

**COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	Mr. Mohammad Sharif Mr. Mohammad Salim Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
<b>COMPANY SECRETARY</b>	Mr. Asif Mahmood FCA, FCIS, FITM, FICS, APA	
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Anwar Hussain, FCA	
<b>AUDIT COMMITTEE</b>	Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Shakeel	
<b>AUDITORS</b>	M/s. Mushtaq & Co. Chartered Accountants 407-Commerce Centre., Hasrat Mohani Road, Karachi-74200	
<b>LEGAL ADVISOR</b>	Mr. Shahid Pervaiz Jami	
<b>BANKERS</b>	Bank of Punjab Citi Bank, N.A. Habib Bank Limited Hong Kong and Shanghai Banking Corp. Ltd. Standard Chartered Bank United Bank Limited	
<b>REGISTERED OFFICE:</b>	Umer Chambers, 10/2, Bilmoria Street, Off. I.I. Chundrigar Road, Karachi. Tel: (021) 2635916-17 Fax: (021) 263-7826 E-mail: khioff@umergroup.com Website: www.umergroup.com	
<b>LIAISON / CORRESPONDENCE OFFICE:</b>	9th Floor, City Tower, 6-K, Main Boulevard, Gulberg II, Lahore Tel: (042) 111-130-130 Fax: (042) 5770015 E-mail: lhroff@umergroup.com Website: www.umergroup.com	
<b>MILLS AT:</b>	Spinning Unit: A-150 S.I.T.E. Nooriabad Ph: (02202) 660002  Weaving Unit: 18-KM, Shekhupura Faisalabad Road, Feroze Watwan, Distt. Shekhupura Tel : 056 - 3731446 - 7	

# **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).

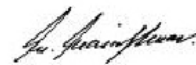
### **YEAR UNDER REVIEW**

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

**MUSHTAQ & CO.**  
**CHARTERED ACCOUNTANTS**

407-Commerce Centre,  
Hasrat Mohani Road,  
Karachi-74200,  
Pakistan

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**REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of Faisal Spinning Mills Limited ("the Company") as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2005 and 2006 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The financial statements of the company for the year ended June 30, 2006 / six months period ended December 31, 2005 were audited and reviewed respectively by another firm of Chartered Accountants who had expressed unqualified opinions thereon vide their reports dated October 07, 2006 and February 27, 2006 respectively.



**MUSHTAQ & COMPANY**  
**CHARTERED ACCOUNTANTS**

KARACHI:

DATED: 7th Feb 2007

**FAISAL SPINNING MILLS LIMITED**  
**BALANCE SHEET ( UN-AUDITED )**  
**AS AT DECEMBER 31, 2006.**

	NOTE	DECEMBER 2006 RUPEES	JUNE 2006 RUPEES		NOTE	DECEMBER 2006 RUPEES	JUNE 2006 RUPEES
<b>CAPITAL AND LIABILITIES</b>				<b>ASSETS</b>			
<b>AUTHORIZED CAPITAL</b>				<b>FIXED ASSETS</b>			
12,000,000 ordinary shares ( June 2006 : 12,000,000) of Rs. 10/= each		<u>120,000,000</u>	<u>120,000,000</u>	Property, plant and equipment		1,750,214,810	1,662,322,670
				Capital work in progress		13,866,274	9,640,418
						<b>1,764,081,084</b>	<b>1,671,963,088</b>
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>				<b>LONG TERM INVESTMENT</b>			
10,000,000 ordinary shares ( June 2006 : 10,000,000) of Rs. 10/= each	4	100,000,000	100,000,000			<b>124,436,051</b>	<b>111,319,339</b>
Reserves		640,000,000	640,000,000	<b>LONG TERM LOANS</b>			
Un-appropriated profit		<u>163,559,245</u>	<u>108,057,732</u>			<b>2,119,967</b>	<b>5,069,144</b>
<b>SHARE HOLDERS EQUITY</b>		<b>903,559,245</b>	<b>848,057,732</b>	<b>LONG TERM DEPOSITS</b>			
						<b>3,011,337</b>	<b>2,695,725</b>
<b>LOAN FROM SPONSORS</b>	5	100,000,000	-	<b>CURRENT ASSETS</b>			
<b>LONG TERM LOANS</b>		764,737,962	967,012,984	Stores, spares and loose tools		49,796,623	28,895,504
				Stock in trade		694,488,221	588,086,858
<b>DEFERRED LIABILITIES</b>		34,221,864	30,374,845	Trade debtors		328,436,202	160,238,276
				Loans and advances		37,675,391	17,990,927
<b>CURRENT LIABILITIES</b>				Trade deposits		2,062,526	4,814,165
Trade and other payables		178,567,671	158,997,461	Other receivables		5,288,000	269,852
Mark-up accrued on loans and other payables		30,685,961	31,433,072	Taxation		20,875,734	21,502,569
Short term borrowings - secured		905,394,889	360,000,000	Cash and bank balances		150,186,907	29,489,883
Current portion of long term loans		264,278,680	246,459,236			<b>1,288,809,604</b>	<b>851,288,034</b>
Provision for taxation		1,011,771	-				
		<b>1,379,938,972</b>	<b>796,889,769</b>				
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-				
		<u>3,182,458,043</u>	<u>2,642,335,330</u>			<u>3,182,458,043</u>	<u>2,642,335,330</u>

