

FAISAL SPINNING MILLS LIMITED

NOTES TO THE ACCOUNTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006

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.

These interim financial statements are unaudited. However, a limited scope review of these interim financial statements has been performed by the statutory auditors of the Company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

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 year ended June 30, 2006.

4 SHARE CAPITAL

Authorised:

Number of shares	
DEC-06	JUN-06
12,000,000	12,000,000
12,000,000	12,000,000

Ordinary shares of Rs. 10/- each

Issued, subscribed and paid-up:

Fully paid ordinary shares of Rs. 10 each

10,000,000	10,000,000
10,000,000	10,000,000

Issued for cash

DECEMBER 31 2006	JUNE 30 2006
Rupees	

120,000,000	120,000,000
120,000,000	120,000,000

100,000,000	100,000,000
100,000,000	100,000,000

5 LOAN FROM SPONSORS

100,000,000	-
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The above loan is unsecured, interest free and not repayable in the next twelve months.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no material changes 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 the provincial government. The Honourable Supreme Court of Pakistan decided the case in favour of the provincial government. The company is now providing / paying professional tax.

DECEMBER 31, 2006	JUNE 30, 2006
Rupees	

6.2 Commitments

Letters of credit against import of machinery
Civil works

12,270,000	65,010,831
25,000,000	6,000,000
37,270,000	71,010,831

	DECEMBER 31, 2006	JUNE 30, 2006
	Rupees	Rupees
7 PROPERTY , PLANT AND EQUIPMENT		
Written down value at the 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	176,532,284	78,251,963
Furniture and fixture	175,804	814,971
Elec.equipment & fitting	10,461,200	10,775,349
Equipment & other assets	-	5,458,946
Vehicles	1,055,300	1,228,528
	188,848,875	156,707,462
Written down value of assets disposed off	(16,237,908)	(19,803,810)
Depreciation	(84,718,827)	(180,395,243)
	1,750,214,810	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 price determined in accordance with "Comparable Uncontrolled Price Method". Transactions with related parties other than remuneration and benefits to key management personnel under the terms of employment, are as follows: -

	SIX MONTHS PERIOD ENDED	
	DECEMBER 2006	DECEMBER 2005
	Rupees	
Purchases	163,578,750	113,607,689
Sales	32,037,712	413,596,068
Services availed	1,151,000	772,000
Electricity purchased	29,726,853	79,285,044
Dividend received	891,870	891,870

9 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on _____ by the Board of Directors of the Company.

10 OTHERS

- The textile business is the all year business however, major raw material purchase i.e. cotton, takes 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.

Chief Executive

Director

Date: