



**Financial Statement  
(Un-Audited)  
for the Half Year Ended  
December 31, 2011**



**Fazal Cloth Mills Ltd.**

## 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 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	The Bank of Punjab The Bank of Khyber Samba Bank Limited Pak Brunei Investment Co. Ltd. Pakistan Kuwait Investment Co. (Pvt) Ltd. Pak Oman Investment Co. Ltd. Habib Metropolitan Bank Ltd. Bank Al-Falah Ltd. (Islamic Banking)
<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) 42-36312550	
<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 before you un-audited accounts for the half year ended December 31, 2011. During the period, your Company has earned a pre-tax profit of Rs.786.956 million as compared to Rs. 759.888 million for the same period last year after charging depreciation of Rs. 175.871 (2010:Rs 136.897) million.

Following is the view point of your management on the qualifications in the Auditor's review report:

- We are of the view that as your Company is holding only 5.73% (June 2011: 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.
- Dividend on redeemable Preference Shares was approved for the period in accordance with the agreement reached with the Preference Share holders. This amount has been included in Financial Charges for the period. The auditors of the Company have qualified this treatment of dividend paid on preference shares. However, in our view, terms and conditions under which these Preference Shares have been issued result in qualification of the same as "Financial Liability" of the Company, and not as an Equity Instrument, as defined by IAS 32. As such, Dividend paid is included in Financial Charges for the period.
- The Company recognizes deferred tax expense in annual accounts instead of quarterly/half yearly accounts as suggested by the auditors.

The basic earnings per share of the Company for the six month ended December 31, 2011 is Rs. 30.73 as compared to Rs. 30.88 for corresponding period in previous year.

The management is happy to report that BMR of spinning units of the Company was completed as per schedule during the period under review.

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 and on behalf of the Board

Multan  
Dated: February 25, 2012

Sd/-  
(Sheikh Naseem Ahmad)  
Chairman / Chief Executive

# AUDITORS' REPORT 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, 2011, and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six month period then ended (herein-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 interim profit and loss account for the quarters ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2011.

## 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.

## Basis of Qualified Conclusion

1. The Company has distributed 9,377,597 shares of Fatima Fertilizer Company Limited to its shareholders as specie dividend. The Company has derecognized these shares at par value (refer to note 5.3 to the interim financial information) and recorded the dividend distributed at Rs. 93.8 million, contrary to the requirement of IFRIC 17 "Distribution of Non-Cash Assets to Owners" (IFRIC 17) at fair value of Rs. 248.7 million.

Further, the Company has valued its investment in associates at cost and par value (refer note 5.2 and 5.3 to the interim financial information) contrary to the requirement of International Accounting Standard - 28 "Investment in associates" which requires re-measurement of investment in associates on equity basis.

Had the Company complied with requirement of IAS 28 and IFRIC 17, and accounted for investment in associates at equity method, the value of the investment, surplus on revaluation of property, plant and equipment and un-appropriated profits as at June 30, 2011, would have been higher by Rs. 596.7 million, Rs.141.9 million and Rs. 454.8 million respectively. Financial statements of the associates for the year ended December 31, 2011 have not been made available to us to quantify the effect of such non compliance for the six months period ended December 31, 2011.

2. The Company has shown dividend on redeemable preference shares as finance cost in the condensed interim profit and loss account amounting to Rs. 14.2 million during the period, contrary to the provisions of Companies Ordinance, 1984 instead of appropriation of profits in statement of changes in equity. Had the Company complied with the provisions of Companies Ordinance, 1984 and had recorded the preference dividend as appropriation of profit, the profit for the period would have been higher by Rs. 9.2 million.
3. The Company has not recorded deferred tax expense of Rs. 318.1 million as required by International Accounting Standard 12 "Income Taxes". Had the Company recognized the above deferred tax expense, the provision for taxation and deferred liabilities would have higher and profit for the period would have been lower by the same amount.