The annexed notes form an integral part of these financial statements.

Chief Executive

Date:

Director

**FAISAL SPINNING MILLS LTD**  
**PROFIT AND LOSS ACCOUNT ( UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

	SIX MONTHS PERIOD ENDED		QUARTER ENDED	
	DECEMBER 31		DECEMBER 31	
	2006	2005	2006	2005
	←————— RUPEES —————→			
Sales (net)	1,715,132,461	1,607,327,910	895,166,692	797,218,357
Cost of goods sold	1,513,253,228	1,386,841,795	795,068,729	698,376,119
Gross profit	201,879,233	220,486,115	100,097,963	98,842,238
Other operating income	1,991,868	1,849,842	1,991,868	1,792,759
	203,871,101	222,335,957	102,089,831	100,634,997
Distribution cost	27,405,753	24,212,676	12,658,547	12,420,403
Administrative expenses	13,521,912	15,095,592	6,976,645	7,319,639
Other operating expenses	3,877,660	4,597,239	1,839,921	1,694,669
Finance cost	85,768,707	91,631,376	46,034,688	47,550,045
	130,574,032	135,536,883	67,509,801	68,984,756
	73,297,069	86,799,074	34,580,030	31,650,241
Share of profit of associated undertaking	13,116,712	-	3,226,384	-
Profit before taxation	86,413,781	86,799,074	37,806,414	31,650,241
Provision for taxation	23,412,268	21,742,495	12,188,074	10,873,485
Profit after taxation	63,001,513	65,056,579	25,618,340	20,776,756
Earnings per share- basic and diluted	Rs.6.30	Rs.6.51	Rs.2.56	Rs.2.08

The annexed notes form an integral part of these financial statements.

**Chief Executive**

**Director**

**Date:**

**FAISAL SPINNING MILLS LIMITED**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

	DECEMBER 2006 RUPEES	DECEMBER 2005 RUPEES
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	86,413,781	86,799,074
Add: Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation	84,718,827	88,320,591
Finance cost	85,768,707	91,631,376
Provision for gratuity	5,100,000	4,500,000
(Gain) on disposal of fixed assets	(262,095)	(651,772)
Infrastructure fee	843,578	140,992
Doubtful debts written back	-	(306,200)
Dividend income	(891,870)	(891,870)
Share of profit of associated undertaking	(13,116,712)	-
	<b>162,160,435</b>	<b>182,743,117</b>
Operating profit before working capital changes	<b>248,574,216</b>	<b>269,542,191</b>
<b>(Increase)/decrease in current assets</b>		
Stocks, stores and spares	(127,302,482)	(131,777,061)
Trade debts	(168,197,926)	38,985,433
Loans and advances	(19,684,464)	71,574,173
Trade deposits	2,751,639	(39,947,927)
Other receivables	(4,391,313)	54,208,538
	<b>(316,824,546)</b>	<b>(6,956,844)</b>
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	19,487,576	(7,346,920)
Short term borrowings - secured	545,394,889	(33,626,772)
	<b>564,882,465</b>	<b>(40,973,692)</b>
Cash generated from operations	496,632,135	221,611,655
<b>Payments for:</b>		
Taxes	(22,400,497)	(45,984,643)
Finance cost	(86,515,818)	(83,164,319)
Gratuity	(2,096,559)	(2,178,160)
	<b>(111,012,874)</b>	<b>(131,327,122)</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>385,619,261</b>	<b>90,284,533</b>

