



**Half Yearly Report December 31, 2011**





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## **Half Yearly Report 2011**





## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

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

### **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, 2011.

### FINANCIAL RESULTS

	Rs in "000"	
	Half year ended December 2011	Half year ended December 2010
Sales	2,024,903	2,360,229
Gross Profit	151,370	455,583
Profit before tax	99,934	371,259
Profit after tax	77,342	331,867

Your Company earned after-tax profit of Rs 77,342 million as compared to Rs 331,867 million for the corresponding period. During the period under review the sales decreased to Rs 2,024,903 million from 2,360,229 due decrease in sale price of yarn and knitted fabrics. The gross profit margin decreased to 7.48% from 19.30% due decrease in yarn prices, increase in power tariff, salaries, wages etc. 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 for the current season remained around Rs 6,000 per mds. and Alhamdulillah your management has already procured cotton for the entire season which will help to maintain the profitability of the Company, however rising inflation, increase in tariff rates, and decrease in yarn prices will have negative impact on the profitability of the company, however, 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 phase I at Nooriabad (Super Highway) has been completed about 60% of plant & machinery, equipments etc has been shift, installed and erected, commercial production has also commenced. The construction of phase II is in process and will be completed by June 2012, thereafter the balance plant & machinery, equipments etc will be shifted.

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 22, 2012



## 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** ("the Company") as at December 31, 2011, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and condensed interim statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the "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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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 condensed interim financial information as at and for the half year ended on December 31, 2011, is not presented 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, 2011 and December 31, 2010 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, 2011.

*Hyder Bhimji.*

**HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS

ENGAGEMENT PARTNER: HYDER ALI BHIMJI

Karachi: February 22, 2012



**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2011**

	Note ( Un Audited ) Dec., 31 2011	( Audited ) Jun., 30 2011
Rupees in "000"		
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3 2,807,628	2,565,027
Long term loans and advances	9,693	7,707
Long term deposits - Security deposits	1,259	1,259
	<u>2,818,580</u>	<u>2,573,993</u>
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	61,148	57,244
Stock in trade	1,505,440	842,611
Trade debts	525,807	673,665
Loans and advances	374,782	66,712
Trade deposits and short term prepayments	63,623	33,966
Other receivables	5,690	3,194
Taxation- Net	13,250	9,770
Cash and bank balances	14,285	9,754
	<u>2,564,025</u>	<u>1,696,916</u>
<b>TOTAL ASSETS</b>	<u><u>5,382,605</u></u>	<u><u>4,270,909</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital	150,000	150,000
Issued, subscribed and paid-up share capital	61,875	61,875
Reserves	1,621,827	1,581,610
	<u>1,683,702</u>	<u>1,643,485</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Deferred gratuity	44,909	46,090
Deferred taxation	43,501	42,933
	<u>88,410</u>	<u>89,023</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,015,872	805,825
Accrued markup	26,508	21,585
Short term borrowings	2,568,113	1,710,991
	<u>3,610,493</u>	<u>2,538,401</u>
Contingencies and Commitment	5 -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>5,382,605</u></u>	<u><u>4,270,909</u></u>

