

## **DIRECTORS' REVIEW**

**Dear Shareholders,**

**Assalam-o-Alaikum,**

Your directors are pleased to present you un-audited accounts of your company for the nine months ended March 31, 2010. During the period under review the company earned a pretax profit of Rs.450.616 million as compared to Rs.118.900 million earned in the same period last year after charging depreciation of Rs.195.870 million as compared to Rs.194.243 million.

Basic earnings per share of the company for the nine months is Rs.18.46 as compared to Rs.4.80 per share in the same period last year.

### **FUTURE PROSPECTS:**

Raw Cotton and Yarn prices continue to rise. Due to imposition of quota on yarn exports by the Government of Pakistan, which has been challenged in various courts in the country by many spinning mills including your Company, uncertainty and volatility increased leading to much lower imports of cotton than actually required. As a result raw cotton prices have touched an all time high of Rs. 6,500/maund. By the grace of God and cooperation/confidence of Banks, your company was able to purchase its cotton requirements for the whole year at a competitive price. Your Director's expect good profitability for the remaining part of the year as a result.

Availability of uninterrupted electricity remains the most challenging aspect of our business. SNGPL has resorted to one day per week curtailment of gas supplies even in Summer months this year. This is on top of gas supply curtailment of approximately 45 days in Winters. Gas is used to produce electricity required by the spinning units of the Company. Your Company relies on MEPCO for electricity supply during the time when gas supplies are not available. Load shedding (currently 4 hours per day), fluctuation in voltage and exorbitant prices result in significant losses for your Company. It is imperative that the Government gives priority in Gas supplies to the textile industry, which is the largest employer and biggest earner of foreign exchange in the country, if it is serious in resolving the economic crisis that the country is facing.

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.

Sd/-

**(SHEIKH NASEEM AHMAD)**  
Chairman & Chief Executive Officer

Multan  
Dated: April 28, 2010

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

	Note	(Unaudited) March 31, 2010 Rupees	(Audited) June 30, 2009 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,827,145,833	5,726,901,838
Intangible assets		7,369,867	7,062,749
Long term investments		596,841,506	467,888,456
Long term Loans		924,440	952,200
Long term deposits		12,894,365	11,448,365
		6,445,176,011	6,214,253,608
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		164,768,431	135,097,368
Stock-in-trade		3,613,173,823	2,222,090,661
Trade debts		969,154,678	739,099,799
Loans and advances		443,892,926	291,926,142
Trade deposits and short term prepayments		21,463,244	4,463,247
Interest / markup accrued		6,746,762	37,751,496
Other receivables		8,521,722	18,869,570
Other financial assets		14,785,300	9,214,100
Tax refunds due from government		50,582,879	49,039,261
Cash and bank balances		25,487,489	77,400,115
		5,318,577,254	3,584,951,759
		11,763,753,265	9,799,205,367

Sd/-  
(SHEIKH NASEEM AHMAD)  
Chief Executive Officer

Sd/-  
(REHMAN NASEEM)  
Director

## AS AT MARCH 31, 2010

Note	(Unaudited) March 31, 2010 Rupees	(Audited) June 30, 2009 Rupees
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized capital		
40,000,000 (June 30, 2009: 40,000,000) Ordinary shares of Rs. 10 each	400,000,000	400,000,000
30,000,000 (June 30, 2009: 30,000,000) Preference shares of Rs. 10 each	300,000,000	300,000,000
	<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid up capital	437,551,940	437,551,940
Capital reserves	127,616,000	127,616,000
Unappropriated profits	<u>1,547,933,309</u>	<u>1,135,491,465</u>
	2,113,101,249	1,700,659,405
Surplus on revaluation of property, plant and equipment	2,256,594,635	2,284,908,235
<b>NON CURRENT LIABILITIES</b>		
Long term financing	1,607,451,909	1,569,695,888
Long term musharika	83,144,096	118,777,283
Deferred liabilities	865,139,800	896,490,598
Bills payable	88,898,396	-
Custom duties	99,355,276	84,183,386
	2,743,989,477	2,669,147,155
<b>CURRENT LIABILITIES</b>		
Trade and other payables	329,058,503	288,870,787
Interest / mark-up accrued on loans	161,337,188	151,221,975
Short term borrowings	3,578,422,507	2,248,333,323
Current portion of non current liabilities	439,101,014	418,292,230
Provision for taxation	142,148,692	37,772,257
	4,650,067,904	3,144,490,572
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	<u>11,763,753,265</u>	<u>9,799,205,367</u>

The annexed selected notes form an integral part of these condensed interim financial information.

Sd/-  
(FAIZAN-UL-HAQ)  
Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2010**

	..... Nine Months Ended .....		..... Quarter Ended .....	
	March 31, 2010 (July - March)	March 31, 2009	March 31, 2010 (January - March)	March 31, 2009
	<----- Rupees ----->			
Sales - net	7,788,406,959	6,566,548,971	2,802,077,352	2,108,984,365
Cost of goods sold	(6,767,280,717)	(5,659,582,657)	(2,453,289,314)	(1,874,446,055)
Gross profit	1,021,126,242	906,966,314	348,788,038	234,538,310
Other operating income	135,293,231	12,159,645	2,502,050	336,230
	1,156,419,473	919,125,959	351,290,088	234,874,540
Distribution cost	(137,397,771)	(128,555,035)	(48,970,363)	(28,313,681)
Administrative expenses	(69,188,531)	(63,934,926)	(23,534,385)	(19,535,735)
Other operating expenses	(38,204,434)	(18,435,535)	(9,160,976)	1,573,537
Finance cost	(461,013,057)	(589,299,995)	(169,726,189)	(180,743,159)
	(705,803,793)	(800,225,491)	(251,391,913)	(227,019,038)
Profit before taxation	<b>450,615,680</b>	<b>118,900,468</b>	<b>99,898,175</b>	<b>7,855,502</b>
Provision for taxation	(104,376,435)	(28,843,892)	(32,267,813)	2,502,698
Profit after taxation	346,239,245	90,056,576	67,630,362	10,358,200
<b>Earnings per share</b>				
Basic	18.46	4.80	3.61	0.55
Diluted	8.57	2.06	1.76	0.24

The annexed selected notes form an integral part of these condensed interim financial information.

Sd/-  
**(SHEIKH NASEEM AHMAD)**  
Chief Executive Officer

Sd/-  
**(REHMAN NASEEM)**  
Director

Sd/-  
**(FAIZAN-UL-HAQ)**  
Chief Financial Officer



**FAZAL CLOTH MILLS LTD.**

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE  
INCOME (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2010**

	..... Nine Months Ended .....		..... Quarter Ended .....	
	March 31, 2010 (July - March)	March 31, 2009	March 31, 2010 (January - March)	March 31, 2009
Profit for the period	346,239,245	90,056,576	67,630,362	10,358,200
<b>Other comprehensive income</b>				
Incremental depreciation arising from revaluation of property, plant and equipment	81,952,674	86,265,972	27,317,558	28,755,324
Income tax relating to component of comprehensive income	(15,750,075)	(17,336,872)	(4,861,842)	(6,066,798)
Other comprehensive income - net off tax	66,202,599	68,929,100	22,455,716	22,688,526
<b>Total comprehensive income</b>	<b>412,441,844</b>	<b>158,985,676</b>	<b>90,086,078</b>	<b>33,046,726</b>

<----- Rupees ----->

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Sd/-  
**(SHEIKH NASEEM AHMAD)**  
Chief Executive Officer

