

COMPANY INFORMATION

Board of Directors	Sh. Naseem Ahmad Mr. Amir Naseem Sheikh Mr. Rehman Naseem Mr. Fazal Ahmad Sheikh Mr. Faisal Ahmad Mukhtar Mr. Fahd Mukhtar Mr. Jamal Nasim	Chairman & Chief Executive Officer Nominee NIT Ltd.
Audit Committee	Sh. Naseem Ahmad Mr. Rehman Naseem Mr. Faisal Ahmad Mukhtar	Chairman Member Member
Company Secretary	Mr. M.D. Kanwar	
Chief Financial Officer	Mr. Faizan-ul-Haq	
Auditors	M. Yousuf, Adil, Saleem & Co., Chartered Accountants	
Bankers	Habib Bank Limited United Bank Limited MCB Bank Limited Askari Bank Limited Bank Al Habib Limited National Bank of Pakistan Soneri Bank Limited Allied Bank Limited Meezan Bank Limited Bank Al-Falah Ltd (Islamic Banking) Standard Chartered Bank (Pakistan) Ltd. Faisal Bank Ltd.	
Head office & Shares Department:	129/1 Old Bahawalpur Road, Multan. Phone: (92) 61-4587632,4781637 Fax: (92) 61 4541832 e-mail: kanwar@fazalcloth.com Website: www.fazalcloth.com	
Shares Registrar:	Vision Consulting Ltd. 3-C, LDA Flats, Lawrence Road Lahore. Phone: (92) 42-36375531,3 6375339 Fax: (92) 42 36374839	
Registered Office:	1st Floor, 16-Bank Square, Lahore. Phone: (92) 42-37322981	
Mills:	i) Fazal Nagar, Jhang Road, Muzaffargarh-Pakistan Ph. (92) 66-2422216 & 18 Fax: (92) 66-2422217 ii) Qadirpur Rawan Bypass, Khanewal Road, Multan -Pakistan Ph. (92) 61-6740041-43 Fax: (92) 61-6740052	

DIRECTORS' REVIEW

Dear Shareholders,

Assalam-o-Alaikum,

Your Directors are pleased to present before you un-audited accounts for the half year ended December 31, 2009. During the period, your Company has earned a pre-tax profit of Rs.350.718 Million as compared to Rs.111.044 million for the same period last year.

During the half year under review, sales of the Company increased by 11.86 % when compared with corresponding period of previous year. On the back of an economic recovery in the world, demand for textiles was robust during the period under review. This resulted in increased margins and higher profit for the Company. Profit for the period also includes Specie Dividend of Rs. 128.953 million received from Pak Arab Fertilizers Ltd. We expect good results for the remaining half year as well.

With respect to the Auditor's qualification, we are of the view that as your Company is holding only 5.73 % (2008: 5.73 %) of total equity of the Company concerned, it does not exercise significant control over the concerned Company's policies and profits. So in lieu of prudence, your company is following its policy of valuing investment in Associated Companies at cost and booking profits/gains only after they are realized.

The basic earnings per share of the Company for the six month ended December 31, 2009 is Rs. 14.86 as compared to Rs. 4.25 for corresponding period in previous year.

The relations between the workers and management remained cordial throughout the period. Your Directors wish to thank all workers and staff members for their hard work.

For & on behalf of the Board

Multan
Dated: February 23, 2010

Sd/-
(SHEIKH NASEEM AHMAD)
Chairman & Chief Executive Officer

AUDITOR'S REPORTS TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of FAZAL CLOTH MILLS LIMITED (the Company) as at December 31, 2009, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof, for the six-months period then ended (here-in-after referred to as "the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended December 31, 2009 and December 31, 2008 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2009 and December 31, 2008.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the company". A review of interim financial information consists of making inquiries, primarily of the person responsible for the 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 7.2 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, 2009 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Karachi
Dated: February 23, 2010

