



## DIRECTORS' REVIEW

Dear Shareholders,  
Assalam-o-Alaikum,

Your directors are pleased to present un-audited accounts of your company for the nine months ended March 31, 2009. During the period under review the company earned a pretax profit of Rs.118.900 million as compared to Rs. 245.068 million in the comparable period last year. Last year's profit included of Rs.128.953 million received as specie dividend from Pak Arab Fertilizers Ltd. and Rs. 116.115 million on account of operational profit. No dividend has been received this year. Hence, profit from operations this year is slightly higher than last year. Depreciation charged this year was Rs.194.243 million as compared to Rs. 185.347 million last year. Basic EPS of the company for the nine months is Rs.4.80 as compared to Rs. 11.68 per share in the same period last year.

### FUTURE PROSPECTS:

Prices of finished products and raw materials of the company are very volatile this year. Demand is weak due to slow down in all consumer markets. Energy shortage in Pakistan continues to hamper smooth operation of the textile industry. High inflation and very high interest rates in Pakistan are resulting in increase in cost of doing business and making this industry in Pakistan uncompetitive. It is high time that the Government of Pakistan takes actions to provide a level playing field to the textile industry. This Industry is the back bone of Pakistan's economy and provides much needed exports and employment. It is a capital and energy intensive industry with low margins and high volumes. Government should ensure provision of uninterrupted energy supply. Interest Rates should be reduced and brought in line with those prevailing in our competitor countries like China and India. Unless immediate steps are taken, prospects of Textile Industry in Pakistan will remain dim.

The relations between management and workers remained cordial during the period under review and the management and board of directors wish to place on record the continuous hard work and efforts put up by all the workers for the business of the company.

For & on behalf of the Board

Multan  
Dated: April 27, 2009

Sd/-  
(Sh. Naseem Ahmad)  
Chairman & Chief Executive



## CONDENSED BALANCE SHEET (UN-AUDITED)

	Un-Audited March 31, 2009 Rupees	Audited June 30, 2008 Rupees
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,743,203,349	5,760,032,259
Intangible assets	2,541,578	2,990,093
Long term investments	467,888,456	467,888,456
Long term loans	92,000	175,000
Long term deposits	11,519,365	12,263,365
	6,225,244,748	6,243,349,173
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	153,397,010	107,973,690
Stock in trade	2,609,049,332	2,012,300,392
Trade debts	966,484,113	694,167,975
Loans and advances	448,607,916	168,858,684
Trade deposits and short term prepayments	16,627,001	8,907,395
Tax refunds due from the Government	52,910,394	47,210,404
Other receivables	36,097,789	33,645,158
Other financial assets	8,445,700	27,664,300
Cash and bank balances	105,843,874	369,532,995
	4,397,463,129	3,470,260,993
	<b>10,622,707,877</b>	<b>9,713,610,166</b>

Sd/-  
(Sheikh Naseem Ahmad)  
Chief Executive Officer

Sd/-  
(Rehman Naseem)  
Director



## AS AT MARCH 31, 2009

	<b>Un-Audited March 31, 2009 Rupees</b>	<b>Audited June 30, 2008 Rupees</b>
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised Capital		
40,000,000 (2008: 40,000,000) Ordinary shares of Rs.10 each		
30,000,000 (2008: 30,000,000) Preference shares of Rs.10 each	700,000,000	700,000,000
	700,000,000	700,000,000
Issued subscribed and paid up capital		
Ordinary shares	187,551,940	187,551,940
Preference shares	250,000,000	250,000,000
Capital reserves	77,616,000	77,616,000
Unappropriated profits	1,165,473,767	1,006,488,092
	1,680,641,707	1,521,656,032
Surplus on revaluation of operating assets	2,304,847,623	2,362,418,723
<b>NON CURRENT LIABILITIES</b>		
Long term financing	1,390,634,172	1,501,499,920
Long term musharika and murabaha	130,655,012	166,288,199
Deferred liabilities	843,614,506	843,809,062
Bills payable	-	-
Custom duties	80,155,402	70,668,537
	2,445,059,092	2,582,265,718
<b>CURRENT LIABILITIES</b>		
Trade and other payables	254,238,851	248,056,372
Interest and mark-up accrued on loans	192,243,403	96,120,505
Short term borrowings	3,169,597,880	2,383,650,851
Current portion of long term liabilities	455,392,494	427,599,030
Provision for taxation	120,686,827	91,842,935
	4,192,159,455	3,247,269,693
<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>10,622,707,877</b>	<b>9,713,610,166</b>

