Property, Plant and Equipment*. The Cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

3.02.2 Maintenance activities

The company incurs maintenance costs for all items major items of property, plant and equipment. Repair and Maintenance costs are charged as expenses when incurred.

3.02.3 Subsequent Expenditure

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the statement of comprehensive income as expenses if incurred. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

3.02.4 Disposal of Fixed Assets

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the statement of comprehensive income, which is determined with reference to the net book value of the assets and net sales proceeds.

3.02.5 Depreciation on Fixed Assets

Depreciation is provided on all fixed assets except Land & Land Development at the following rates on straight line basis over the periods appropriate to the estimated useful lives of the different types of assets. Full year's depreciation is charged on additions. The rates at which assets are depreciated per annum are given below:

Particulars	2011-2012	2010-2011
Building and Other Construction	5%	5%
Plant and Machineries	7.5%	7.5%
Electric Installation	10%	10%
Office Equipment	15%	15%
Furniture and Fixture	6% & 15%	6% & 15%
Vehicles	20%	20%
Sundry Assets	25%	25%

3.03 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.03.1 Financial assets

Financial assets of the company include cash and cash equivalents, accounts receivable and other receivables. The company initially recognizes receivable on the date they are originated. All other financial assets are recognized initially on the date at which the company becomes a party to the contractual provisions of the transaction. The company derecognizes a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial assets are transferred

(a) Accounts Receivable

Accounts receivable are created at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, provision experience and general economic conditions. When an accounts receivable is determined to be uncollectible it is written off, firstly against any provision available and then to the statement of comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income.

(b) Advances and Deposits

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

(c) Cash and Cash Equivalents

Cash and Cash equivalents are carried in the financial position at cost and include cash in hand and with banks on current and deposit accounts, which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

3.03.2 Financial Liability

Financial liabilities are recognized initially on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities include payable for expenses, liability for capital expenditure and other current liabilities.

3.03.3 Impairment

(a) Financial Assets

Accounts receivable and other receivables are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effects on the estimated future cash flows of that asset, that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy etc.

(b) Non-Financial Assets

An asset is impaired when its carrying amount exceeds its recoverable amount. The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Carrying amount of the assets is reduced to its recoverable amount by recognizing an impairment loss if, and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

3.04 Inventories

Inventories are carried at the lower of cost and net realizable value as prescribed by *BAS 2: Inventories*. Cost is determined on weighted average cost basis. The cost of inventories comprises of expenditure incurred in the normal course of business in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred to make the sale.

3.05 Provisions

A provision is recognized in the statement of financial position when the company has legal or constructive obligation as a result of a past event, 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. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation.

3.06 Income Tax Expenses

Current Tax

The company is a publicly traded company as per income tax law. The rate of Income Tax applicable for the company during the year under audit is 15% (SRO 220/Law/Income Tax/2011, dated 04.07.2011. As per the aforesaid SRO the rate will be effective upto June 30, 2013).

Deferred Tax

The company calculates deferred tax during the year under review in compliance with the provisions of Bangladesh Accounting Standard (BAS-12) "Income Taxes". The company's policy of recognition of deferred tax assets / liabilities is based on temporary differences (Taxable or deductible) between the carrying amount(Book Value) of assets and liabilities for financial reporting purposes and its tax base, and accordingly, deferred tax income / expense has been considered to determine net profit after tax and Earnings Per Share (EPS).

3.07 Borrowing Costs

This has been dealt with the requirements of *BAS 23: Borrowing Costs*.

Borrowing costs relating to projects in commercial operation are recognized as expenses in the year in which they are incurred. In respect of projects that are not yet commenced commercial production, borrowing costs are debited to capital work in progress.

3.08 Employee Benefits

The company maintains both contribution plan and defined benefit plan for its eligible permanent employees.

The company's employee benefits include the following:

(a) Defined Benefits Plan (Gratuity)

Employees are entitled to gratuity benefit after completion of minimum five years of services in the company. The gratuity is calculated on the latest applicable basic pay and is payable at the rate of one month basic pay for every completed year of service.

(b) Short-term Employee Benefits

Short-term employee benefits include salary, bonuses, leave encashment etc. Obligations for such benefits are measured on an undiscounted basis and are expensed as the related service is provided.

(c) Contribution to Workers' Participation/Welfare Funds

This represents 5% of net profit before tax contributed by the Company as per provisions of Bangladesh Labour Law, 2006 and is payable to workers as defined in the said law.

(e) Group Insurance Scheme

Employees of the company are covered under group life insurance scheme.

3.09 Proposed Dividend

The amount of proposed dividend has not been accounted for but disclosed in the notes to the accounts along with dividend per share in accordance with the requirements of the Para 125 of *Bangladesh Accounting Standard (BAS) 1 (Revised 2008): Presentation of Financial Statements*. Also, the proposed dividend has not been considered as "Liability" in accordance with the requirements of the Para 12 & 13 of *Bangladesh Accounting Standard (BAS) 10: Events After the Reporting Period*, because no obligation exists at the time of approval of accounts and recommendation of dividend by the Board of Directors.

3.10 Earnings per Share

This has been calculated in compliance with the requirements of *BAS 33: Earnings Per Share* by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Basic Earnings (Numerator)

This represents earnings for the period attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Diluted Earnings per Share

No diluted EPS is required to be calculated for the year, as there was no scope for dilution during the year under review.

3.11 Foreign Currency Transactions

The Financial records of the company are maintained and the financial statements are stated in Bangladesh Taka. Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date.

3.12 Segmental Reporting

No segmental reporting is applicable for the company as required by *BAS 14: Segmental Reporting*, as the company operates in a single industry segment and within a single geographical segment.

3.13 Statement of Cash Flows

The Statement of Cash Flows has been prepared in accordance with the requirements of *BAS 7: Statement of Cash Flows.* The cash generated from operating activities has been reported using the Direct Method as prescribed by the Securities and Exchange Rules, 1987 and as encouraged by BAS 7 whereby major classes of gross cash receipts and gross cash payments from operating activities are disclosed.

3.14 Events after the Reporting Period

In compliance with the requirements of *BAS 10: Events after the Reporting Period*, post financial position events that provide additional information about the company's position at the statement of financial position date are reflected in the financial statements and events after the statement of financial position date that are not adjusting events are disclosed in the notes when material.