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## Half Yearly Report 2010



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Muhammad Yunus Tabba (Chairman)  
Mr. Muhammad Sohail Tabba (Chief Executive)  
Mr. Muhammad Ali Tabba  
Mr. Imran Yunus Tabba  
Mr. Javed Yunus Tabba  
Mrs. Mariam Tabba Khan  
Mr. Ilyas Ismail  
Mrs. Raheela Aleem

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Toufique Yusuf  
FCA FICS

### AUDIT COMMITTEE

Mr. Muhammad Sohail Tabba Chairman  
Mr. Muhammad Ali Tabba Member  
Mr. Imran Yunus Tabba Member

### AUDITORS

Hyder Bhimji & Co.  
Chartered Accountants

### LEGAL ADVISOR

Mr. Mohammad Aleem  
(Advocate)

### BANKERS

Bank Al-Habib Limited  
Bank Al-Falah Limited (Islamic Division)  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Meezan Bank Limited

### REGISTERED OFFICE AND MILLS

LA-2/B Block # 21,  
Rashid Minhas Road,  
Federal 'B' Area, Karachi - 75950.  
Phones : 36321311-36322048  
Fax : 92-21-36313372  
E-mail : [finance@fazaltextile.com](mailto:finance@fazaltextile.com)  
Website : [www.fazaltextile.com](http://www.fazaltextile.com)



## DIRECTORS REPORT TO THE MEMBERS

We feel pleasure in submitting herewith the un-audited half yearly financial statement for the period ended December 31, 2010.

### FINANCIAL RESULTS

	Rs in "000"	
	Half year ended December 2010	Half year ended December 2009
Sales	2,360,229	1,875,113
Gross Profit	455,583	257,069
Profit before tax	371,259	199,962
Profit after tax	331,867	178,421

Your Company earned after-tax profit of Rs 331,867 million as compared to Rs 178,421 million for the corresponding period. During the period under review the sales increased to Rs 2,360,229 million from 1,875,113 due increase in sale price of yarn and increase in sales of knitted fabrics. The gross profit margin increased to 19.30% from 13.70% due to timely procurement of cotton & better yarn prices.

### FUTURE OUTLOOK:

The cost of cotton has crossed Rs 13,000 per mds rising inflation, increasing labour and utilities cost are rendering negative impact on the financial results. But Alhamdulillah your management has already procured cotton for the entire season at very attracting price for the current season which will help to maintain the profitability of the Company your director would like to assure you that Inshallah every endeavor will be made to maintain the profitability of the Company.

The construction work of factory building at Nooriabad (Super Highway) complete and Inshallah the shifting process of present production facilities will commence in next couple of months.

We would like to place on record our deep appreciation for the efforts of the executives, officers and other staff members and workers for their hard work, co-operation and sincerity to the company in achieving best possible results. The Board also wishes to place in record the appreciation to all banks for continued support to the company with zeal and dedications. The management is quite confident that these relation and cooperation will continue in the years to come.

On behalf of the Board

Karachi : February 21, 2011

Chief Executive



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction:

We have reviewed the accompanying condensed interim balance sheet of FAZAL TEXTILE MILLS Limited as of December 31, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with notes forming part thereof (here-in-after referred to as "interim financial information"), for the half year then ended. 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.

### 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.

### Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended December 31, 2010, is not prepared, in all material respects, in accordance with approved Accounting Standards as applicable in Pakistan for interim financial reporting.

### Other Matter:

The figures for quarters ended December 31, 2010 and December 31, 2009 in the interim financial information have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six months period ended December 31, 2010.

Karachi: February 18, 2010

*Hyder Bhimji.*  
HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS  
HYDER ALI BHIMJI




**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2010**

	Note ( Un Audited ) Dec., 31 2010	( Audited ) Jun., 30 2010
Rupees in "000"		
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, Plant and equipment	4 598,569	629,583
Operating fixed assets	5 1,795,187	1,685,793
Capital work in progress	2,393,756	2,315,376
<b>LONG TERM LOANS AND ADVANCES</b>	6,786	9,456
<b>LONG TERM DEPOSIT - Security deposits</b>	532	532
	2,401,074	2,325,364
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	59,562	50,677
Stock in trade	1,100,949	408,158
Trade debts	357,369	458,638
Loans & advances	69,160	102,111
Deposits, prepayments and other receivables	37,743	28,111
Taxation- Net	4,035	7,563
Cash and bank balances	56,351	299,135
	1,685,169	1,354,393
<b>TOTAL ASSETS</b>	<b>4,086,243</b>	<b>3,679,757</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized Capital	150,000	150,000
Issued, subscribed and paid-up capital	61,875	61,875
Reserves	1,559,379	1,289,387
	1,621,254	1,351,262
<b>NON-CURRENT LIABILITIES</b>		
Deferred gratuity	40,484	40,802
Deferred taxation	74,607	62,633
	115,091	103,435
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,333,964	622,182
Accrued markup	10,207	38,114
Short term finances	6 1,005,727	564,764
Current maturity of long term loan	-	1,000,000
	2,349,898	2,225,060
Contingencies and Commitment	7 -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,086,243</b>	<b>3,679,757</b>

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

KARACHI : February 21, 2011

  
Chairman

  
Chief Executive



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UN AUDITED)**

	Note	3 months ended Dec 31, 2010	6 months ended Dec 31, 2010	3 months ended Dec 31, 2009	6 months ended Dec 31, 2009
Rs. in " 000 "					
Sales - net	8	1,281,791	2,360,229	974,220	1,875,113
Cost of sales	9	1,067,665	1,904,646	813,949	1,618,044
Gross profit		214,126	455,583	160,271	257,069
Selling & distribution expenses		8,054	10,732	6,981	9,837
General & administrative expenses		11,180	27,576	8,914	19,554
Other operating expenses		15,018	25,988	10,818	16,098
		34,252	64,296	26,713	45,489
		179,874	391,287	133,558	211,580
Other operating income		3,985	5,633	3,241	5,625
Operating profit		183,859	396,920	136,799	217,205
Finance cost		21,022	25,661	8,072	17,243
Profit before taxation		162,837	371,259	128,727	199,962
Taxation :					
Current		13,236	27,418	8,186	18,246
Deferred		11,577	11,974	2,031	3,295
		24,813	39,392	10,217	21,541
Profit after taxation		138,024	331,867	118,510	178,421
Other Comprehensive income for the period		-	-	-	-
Total Comprehensive income for the period		138,024	331,867	118,510	178,421
Earning per share-basic and diluted (Rupees) 12		22.31	53.64	19.15	28.84

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

KARACHI : February 21, 2011

  
Chairman

  
Chief Executive



## Fazal Textile Mills Limited

### CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UN AUDITED)

	Note	Dec. 31 2010	Dec. 31 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operation	10	517,557	(98,051)
Gratuity paid		(5,762)	(3,674)
Finance Cost paid		(53,568)	(19,580)
Taxes paid		(23,890)	(15,617)
Net cash In/(Outflow) from operating activities		<u>434,337</u>	<u>(136,922)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(1,685)	(8,289)
Capital Work in progress		(109,394)	(157,876)
Sale proceeds from fixed assets		5,898	935
Net cash In/(Outflow) from investing activities		<u>(105,181)</u>	<u>(165,230)</u>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
Payment of dividend		(12,903)	(3,595)
Payment of Long Term Loan		(1,000,000)	-
Net cash In/(Outflow) from financial activities		<u>(1,012,903)</u>	<u>(3,595)</u>
Net increase(decrease) in cash and cash equivalents		<u>(683,747)</u>	<u>(305,747)</u>
Cash and cash equivalents at the beginning of the period / year		(265,629)	(353,143)
Cash and cash equivalents at the end of the period / year	11	<u>(949,376)</u>	<u>(658,890)</u>

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

KARACHI : February 21, 2011

  
Chairman

  
Chief Executive



**CONDENSED INETRIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UN AUDITED)**

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappro- priated Profit	Total
Balance as on July 01, 2009	61,875	34,416	610,584	29,085	735,960
Final Dividend for the year ended June 30, 2009	-	-	-	(9,281)	(9,281)
Transfer to/(from) profit and loss account	-	-	15,000	(15,000)	-
Profit after tax for the year ended June 30, 2010	-	-	-	624,583	624,583
Balance as on June 30, 2010	61,875	34,416	625,584	629,387	1,351,262
Final Dividend for the year ended June 30, 2010	-	-	-	(61,875)	(61,875)
Transfer to/(from) profit and loss account	-	-	560,000	(560,000)	-
Profit after tax for the period ended December 31, 2010	-	-	-	331,867	331,867
Balance as on December 31, 2010	61,875	34,416	1,185,584	339,379	1,621,254

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

KARACHI : February 21, 2011

  
Chairman

  
Chief Executive



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UN AUDITED)**

**1 LEGAL STATUS AND OPERATIONS**

The Company was incorporated on July 6, 1963 as a Private Limited Company under the Companies Act 1913, (Companies Ordinance 1984) and was converted into a Public Limited Company on May 4, 1966. The Company is quoted on Stock Exchanges in Pakistan since 1971.

The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics.

**2 BASIS OF PREPARATION**

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance 1984. In case where requirement differ, the provisions of or directives issued under the Companies Ordinance 1984 have been followed.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2010.

**3 ACCOUNTING POLICIES**

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2010.

		Dec., 31 2010	Jun., 30 2010
		Rupees in "000"	
<b>4</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>	
	Opening written down value	629,584	679,842
	Additions	1,685	14,268
	Written down value of disposals / adjustments	(3,323)	(578)
	Depreciation	(29,376)	(63,947)
	Closing written down value	<u>598,569</u>	<u>629,584</u>
<b>5</b>	<b>CAPITAL WORK IN PROGRESS</b>		
	KARACHI PROJECT	5.1	902,636
	NOORIABAD PROJECT	5.2	843,662
	TOTAL C.W.I.P		<u>1,795,187</u>
<b>5.1</b>	<b>KARACHI PROJECT</b>		
	Opening Balance	843,662	633,472
	Expenses For The Period / Year	58,974	210,190
	Closing Balance	<u>902,636</u>	<u>843,662</u>

## Fazal Textile Mills Limited



This represents commercialization, development and other charges of land situated at the existing premises for the purpose of construction of shopping mall/residential towers.

Note	Dec., 31 2010	Jun., 30 2010
	Rupees in "000"	
<b>5.2 NOORAIBAD PROJECT</b>		
Opening Balance	842,131	692,343
Expenses For The Period / Year	<u>50,420</u>	<u>149,788</u>
Closing Balance	<u>892,551</u>	<u>842,131</u>

Above expenses include other accumulated expenses which are to be capitalized proportionately between plant & machinery and building under construction at the end of project.

## 6 SHORT TERM FINANCES

(Secured Note 6-A)		
Running finances	128,086	43,827
Export Finance & Import bills	<u>877,641</u>	<u>520,937</u>
	<u>1,005,727</u>	<u>564,764</u>

6-A The markup on bank finances is payable on quarterly basis at rates ranging from 7.50% to 14.00%. (June 30, 2010 : 7.50% to 14.00%)

The above finances are secured by first parri passu hypothecation charge over stock and book debts of the company. Lien on Export documents and import documents/duly accepted bill of discount.

The overall limit of Rs 3.105 billion ( June 30, 2010 : 3.105 billion ) applies on running, export pre/post shipment finances.

The carrying amount of inventories and book debts hypothecated as security for the bank borrowings is Rs 1.518 billion ( June 30, 2010 : 0.908 billion)

## 7 CONTINGENCIES AND COMMITMENTS

7-A Guarantees and counter guarantees	105,363	49,446
7-B Letter of credits	<u>52,370</u>	<u>1,098,027</u>
	<u>157,733</u>	<u>1,147,473</u>

7-C The Company has made a reference in the Honourable High Court of Sindh at Karachi u/s 133(i) of the Income Tax Ordinance, 2001 against rejection of loss of Rs 1,461,000 by the Appellate Tribunal vide M.A (Rect) No 402/KB/2005 dated January 25, 2006 for the assessment year 2002-03. The case is pending before Court for adjudication.



## Fazal Textile Mills Limited

3 months 6 months 3 months 6 months  
ended Dec ended Dec ended Dec ended Dec  
Note 31, 2010 31, 2010 31, 2009 31, 2009  
Rs. in " 000 "

### 8 SALES - Net

Export	936,482	1,605,931	770,305	1,463,258
Local	391,347	838,366	274,072	521,707
Export rebate	311	459	115	291
Research & Development Support	681	681	-	6
Gross sales	1,328,821	2,445,437	1,044,492	1,985,262
Less : Export freight	23,432	52,673	33,532	61,493
Sales tax	-	-	-	-
Export duty and surcharge	1,776	3,352	1,809	2,379
Commission	21,822	29,183	34,931	46,277
	47,030	85,208	70,272	110,149
	<u>1,281,791</u>	<u>2,360,229</u>	<u>974,220</u>	<u>1,875,113</u>

### 9 COST OF SALES

#### Raw material consumed

Opening inventory	68,321	220,462	171,074	362,207
Purchases	1,703,677	2,088,134	1,365,259	1,748,051
Available for consumption	1,771,998	2,308,596	1,536,333	2,110,258
Closing inventory	(853,352)	(853,352)	(1,009,189)	(1,009,189)
Raw material consumed	918,646	1,455,244	527,144	1,101,069

