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## **Half Yearly Report 2009**



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. M. Yunus A. Aziz  
Mr. Sohail M. Yunus  
Mr. Muhammad Ali A. Razzak  
Mr. Imran M. Yunus  
Mr. Javed M. Yunus  
Mrs Mariam Ikram  
Mr. Ilyas Ismail  
Mrs. Raheela Aleem  
Mr. Abdul Rahman Yaqoob

(Chairman)  
(Chief Executive)

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Toufique Yusuf  
FCA FICS

### AUDIT COMMITTEE

Mr. Sohail M. Yunus  
Mr. Muhammad Ali A. Razzak  
Mr. Imran M. Yunus

Chairman  
Member  
Member

### AUDITORS

Hyder Bhimji & Co.  
Chartered Accountants

### LEGAL ADVISOR

Mr. Mohammad Aleem  
(Advocate)

### BANKERS

Bank Al-Habib Limited  
Bank Al-Falah Limited  
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.  
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Fax : 92-21-6313372  
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, 2009.

### FINANCIAL RESULTS

	Rs in "000"	
	Half year ended December 2009	Half year ended December 2008
Sales	1,875,113	1,506,153
Gross Profit	257,069	148,469
Profit before tax	199,962	38,592
Profit after tax	178,421	20,008

Your Company earned after-tax profit of Rs 178.421 million as compared to Rs 20.008 million for the corresponding period. During the period under review the sales increased to Rs 1,875,113 million from 1,506,153 due to devaluation of Pak Rupee, increase in sale price of yarn and increase in sales of knitted fabrics. The gross profit margin increased to 13.70% from 9.85% due to timely procurement of cotton & better yarn prices. During the period the financial cost has reduced drastically due to discounting of foreign bills and availing finance against export bills & re-finance loan on knitted fabrics.

### FUTURE OUTLOOK:

The cost of cotton has crossed Rs 5,000 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. Recently the Government has imposed certain restriction on export of yarn which may result pressure on yarn prices. However, your director would like to assure you that every endeavor will be made to maintain the profitability of the Company.

The construction work of factory building at Nooriabad (Super Highway) is near to complete and Inshallah the shifting process of present production facilities will commence very soon.

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

Chief Executive

Karachi : February 18, 2010



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

### Introduction:

We have reviewed the accompanying interim condensed balance sheet of FAZAL TEXTILE MILLS Limited as of December 31, 2009 and the related interim condensed profit and loss account, and interim condensed cash flows and 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. Since we were required to review only the cumulative figures of half year ended of the statement of comprehensive income hence quarterly figures of condensed interim statement of comprehensive income for the quarter ended on December 31, 2009 and December 31, 2008 have not been reviewed by us.

### 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 condensed 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 is not prepared, in all material respects, in accordance with approved Accounting Standards as applicable in Pakistan for interim financial reporting.

*Hyder Bhimji.*

**HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS  
ENGAGEMENT PARTNER:  
HYDER ALI BHIMJI

Karachi: February 18, 2010




**INTERIM CONDENSED BALANCE SHEET  
AS AT DECEMBER 31, 2009 (UN AUDITED)**

	Note	December 31, 2009	June 30, 2009
Rupees in "000"			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment			
Operating Fixed Assets	4	656,062	679,842
Capital Work In Progress	5	1,483,706	1,325,830
		<u>2,139,768</u>	<u>2,005,672</u>
<b>Long Term Loans &amp; Advances</b>		7,160	9,213
<b>Long Term Deposits - Security Deposits</b>		<u>532</u>	<u>532</u>
		<u>2,147,460</u>	<u>2,015,417</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		47,183	43,078
Stock in trade		1,068,701	501,080
Trade debts		345,923	204,001
Loans & advances		67,773	108,622
Trade deposits and short term prepayments		15,944	8,050
Taxation - net		-	824
Cash and bank balances		30,615	3,610
		<u>1,576,139</u>	<u>869,265</u>
<b>TOTAL ASSETS</b>		<u><u>3,723,599</u></u>	<u><u>2,884,682</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital		<u>150,000</u>	<u>150,000</u>
15,000,000 ordinary shares of Rs 10/- each Issued, subscribed and paid-up capital		61,875	61,875
6287503 ordinary shares of Rs.10/- each Reserves		<u>843,225</u>	<u>674,085</u>
		905,100	735,960
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCE</b>			
Deferred gratuity		1,000,000	1,000,000
Deferred taxation		43,681	38,796
		47,327	44,032
		<u>1,091,008</u>	<u>1,082,828</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		996,084	666,707
Accrued markup		40,097	42,434
Taxation - net		1,805	-
Short term borrowings	6	689,505	356,753
		<u>1,727,491</u>	<u>1,065,894</u>
<b>Contingencies and Commitment</b>	7	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,723,599</u></u>	<u><u>2,884,682</u></u>

