

**FAZAL CLOTH MILLS LIMITED**  
**SELECTED NOTES TO THE ACCOUNTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

- The Company was incorporated in Pakistan in 1966 as a Public Limited Company and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is engaged in manufacture and sale of yarn.
- These un-audited interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are in compliance with requirements of Section 245 of the Companies Ordinance, 1984. A limited scope review of these interim financial statements has been performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.
- The accounting policies and conventions adopted for the preparation of these half yearly financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2006.

	Note	Un-audited December 31, 2006	Audited June 30, 2006
<b>(Amount in Rupees)</b>			
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	2,435,258,742	2,292,672,219
Capital work in progress		<u>290,689,677</u>	<u>277,145,570</u>
		<u><b>2,725,948,419</b></u>	<u><b>2,569,817,789</b></u>
<b>4.1 Opening balance</b>		<b>2,292,672,219</b>	2,063,771,322
Additions during the period / year:			
Land		2,156,196	1,181,741
Building on freehold land		-	16,139,521
Plant and machinery		255,492,688	435,295,477
Furniture and fixture		223,280	976,994
Office Equipment		700,203	2,831,043
Vehicles		1,598,464	8,432,743
Electric fittings and installations		467,326	5,637,662
Sui gas installations		-	9,400,000
Tools, laboratory equipment and arms		109,000	509,838
Fire extinguishing equipment and weighing scales		127,000	1,003,518
		<b>260,874,157</b>	481,408,537
Book value of assets disposed off during the period / year		<b>(525,122)</b>	(2,468,107)
Depreciation charge for the period / year		<b>(117,762,512)</b>	(250,039,533)
Closing book value		<u><b>2,435,258,742</b></u>	<u><b>2,292,672,219</b></u>

**5. LONG TERM INVESTMENT**

**Investment in associates**

Un-audited December 31, 2006	Audited June 30, 2006		Un-audited December 31, 2006	Audited June 30, 2006
<b>(Number of ordinary shares)</b>			<b>(Amount in Rupees)</b>	
104,500	104,500	Fazal Industries (Pvt.) Limited Equity interest held 9.5% (June 30, 2006 : 9.5%) Less: Provision for diminution in value	475,000	475,000
		5.1	475,000	475,000
			-	-
4,258,666	4,258,666	Pak Arab Fertilizers (Pvt.) Limited Equity interest held 5.73% (June 30, 2006 : 5.73%)	252,966,706	252,966,706
		5.2	252,966,706	252,966,706
			<u>252,966,706</u>	<u>252,966,706</u>

**5.1** Break up value per share on the basis of the financial statements for the year ended June 30, 2006 Rs. Nil.

**5.2** Break up value per share based on the financial statements for the year ended June 30, 2006 is Rs. 84. The valuation of investments in associates has been made at cost which is departure from IAS-28. The investment and unappropriated profits would have increased by Rs. 104 million if the investments were re-measured on equity basis as required by the IAS-28.

## 6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Un-audited December 31, 2006	Audited June 30, 2006		Un-audited December 31, 2006	Audited June 30, 2006
<b>(Number of shares)</b>			<b>(Amount in Rupees)</b>	
1,000,000	1,000,000	Ordinary Shares of Rs.10/- each fully paid in cash	10,000,000	10,000,000
9,187,200	9,187,200	Ordinary Shares of Rs.10/- each fully paid as right shares	91,872,000	91,872,000
8,567,994	6,121,664	Ordinary Shares of Rs.10/- each fully paid as bonus shares	85,679,940	61,216,640
25,000,000	25,000,000	Preference shares issued for cash	250,000,000	250,000,000
<b>43,755,194</b>	<b>41,308,864</b>		<b>437,551,940</b>	<b>413,088,640</b>

The Company in its annual general meeting held on October 21, 2006 has issued bonus shares for the year ended June 30, 2006 @ 15% of the issued share capital.

## 7. DEMAND FINANCES

Some portion of Demand Finances have been converted into "State Bank Of Pakistan (SBP) Scheme for Long Term Financing for Export Oriented Projects (LTF-EOP)" through various circulars / instructions issued by SBP. The total aggregate balance of this loan as on December 31, 2006 is amounting to Rs. 168.439 million (2005: Nil). It carries mark-up @ SBP's effective rate for LTF-EOP Scheme+ 2% per annum.

	Note	Un-audited December 31, 2006	Audited June 30, 2006
<b>(Amount in Rupees)</b>			
Provision for gratuity		17,995,404	17,451,811
Deferred taxation	8.1	150,619,000	150,619,000
		<b>168,614,404</b>	<b>168,070,811</b>

8.1 Considerable portion of Company's income of future years will attract the provisions of Section 154 of the Income Tax Ordinance, 2001.

The management has not made provision of Rs. 38.759 million for deferred tax as it believes that the temporary differences involved are not likely to reverse in the foreseeable future due to material expansion plans and planned export sales.

## 9. TAXATION

Provision for current period taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

## 10. CONTINGENCIES AND COMMITMENTS

10.1 There has been no change in status of contingent liabilities since the annual published financial statements as at June 30, 2006.

10.2 Counter guarantees given by the Company to its bankers outstanding as on December 31, 2006 were Rs. 125.079 million (June 30, 2006: Rs. 125.079 million).

10.3 Commitments for irrevocable letters of credit:

	Un-audited December 31, 2006	Audited June 30, 2006
<b>(Rupees in million)</b>		
Capital expenditure	3.249	3.638
Revenue	583.783	204.162
	<b>587.032</b>	<b>207.800</b>

**11. RELATED PARTY TRANSACTIONS**

11.1 Aggregate transactions made during the period / year with the associated undertakings were as follows:

	<b>Un-audited</b>	<b>Audited</b>
	<b>December 31,</b>	<b>June 30,</b>
	<b>2006</b>	<b>2006</b>
	<b>(Amount in Rupees)</b>	
Sale of goods	<b>284,027,394</b>	514,698,535
Purchase of goods	<b>147,091,507</b>	138,367,216
Advance payments	<b>2,000,000</b>	500,000,000
Services received	<b>380,449</b>	
Services provided	<b>398,000</b>	-

11.2 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

12. These financial statements were authorized for issue by the Board of Directors on ---- 24 February, 2007

**13. FIGURES**

Figures have been rounded-off to nearest rupee, except stated otherwise.

***DIRECTOR***

***DIRECTOR***

***CHIEF FINANCIAL OFFICER***