## Qualified Conclusion

Based on our review, except for the matters referred to in the preceding paragraphs, 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, 2011 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore

Dated: February 25, 2012

sd/-

**M.Yousuf Adil Saleem & Co.**  
Chartered Accountants

# CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

	Note	(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	9,057,299,042	7,064,862,691
Intangible assets		5,337,648	4,538,527
Long term investments	5	573,419,696	667,195,666
Long term loans		492,000	399,270
Long term deposits		26,738,156	25,638,156
		<u>9,663,286,542</u>	<u>7,762,634,310</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		391,690,650	306,844,778
Stock-in-trade		5,911,355,262	3,410,214,097
Trade debts		1,775,557,177	1,767,710,377
Loans and advances		684,014,602	449,389,173
Trade deposits and short term prepayments		144,065,825	7,678,585
Interest / markup accrued		3,310,242	16,265,203
Other receivables		33,750	3,796,190
Other financial assets	6	163,525,420	125,142,836
Tax refunds due from government		112,703,045	81,688,761
Cash and bank balances		206,628,816	191,635,465
		<u>9,392,884,789</u>	<u>6,360,365,465</u>
		<u><u>19,056,171,331</u></u>	<u><u>14,122,999,775</u></u>

sd/-  
(SHEIKH NASEEM AHMAD)  
Chief Executive Officer

sd/-  
(REHMAN NASEEM)  
Director

## AS AT DECEMBER 31, 2011

		(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
Note			
<b>EQUITY AND LIABILITIES</b>			
Share capital	7	401,000,000	362,551,940
Capital reserve		227,616,000	227,616,000
Unappropriated profits		2,975,650,423	2,374,674,027
		3,604,266,423	2,964,841,967
<b>Surplus on revaluation of property, plant and equipment</b>		2,097,380,208	2,192,499,393
<b>NON CURRENT LIABILITIES</b>			
Long term financing	8	3,767,310,207	1,956,200,180
Long term musharika		250,000,000	273,755,451
Bills payables		67,126,047	155,210,331
Deferred liabilities		1,023,277,016	960,455,903
Custom duties		71,728,396	122,665,470
		5,179,441,666	3,468,287,335
<b>CURRENT LIABILITIES</b>			
Trade and other payables		932,753,110	598,021,473
Interest / mark-up accrued on loans		250,844,847	176,362,211
Short term borrowings		6,144,238,476	4,016,584,511
Current portion of non current liabilities		578,834,305	530,399,099
Provision for taxation	9	268,412,296	176,003,786
		8,175,083,034	5,497,371,080
Contingencies and commitments	10	-	-
		19,056,171,331	14,122,999,775

The annexed selected notes 1 to 13 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 SIX MONTHS ENDED DECEMBER 31, 2011

	----- Six months ended -----		----- Three months ended -----	
	December 31, 2011 (July - December)	December 31, 2010	December 31, 2011 (October - December)	December 31, 2010
	----- Rupees -----			
Sales - net	9,157,251,830	8,484,139,460	4,288,567,605	4,451,294,466
Cost of sales	(7,734,692,132)	(7,317,482,089)	(3,484,239,985)	(3,797,339,566)
Gross profit	<u>1,422,559,698</u>	<u>1,166,657,371</u>	<u>804,327,620</u>	<u>653,954,900</u>
Other operating income	47,656,974	137,035,735	25,439,648	136,508,735
	<u>1,470,216,672</u>	<u>1,303,693,106</u>	<u>829,767,268</u>	<u>790,463,635</u>
Distribution cost	(99,842,710)	(131,840,484)	(51,296,547)	(69,827,953)
Administrative expenses	(75,344,513)	(56,603,003)	(37,092,728)	(30,159,488)
Other operating expenses	(62,517,237)	(60,313,873)	(33,401,577)	(36,357,484)
Finance cost	(445,556,461)	(295,047,566)	(273,216,271)	(186,127,839)
	<u>(683,260,921)</u>	<u>(543,804,926)</u>	<u>(395,007,123)</u>	<u>(322,472,746)</u>
Profit before taxation	786,955,751	759,888,180	434,760,145	467,990,889
Provision for taxation	(92,408,510)	(180,770,825)	(41,172,212)	(138,540,002)
Profit after taxation	<u>694,547,241</u>	<u>579,117,355</u>	<u>393,587,933</u>	<u>329,450,887</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u><u>694,547,241</u></u>	<u><u>579,117,355</u></u>	<u><u>393,587,933</u></u>	<u><u>329,450,887</u></u>
<b>Earnings per share</b>				
Basic	30.73	30.88	20.99	17.57
Diluted	17.68	13.66	11.25	7.74

