



FAISAL SPINNING MILLS LIMITED

NOTES TO THE ACCOUNTS (UNAUDITED) FOR THE PERIOD ENDED MARCH 31, 2007

1 STATUS AND ACTIVITIES

The Company was incorporated in Pakistan on January 31, 1985 under the Companies Ordinance 1984 as a public limited Company and its shares are quoted on all stock exchanges of Pakistan. The Company is principally engaged in the manufacture and sale of cotton yarn and woven fabrics.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements have been prepared under "Historical Cost Convention" except for staff gratuity accounted for in accordance with "International Accounting Standard - 19" and modifications due to adjustments for exchange rate fluctuations.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the period ended June 30, 2006.

4 SHARE CAPITAL

Authorised:

Number of shares		
Mar-07	JUN-06	
12,000,000	12,000,000	Ordinary shares of Rs. 10/- each
<u>12,000,000</u>	<u>12,000,000</u>	

Issued, subscribed and paid-up:

Fully paid ordinary shares of Rs. 10 each

10,000,000	10,000,000	Issued for cash
<u>10,000,000</u>	<u>10,000,000</u>	

MARCH 31 2007	JUNE 30 2006
← Rupees →	

120,000,000	120,000,000
<u>120,000,000</u>	<u>120,000,000</u>

100,000,000	100,000,000
<u>100,000,000</u>	<u>100,000,000</u>

5 LOAN FROM SPONSORS

The above loan is unsecured, interest free and not repayable in the next twelve months.

<u>100,000,000</u>	<u>-</u>
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6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no material change in contingencies as disclosed in the notes to the financial statements for the year ended June 30, 2006 except for the professional tax which was imposed by provincial government. The Honourable Supreme Court of Pakistan decided the case in favor of provincial government. The company has paid the professional tax subsequently. The bank guarantee issued in favor of Sui Gas Company amounted to Rs. 49.732 million and in favor of Excise and Taxation Office is

MARCH 31, 2007	JUNE 30, 2006
Rupees	

6.2 Commitments

Letters of credits against import of machinery
Civil works

16.154 Million	65.00 Million
<u>10.00 Million</u>	<u>6.00 Million</u>
<u>26.154 Million</u>	<u>71.00 Million</u>

7 PROPERTY, PLANT AND EQUIPMENT	MARCH 31, 2007	JUNE 30, 2006
	Rupees	Rupees
Written down value at beginning of the period	1,662,322,670	1,705,814,261
Additions during the period		
Owned		
Factory building	521,333	44,209,956
Non-factory building	102,954	15,918,949
land	-	48,800
Plant and machinery	176,532,281	78,251,963
Furniture and fixture	175,804	814,971
Elec.equipment & fitting	10,461,200	10,775,349
Equipment & other assets	95,000	5,458,946
Vehicles	1,055,300	1,228,528
	188,943,872	156,707,462
Written down value of assets disposed off	(16,303,431)	(19,803,810)
Depreciation	(141,639,500)	(180,395,243)
	1,693,323,611	1,662,322,670

8 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The Company enters into transactions with related parties in normal course of business at arm's length determined in accordance with "Comparable Uncontrolled Price Method". Transactions with related parties other than remuneration and benefits to key management personnel under the term of employment are as follows: -

	NINE MONTHS ENDED	
	MARCH 2007	MARCH 2006
	Rupees	
Purchases	237,860,025	241,284,527
Sales	85,298,554	495,076,578
Services availed	2,041,000	986,500
Services rendered	2,498,650	-
Electricity purchased	33,303,828	113,542,573
Dividend received	891,870	891,870

9 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on 27th April, 2007 by the Board of Directors of the Company.

10 OTHERS

- The textile business in the all year business however, major raw material purchase I.e. cotton, take place during the four months from October to January. This leads to higher figures in respect of stocks and short term borrowings being reflected during these periods.
- Deferred tax provision has not been recognized, as the Company is being assessed under the final tax regime and the Company's export sales for the foreseeable future is likely to remain above the present threshold point.
- There are no other significant activities since June 30, 2006 affecting the financial statements other than disclosed in these financial statements.

11 GENERAL

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been rearranged, where ever necessary, for the purpose of comparison.