

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Fazal Cloth Mills Limited** 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 "financial statements"), for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue report on these statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagement ISRE-2400 applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance about whether the above said statements are free of any material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Separate figures of the profit and loss account for the quarter ended December 31, 2006 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2006.

1. The company has valued its investment in associate at cost contrary to the requirement of IAS 28 (Investment in associates) (note 5.2). Had the investment been valued using equity method the value of investment and unappropriated profits would have increased by Rs. 104 million.
2. Contrary to IAS-12 (Income Taxes), the deferred tax liability of Rs. 38.759 million has not been provided in the financial statements (note 8.1). Had the deferred tax liability been provided the profit for the period and unappropriated profit would have decreased by the same amount.

Based on our review, except for the effect of the matters described above, 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 the approved accounting standards as applicable in Pakistan.

February 24, 2007  
Multan

M. YOUSUF ADIL SALEEM & CO.  
Chartered Accountants