Sd/-  
**(REHMAN NASEEM)**  
Director

Sd/-  
**(FAIZAN-UL-HAQ)**  
Chief Financial Officer

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2010**

	<u>Nine Months</u>	
	March 31 2010 Rupees	March 31 2009 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period - before taxation	450,615,680	118,900,468
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	195,869,763	194,242,567
Amortization of intangible assets	1,261,556	448,514
Provision for gratuity	18,919,294	19,372,732
Provision for infrastructure cess	15,171,890	9,486,865
Gain on disposal of property, plant and equipment	(363,282)	(901,310)
Specie dividend received from associates	(128,953,050)	-
Dividend income	(405,000)	(1,144,400)
Finance cost	461,013,057	589,299,995
Operating cash flows before movements in working capital	1,013,129,908	929,705,431
Decrease / (increase) in current assets		
Stores, spares and loose tools	(29,671,063)	(45,423,319)
Stock in trade	(1,391,083,162)	(596,748,940)
Trade debts	(230,054,879)	(272,316,138)
Loans and advances	(75,391,742)	(233,335,839)
Trade deposits and short term prepayments	(16,999,997)	(7,719,606)
Tax refunds due from the government	(1,543,617)	(5,699,990)
Interest / markup accrued	31,004,734	26,179,640
Other receivables	10,347,848	(28,632,272)
Increase in trade and other payables	40,187,716	6,182,481
	(1,663,204,162)	(1,157,513,983)
<b>Cash generated from operations</b>	(650,074,254)	(227,808,552)
Gratuity paid	(12,381,092)	(8,209,289)
Income tax paid	(76,575,040)	(46,413,394)
	(88,956,132)	(54,622,683)
<b>Net cash outflow from operating activities</b>	(739,030,386)	(282,431,235)
Long term loans to employees - net	27,760	83,000
Long term deposits	(1,446,000)	744,000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(740,448,626)	(281,604,235)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(297,346,176)	(178,265,684)
Proceeds from disposal of property, plant and equipment	1,595,700	1,753,335
Purchase of intangible assets	(1,568,677)	-
Other financial assets	(5,571,200.00)	19,218,600
Dividend received from trading investment	405,000.00	1,144,400
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(302,485,353)	(156,149,349)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	347,166,010	175,463,101
Long term financing repaid	(288,601,206)	(270,413,113)
Long term Musharika net	(35,633,187)	(23,755,458)
Short term borrowings - net	1,330,089,184	785,947,029
Bills payable obtained	88,898,396	-
Finance cost paid	(450,897,844)	(493,177,096)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	991,021,353	174,064,463
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	(51,912,626)	(263,689,121)
<b>CASH AND CASH EQUIVALENTS - At the beginning of the period</b>	77,400,115	369,532,995
<b>CASH AND CASH EQUIVALENTS - At the end of the period</b>	25,487,489	105,843,874

The annexed selected notes form an integral part of these condensed interim financial information

Sd/-  
**(SHEIKH NASEEM AHMAD)**  
Chief Executive Officer

Sd/-  
**(REHMAN NASEEM)**  
Director

Sd/-  
**(FAIZAN-UL-HAQ)**  
Chief Financial Officer



**FAZAL CLOTH MILLS LTD.**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2010**

	Issued subscribed and paid up capital	Capital reserves		Un appropriated profit	Total
		Share premium	Capital redemption reserve fund		
		.....Rupees.....			
Balance as at July 01, 2008	437,551,940	77,616,000	-	1,006,488,092	1,521,656,032
Total comprehensive income for the period ended March 31, 2009	-	-	-	90,056,576	90,056,576
Balance as at March 31, 2009	437,551,940	77,616,000	-	1,096,544,668	1,611,712,608
Balance as at July 01, 2009	437,551,940	77,616,000	50,000,000	1,135,491,465	1,700,659,405
Total comprehensive income for the period ended March 31, 2010	-	-	-	412,441,844	412,441,844
Balance as at March 31, 2010	437,551,940	77,616,000	50,000,000	1,547,933,309	2,113,101,249

The annexed selected notes form an integral part of these condensed interim financial information.

Sd/-  
**(SHEIKH NASEEM AHMAD)**  
Chief Executive Officer

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**(REHMAN NASEEM)**  
Director

Sd/-  
**(FAIZAN-UL-HAQ)**  
Chief Financial Officer

**NOTES TO THE CONDENSED INTERIM FINANCIAL  
INFORMATION (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2010**

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 manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.
2. These condensed interim financial information are presented in Pak Rupees, which is the Company's functional and presentation currency.
3. The accounting policies and methods of computation followed in the preparation of the nine months interim financial information are the same as those of the published annual audited financial statements for the year ended June 30, 2009. These condensed interim financial information do not include all of the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the company for the year ended June 30, 2009.
4. Figures have been rounded-off to nearest rupee, except stated otherwise.

Sd/-  
(SHEIKH NASEEM AHMAD)  
Chief Executive Officer

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(REHMAN NASEEM)  
Director

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