



# **Fazal Cloth Mills Ltd.**

Financial Statement  
(Un-Audited)  
for the 3<sup>rd</sup> Quarter Ended  
March 31, 2011

## COMPANY INFORMATION

<b>Board of Directors</b>	Sh. Naseem Ahmad Mr. Amir Naseem Sheikh Mr. Rehman Naseem Mr. Fazal Ahmad Sheikh Mr. Faisal Ahmad Mr. Fahd Mukhtar Mr. Jamal Nasim	Chairman & Chief Executive Officer      Nominee NIT Ltd.
<b>Audit Committee</b>	Sh. Naseem Ahmad Mr. Rehman Naseem Mr. Faisal Ahmad	Chairman Member Member
<b>Company Secretary</b>	Mr. M.D. Kanwar	
<b>Chief Financial Officer</b>	Mr. Faizan-ul-Haq	
<b>Auditors</b>	M. Yousuf, Adil, Saleem & Co., Chartered Accountants	
<b>Bankers</b>	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 Faysal Bank Limited Standard Chartered Bank Pakistan Limited Bank Al-Falah Limited Dubai Islamic Bank Pakistan Limited Barclays Bank PLC, Pakistan Saudi Pak Industrial and Agricultural Investment Company Limited Silkbank Limited	
<b>Head office &amp; Shares Department:</b>	129/1 Old Bahawalpur Road, Multan. Phone: (92) 61-4587632,4781637 Fax: (92) 61-4541832 e-mail: kanwar@fazalcloth.com Website: www.fazalcloth.com	
<b>Shares Registrar:</b>	Vision Consulting Ltd. 3-C, LDA Flats, Lawrence Road Lahore. Phone: (92) 42-36375531, 36375339 Fax: (92) 42-36374839	
<b>Registered Office:</b>	69/7, Abid Majeed Road, Survey # 248/7, Lahore Cantt, Lahore. Phone: (92) 300-8631543	
<b>Mills:</b>	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 you un-audited accounts of your company for the nine months ended March 31, 2011. During the period under review the company earned a pretax profit of Rs.991.867 million as compared to Rs. 450.616 million earned in the same period last year after charging depreciation of Rs.206.097 million as compared to Rs.195.870 million.

Basic earnings per share of the company for the nine months are Rs.45.34 as compared to Rs. 18.46 per share in the same period last year.

The expansion of the Spinning Unit situated at Multan of the Company was completed during the period under review. With higher capacity, the Company will benefit from economies of scale and diversification of product line.

### Future Prospects:

Demand for Textile products including yarn has slowed down sharply as retailers are finding it hard to pass on the sharp increase in product prices to consumers. Export of yarn from Pakistan fell to approximately 15,000 tons in March compared to average exports of approximately 45,000 tons per month in the last few years. As a result, stocks are piling up at mills and prices have suffered a sharp decline impacting margins negatively. Curtailment of Gas Supply and load-shedding of Electricity have also increased during the current quarter. This will also negatively effect the Company resulting in higher costs and reduced production.

In view of this situation, the financial prospects for the last quarter of our financial year 2010-11 remain uncertain.

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 and on behalf of the Board

Sd/-

(Sheikh Naseem Ahmad)  
Chairman & Chief Executive

Multan  
Dated: April. 26, 2011

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

	(Unaudited) March 31, 2011 Rupees	(Audited) June 30, 2010 Rupees
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,917,207,537	5,945,743,637
Intangible assets	4,959,036	6,220,596
Long term investments	538,242,616	596,841,506
Long term loans	744,660	1,504,830
Long term deposits	24,444,365	12,894,365
	7,485,598,214	6,563,204,934
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	240,017,641	175,918,362
Stock-in-trade	5,637,415,855	2,645,452,686
Trade debts	1,917,723,050	883,729,860
Loans and advances	457,875,615	427,308,670
Trade deposits and short term prepayments	39,554,758	12,282,677
Other receivables	10,156,800	2,648,375
Other financial assets	104,443,220	16,132,400
Tax refunds due from government	45,240,054	42,602,780
Cash and bank balances	203,987,376	123,497,519
	8,656,414,369	4,329,573,329
	16,142,012,583	10,892,778,263

sd/-  
(SHEIKH NASEEM AHMAD)  
Chief Executive Officer

sd/-  
(REHMAN NASEEM)  
Director

## AS AT MARCH 31, 2011

	(Unaudited) March 31, 2011 Rupees	(Audited) June 30, 2010 Rupees
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
Share capital	437,551,940	437,551,940
Capital reserves	177,616,000	177,616,000
Unappropriated profits	2,427,703,957	1,702,733,550
	3,042,871,897	2,317,901,490
<b>Surplus on revaluation of property, plant and equipment</b>	2,171,540,834	2,280,444,023
<b>NON CURRENT LIABILITIES</b>		
Long term financing	2,360,519,191	1,573,814,880
Long term musharika	35,633,180	71,266,367
Bills payables	153,767,353	154,398,656
Deferred liabilities	905,606,187	848,175,803
Custom duties	126,603,490	104,416,117
	3,582,129,401	2,752,071,823
<b>CURRENT LIABILITIES</b>		
Trade and other payables	596,484,381	589,896,693
Interest / mark-up accrued on loans	231,562,767	121,477,564
Short term borrowings	5,905,928,919	2,177,448,310
Current portion of non current liabilities	465,420,509	443,396,812
Provision for taxation	146,073,875	210,141,548
	7,345,470,451	3,542,360,927
<b>Contingencies and commitments</b>	-	-
	16,142,012,583	10,892,778,263

The annexed selected notes 1 to 5 form an integral part of this 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, 2011

	----- Nine months ended -----		----- Three months ended -----	
	March 31, 2011 (July - March)	March 31, 2010	March 31, 2011 (January - March)	March 31, 2010
----- Rupees -----				
Sales - net	13,913,997,931	7,788,406,959	5,429,858,471	2,802,077,352
Cost of sales	(12,170,464,374)	(6,767,280,717)	(4,852,982,285)	(2,453,289,314)
Gross profit	<u>1,743,533,557</u>	<u>1,021,126,242</u>	<u>576,876,186</u>	<u>348,788,038</u>
Other operating income	<u>147,630,407</u>	<u>135,293,231</u>	<u>10,594,672</u>	<u>2,502,050</u>
	1,891,163,964	1,156,419,473	587,470,858	351,290,088
Distribution cost	(188,712,607)	(137,397,771)	(56,872,123)	(48,970,363)
Administrative expenses	(85,194,115)	(69,188,531)	(28,591,112)	(23,534,385)
Other operating expenses	(79,182,007)	(38,204,434)	(18,868,134)	(9,160,976)
Finance cost	(546,207,843)	(461,013,057)	(251,160,276)	(169,726,189)
	<u>(899,296,572)</u>	<u>(705,803,793)</u>	<u>(355,491,646)</u>	<u>(251,391,913)</u>
Profit before taxation	991,867,392	450,615,680	231,979,212	99,898,175
Provision for taxation	(141,507,235)	(104,376,435)	39,263,590	(32,267,813)
Profit after taxation	<u>850,360,157</u>	<u>346,239,245</u>	<u>271,242,802</u>	<u>67,630,362</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u><u>850,360,157</u></u>	<u><u>346,239,245</u></u>	<u><u>271,242,802</u></u>	<u><u>67,630,362</u></u>
<b>Earnings per share</b>				
Basic	45.34	18.46	30.88	3.61
Diluted	20.07	8.57	13.66	1.76

The annexed selected notes 1 to 5 form an integral part of this 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 PERIOD ENDED MARCH 31, 2011