The annexed selected notes 1 to 13 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 SIX MONTHS ENDED DECEMBER 31, 2011

	Six months ended	
	December 31, 2011 Rupees	December 31, 2010 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	786,955,751	759,888,180
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	175,871,059	136,897,157
Amortization of intangible assets	722,150	841,037
Gain on re-measurement of other financial assets	(38,628,660)	(8,082,627)
Provision for gratuity	18,087,700	15,337,861
Provision for infrastructure cess	16,781,641	11,242,833
Gain on disposal of property, plant and equipment	(9,014,134)	-
Specie dividend received from associate	-	(128,953,050)
Finance cost	445,556,461	295,047,566
Operating cash flows before movements in working capital	1,396,331,968	1,082,218,957
(Increase) / decrease in current assets		
Stores, spares and loose tools	(84,845,872)	(70,647,849)
Stock-in-trade	(2,501,141,165)	(4,078,816,681)
Trade debts	(7,846,800)	(339,386,499)
Loans and advances	(150,123,952)	(212,358,246)
Trade deposits and short term prepayments	(136,387,240)	(29,926,238)
Other receivables	3,762,440	(6,129,766)
Tax refunds due from the government	(31,014,284)	(17,860,170)
Interest / markup accrued	12,954,961	-
Increase in trade and other payables	334,731,637	18,725,481
	(2,559,910,275)	(4,736,399,968)
<b>Cash used in operations</b>	(1,163,578,307)	(3,654,181,011)
Gratuity paid	(11,732,587)	(5,938,806)
Custom duties paid	(67,718,715)	-
Income tax paid	(84,501,477)	(130,708,351)
	(163,952,779)	(136,647,157)
<b>Net cash outflow from operating activities</b>	(1,327,531,086)	(3,790,828,167)
Long term loans to employees - net	(92,730)	511,780
Long term deposits	(1,100,000)	-
<b>Net cash used in operating activities</b>	(1,328,723,816)	(3,790,316,387)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(2,174,511,492)	(939,630,710)
Proceeds from disposal of property, plant and equipment	15,218,216	-
Addition to intangible assets	(1,521,271)	-
Other financial assets - net	246,076	(33,791,733)
<b>Net cash used in investing activities</b>	(2,160,568,471)	(973,422,443)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	2,077,717,337	840,916,483
Long term financing repaid	(218,172,104)	(205,371,888)
Long term musharika repaid	(23,755,451)	226,244,542
Short term borrowings - net	2,127,653,965	4,120,703,971
Bills payable obtained / (repaid)	(88,084,284)	(91,612)
Finance cost paid	(371,073,825)	(234,605,298)
<b>Net cash generated from financing activities</b>	3,504,285,638	4,747,796,198
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	14,993,351	(15,942,632)
Cash and cash equivalents - at beginning of the period	191,635,465	123,497,519
<b>Cash and cash equivalents - at end of the period</b>	<b>206,628,816</b>	<b>107,554,887</b>

The annexed selected notes 1 to 13 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 SIX MONTHS ENDED DECEMBER 31, 2011**