Sd/-
M. Yousuf, Adil, Saleem & Co.
Chartered Accountant

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

	Note	(Unaudited) December 31, 2009 Rupees	(Audited) June 30, 2009 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	6	5,787,477,374	5,726,901,838
Intangible assets		7,513,319	7,062,749
Long term investments	7	596,841,506	467,888,456
Long term Loans		936,000	952,200
Long term deposits		12,933,365	11,448,365
		<u>6,405,701,564</u>	<u>6,214,253,608</u>
CURRENT ASSETS			
Stores, spares and loose tools		150,750,643	135,097,368
Stock-in-trade		3,938,878,251	2,222,090,661
Trade debts		872,465,997	739,099,799
Loans and advances		405,690,311	291,926,142
Trade deposits and short term prepayments		24,785,151	4,463,247
Interest / markup accrued		-	37,751,496
Other receivables		1,493,754	18,869,570
Other financial assets	8	12,929,300	9,214,100
Tax refunds due from government		45,743,954	49,039,261
Cash and bank balances		66,393,900	77,400,115
		<u>5,519,131,261</u>	<u>3,584,951,759</u>
		<u><u>11,924,832,825</u></u>	<u><u>9,799,205,367</u></u>

Sd/-
(SHEIKH NASEEM AHMAD)
Chief Executive Officer

Sd/-
(REHMAN NASEEM)
Director

AS AT DECEMBER 31, 2009

Note	(Unaudited) December 31, 2009 Rupees	(Audited) June 30, 2009 Rupees
SHARE CAPITAL AND RESERVES		
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	1,457,847,232	1,135,491,465
	<u>2,023,015,172</u>	<u>1,700,659,405</u>
Surplus on revaluation of property, plant and equipment	2,258,639,351	2,284,908,235
NON CURRENT LIABILITIES		
Long term financing	9	1,432,319,649
Long term musharika	95,021,825	1,569,695,888
Deferred liabilities	883,830,625	118,777,283
Bills payable	10	88,898,396
Custom duties	91,685,245	896,490,598
	<u>2,591,755,740</u>	<u>84,183,386</u>
	2,591,755,740	2,669,147,155
CURRENT LIABILITIES		
Trade and other payables	376,322,662	288,870,787
Interest / mark-up accrued on loans	181,917,250	151,221,975
Short term borrowings	3,932,779,908	2,248,333,323
Current portion of non current liabilities	450,521,862	418,292,230
Provision for taxation	11	109,880,880
	<u>5,051,422,562</u>	<u>37,772,257</u>
	5,051,422,562	3,144,490,572
CONTINGENCIES AND COMMITMENTS		
	12	-
	<u>11,924,832,825</u>	<u>9,799,205,367</u>
	11,924,832,825	9,799,205,367

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 HALF YEAR ENDED DECEMBER 31, 2009

 Half Year Ended Quarter Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(July - December)		(October - December)	
	<----- Rupees ----->			
Sales - net	4,986,329,607	4,457,564,606	2,628,544,211	2,046,814,456
Cost of Sales	(4,313,991,403)	(3,785,136,602)	(2,255,626,136)	(1,764,413,468)
Gross profit	672,338,204	672,428,004	372,918,075	282,400,988
Other operating income	132,791,181	11,823,415	129,115,278	10,608,520
	805,129,385	684,251,419	502,033,353	293,009,508
Distribution cost	(88,427,408)	(100,241,354)	(46,726,632)	(46,069,496)
Administrative expenses	(45,654,146)	(44,399,191)	(21,587,219)	(22,246,996)
Other operating expenses	(29,043,458)	(20,009,072)	(19,334,034)	(11,790,047)
Finance cost	(291,286,868)	(408,556,836)	(174,685,413)	(163,248,129)
	(454,411,880)	(573,206,453)	(262,333,298)	(243,354,668)
Profit before taxation	350,717,505	111,044,966	239,700,055	49,654,840
Provision for taxation	(72,108,622)	(31,346,590)	(61,547,501)	(20,632,636)
Profit after taxation	278,608,883	79,698,376	178,152,554	29,022,204
Other comprehensive income				
Incremental depreciation arising from revaluation of property, plant and equipment	54,635,116	57,510,648	25,089,401	28,755,325
Income tax relating to component of comprehensive income	(10,888,232)	(11,270,074)	(5,044,533)	(5,751,784)
Other comprehensive income - net off tax	43,746,884	46,240,574	20,044,868	23,003,541
Total comprehensive income	322,355,767	125,938,950	198,197,422	52,025,745
Earnings per share				
Basic	14.86	4.25	9.50	1.55
Diluted	6.80	2.30	4.29	0.90