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

KARACHI : February 22, 2012

  
Chairman

  
Chief Executive



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UN AUDITED)**

	Note	For The Half Year		For The Quarter	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Rs. in " 000 "					
Sales - net	6	2,024,903	2,360,229	1,119,457	1,281,791
Cost of sales	7	1,873,533	1,904,646	1,005,652	1,067,665
<b>Gross profit</b>		<b>151,370</b>	<b>455,583</b>	<b>113,805</b>	<b>214,126</b>
Selling and distribution expenses		13,004	10,732	11,370	8,054
Administrative expenses		27,842	27,576	13,614	11,180
Other operating expenses		5,260	25,988	4,372	15,018
		<b>46,106</b>	<b>64,296</b>	<b>29,356</b>	<b>34,252</b>
Other operating income		105,264	391,287	84,449	179,874
		<b>2,275</b>	<b>5,633</b>	<b>1,203</b>	<b>3,985</b>
<b>Operating profit</b>		<b>107,539</b>	<b>396,920</b>	<b>85,652</b>	<b>183,859</b>
Finance cost		7,605	25,661	2,596	21,022
<b>Profit before taxation</b>		<b>99,934</b>	<b>371,259</b>	<b>83,056</b>	<b>162,837</b>
Taxation :					
Current		22,024	27,418	10,109	13,236
Deferred		568	11,974	568	11,577
		<b>22,592</b>	<b>39,392</b>	<b>10,677</b>	<b>24,813</b>
<b>Profit after taxation</b>		<b>77,342</b>	<b>331,867</b>	<b>72,379</b>	<b>138,024</b>
Earning per share-basic and diluted (Rupees)	10	12.50	53.64	11.70	22.31

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

KARACHI : February 22, 2012

  
Chairman

  
Chief Executive





**CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UN AUDITED)**

	For The Half Year		For The Quarter	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	Rs. in " 000 "			
Profit after taxation	77,342	331,867	72,379	138,024
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>77,342</u>	<u>331,867</u>	<u>72,379</u>	<u>138,024</u>

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

KARACHI : February 22, 2012

  
Chairman

  
Chief Executive



**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UN AUDITED)**

	Note	Dec. 31 2011	Dec. 31 2010
Rupees in "000"			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operation	8	(528,734)	517,557
Gratuity paid		(8,606)	(5,762)
Finance Cost paid		(2,682)	(53,568)
Taxes paid		(25,504)	(23,890)
Net cash In/(Outflow) from operating activities		(565,526)	434,337
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(112,443)	(1,685)
Capital Work in progress		(162,880)	(109,394)
Sale proceeds from fixed assets		362	5,898
Net cash In/(Outflow) from investing activities		(274,961)	(105,181)
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
Payment of dividend		(12,104)	(12,903)
Payment of Long Term Loan		-	(1,000,000)
Net cash In/(Outflow) from financial activities		(12,104)	(1,012,903)
Net increase(decrease) in cash and cash equivalents		(852,591)	(683,747)
Cash and cash equivalents at the beginning of the period / year		(1,701,237)	(265,629)
Cash and cash equivalents at the end of the period / year	9	(2,553,828)	(949,376)

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

KARACHI : February 22, 2012

  
Chairman

  
Chief Executive



**CONDENSED INETRIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UN AUDITED)**

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappro- priated Profit	Total
Balance as on June 30, 2010	61,875	34,416	625,584	629,389	1,351,264
Final Dividend for the year ended June 30, 2010	-	-	-	(61,875)	(61,875)
Transfer to/(from) profit and loss account	-	-	560,000	(560,000)	-
Total comprehensive income for the year	-	-	-	354,096	354,096
Balance as on June 30, 2011	61,875	34,416	1,185,584	361,610	1,643,485
Final Dividend for the year ended June 30, 2011	-	-	-	(37,125)	(37,125)
Transfer to/(from) profit and loss account	-	-	300,000	(300,000)	-
Profit after tax for the period ended December 31, 2011	-	-	-	77,342	77,342
Balance as on December 31, 2011	61,875	34,416	1,485,584	101,827	1,683,702

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

KARACHI : February 22, 2012

  
Chairman

  
Chief Executive



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (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.

### 2.1 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 2011	Jun., 30 2011
		Rupees in "000"	
<b>3 PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>		
Operating Fixed Assets	3.1	654,796	575,075
Capital Work in Progress	3.2	<u>2,152,832</u>	<u>1,989,952</u>
		<u>2,807,628</u>	<u>2,565,027</u>
<b>3.1 OPERATING FIXED ASSETS</b>			
Opening written down value		575,075	629,583
Additions		112,443	10,555
Written down value of disposals / adjustments		(267)	(5,933)
Depreciation		<u>(32,455)</u>	<u>(59,131)</u>
Closing written down value		<u>654,796</u>	<u>575,075</u>
<b>3.2 CAPITAL WORK IN PROGRESS</b>			
Karachi Project	3.2.1	1,016,344	958,890
Nooriabad Project	3.2.2	<u>1,136,488</u>	<u>1,031,062</u>
		<u>2,152,832</u>	<u>1,989,952</u>