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

Sd/-  
(Faizan-ul-Haq)  
Chief Financial Officer



## CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2009

	..... Nine months .....		..... Three months .....	
	March 31	March 31	March 31	March 31
	2009	2008	2009	2008
	Rupees	Rupees	Rupees	Rupees
	(July - March)		(January - March)	
Sales - net	6,566,548,971	5,143,514,346	2,108,984,365	1,747,498,741
Cost of sales	(5,659,582,657)	(4,494,132,172)	(1,874,446,055)	(1,551,661,586)
Gross profit	<u>906,966,314</u>	<u>649,382,174</u>	<u>234,538,310</u>	<u>195,837,155</u>
Other operating income	<u>12,159,645</u>	<u>137,875,984</u>	<u>336,230</u>	<u>137,300,013</u>
	919,125,959	787,258,158	234,874,540	333,137,168
Distribution cost	<u>(128,555,035)</u>	<u>(124,502,495)</u>	<u>(28,313,681)</u>	<u>(35,781,226)</u>
Administrative expenses	<u>(63,934,926)</u>	<u>(54,667,979)</u>	<u>(19,535,735)</u>	<u>(19,759,193)</u>
Other operating expenses	<u>(18,435,535)</u>	<u>(12,092,209)</u>	<u>1,573,537</u>	<u>579,498</u>
Finance cost	<u>(589,299,995)</u>	<u>(350,927,015)</u>	<u>(180,743,159)</u>	<u>(134,559,504)</u>
	(800,225,491)	(542,189,698)	(227,019,038)	(189,520,425)
Profit before taxation	<u>118,900,468</u>	<u>245,068,460</u>	<u>7,855,502</u>	<u>143,616,743</u>
Provision for taxation	<u>(28,843,892)</u>	<u>(25,938,750)</u>	<u>2,502,698</u>	<u>(8,815,721)</u>
Profit after taxation	<u><u>90,056,576</u></u>	<u><u>219,129,710</u></u>	<u><u>10,358,200</u></u>	<u><u>134,801,022</u></u>
<b>Earnings per share</b>				
Basic	4.80	11.68	0.55	7.19
Diluted	2.06	5.01	0.24	3.08