	Issued, subscribed and paid up capital	Capital reserve		Un appropriated Profits	Total
		Share premium	Capital redemption reserve fund		
Rupees					
Balance as at July 01, 2010	437,551,940	77,616,000	100,000,000	1,702,733,550	2,317,901,490
Profit for the period	-	-	-	579,117,355	579,117,355
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period ended December 31, 2010	-	-	-	579,117,355	579,117,355
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	41,690,335	41,690,335
Specific Dividend	-	-	-	(187,551,940)	(187,551,940)
Balance as at December 31, 2010	437,551,940	77,616,000	100,000,000	2,135,989,300	2,751,157,240
Balance as at July 01, 2011	362,551,940	77,616,000	150,000,000	2,374,674,027	2,964,841,967
Profit for the period	-	-	-	694,547,241	694,547,241
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period ended December 31, 2011	-	-	-	694,547,241	694,547,241
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	38,653,185	38,653,185
Specific dividend (note 5.3)	-	-	-	(93,775,970)	(93,775,970)
Bonus shares issued	38,448,060	-	-	(38,448,060)	-
Balance as at December 31, 2011	401,000,000	77,616,000	150,000,000	2,975,650,423	3,604,266,423

The annexed selected notes 1 to 13 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

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

## 1. THE COMPANY AND ITS OPERATIONS

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 and fabric. The manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

These condensed interim financial information are presented in Pak Rupees, which is the Company's functional and presentation currency.

## 2. BASIS OF PRESENTATION

This condensed interim financial report of the Company for the six-months period ended December 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.

This condensed interim financial information are un-audited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under listing regulations of Karachi and Lahore Stock Exchange and section 245 of the Companies Ordinance, 1984. They do not include all of the information's required for the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended as at June 30, 2011.

## 3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2011.

		(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	8,635,936,881	6,908,778,674
Capital work in progress		421,362,161	156,084,017
		9,057,299,042	7,064,862,691
<b>4.1 Opening carrying value</b>		6,908,778,674	5,921,185,536
Additions during the period – cost			
Freehold land		-	2,687,620
Factory building		26,524,355	266,281,574
Non-Factory building		2,324,667	-
Plant and machinery		1,847,669,529	913,951,429
Furniture and fixtures		971,957	2,364,614
Office equipment		3,278,423	2,587,294
Vehicles		10,452,252	8,915,414
Electric fittings and installations		17,987,165	76,885,418
Sui-gas installations		-	-
Tools, laboratory equipment and arms		-	38,300
Fire extinguishing equipments and scales		25,000	2,143,500
		1,909,233,348	1,275,855,163
Carrying value of assets disposed off during the period / year		(6,204,082)	(1,466,788)
Depreciation charge for the period / year			
Normal on cost		(126,562,867)	(182,988,517)
Incremental on revaluation surplus		(49,308,192)	(103,806,720)
Closing carrying value		8,635,936,881	6,908,778,674

## 5. LONG TERM INVESTMENTS

Un-audited December 31, 2011	Audited June 30, 2011		(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>Investment in associates</b>				
104,500	104,500	Fazal Industries (Pvt) Limited Equity interest held 9.5% (June 30, 2011: 9.5%) Less: Provision for diminution in value	475,000  (475,000)	475,000  (475,000)
		<b>5.1</b>		
25,790,610	25,790,610	Pakarab Fertilizers Limited Equity interest held 5.73% (June 30, 2011: 5.73%)	252,966,706	252,966,706
		<b>5.2</b>		
32,045,299	41,422,896	Fatima Fertilizer Company Limited Equity interest held 1.60% (June 30, 2011: 2.07%)	320,452,990 573,419,696	414,228,960 667,195,666
		<b>5.3</b>		