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

Karachi : February 18, 2010

  
Chairman

  
Chief Executive



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2009 (UN AUDITED)**

	Note	3 months ended Dec 31, 2009	6 months ended Dec 31, 2009	3 months ended Dec 31, 2008	6 months ended Dec 31, 2008
Rs. in " 000 "					
Sales	8	974,220	1,875,113	716,761	1,506,883
Cost of sales	9	813,949	1,618,044	641,628	1,358,414
<b>Gross profit</b>		<b>160,271</b>	<b>257,069</b>	<b>75,133</b>	<b>148,469</b>
General & administrative		8,914	19,554	8,139	16,284
Selling & distribution		6,981	9,837	4,878	8,349
Other operating charges		10,818	16,098	833	2,860
		<u>26,713</u>	<u>45,489</u>	<u>13,850</u>	<u>27,493</u>
		133,558	211,580	61,283	120,976
Other operating income		3,241	5,625	6	317
<b>Operating profit</b>		<b>136,799</b>	<b>217,205</b>	<b>61,289</b>	<b>121,293</b>
Finance cost		8,072	17,243	50,041	82,701
<b>Profit before taxation</b>		<b>128,727</b>	<b>199,962</b>	<b>11,248</b>	<b>38,592</b>
<b>Taxation :</b>					
Current		8,186	18,246	5,401	15,861
Deferred		2,031	3,295	3,935	2,723
		<u>10,217</u>	<u>21,541</u>	<u>9,336</u>	<u>18,584</u>
<b>Profit after taxation</b>		<b>118,510</b>	<b>178,421</b>	<b>1,912</b>	<b>20,008</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>118,510</b>	<b>178,421</b>	<b>1,912</b>	<b>20,008</b>
<b>Earning per share</b>		<b>19.15</b>	<b>28.84</b>	<b>0.31</b>	<b>3.23</b>

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

Karachi : February 18, 2010

  
Chairman

  
Chief Executive



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

	Note	December 31, 2009	June 30, 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operation	10	(98,051)	212,622
Gratuity paid		(3,674)	(3,365)
Finance Cost		(19,580)	(51,400)
Taxes paid		(15,617)	(14,310)
Net cash Inflow/(Outflow) from operating activities		<u>(136,922)</u>	<u>143,547</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(8,289)	(21,990)
Capital Work in progress		(157,876)	(290,453)
Sale proceeds from fixed assets		935	671
Net cash Inflow/(Outflow) from investing activities		<u>(165,230)</u>	<u>(311,772)</u>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
Payment of dividend		(3,595)	(1,956)
Net cash Inflow/(Outflow) from financial activities		<u>(3,595)</u>	<u>(1,956)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(305,747)</u>	<u>(170,181)</u>
Cash and cash equivalents at the beginning of the period		(353,143)	(1,309,761)
Cash and cash equivalents at the end of the period	11	<u>(658,890)</u>	<u>(1,479,942)</u>

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

Karachi : February 18, 2010

  
Chairman

  
Chief Executive



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

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappropriated Profit	Total
Balance as on July 01, 2008	61,875	34,416	610,584	13,073	719,948
Dividend for the year ended June 30, 2009	-	-	-	(9,281)	(9,281)
Profit after tax for the year ended June 30, 2009	-	-	-	25,293	25,293
Balance as on June 30, 2009	61,875	34,416	610,584	29,085	735,960
Proposed dividend	-	-	-	(9,281)	(9,281)
Transfer to revenue reserves	-	-	15,000	(15,000)	-
Profit after tax for the period ended December 31, 2009	-	-	-	178,421	178,421
Balance as on December 31, 2009	61,875	34,416	625,584	183,225	905,100

Karachi : February 18, 2010

  
Chairman

  
Chief Executive



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2009 (UN AUDITED)

### 1 THE COMPANY AND ITS 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 STATEMENT OF COMPLIANCE

These interim condensed 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 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan. The interim condensed 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, 2009.

### 3 ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these half yearly interim condensed 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, 2009.

## Fazal Textile Mills Limited



### 4 PROPERTY, PLANT AND EQUIPMENT

(Rs in 000)

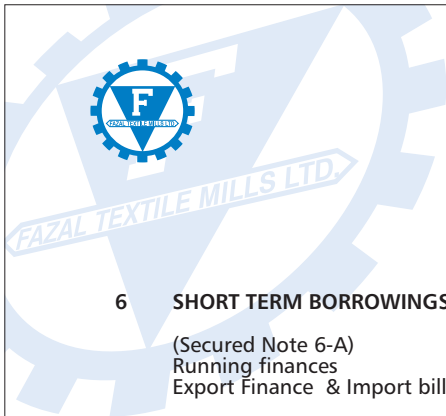
Particulars	Cost as on '01-07-2009	Additions (Deletions)	Cost as on 31-12-2009	Accumulated depreciation 31-12-2009	Rate %	Depreciation for the period	Written down book value 31-12-2009
Land (lease hold)	6,591	-	6,591	-	-	-	6,591
Main factory building (on lease hold land)	31,250	-	31,250	27,222	10	212	4,028
Other factory building (on lease hold land)	171,389	-	171,389	68,447	5	2,639	102,942
Plant & machinery	1,368,269	8,142	1,376,411	846,364	10	27,828	530,047
Testing equipment, scales and weighments	7,488	-	7,488	6,356	10	60	1,132
Office equipments	5,008	7	5,015	3,374	10	86	1,641
Furniture & fixtures	2,158	-	2,158	1,865	10	16	293
Vehicles	25,408	(1,687)	23,721	15,243	20	947	8,478
Computer equipments	7,943	140	8,083	7,173	33	169	910
<b>Total December 2009</b>	<b>1,625,504</b>	<b>8,289 (1,687)</b>	<b>1,632,106</b>	<b>976,044</b>		<b>31,957</b>	<b>656,062</b>
<b>Total June 2009</b>	<b>1,597,122</b>	<b>30,198 (1,816)</b>	<b>1,625,504</b>	<b>945,662</b>		<b>68,976</b>	<b>679,842</b>

