



## DIRECTORS' REVIEW

Dear Shareholders,  
Assalam-o-Alaikum,

Your Directors are pleased to present before you un-audited accounts for the nine months ended March 31, 2013. During the period, your Company has earned a pre-tax profit of Rs. 1,079.813 million as compared to Rs. 1,244.902 million for the same period last year after charging depreciation of Rs. 391.769 million as compared to Rs. 280.271 million.

The basic earnings per share of the Company for the nine month are Rs. 34.56 as compared to Rs. 48.72 per share in the same period last year.

### **Future Outlook**

Cotton required for the season has already been procured. Yarn/Fabric sales remain healthy. However, availability of electricity/gas is worse since the care taker government has come into power. Due to this, production is being negatively affected. However, the Company expects the last quarter of the current financial year to be reasonably profitable.

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

Place: Multan

Sd/-  
(Sh. Naseem Ahmad)

Dated: April 26, 2013

Chairman & Chief Executive Officer

Fazal Cloth Mills Limited  
Condensed Interim Balance Sheet (Un-Audited)  
As at 31 March 2013

	Un-audited 31 March 2013	Restated 30 June 2012	Restated 30 June 2011	Restated 30 June 2010
------(Rupees)-----				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12,096,838,008	11,255,073,203	7,064,862,691	5,945,743,637
Intangible assets	2,543,446	3,398,483	4,538,527	6,220,596
Long term investments	1,865,753,429	1,743,404,016	1,156,821,571	683,841,830
Long term loans - secured	34,000	64,000	399,270	1,504,830
Long term deposits	14,306,606	25,710,156	25,638,156	12,894,365
	<b>13,979,475,489</b>	<b>13,027,649,858</b>	<b>8,252,260,215</b>	<b>6,650,205,258</b>
<b>Current assets</b>				
Stores, spares and loose tools	398,168,498	330,910,264	306,844,778	175,918,362
Stock-in-trade	6,718,998,380	3,774,011,125	3,410,214,097	2,645,452,686
Trade debts	2,856,693,395	2,012,188,252	1,767,710,377	883,729,860
Loans and advances	300,442,842	325,934,534	449,389,173	427,308,670
Trade deposits and short term prepayments	22,891,838	6,754,211	7,678,585	12,282,677
Interest / markup accrued	-	-	16,265,203	-
Other receivables	4,146,338	102,862,038	3,796,190	2,648,375
Other financial assets	162,204,072	176,496,671	125,142,836	16,132,400
Tax refunds due from government	501,007,290	310,001,740	81,688,761	42,602,780
Cash and bank balances	124,293,303	71,988,355	191,635,465	123,497,519
	<b>11,088,845,956</b>	<b>7,111,147,190</b>	<b>6,360,365,465</b>	<b>4,329,573,329</b>
	<b>25,068,321,445</b>	<b>20,138,797,048</b>	<b>14,612,625,680</b>	<b>10,979,778,587</b>

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information.

Sd/-

Chief Executive Officer

Sd/-

Director

Sd/-

Chief Financial Officer

**EQUITY AND LIABILITIES**

**Share capital and reserves**

	Un-audited 31 March 2013	Restated 30 June 2012	Restated 30 June 2011	Restated 30 June 2010
------(Rupees)-----				
Authorized share capital	700,000,000	700,000,000	700,000,000	700,000,000
Issued, subscribed and paid-up capital	425,000,000	401,000,000	362,551,940	437,551,940
Capital reserves	252,616,000	252,616,000	227,616,000	177,616,000
Fair value reserve - available for sale financial assets	838,002,307	979,235,094	392,652,650	(80,327,090)
Unappropriated profits	4,455,284,663	3,534,907,031	2,471,647,282	1,870,060,964
	<b>5,970,902,970</b>	<b>5,167,758,125</b>	<b>3,454,467,872</b>	<b>2,404,901,814</b>
<b>Surplus on revaluation of property, plant and equipment</b>	<b>3,727,500,211</b>	<b>3,790,322,138</b>	<b>2,192,499,393</b>	<b>2,280,444,023</b>

**Non-current liabilities**

Long term financing	4,479,618,812	3,641,788,504	1,956,200,180	1,573,814,880
Long term musharika	350,000,000	225,000,000	273,755,451	71,266,367
Bills payables	-	-	155,210,331	154,398,656
Deferred liabilities	1,533,085,064	1,443,601,568	960,455,903	848,175,803
Custom duties	106,047,068	84,912,156	122,665,470	104,416,117
	<b>6,468,750,944</b>	<b>5,395,302,228</b>	<b>3,468,287,335</b>	<b>2,752,071,823</b>

**Current liabilities**

Trade and other payables	1,170,963,586	714,955,157	598,021,473	589,896,693
Accrued profit / interest / mark-up	308,681,424	252,971,251	176,362,211	121,477,564
Short term borrowings	6,188,369,119	3,798,190,475	4,016,584,511	2,177,448,310
Current portion of non-current liabilities	789,501,445	648,829,209	530,399,099	443,396,812
Provision for taxation	443,651,746	370,468,465	176,003,786	210,141,548
	<b>8,901,167,320</b>	<b>5,785,414,557</b>	<b>5,497,371,080</b>	<b>3,542,360,927</b>

**Contingencies and commitments**

	<b>25,068,321,445</b>	<b>20,138,797,048</b>	<b>14,612,625,680</b>	<b>10,979,778,587</b>
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Fazal Cloth Mills Limited  
Condensed Interim Profit And Loss Account (Un-Audited)  
For the nine months ended 31 March 2013

	Nine months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2013	Three months ended 31 March 2012
------(Rupees)-----				
Sales - net	15,415,993,301	14,183,078,133	4,847,325,198	5,025,826,303
Cost of sales	(13,127,268,901)	(11,987,645,002)	(4,045,846,654)	(4,253,178,586)
<b>Gross profit</b>	<b>2,288,724,400</b>	2,195,433,131	<b>801,478,544</b>	772,647,717
Distribution cost	(194,332,555)	(162,217,703)	(54,999,791)	(62,375,004)
Administrative expenses	(143,135,987)	(121,122,633)	(48,300,335)	(45,778,120)
Other operating expenses	(91,639,651)	(98,397,218)	(32,388,831)	(35,879,981)
	<b>(429,108,193)</b>	(381,737,554)	<b>(135,688,957)</b>	(144,033,105)
Other operating income	7,070,419	183,666,076	4,894,464	136,234,822
<b>Profit from operations</b>	<b>1,866,686,626</b>	1,997,361,653	<b>670,684,051</b>	764,849,434
Finance cost	(786,873,021)	(752,459,613)	(308,267,211)	(306,903,153)
<b>Profit before taxation</b>	<b>1,079,813,605</b>	1,244,902,040	<b>362,416,840</b>	457,946,281
Taxation	6 (215,838,866)	(143,774,660)	(54,858,734)	(47,470,284)
<b>Profit for the period</b>	<b>863,974,739</b>	1,101,127,380	<b>307,558,106</b>	410,475,997
<b>Earnings per share</b>				
Basic	<b>34.56</b>	48.72	<b>12.30</b>	18.16
Diluted	<b>20.78</b>	27.99	<b>7.24</b>	10.77

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information.

Sd/-  
\_\_\_\_\_  
Chief Executive Officer

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Chief Financial Officer

# Fazal Cloth Mills Limited

## Condensed Interim Statement Of Comprehensive Income (Un-Audited)

For the nine months ended 31 March 2013

	<b>Nine months ended 31 March 2013</b>	Nine months ended 31 March 2012	<b>Three months ended 31 March 2013</b>	Three months ended 31 March 2012
	----- <b>(Rupees)</b> -----			
<b>Profit after taxation</b>	<b>863,974,739</b>	1,101,127,380	<b>307,558,106</b>	410,475,997
<b>Other comprehensive income for the period</b>				
Net change on remeasurement of available for sale financial assets to fair value	<b>(141,232,787)</b>	387,387,029	<b>(245,750,685)</b>	46,268,727
<b>Total comprehensive income for the period</b>	<b>722,741,952</b>	1,488,514,409	<b>61,807,421</b>	456,744,724

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information.

Sd/-

Chief Executive Officer

Sd/-

Director

Sd/-

Chief Financial Officer

Fazal Cloth Mills Limited  
Condensed Interim Cash Flow Statement  
For the nine months ended 31 March 2013

	Nine months ended	
	31-March 2013	31-March 2012
	------(Rupees)-----	
<b>Cash flow from operating activities</b>		
Profit before taxation	1,079,813,605	1,244,902,040
Adjustments for:		
Depreciation of property, plant and equipment	391,769,766	280,271,093
Amortization of intangible assets	855,033	1,083,224
Gain on re-measurement of other financial assets	535,399	(45,222,837)
Provision for gratuity	28,174,448	27,469,572
Provision for infrastructure cess	21,134,912	22,453,986
Gain on disposal of property, plant and equipment	(3,984,017)	(9,106,206)
Specie dividend received from associates		(128,953,050)
Finance cost	786,873,021	752,459,613
Cash generated from operations before working capital changes	2,305,172,167	2,145,357,435
(Increase) / decrease in current assets		
Stores, spares and loose tools	(67,258,235)	(10,405,029)
Stock in trade	(2,944,987,255)	(2,322,409,278)
Trade debts	(844,505,143)	(106,106,460)
Loans and advances	(18,432,129)	(215,563,540)
Trade deposits and short term prepayments	(16,137,627)	(151,937,466)
Tax refunds due from the government	(7,052,195)	(45,789,006)
Interest / markup accrued	-	8,915,398
Other receivables	98,715,699	1,639,957
Increase in trade and other payables	410,808,433	344,507,868
	(3,388,848,452)	(2,497,147,556)
<b>Cash used in operations</b>	(1,083,676,285)	(351,790,121)
Gratuity paid	(18,565,577)	(19,316,178)
Customs duty paid	-	(67,718,715)
Income tax paid	(140,029,528)	(137,402,727)
<b>Cash used in operating activities</b>	(1,242,271,390)	(576,227,741)
Long term loans	30,000	285,770
Long term deposits	11,403,550	-
<b>Net cash used in operating activities</b>	(1,230,837,840)	(575,941,971)
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,251,929,632)	(2,424,381,578)
Proceeds from disposal of property, plant and equipment	22,379,077	78,591,320
Purchase of intangible assets	-	(1,521,275)
Long term investment	(249,825,000)	-
Other financial assets	-	253,433
<b>Net cash used in investing activities</b>	(1,479,375,555)	(2,347,058,100)
<b>Cash flow from financing activities</b>		
Long term financing obtained	1,349,036,626	2,173,821,739
Long term financing repaid	(371,778,633)	(321,197,631)
Long term musharika	150,000,000	
Long term musharika repaid	(23,755,451)	(35,633,187)
Short term borrowings - net	2,390,178,643	1,875,054,120
Bills payable repaid	-	(155,210,331)
Finance cost paid	(731,162,841)	(618,183,975)
<b>Net cash generated from financing activities</b>	2,762,518,344	2,918,650,735
Net increase in cash and cash equivalents	52,304,949	(4,349,336)
Cash and cash equivalents at the beginning of the period	71,988,354	191,635,465
<b>Cash and cash equivalents at the end of the period</b>	124,293,303	187,286,129

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information.

Sd/-  
\_\_\_\_\_  
Chief Executive Officer

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Chief Financial Officer

Fazal Cloth Mills Limited  
Condensed Interim Statement Of Changes In Equity (Un-Audited)  
For the nine months ended 31 March 2013

	Capital reserves			Fair value reserve - available for sale financial assets	Un-appropriated profits	Total
	Share capital	Share premium	Capital redemption reserve			
	------(Rupees)-----					
<b>Balance as at 01 July 2011</b>	<b>362,551,940</b>	<b>77,616,000</b>	<b>150,000,000</b>	-	<b>3,100,929,710</b>	<b>3,691,097,650</b>
Effect of rectification of prior period error	-	-	-	392,652,650	(629,282,428)	(236,629,778)
<b>Balance as at 01 July 2011 - restated</b>	<b>362,551,940</b>	<b>77,616,000</b>	<b>150,000,000</b>	<b>392,652,650</b>	<b>2,471,647,282</b>	<b>3,454,467,872</b>
<b>Total comprehensive income</b>						-
Profit for the nine months period ended 31 March 2012	-	-	-	-	1,101,127,380	1,101,127,380
Other comprehensive income - restated	-	-	-	387,387,029	-	387,387,029
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	387,387,029	1,101,127,380	1,488,514,409
Specie Dividend	-	-	-	-	(93,775,970)	(93,775,970)
Bonus shares issued	38,448,060	-	-	-	(38,448,060)	-
<b>Balance as at 31 March 2012 - restated</b>	<b>401,000,000</b>	<b>77,616,000</b>	<b>150,000,000</b>	<b>780,039,679</b>	<b>3,499,410,559</b>	<b>4,908,066,238</b>
<b>Total comprehensive income</b>						-
Profit for the quarter ended 30 June 2012 - restated	-	-	-	-	27,747,781	27,747,781
Other comprehensive income - restated	-	-	-	199,195,415	-	199,195,415
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	199,195,415	27,747,781	226,943,196
Transfer to capital redemption reserve fund from unappropriated profit	-	-	25,000,000	-	(25,000,000)	-
<b>Balance as at 30 June 2012 - restated</b>	<b>401,000,000</b>	<b>77,616,000</b>	<b>175,000,000</b>	<b>979,235,094</b>	<b>3,534,907,031</b>	<b>5,167,758,125</b>
<b>Total comprehensive income</b>						-
Profit for the period	-	-	-	-	863,974,739	863,974,739
Other comprehensive income	-	-	-	(141,232,787)	-	(141,232,787)
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	(141,232,787)	863,974,739	722,741,952
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	125,602,893	125,602,893
Bonus shares issued	24,000,000	-	-	-	(24,000,000)	-
Cash Dividend provided	-	-	-	-	(45,200,000)	(45,200,000)
<b>Balance as at 31 March 2013</b>	<b>425,000,000</b>	<b>77,616,000</b>	<b>175,000,000</b>	<b>838,002,307</b>	<b>4,455,284,663</b>	<b>5,970,902,970</b>

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information.

Sd/-  
\_\_\_\_\_  
Chief Executive Officer

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Chief Financial Officer

# Fazal Cloth Mills Limited

## Notes To The Condensed Interim Financial Information (Un-Audited)

*For the nine months ended 31 March 2013*

### **1 Legal status and nature of business**

The Company was incorporated in Pakistan in 1966 as a public limited company under the Companies Act 1913 (now the 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.

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

### **2 Basis of presentation**

This condensed interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the represented financial statements as at and for the year ended 30 June 2012.

### **3 Significant accounting policies**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2012.



#### 4 Long term investments

Un-audited 31 March 2013	Audited 30 June 2012		Un-audited 31 March 2013	Restated 30 June 2012
-----Number of shares-----			-----Rupees-----	
<b>Investment in associates</b>				
<b>25,790,610</b>	25,790,610	Pak Arab Fertilizers Limited Equity interest held 5.73% (30 June 2012: 5.73 %)	<b>4.1</b>	<b>252,966,706</b>
				252,966,706
<b>60,414,970</b>	60,414,970	Fatima Fertilizer Company Limited Equity interest held 2.88% (30 June 2012: 2.88 %)	<b>4.1</b>	<b>1,362,961,723</b>
				1,490,437,310
<b>24,982,500</b>	Nil	Fazal Weaving Mills Limited Fully owned subsidiary 100.00% (30 June 2012: 0 %)	<b>4.2</b>	<b>249,825,000</b>
				-
				<b>1,865,753,429</b>
				<b>1,743,404,016</b>

**4.1** Pak Arab Fertilizers Limited and Fatima Fertilizer Company Limited are associates of the Company as defined in Companies Ordinance, 1984. However, according to International Accounting Standard 28 "Investments in Associates and Joint Ventures", Pak Arab Fertilizers Limited and Fatima Fertilizer Company Limited are not considered as Associates as criteria for significant influence is not met. Therefore, the investment in Pak Arab Fertilizers Limited is valued at cost, owing to non-availability of market value of its shares as the company is not listed on any of the Stock Exchanges in Pakistan and investment in Fatima Fertilizer Company Limited has been classified as available for sale with fair value changes recognised in equity, in accordance with the requirement of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". Previously, this investment was wrongly accounted for using equity method, which is treated as prior period error, in the current period financial statements. The effect of prior period error due to wrong accounting treatment for valuation of these investments has been accounted for by restatement of figures of earliest reporting periods.