- 5.1** Break up value per share on the basis of latest audited financial statements is Rs. Nil (June 30, 2011 : Rs. Nil).
- 5.2** The valuation of investments in Pakarab Fertilizers Limited (PFL) has been made at cost. The financial statements of Pakarab Fertilizers Limited for the year ended December 31, 2011 were not available at the time of finalization of this condensed interim financial information.
- 5.3** During the period, the Company has distributed 9,377,597 shares of Fatima Fertilizer Company Limited (FFCL) as specie distribution to its shareholders. The company has derecognized these shares at par value and recorded the dividend distributed at Rs. 93.8 million, contrary to the requirement of IFRIC - 17 "Distribution of Non-Cash Assets to Owners" (IFRIC 17) at fair value of Rs. 248.7 million. Further, the valuation of investment in FFCL has been made at par value i.e. Rs.10, contrary to the requirement of International Accounting Standard - 28 "Investment in Associates" (IAS 28) which requires re-measurement of investment in associates on equity method. The financial statements of FFCL for the year ended December 31, 2011 were not available at the time of finalization of this condensed interim financial information.
- 5.4** Had the company complied with requirement of IAS 28 and IFRIC 17, and accounted for this investment at equity method, the value of the investment, surplus on revaluation of property, plant and equipment and un-appropriated profits as at June 30, 2011, would have been higher by Rs. 596.7 million, Rs. 141.9 million and Rs. 454.8 million respectively. Financial statements of FFCL for the year ended December 31, 2011 were not available to quantify the effect of such non compliance for the six months period ended December 31, 2011.

	(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>6. OTHER FINANCIAL ASSETS</b>		
<b>Investment</b>		
<b>– Financial assets at fair value through profit and loss account</b>		
<b>In quoted equity securities</b>		
Pakistan State Oil Company Limited 62,000 (June 30, 2011: 62,000) fully paid ordinary shares of Rs. 10 each	14,087,020	16,403,960
Fatima Fertilizer Company Limited 6,520,000 (June 30, 2011: 6,520,000) fully paid ordinary shares of Rs. 10 each (An associated undertaking)	149,438,400	108,492,800
Pak cash Management Fund Nil (June 30, 2011: 4,809) units having face value of Rs. 50 each	-	246,076
	<u>163,525,420</u>	<u>125,142,836</u>
<b>7. SHARE CAPITAL</b>		
<b>Authorised capital</b>		
40,000,000 Ordinary shares of Rs. 10 each	400,000,000	400,000,000
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>
<b>Issued, subscribed and paid up capital</b>		
22,600,000 ordinary shares of Rs. 10 each	7.1 226,000,000	187,551,940
17,500,000 preference shares of Rs. 10 each	175,000,000	175,000,000
	<u>401,000,000</u>	<u>362,551,940</u>
<b>7.1 Reconciliation of ordinary shares of Rs. 10 each</b>		
Opening balance	187,551,940	187,551,940
3,844,806 shares issued as bonus shares of Rs.10 each	38,448,060	-
Closing balance	<u>226,000,000</u>	<u>187,551,940</u>
<b>8. LONG TERM FINANCING</b>		
<b>8.1 Allied Bank Ltd - Term Finance</b>		
<p>During the period, Company obtained a Term Finance of Rs.608.32 million from Allied Bank Ltd for retirement of letters of credit opened for imported plant and machinery. Sanctioned limit of this finance is Rs. 626.00 million. It is repayable within the period of seven years inclusive of two years grace period in 10 semi annual equal installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 2.50% per annum till the disbursement of LTFF under SBP scheme thereafter LTFF rate under SBP scheme. This finance is secured against 1st joint pari passu charge/mortgage of Rs. 1,843 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.</p>		
<b>8.2 Faysal Bank Ltd - Term Finance</b>		
<p>During the period, a long term finance amounting to Rs. 350 million has been obtained from Faysal Bank Ltd for retirement of letters of credit opened for imported plant and machinery. Sanctioned limit of this finance is Rs.350.00 million. It is repayable within the period of seven years inclusive of two years grace period in 10 semi-annually equal installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 2.50% per annum till the disbursement of LTFF under SBP scheme and thereafter LTFF rate under SBP scheme. This finance is secured against joint pari passu charge/mortgage of Rs. 468 million on all present and future fixed assets of the Company.</p>		

### **8.3 Faysal Bank Ltd - Term Finance**

During the period, a long term finance amounting to Rs. 200 million has been obtained from Faysal Bank Ltd to partially finance the additional cost of ongoing expansion and BMR projects. Sanctioned limit of this finance is Rs.200.00 million. It is repayable within the period of seven years inclusive of two years grace period in 10 semi-annually equal installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 2.50% per annum. This finance is secured against First joint pari passu charge/mortgage of Rs. 1002 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors.

