

FAISAL SPINNING MILLS LIMITED

DIRECTORS REVIEW

The directors have pleasure in submitting financial statements (Reviewed) for the second quarter ended on December 31, 2006 in accordance with the requirements of section 245 of the Companies Ordinance, 1984.

FINANCIAL RESULTS

Allhumdullilah, your company has earned a net profit after tax at Rs. 63.002 million (December 2005: Rs. 65.057 million) for the second ended on December 31, 2006. The sales of the company have increased by Rs. 107.805 million as compared to the corresponding period of last year with a growth of 6.71% whereas, the gross profit margin has slightly been reduced and stood at 11.77% to the net sales. Except distribution cost, which has increased due to increase in sales, all components of operating cost have been decreased as compared to the corresponding period of the last year. Especially, the financial cost has been reduced by Rs. 5.863 million. The earning per share at the end of the second quarter is Rs. 6.30/= (December 2005: Rs. 6.51).

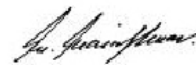
YEAR UNDER REVIEW

The year under review is a tough year for whole textile sector. The prices of cotton are high whereas the prices of yarn in local and international market are not in line with prices of cotton. The financial cost due to mark up rates are high on long term loans, other than the loans qualified for LTF-EOP specially in spinning unit. The increasing trend of inflation affected the salaries and wages and other production cost which inflated production cost and cost of doing business in Pakistan. The management is striving hard to deal with the situation but it seems difficult to maintain profitability in the remaining six months.

THANKS AND GRATITUDE.

Your director would like to place their appreciation of the cooperation of the financial institutions and dedication shown by the executives, officers, staff members and workers of the company in the performance of their duties. The directors do hope that it will continue in future.

On behalf of the Board



(MOHAMMAD SHARIF)
(CHIEF EXECUTIVE / DIRECTOR)

Karachi: February 26, 2007