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



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	<u>Half Year Ended</u>	
	December 31 2009 Rupees	December 31 2008 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	350,717,505	111,044,966
Adjustments for:		
Depreciation of property, plant and equipment	129,851,256	128,670,906
Amortization of intangible assets	841,037	299,009
(Gain) / loss on remeasurement of other financial assets	(3,715,200)	9,419,900
Provision for gratuity	12,172,297	14,565,784
Provision for infrastructure cess	7,501,859	7,068,115
Gain on disposal of property, plant and equipment	(122,231)	(509,834)
Specie dividend received from associates	(128,953,050)	-
Gain on disposal of other financial assets	-	(1,299,030)
Dividend income	-	(1,144,400)
Finance cost	291,286,868	408,556,836
Operating cash flows before movements in working capital	659,580,341	676,672,252
Decrease / (increase) in current assets		
Stores, spares and loose tools	(15,653,275)	(32,025,816)
Stock in trade	(1,716,787,590)	(1,194,383,954)
Trade debts	(133,366,198)	(220,981,302)
Loans and advances	(67,403,227)	(299,743,930)
Trade deposits and short term prepayments	(20,321,904)	(14,997,547)
Tax refunds due from the government	3,295,307	(19,345,478)
Interest / markup accrued	37,751,496	(3,352,278)
Other receivables	17,375,816	3,859,439
Increase in trade and other payables	87,451,875	106,499,487
	(1,807,657,700)	(1,674,471,379)
Cash generated from operations	(1,148,077,359)	(997,799,127)
Gratuity paid	(7,354,270)	(4,261,990)
Income tax paid	(46,360,941)	(32,340,056)
	(53,715,211)	(36,602,046)
Net cash outflow from operating activities	(1,201,792,570)	(1,034,401,173)
Long term loans to employees - net	16,200	83,000
Long term deposits	(1,485,000)	744,000
NET CASH USED IN OPERATING ACTIVITIES	(1,203,261,370)	(1,033,574,173)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(191,492,261)	(172,184,832)
Proceeds from disposal of property, plant and equipment	1,187,700	722,000
Purchase of intangible assets	(1,291,607)	-
Proceeds from disposal of other financial assets	-	13,598,530
Dividend received from trading investment	-	1,144,400
NET CASH USED IN INVESTING ACTIVITIES	(191,596,168)	(156,719,902)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing obtained	67,068,150	175,463,101
Long term financing repaid	(172,214,758)	(182,996,508)
Long term Musharika - net	(23,755,458)	(11,877,729)
Short term borrowings - net	1,684,446,585	1,357,588,711
Bills payable obtained	88,898,396	-
Finance cost paid	(260,591,592)	(328,527,001)
NET CASH FROM FINANCING ACTIVITIES	1,383,851,323	1,009,650,574
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(11,006,215)	(180,643,501)
CASH AND CASH EQUIVALENTS - At the beginning of the period	77,400,115	369,532,995
CASH AND CASH EQUIVALENTS - At the end of the period	66,393,900	188,889,494

