



Quarterly Report September 30, 2011





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Quarterly 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,
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E-mail: finance@fazaltextile.com
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DIRECTORS REPORT TO THE MEMBERS

We feel pleasure in submitting herewith the un-audited first quarter accounts for the period ended September 30, 2011.

FINANCIAL RESULTS

	Rs in "000"	
	Quarter ended Sept. 2011	Quarter ended Sept. 2010
Sales	905,446	1,078,438
Gross Profit	37,565	241,457
Profit before taxation	16,878	208,422
Profit after taxation	4,963	193,843

Your Company earned pre-tax profit of Rs. 16.878 million as compared to Rs. 208.422 million for the corresponding period. During the period under review the sales decreased to Rs. 905.446 million from Rs. 1,078.438 million due to decrease in selling prices and demand of yarn in local as well as international market which resulted negative impact on the profitability of the company.

FUTURE OUTLOOK:

The devastation caused by one of the worst rains in the country, the crop for the coming season has been badly effected in term of quantity and quality, Given the short supply against the demand, the spinners will not have easy time finding lint at a reasonable price without compromising quality. The energy crisis, inflation, erosion of value of Pak rupee etc could affect the profitability of coming periods. Notwithstanding the foregoing constraints, your director would like to assure you that every Endeavour will be made to achieve better results in the coming year.

The company has started re-locating its present operating facility to its new location at Super Highway (Nooriabad) this process will require 8 - 10 months to complete. However the management has devised such strategy that there is minimum production losses. The demolition of the building been vacated has also begun simultaneously.

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

Chairman

Karachi: October 24, 2011



CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2011

	Note	Sept. 2011	June 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,684,257	2,565,027
Long term loans and advances		7,653	7,707
Long term deposits - Security deposits		1,259	1,259
		<u>2,693,169</u>	<u>2,573,993</u>
CURRENT ASSETS			
Stores, spares and loose tools		73,488	57,244
Stock in trade		603,690	842,611
Trade debts		466,525	673,665
Loans and advances		135,814	66,712
Trade deposits and short term prepayments		27,849	33,966
Other receivables		28,916	3,194
Taxation- Net		10,284	9,770
Cash and bank balances		94,194	9,754
		<u>1,440,760</u>	<u>1,696,916</u>
TOTAL ASSETS		<u>4,133,929</u>	<u>4,270,909</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		150,000	150,000
Issued, subscribed and paid-up share capital		61,875	61,875
Reserves		1,549,446	1,581,608
		<u>1,611,321</u>	<u>1,643,483</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred gratuity		46,931	46,090
Deferred taxation		42,925	42,933
		<u>89,856</u>	<u>89,023</u>
CURRENT LIABILITIES			
Trade and other payables		950,824	805,827
Accrued markup		14,686	21,585
Short term borrowings		1,467,242	1,710,991
		<u>2,432,752</u>	<u>2,538,403</u>
Contingencies and Commitment	4	-	-
TOTAL EQUITY AND LIABILITIES		<u>4,133,929</u>	<u>4,270,909</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

Chairman

Chief Executive

Karachi : October 24, 2011



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)**

	Note	Sept 2011	Sept 2010
Rupees in "000"			
Sales - net	5	905,446	1,078,438
Cost of sales	6	867,881	836,981
Gross profit		37,565	241,457
Selling and distribution expenses		1,634	2,678
Administrative expenses		14,228	16,396
Other operating expenses		888	10,970
		16,750	30,044
		20,815	211,413
Other operating income		1,072	1,648
Operating profit		21,887	213,061
Finance cost		5,009	4,639
Profit before taxation		16,878	208,422
Taxation		11,915	14,579
Profit after taxation		4,963	193,843
Earning per share-basic and diluted (Rupees)	10	0.80	31.33