( Un Audited ) ( Audited )  
 Dec., 31 Jun., 30  
 2011 2011  
 Rupees in "000"

**3.2.1 KARACHI PROJECT**

Opening Balance	958,890	843,662
Expenses For The Year	10,186	65,821
Borrowing Cost Capitalized	47,268	49,407
Closing Balance	<u>1,016,344</u>	<u>958,890</u>

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

**3.2.2 NOORIABAD PROJECT**

Note

Opening balance	1,031,062	842,131
Expenses for the year	-	-
Addition during the year	3.2.2.1 <u>105,426</u>	<u>188,931</u>
Closing balance	<u>1,136,488</u>	<u>1,031,062</u>

3.2.2.2 Additions represents plant & machinery and buildings. Expenses will be capitalized proportionately between plant & machinery and building at the end of project.

**4 SHORT TERM FINANCES**

(Secured Note 4.1)

Running finances	299,323	19,350
Export Finance & Import bills	<u>2,268,790</u>	<u>1,691,641</u>
	<u>2,568,113</u>	<u>1,710,991</u>

4.1 The markup on bank finances is payable on quarterly basis at rates ranging from 7.50% to 14.00%. (June 30, 2011 : 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, 2011 : 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 2.092 billion ( June 30, 2011 : 1.573 billion)

**5 CONTINGENCIES AND COMMITMENTS**

Guarantees and counter guarantees	119,528	118,528
Letter of credits	<u>175,335</u>	<u>132,606</u>
	<u>294,863</u>	<u>251,134</u>



- 5.1 The Company has made a reference in the Honorable 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.

	For The Half Year		For The Quarter	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>6 SALES - Net</b>	<b>Rs. in " 000 "</b>			
Export	983,066	1,605,931	544,724	936,482
Local	1,083,039	838,366	595,650	391,347
Export rebate	1,368	459	1,298	311
Research & Development Support	105	681	22	681
Gross sales	2,067,578	2,445,437	1,141,694	1,328,821
Less : Export freight	16,367	52,673	5,485	23,432
Sales tax	-	-	-	-
Export duty and surcharge	3,157	3,352	920	1,776
Commission	23,151	29,183	15,832	21,822
	42,675	85,208	22,237	47,030
	<u>2,024,903</u>	<u>2,360,229</u>	<u>1,119,457</u>	<u>1,281,791</u>
<b>7 COST OF SALES</b>				
<i>Raw material consumed</i>				
Opening inventory	478,322	220,462	219,826	68,321
Purchases	2,025,966	2,088,134	1,653,253	1,703,677
Available for consumption	2,504,288	2,308,596	1,873,079	1,771,998
Closing inventory	(1,169,560)	(853,352)	(1,169,560)	(853,352)
Raw material consumed	1,334,728	1,455,244	703,519	918,646
<i>Manufacturing expenses</i>				
Stores, spares and packing	69,410	89,648	36,615	53,786
Salaries, wages and other benefits	153,238	138,073	52,076	79,185
Power and electricity	185,916	167,839	115,542	83,848
Knitting, dyeing and printing expenses	55,513	68,177	23,558	33,908
Insurance	1,223	1,281	611	669
Repair and maintenance	6,348	12,228	2,720	5,603
Labor welfare	4,725	3,372	1,951	2,089
Depreciation	30,409	27,809	17,804	13,866
Other manufacturing expenses	3,613	876	3,272	348
	510,395	509,303	254,149	273,302
	1,845,123	1,964,547	957,668	1,191,948
Work in process - opening inventory	39,280	10,090	34,747	17,326
Work in process - closing inventory	(20,056)	(13,409)	(20,056)	(13,409)
	19,224	(3,319)	14,691	3,917
Cost of goods sold	1,864,347	1,961,228	972,359	1,195,865
Finished goods - opening inventory	325,009	177,606	349,116	105,988
Available for sales	2,189,356	2,138,834	1,321,475	1,301,853
Finished goods - closing inventory	(315,823)	(234,188)	(315,823)	(234,188)
	<u>1,873,533</u>	<u>1,904,646</u>	<u>1,005,652</u>	<u>1,067,665</u>