#### Manufacturing expenses

Stores, spares and packing	53,786	89,648	37,394	68,408
Salaries,wages & other benefits Note	79,185	138,073	64,922	119,367
Power and electricity	83,848	167,839	77,254	154,375
Knitting, dyeing and printing expenses	33,908	68,177	29,296	54,023
Insurance	669	1,281	611	1,223
Repair and maintenance	5,603	12,228	2,202	5,892
Labour welfare	2,089	3,372	1,921	2,819
Depreciation	13,866	27,809	15,540	30,739
Other manufacturing expenses	348	876	245	768
	273,302	509,303	229,385	437,614
	1,191,948	1,964,547	756,529	1,538,683
Work in process - opening inventory	17,326	10,090	4,413	5,354
Work in process - closing inventory	(13,409)	(13,409)	(8,572)	(8,572)
	3,917	(3,319)	(4,159)	(3,218)
Cost of goods sold	1,195,865	1,961,228	752,370	1,535,465
Finished goods - opening inventory	105,988	177,606	112,519	133,519
Available for sales	1,301,853	2,138,834	864,889	1,668,984
Finished goods - closing inventory	(234,188)	(234,188)	(50,940)	(50,940)
	<u>1,067,665</u>	<u>1,904,646</u>	<u>813,949</u>	<u>1,618,044</u>

## Fazal Textile Mills Limited



	Dec., 31 2010	Dec., 31 2009
<b>10 CASH GENERATED FROM OPERATION</b>	<b>Rupees in "000"</b>	
Profit before taxation	371,259	199,962
Adjustment for non cash charges :		
Depreciation	29,376	31,957
(Profit)/loss on sale of fixed assets	(2,575)	(824)
Provision for gratuity	5,444	8,560
	32,245	39,693
Finance cost	25,661	17,243
Long term loan & advances	2,670	2,053
Changes in working capital - Note 10-A	85,722	(357,002)
	<u>517,557</u>	<u>(98,051)</u>
<b>10-A Changes in working capital</b>		
<b>(Increase)/Decrease in current assets</b>		
Stores, spares and loose tools	(8,885)	(4,105)
Stock in trade	(692,791)	(567,621)
Trade debts	101,269	(141,922)
Loans & advances considered good	32,951	40,849
Trade deposits & short term prepayments	(9,632)	(7,894)
	<u>(577,088)</u>	<u>(680,693)</u>
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payables	662,810	323,691
<b>Net Increase/(decrease) in working capital</b>	<u>85,722</u>	<u>(357,002)</u>
<b>11 CASH AND CASH EQUIVALENTS</b>		
Cash & cash equivalent comprise the following items as included in the balance sheet		
Cash and bank balances	56,351	30,615
Short term borrowing	(1,005,727)	(689,505)
	<u>(949,376)</u>	<u>(658,890)</u>
<b>12 EARNING PER SHARE</b>		
There is no dilutive effect on the basic earnings per shares of the Company which is based on :-		
Profit after taxation (Rs in "000")	<u>331,867</u>	<u>178,421</u>
Weighted average number of ordinary shares	<u>6,187,503</u>	<u>6,187,503</u>
Earning per share (Rs)	<u>53.64</u>	<u>28.84</u>



## Fazal Textile Mills Limited

Rupees in "000"

13 TRANSACTIONS WITH RELATED PARTIES		Dec., 31 2010	Dec., 31 2009
<b>Nature of Transaction</b>	<b>Relationship with the Company</b>		
<b>Sale of Goods and Providing of services</b>			
Lucky Knits (Pvt) Ltd.	Associate	118,605	140,192
Lucky Textile Mills	Associate	14,009	20,358
Gadoon Textile Mills Ltd.	Associate	-	576
Younus Textile Mills Ltd.	Associate	227,527	29,419
		<u>360,141</u>	<u>190,545</u>
<b>Purchase of Goods and Receipt of Services</b>			
Lucky Cement Ltd.	Associate	2,944	324
Lucky Textile Mills	Associate	-	18
Gadoon Textile Mills Ltd.	Associate	175,368	150,297
Lucky Knits (Pvt) Ltd.	Associate	11,095	27,004
Lucky Energy ( pvt) Ltd.	Associate	167,122	153,371
		<u>356,529</u>	<u>331,014</u>
<b>Rent, Allied and Other Charges Received</b>			
Lucky Energy ( pvt) Ltd.	Associate	-	-
<b>Employee Benefits</b>			
Staff Retirement Gratuity ( Unfunded)	Employee Benefit	5,444	8,560
<b>Donations</b>			
workers support	Workers	-	303
<b>Benefits to key management personnel</b>			
Long Term Loans to Executives	Key management	7,600	4,738
Bonus & Earned leaves	personnel	2,933	1,404
<b>Dividends Paid</b>			
Lucky Energy ( pvt) Ltd.	Associate	11,114	-

All material transactions with associated undertaking are at arm's length.

#### 14 GENERAL

- 14.1 These Condensed Interim Financial Statements were authorized for issue by the Board of Directors on February 21, 2011
- 14.2 Provisions wherever made are estimated and are subject to final adjustment in the annual financial statements.
- 14.3 Figures have been rounded off to the nearest thousand rupees.

KARACHI : February 21, 2011

  
Chairman

  
Chief Executive