	Nine months ended	
	March 31	March 31
	2011	2010
	Rupees	Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	991,867,392	450,615,680
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	206,096,715	195,869,763
Amortization of intangible assets	1,261,556	1,261,556
Gain on re-measurement of other financial assets	(17,769,087)	
Provision for gratuity	17,637,790	18,919,294
Provision for infrastructure cess	22,187,373	15,171,890
Gain on disposal of property, plant and equipment	(908,212)	(363,282)
Spacie dividend received from associate	(128,953,050)	(128,953,050)
Dividend income	-	(405,000)
Finance cost	546,207,843	461,013,057
Operating cash flows before movements in working capital	1,637,628,320	1,013,129,908
(Increase) / decrease in current assets		
Stores, spares and loose tools	(64,099,279)	(29,671,063)
Stock-in-trade	(2,991,963,169)	(1,391,083,162)
Trade debts	(1,033,993,188)	(230,054,879)
Loans and advances	(75,697,561)	(75,391,742)
Trade deposits and short term prepayments	(27,272,081)	(16,999,997)
Other receivables	(7,508,425)	10,347,848
Tax refunds due from the government	20,399,641	(1,543,617)
Interest / markup accrued	-	31,004,734
Increase in trade and other payables	6,587,688	40,187,716
	(4,173,546,374)	(1,663,204,162)
<b>Cash used in operations</b>	(2,535,918,054)	(650,074,254)
Gratuity paid	(6,948,406)	(12,381,092)
Income tax paid	(183,481,204)	(76,575,040)
	(190,429,610)	(88,956,132)
<b>Net cash outflow from operating activities</b>	(2,726,347,664)	(739,030,386)
Long term loans to employees - net	760,170	27,760
Long term deposits	(11,550,000)	(1,446,000)
<b>Net cash used in operating activities</b>	(2,737,137,494)	(740,448,626)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(1,179,027,402)	(297,346,176)
Proceeds from disposal of property, plant and equipment	2,375,000	1,595,700
Purchase of intangible assets	-	(1,568,677)
Other financial assets	-	(5,571,200)
Short term investment	(70,541,733)	405,000
<b>Net cash used in investing activities</b>	(1,247,194,135)	(302,485,353)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	865,573,483	347,166,010
Long term financing repaid	(306,845,473)	(288,601,206)
Long term musharika - net	214,366,813	(35,633,187)
Short term borrowings - net	3,728,480,606	1,330,089,184
Bills payable obtained / (repaid)	(631,303)	88,898,396
Finance cost paid	(436,122,640)	(450,897,844)
<b>Net cash generated from financing activities</b>	4,064,821,486	991,021,353
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	80,489,857	(51,912,626)
Cash and cash equivalents - at beginning of the period	123,497,519	77,400,115
<b>Cash and cash equivalents - at end of the period</b>	203,987,376	25,487,489

The annexed selected notes 1 to 5 form an integral part of this 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 PERIOD ENDED MARCH 31, 2011**

	Issued subscribed and paid up capital	Capital reserves		Un appropriated Profits	Total
		Share premium	Capital redemption reserve fund		
----- Rupees -----					
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	-	-	-	330,489,170	330,489,170
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	81,952,674	81,952,674
Balance as at March 31, 2010	437,551,940	77,616,000	50,000,000	1,547,933,309	2,113,101,249
Balance as at July 01, 2010	437,551,940	77,616,000	100,000,000	1,702,733,550	2,317,901,490
Total comprehensive income for the period ended March 31, 2011	-	-	-	850,360,157	850,360,157
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	62,162,190	62,162,190
Specie dividend	-	-	-	(187,551,940)	(187,551,940)
Balance as at March 31, 2011	437,551,940	77,616,000	100,000,000	2,427,703,957	3,042,871,897

The annexed selected notes 1 to 5 form an integral part of this condensed interim financial information.

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

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

sd/-  
**(BAIZAN-UL-HAQ)**  
Chief Financial Officer



## **SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2011**

1. 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 69/7, Abid Majeed Road, Survey # 248/7, Lahore Cantt, 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. This condensed interim financial report of the Company for the nine-months period ended March 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
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, 2010. 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, 2010.
4. These condensed interim financial information was authorized for issue by the Board of Directors on April 26, 2011.
5. These condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency. 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