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



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009**

	Issued subscribed and paid up capital	Capital reserves		Un appropriated profit	Total
		Share premium	Capital redemption reserve fund		
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 December 31, 2008	-	-	-	125,938,950	125,938,950
Balance as at December 31, 2008	437,551,940	77,616,000	-	1,132,427,042	1,647,594,982
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 December 31, 2009	-	-	-	322,355,767	322,355,767
Balance as at December 31, 2009	437,551,940	77,616,000	50,000,000.00	1,457,847,232	2,023,015,172

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

Sd/-
(SHEIKH NASEEM AHMAD)
Chief Executive Officer

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 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 in the province of Punjab. Company is engaged in manufacture and sale of yarn. 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 interim financial information have been prepared under the historical cost convention modified by: -
 - revaluation of certain property, plant and equipment
 - certain financial instruments at fair value
 - recognition of employees retirement benefits at present value
4. These condensed interim financial information are unaudited but subject to limited scope review by external auditors of the company In accordance with the requirements of clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and also presented in accordance with the listing Regulations of Karachi and Lahore Stock Exchanges. These condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
5. The accounting policies and methods of computation followed in the preparation of the six month condensed 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 audited financial statements and therefore should be read in conjunction with the annual audited financial statements of the company for the year ended June 30, 2009.

In the current period, the Company has adopted following Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2009: -

*Effective for accounting period
beginning on or after*

- | | |
|--|------------------|
| - IAS 1 (revised) - Presentation of Financial Statements | January 01, 2009 |
| - IFRS 8 Operating Segments | January 01, 2009 |

Adoption of above mentioned standards will have no impact on the company's condensed interim financial information except additional presentation and disclosure.

		<i>Un-audited</i>	<i>Audited</i>
		<i>December 31,</i>	<i>June 30,</i>
		<i>2009</i>	<i>2009</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
6. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	6.1	5,583,316,483	5,655,304,083
Capital work in progress		204,160,891	71,597,755
		<u>5,787,477,374</u>	<u>5,726,901,838</u>
6.1 Opening carrying value		5,655,304,083	5,574,472,746
Additions during the period / year:			
Cost			
Freehold land		-	38,940,568
Factory building		19,547,028	-
Non-factory building		-	107,993,973
Plant and machinery		32,527,402	163,213,840
Furniture and fixtures		29,000	290,906
Office equipment		1,910,798	1,104,768
Vehicles		934,730	12,053,600
Electric fittings and installations		3,472,518	21,230,216
Sui-gas installations		507,649	-
Tools, laboratory equipment and arms		-	38,000
		58,929,125	344,865,871
Carrying value of assets disposed off during the period / year		(1,065,469)	(2,587,708)
Depreciation charge for the period / year			
Normal on cost		(75,216,140)	(146,425,530)
Incremental on revaluation surplus		(54,635,116)	(115,021,296)
Closing carrying value		<u>5,583,316,483</u>	<u>5,655,304,083</u>

7. LONG TERM INVESTMENTS

		<i>Un-audited</i>	<i>Audited</i>		<i>Un-audited</i>	<i>Audited</i>
		<i>December 31,</i>	<i>June 30,</i>		<i>December 31,</i>	<i>June 30,</i>
		<i>2009</i>	<i>2009</i>		<i>2009</i>	<i>2009</i>
					<i>Rupees</i>	<i>Rupees</i>
Number of ordinary shares						
Investment in associates						
104,500	104,500	Fazal Industries (Pvt.) Limited			475,000	475,000
		Equity interest held				
		9.5% (June 30, 2009: 9.5%)				
		Less: Provision for diminution in value		475,000	475,000	
			7.1	-	-	
25,790,610	25,790,610	Pak Arab Fertilizers Limited				
		Equity interest held				
		5.73% (June 30, 2009: 5.73 %)		252,966,706	252,966,706	
34,387,480	21,492,175	Fatima Fertilizer Company Limited				
		Equity interest held				
		1.91% (June 30, 2009:2.41 %)	7.2	343,874,800	214,921,750	
				<u>596,841,506</u>	<u>467,888,456</u>	

7.1 Break up value per share on the basis of audited financial statements for the year ended June 30, 2008 is Rs. Nil.



7.2 During the period, the Company received 12,895,305 shares of Fatima Fertilizer Company Limited as specie distribution from Pak Arab Fertilizers Limited. The cost of these shares is Rs. Nil and valuation has been made at par value i.e. Rs. 10. As the management does not exercise significant influence, the investment in associates has been stated at cost. The financial statements for the period ended December 31, 2009 of associates were not available.