DECEMBER 2006 RUPEES	DECEMBER 2005 RUPEES
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<b>Balance brought forward</b>	<b>385,619,261</b>	<b>90,284,533</b>
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**B. CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from disposal of fixed assets	16,500,000	16,275,000
Fixed capital expenditure	(193,074,730)	(92,514,475)
Decrease / (Increase) in long term loans	2,949,177	503,706
Dividend income	891,870	891,870
Decrease / (Increase) in long term deposits	(315,612)	-
<b>Net cash outflow from investing activities</b>	<b>(173,049,295)</b>	<b>(74,843,899)</b>

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Loan from sponsors	100,000,000	-
Proceeds from long term loans	60,592,224	140,000,000
Repayment of long term loan	(245,047,800)	(110,372,475)
Dividend paid	(7,417,366)	(7,438,648)
<b>Net cash outflow from financing activities</b>	<b>(91,872,942)</b>	<b>22,188,877</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>120,697,024</b>	<b>37,629,511</b>
Cash and cash equivalents at beginning of the period	29,489,883	15,847,610
<b>Cash and cash equivalents at end of the period</b>	<b>150,186,907</b>	<b>53,477,121</b>

**Chief Executive**

**Director**

**Date:**

# FAISAL SPINNING MILLS LIMITED

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006

The changes in the equity are as follows:

	Share capital	Reserves		Unappropriated profit	Total
		Capital	Revenue		
← R u p e e s →					
Balance as at July 01, 2005	100,000,000	24,150,000	475,850,000	90,400,193	690,400,193
Profit for the six months period ended December 31, 2005	-	-	-	65,056,579	65,056,579
Final Dividend - 2005 @ 7.5 %	-	-	-	(7,500,000)	(7,500,000)
Balance as at December 31, 2005	100,000,000	24,150,000	475,850,000	147,956,772	747,956,772
Balance as at July 01, 2006	100,000,000	24,150,000	615,850,000	108,057,732	848,057,732
Profit for the six months period ended Dec 31, 2006	-	-	-	63,001,513	63,001,513
Dividend for the year ended June 30, 2006 Re. 0.75/- per share	-	-	-	(7,500,000)	(7,500,000)
Balance as at December 31, 2006	100,000,000	24,150,000	615,850,000	163,559,245	903,559,245

CHIEF EXECUTIVE

DIRECTOR

DATE:



# 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

		DECEMBER 31 2006	JUNE 30 2006
		← Rupees →	
<b>Authorised:</b>			
<b>Number of shares</b>			
<b>DEC-06</b>	<b>JUN-06</b>		
12,000,000	12,000,000	120,000,000	120,000,000
<u>12,000,000</u>	<u>12,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>
<b>Issued, subscribed and paid-up:</b>			
<b>Fully paid ordinary shares of Rs. 10 each</b>			
10,000,000	10,000,000	100,000,000	100,000,000
<u>10,000,000</u>	<u>10,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
		100,000,000	-

### 5 LOAN FROM SPONSORS

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.

#### 6.2 Commitments

Letters of credit against import of machinery  
Civil works

	DECEMBER 31, 2006	JUNE 30, 2006
	Rupees	
Letters of credit against import of machinery	12,270,000	65,010,831
Civil works	25,000,000	6,000,000
	<u>37,270,000</u>	<u>71,010,831</u>

	<b>DECEMBER 31, 2006</b>	<b>JUNE 30, 2006</b>
	<b>Rupees</b>	<b>Rupees</b>
7 <b>PROPERTY , PLANT AND EQUIPMENT</b>		
Written down value at the beginning of the period	1,662,322,670	1,705,814,261
Additions during the period		
<b>Owned</b>		
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)
	<b>1,750,214,810</b>	<b>1,662,322,670</b>

## 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: -

	<b>SIX MONTHS PERIOD ENDED</b>	
	<b>DECEMBER 2006</b>	<b>DECEMBER 2005</b>
	<b>Rupees</b>	
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:**