



REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Fazal Cloth Mills Limited** as of December 31, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six-months period then ended (hereinafter referred to as the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. Separate figures of the condensed profit and loss account for the quarter ended December 31, 2008 and December 31, 2007 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2008 and December 31, 2007.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

The company has valued its investment in associate at cost contrary to the requirement of International Accounting Standard – 28 "Investment in associates" which requires re-measurement of investment in associates on equity basis. Latest financial statements of the associates have not been made available to us to quantify the effect of such non compliance (refer note 6.2 to the interim financial information).

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2008 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Sd/-

M. Yousuf, Adil, Saleem & Co.
Chartered Accountants

Karachi
Dated: Feb. 20, 2009