8. OTHER FINANCIAL ASSETS

Investment

- Financial assets at fair value through profit and loss account

In quoted companies

Oil & Gas Development Company Limited 90,000 (June 30, 2009: 90,000) fully paid ordinary shares of Rs. 110.61 each	9,954,900	7,077,600
Pakistan State Oil Company Limited 10,000 (June 30, 2009: 10,000) fully paid ordinary shares of Rs. 297.44 each	2,974,400	2,136,500
	12,929,300	9,214,100

9. LONG TERM FINANCING

9.1 Term Finance

During the period a term finance /LTFF amounting to Rs. 35.018 million from Askari Bank Ltd has been obtained for retirement of letters of credits opened for imported plant and machinery. Sanctioned limit of this finance is Rs.135.00 million. It is repayable within the period of eight years including two years grace period in 12 equal semi annual equal installments of principal amount. It carries mark up at the rate of 6months KIBOR + 2.25% per annum. This finance is secured against Joint Pari Passu Charge of Rs.723.500 million on all present and future fixed assets of the Company and personal guarantees of all the sponsoring directors.

9.2 Term Finance

During the period a term finance /LTFF amounting to Rs. 3.958 million from Allied Bank Ltd has been obtained for retirement of letters of credits opened for imported plant and machinery. Sanctioned limit of this finance is Rs.255.00 million. It is repayable within the period of seven years including two years grace period in 10 bi- annual equal installments. It carries mark up at the rate of 6months KIBOR + 2.15% per annum. This finance is secured against Joint Pari Passu Charge of Rs.674.000 million on all present and future fixed assets of the Company and personal guarantees of all the sponsoring directors.

10. BILLS PAYABLE

This amount is payable against usance letters of credit of 720 days opened with various banks for import of plant and machinery and is payable by the various dates finally on December, 2011.

11. 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 whichever is higher.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There has been no change in the status of contingent liabilities since the annual published audited financial statements as at June 30, 2009, except counter guarantees given by the Company to its bankers outstanding as on December 31, 2009 are Rs. 223.922 million (June 30, 2009: Rs. 191.372 million).

<i>Un-audited December 31, 2009 Rupees</i>	<i>Audited June 30, 2009 Rupees</i>
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12.2 Commitments

Commitments for irrevocable letters of credit:

Capital expenditure	195,309,546	93,865,000
Revenue expenditure	397,300,392	239,395,000
	<u>592,609,938</u>	<u>333,260,000</u>

13. RELATED PARTY TRANSACTIONS

13.1 Aggregate transactions made with the associated undertakings were as follows: -

	<i>Un-audited December 31, 2009 Rupees</i>	<i>Un-audited December 31, 2008 Rupees</i>
<i>Associates</i>		
Sale of goods	566,375,447	467,377,703
Purchase of goods	274,981,346	155,585,293
Specie distribution received	128,953,050	-
Mark up charged	14,127,322	-
Services provided	-	26,750
Services received	-	1,033,410

13.2 Sales, purchases and other transactions with related parties are carried out on commercial terms and

14. DATE OF AUTHORIZATION OF CONDENSED INTERIM FINANCIAL INFORMATION

These condensed interim financial information were authorized for issue by the Board of Directors on February 23, 2010.

15. FIGURES

Figures have been rounded-off to nearest Rupee.

Sd/-
(SHEIKH NASEEM AHMAD)
Chief Executive Officer

Sd/-
(REHMAN NASEEM)
Director

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