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

**Sd/-**  
**(Sheikh Naseem Ahmad)**  
Chief Executive Officer

**Sd/-**  
**(Rehman Naseem)**  
Director

**Sd/-**  
**(Faizan-ul-Haq)**  
Chief Financial Officer



## CONDENSED CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2009

	..... Nine Months .....	
	March 31, 2009	March 31, 2008
	Rupees	Rupees
	(July - March)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period - before taxation	118,900,468	245,068,460
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	194,242,567	185,347,112
Amortization of intangible assets	448,514	448,513
Provision for gratuity	19,372,732	15,605,047
Provision for infrastructure cess	9,486,865	10,704,486
Gain on disposal of operating assets	(901,310)	(2,090,723)
Gain on other financial assets	-	(5,290,575)
Dividend received on other financial assets	(1,144,400)	-
Finance cost	589,299,995	350,927,015
	929,705,431	800,719,335
<b>- Before working capital changes</b>		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(45,423,319)	(52,348,745)
Stock in trade	(596,748,940)	(1,155,662,317)
Trade debts	(272,316,138)	(70,696,780)
Loans and advances	(233,335,839)	(46,830,389)
Trade deposits and short term prepayments	(7,719,606)	(1,484,384)
Tax refunds due from the Government	(5,699,990)	(2,553,341)
Other receivables	(2,452,632)	36,506,829
Increase in trade and other payables	6,182,481	9,939,589
	(1,157,513,983)	(1,283,129,538)
<b>CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	(227,808,552)	(482,410,203)
<b>- Before taxation</b>		
Gratuity paid	(8,209,289)	(9,372,765)
Income tax paid	(46,413,394)	(29,224,480)
<b>CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	(282,431,235)	(521,007,448)
Long term loans to employees - net	83,000	(106,625)
Long term deposits	744,000	(50,000)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	(281,604,235)	(521,164,073)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(178,265,684)	(397,660,844)
Proceeds from disposal of property, plant and equipment	1,753,335	2,230,000
Long term investment	-	(128,953,050)
Other financial assets	20,363,000	(70,112,727)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES (B)</b>	(156,149,349)	(594,496,621)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	175,463,101	672,711,074
Long term financing repaid	(270,413,113)	(277,970,950)
Long term musharika & murabaha - net	(23,755,458)	(89,648,448)
Short term borrowings - net	785,947,029	1,259,574,152
Bills payables repaid	-	(203,368,976)
Finance cost paid	(493,177,096)	(324,140,836)
	174,064,463	1,037,156,016
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES (C)</b>	174,064,463	1,037,156,016
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	(263,689,121)	(78,504,678)
<b>CASH AND CASH EQUIVALENTS - At the beginning of the period</b>	369,532,995	293,724,183
<b>CASH AND CASH EQUIVALENTS - At the end of the period</b>	105,843,874	215,219,505

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

**Sd/-**  
**(Sheikh Naseem Ahmad)**  
Chief Executive Officer

**Sd/-**  
**(Rehman Naseem)**  
Director

**Sd/-**  
**(Faizan-ul-Haq)**  
Chief Financial Officer



**CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2009**

	Issued, subscribed & paid up capital	Capital reserves	Un- appropriated Profit	Total
	R u p e e s			
Balance as at July 01, 2007	437,551,940	77,616,000	768,867,334	1,284,035,274
Profit for the nine months ended March 31, 2008	-	-	219,129,710	219,129,710
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	90,806,285	90,806,285
<b>Balance as at March 31, 2008</b>	<b>437,551,940</b>	<b>77,616,000</b>	<b>1,078,803,329</b>	<b>1,593,971,269</b>
Balance as at July 01, 2008	437,551,940	77,616,000	1,006,488,092	1,521,656,032
Profit for the nine months ended March 31, 2009	-	-	90,056,576	90,056,576
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	68,929,099	68,929,099
<b>Balance as at March 31, 2009</b>	<b>437,551,940</b>	<b>77,616,000</b>	<b>1,165,473,767</b>	<b>1,680,641,707</b>

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

**Sd/-**  
**(Sheikh Naseem Ahmad)**  
Chief Executive Officer

**Sd/-**  
**(Rehman Naseem)**  
Director

**Sd/-**  
**(Faizan-ul-Haq)**  
Chief Financial Officer



## **SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2009**

1. Fazal Cloth Mills Limited (the Company) was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 1st floor, 16 Bank Square, Lahore. The Company is engaged in manufacture and sale of yarn. The Company's manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan.
2. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.
3. These un-audited accounts are being presented to shareholders as required under SECP Notification No. SRO 764/(1)2001 dated November 05, 2001 and are in accordance with requirements of International Accounting Standard - 34 "Interim Reporting".
4. The accounting policies and conventions adopted for the preparation of these quarterly financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2008.
5. Short term investments are valued at fair market price.
6. Adjustment of normal deferred tax has not been made in these accounts as the same will be made at the end of the year.
7. Figures have been rounded-off to nearest rupee, except stated otherwise.

**Sd/-**  
**(Sheikh Naseem Ahmad)**  
Chief Executive Officer

**Sd/-**  
**(Rehman Naseem)**  
Director

**Sd/-**  
**(Faizan-ul-Haq)**  
Chief Financial Officer