preciation has been apportioned as follows :

	December 31, 2009	December 31, 2008
	Rupees in "000"	
Cost of sales	30,739	32,629
Administrative, selling and general expenses	1,218	1,393
	<u>31,957</u>	<u>34,022</u>

### 5 CAPITAL WORK IN PROGRESS

	December 31, 2009	June 30, 2009
	Rupees in "000"	
New factory building under construction - Super highway, Karachi.	624,976	590,742
Plant & Machinery	113,291	101,616
Commercialization, development and other charges of land situated at F.B. Area, Karachi.	745,439	633,472
	<u>1,483,706</u>	<u>1,325,830</u>



## Fazal Textile Mills Limited

December 31, 2009      June 30, 2009  
Rupees in "000"

### 6 SHORT TERM BORROWINGS

(Secured Note 6-A)		
Running finances	56,482	40,242
Export Finance & Import bills	633,023	316,511
	<u>689,505</u>	<u>356,753</u>

6-A The markup on bank finances is payable on quarterly basis at rates ranging from 1.75% to 13.50%. (2009 : 4.00% 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 ( 2009 : 2.467 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 1.462 billion ( 2009 : 0.748 billion)

### 7 CONTIGENCIES AND COMMITMENTS

7-A Guarantees and counter guarantees	46,445	44,946
7-B Letter of credits	26,887	54,750
	<u>73,332</u>	<u>99,696</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.

### 8 SALES

	3 months ended Dec 31, 2009	6 months ended Dec 31, 2009	3 months ended Dec 31, 2008	6 months ended Dec 31, 2008
	Rs. in " 000 "			
Export	770,305	1,463,258	522,837	1,070,824
Local	274,072	521,707	223,766	512,743
Export rebate	115	291	130	269
Research & Development Support Claim	-	6	-	461
Gross sales	1,044,492	1,985,262	746,733	1,584,297
Less :				
Export freight	33,532	61,493	17,173	46,447
Export duty and surcharge	1,809	2,379	1,169	2,738
Commission	34,931	46,277	11,630	28,229
	<u>70,272</u>	<u>110,149</u>	<u>29,972</u>	<u>77,414</u>
Net sales	<u>974,220</u>	<u>1,875,113</u>	<u>716,761</u>	<u>1,506,883</u>





FAZAL TEXTILE MILLS LTD.


## Fazal Textile Mills Limited

	December 31, 2009	December 31, 2008
<b>10-A Changes in working capital</b>		
<b>(Increase)/Decrease in current assets</b>		
Stores, spares and loose tools	(4,105)	(7,722)
Stock in trade	(567,621)	(245,623)
Trade debts	(141,922)	77,978
Loans & advances considered good	40,849	124,483
Trade deposits & short term prepayments	(7,894)	644
	<u>(680,693)</u>	<u>(50,240)</u>
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payable	323,691	99,014
<b>Net Increase/(decrease) in working capital</b>	<u><u>(357,002)</u></u>	<u><u>48,774</u></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	30,615	4,513
Short term borrowing	(689,505)	(1,484,455)
	<u>(658,890)</u>	<u>(1,479,942)</u>
<b>12 TRANSACTION WITH ASSOCIATED UNDERTAKINGS</b>		
Sales	190,545	159,268
Miscellaneous Income	781	-
Purchases	331,014	236,779
All material transaction with associated undertaking are at arm's length.		
The maximum amount due to associated undertaking at the end of any month during the year was Rs. 202.521 million (2009 : Rs 56.834 million)		
<b>13 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)	178,421	20,008
Weighted average number of ordinary shares	6,187,503	6,187,503
Earning per share	28.84	3.23

#### 14 GENERAL

- 14.1 The interim condensed financial statements were authorized for issue by the Board Board of Directors on February 18, 2010
- 14.2 Provisions wherever made are estimated and are subject to final adjustment in the annual audited accounts.
- 14.3 Figures have been rounded off to nearest thousand.

Karachi : February 18, 2010

  
Chairman

  
Chief Executive

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If undelivered please return to:

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CORPORATE 2633026-7