### **8.4 MCB Bank Ltd - Term Finance**

During the period, a long term finance amounting to Rs. 349.92 million has been obtained from MCB Bank Ltd for retirement of letter of credits opened for imported plant and machinery. Sanctioned limit of this finance is Rs.350.00 million. It is repayable within the period of seven years inclusive of one year grace period in 12 semi-annually equal installments of principal amount. It carries mark up at the rate applicable under LTFE scheme of SBP. This finance is secured against First joint pari passu charge/mortgage of Rs. 615 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors.

### **8.5 Soneri Bank Ltd - Term Finance**

During the period, a long term finance amounting to Rs. 50 million has been obtained from Soneri Bank Ltd for ongoing BMR project. Sanctioned limit of this finance is Rs.50.00 million. It is repayable within the period of six years inclusive of one and a half years grace period in 09 semi-annually equal installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 2.00% per annum. This finance is secured against First joint pari passu charge/mortgage of Rs. 167 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors.

### **8.6 National Bank Ltd - Demand Finance II**

During the period, a demand finance amounting to Rs. 91.78 million has been obtained from National Bank Ltd for retirement of 720 days letters of credit opened for imported plant and machinery. Sanctioned limit of this finance is Rs.147.77 million. It is repayable within the period of five years without any grace period in 10 semi-annually equal installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 2.00% per annum till the disbursement of LTFE under SBP scheme and thereafter at LTFE rate under SBP scheme . This finance is secured against First joint pari passu charge/mortgage of Rs. 896 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors.

### **8.7 Pak Brunei Investment Company - Term Finance**

During the period, this finance amounting to Rs.177.57 million has been obtained from Pak Brunei Investment Company for retirement of letter of credit opened for the import of plant and machinery for weaving unit. Sanctioned limit of this finance is Rs.200.00 million. It is repayable within a period of eight years inclusive of two years grace period in 12 semi-annually equal installments of principal amount. This finance carries mark up at SBP base rate + 3% per annum. This finance is secured against 1st joint pari passu charge/mortgage of Rs. 267 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors.

### **8.8 Pak Oman investment Company Ltd - Term Finance**

During the period, a long term finance amounting to Rs.100 million has been obtained from Pak Oman Investment Company Ltd for retirement of letters of credit opened for imported plant and machinery. Sanctioned limit of this finance is Rs.100.00 million. It is repayable within the period of seven years inclusive of two years grace period in 20 quarterly equal installments

of principal amount. It carries mark up at the rate applicable under LTFF scheme of SBP. This finance is secured against 1st joint pari passu charge/mortgage of Rs. 134 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.

## 9. TAXATION

- 9.1 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.
- 9.2 The Company has not recognized deferred tax expense as at December 31, 2011. The deferred tax expense will be calculated and recognized on June 30, 2012.

## 10. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 10.1 There has been no change in the status of contingent liabilities since the annual published audited financial statements as at June 30, 2011, except counter guarantees given by the Company to its bankers outstanding as on December 31, 2011 are Rs. 246.850 million (June 30, 2011: 297.657 million).

	(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>Commitments</b>		
10.2 Commitments for irrevocable letters of credit:		
Property, plant and equipment	15,107,302	1,521,199,693
Raw material, stores and spares	746,197,305	777,020,177
	<u>761,304,607</u>	<u>2,298,219,870</u>

## 11. RELATED PARTY TRANSACTIONS

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

	(Un-audited) December 31, 2011 Rupees	(Un-audited) December 31, 2010 Rupees
<b>Associates</b>		
Sale of goods	1,176,725,627	1,017,166,036
Purchase of goods	204,749,869	166,801,564
Expenses shares	11,231	-
Mark up charged	16,837,258	15,234,192
<b>Post retirement benefits</b>		
Provision for staff retirement benefits	18,087,700	15,337,861

- 11.2 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

## 12. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information were authorized for issue by the Board of Directors on February 25, 2012.

## 13. 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