	Dec., 31 2011	Dec., 31 2010
<b>8 CASH GENERATED FROM OPERATION</b>	<b>Rupees in "000"</b>	
Profit before taxation	99,934	371,259
Adjustment for non cash charges :		
Depreciation	32,456	29,376
(Profit)/loss on sale of fixed assets	(95)	(2,575)
Provision for gratuity	7,425	5,444
	39,786	32,245
Finance cost	7,605	25,661
Long term loan & advances	(1,986)	2,670
Changes in working capital - Note 8.1	(674,073)	85,722
	<u>(528,734)</u>	<u>517,557</u>
<b>8.1 Changes in working capital</b>		
<b>(Increase)/Decrease in current assets</b>		
Stores, spares and loose tools	(3,904)	(8,885)
Stock in trade	(662,829)	(692,791)
Trade debts	147,858	101,269
Loans & advances considered good	(308,070)	32,951
Trade deposits & short term prepayments	(29,657)	(9,632)
Other Receivables	(2,496)	-
	<u>(859,098)</u>	<u>(577,088)</u>
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payables	185,025	662,810
	<u>(674,073)</u>	<u>85,722</u>
<b>9 CASH AND CASH EQUIVALENTS</b>		
Cash & cash equivalent comprise the following items as included in the balance sheet		
Cash and bank balances	14,285	56,351
Short term borrowing	(2,568,113)	(1,005,727)
	<u>(2,553,828)</u>	<u>(949,376)</u>
<b>10 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>77,342</u>	<u>331,867</u>
Weighted average number of ordinary shares	<u>6,187,503</u>	<u>6,187,503</u>
Earning per share (Rs)	<u>12.50</u>	<u>53.64</u>



Rupees in "000"

		Dec., 31 2011	Dec., 31 2010
<b>11</b>	<b>TRANSACTION WITH RELATED PARTIES</b>		
	<b>Nature of Transaction</b>		
	<b>Relationship with the Company</b>		
	Sale of Goods and Providing of services		
	Lucky Knits (Pvt) Ltd.	45,686	118,605
	Lucky Textile Mills	173,923	14,009
	Younus Textile Mills Ltd.	59,962	227,527
		<u>279,571</u>	<u>360,141</u>
	<b>Purchase of Goods and Receipt of Services</b>		
	Lucky Cement Ltd.	10,868	2,944
	Gadoon Textile Mills Ltd.	113,706	175,368
	Lucky Textile Mills Ltd	29	-
	Lucky Knits (Pvt) Ltd.	9,471	11,095
	Lucky Energy (Pvt) Ltd.	173,122	167,122
		<u>307,196</u>	<u>356,529</u>
	<b>Rent, Allied and Other Charges Received</b>		
	Lucky Energy (Pvt) Ltd.	Associate	-
	<b>Benefits to key management personnel</b>		
	Long Term Loans to Executives	Key management	7,600
	Bonus & Earned leaves	personnel	2,933
	<b>Dividends Paid</b>		
	Lucky Energy (Pvt) Ltd.	Associate	11,114

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

**12 GENERAL**

12.1 These Condensed Interim Financial Statements were authorized for issue by the Board of Directors on 22-02-2012

12.2 Provisions wherever made are estimated and are subject to final adjustment in the annual financial statements.

12.3 Figures have been rounded off to the nearest thousand rupees.

KARACHI : February 22, 2012

Chairman

Chief Executive



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