**4.2** The shareholders FAZAL CLOTH MILLS LIMITED in their Extra Ordinary General Meeting held on 29th day of January, 2013 has approved to make – M/s. FAZAL WEAVING MILLS LIMITED, an associated Public Limited Company – as a wholly owned subsidiary of M/s. FAZAL CLOTH MILLS LIMITED by investing and acquiring 24,982,500 Ordinary Shares of Rs. 10/- each. Payment against this investment was made through transfer of building of an amount of Rs. 50 Million to M/s. FAZAL WEAVING MILLS LIMITED in pursuance of Companies (Issue of Capital) Rules 1996 and the remaining amount of Rs. 199.825 million was paid through cash. The investment of Rs.249.825 million has complied with the provisions of Section 208 of the Companies Ordinance, 1984.

## **5 Long term financing**

### **5.1 Diminishing Musharika from Meezan Bank Limited**

During the period a Diminishing Musharika finance of Rs.150 Million has been obtained from Meezan Bank Ltd to finance the retirement of LCs opened for import of textile machinery. It is repayable within the period of seven years inclusive of two years grace period in ten half yearly equal installments of principal amount. It carries mark up at the rate of 6 Months KIBOR + 1.75% per annum. During the period mark up was charged at the rate of 11.08 % pa. This finance is secured against Exclusive Charge of Rs.200 Million on certain plant and machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors.

### **5.2 Term Finance from Soneri Bank Limited**

During the period a term finance of Rs.149.927 Million has been obtained from Soneri Bank Ltd to finance the retirement of LCs opened for import of textile machinery. Out of this amount, Rs.7.9 Million was disbursed during previous quarter. Limit of this term finance was Rs.150 Million. It is repayable within the period of seven years inclusive of two years grace period in ten half yearly equal installments of principal amount. It carries mark up at the rate of 6 Months KIBOR + 1.75% per annum. During the period mark up was charged at the rate of 11.11 % pa. This finance is secured against 1st Joint Pari Passu Charge/mortgage with 25% margin on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.

### **5.3 Term Finance from Faysal Bank Limited**

During the period a term finance of Rs.200 Million has been obtained from Faysal Bank Ltd to finance the retirement of LCs opened for import of textile machinery. Out of this amount, Rs.19.90 Million was disbursed during previous quarter. Limit of this term finance was Rs.200 Million. It is repayable within the period of seven years inclusive of two years grace period in ten half yearly equal installments of principal amount. It carries mark up at the rate of 6 Months KIBOR + 2.00% per annum. During the period mark up was charged at the rates ranging from 11.35% pa to 11.50% pa. This finance is secured against 1st Joint Pari Passu Charge/mortgage with 25% margin on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.

### **5.4 Term Finance from Allied Bank Limited**

During the period a term finance of Rs.208 Million has been obtained from Allied Bank Ltd to finance the retirement of LCs opened for import of textile machinery. Limit of this term finance is Rs.230 Million. It is repayable within the period of eight years, from the date of disbursement of 50% of this facility, inclusive of two years grace period in twelve half yearly equal installments of principal amount. It carries mark up at the rate of 6Months KIBOR + 1.75% per annum. During the period mark up was charged at the rate of 11.24 % pa. This finance is secured against 1st Joint Pari Passu Charge/mortgage with 25% margin on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.

**6 Taxation**

This comprises of current tax and deferred tax. 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.

**7 Date of authorization for issue**

This condensed interim financial information was authorized for issue by the Board of Directors on 26-Apr-2013.

**8 General**

Figures have been rounded off to the nearest rupee.

Sd/-

\_\_\_\_\_  
**Chief Executive Officer**

Sd/-

\_\_\_\_\_  
**Director**

Sd/-

\_\_\_\_\_  
**Chief Financial Officer**