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2011

Chairman

Chief Executive



CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUATER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Note	Sept 2011	Sept 2010
Rupees in "000"			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operation	7	488,147	898,170
Gratuity paid		(2,872)	(2,636)
Finance cost paid		(11,908)	(19,919)
Taxes paid		(12,437)	(11,378)
Net cash In/(Outflow) from operating activities		<u>460,930</u>	<u>864,237</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,204)	(238)
Capital Work in progress		(128,528)	(51,382)
Sale proceeds from fixed assets		-	1,215
Repayment of long term loan		-	(1,000,000)
Net cash In/(Outflow) from investing activities		<u>(132,732)</u>	<u>(1,050,405)</u>
CASH FLOW FROM FINANCIAL ACTIVITIES			
Payment of dividend		<u>(9)</u>	<u>(4)</u>
Net cash In/(Outflow) from financial activities		<u>(9)</u>	<u>(4)</u>
Net increase/(decrease) in cash and cash equivalents		328,189	(186,172)
Cash and cash equivalents at the beginning of the year		(1,701,237)	(265,629)
Cash and cash equivalents at the end of the quarter	8	<u>(1,373,048)</u>	<u>(451,801)</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2011

Chairman

Chief Executive



**CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY
FOR THE QUATER ENDED SEPTEMBER 30, 2011 (UNAUDITED)**

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappro- priated Profit	Total
Balance as on July 01, 2010	61,875	34,416	625,584	629,387	1,351,262
Final Dividend for the year ended June 30, 2010	-	-	-	(61,875)	(61,875)
Transfer to/(from) profit and loss account	-	-	560,000	(560,000)	-
Total comprehensive income for the year	-	-	-	354,096	354,096
Balance as on June 30, 2011	61,875	34,416	1,185,584	361,608	1,643,483
Final Dividend for the year ended June 30, 2011	-	-	-	(37,125)	(37,125)
Transfer to/(from) profit and loss account	-	-	300,000	(300,000)	-
Total comprehensive income for the quarter	-	-	-	4,963	4,963
Balance as on September 30, 2011	61,875	34,416	1,485,584	29,446	1,611,321

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2011

Chairman

Chief Executive



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUATER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

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, 2011.

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, 2011.

3 PROPERTY, PLANT AND EQUIPMENT

	Sept 2011	June 2011
	Rupees in "000"	
Operating Fixed Assets	3.1 565,777	575,075
Capital Work in Progress	2,118,480	1,989,952
	<u>2,684,257</u>	<u>2,565,027</u>



3.1 OPERATING FIXED ASSETS - TANGIBLE

(Rs in 000)

Particulars	Cost as on 01-07-2011	Additions (Deletions)	Cost as on 30-09-2011	Accumulated depreciation 30-09-2011	Written down book value 30-09-2011	Depreciation for the period	Rate %
Land (lease hold)	6,591	-	6,591	-	6,591	-	-
Main factory building (on lease hold land)	31,250	-	31,250	27,902	3,348	86	10
Other factory building (on lease hold land)	171,389	-	171,389	77,293	94,096	1,191	5
Plant & machinery	1,348,256	212	1,348,468	907,561	440,907	11,304	10
Testing equipment, scales and weighments	7,488	-	7,488	6,547	941	24	10
Office equipments	5,765	1,200	6,965	3,735	3,230	75	10
Furnitures & fixtures	2,158	-	2,158	1,914	244	6	10
Vehicles	27,697	2,612	30,309	15,154	15,155	707	20
Computer equipments	9,050	180	9,230	7,965	1,265	109	33
Total Sept. 2011	1,609,644	4,204	1,613,848	1,048,071	565,777	13,502	
Total June 2011	1,636,775	10,555 (37,686)	1,609,644	1,034,569	575,075	59,131	

3.1.1 Depreciation has been apportioned as follows :

	Sept. 2011	Sept. 2010
	Rupees in "000"	
Cost of sales	12,605	13,943
Administrative, selling and general expenses	897	749
	13,502	14,692

4 CONTINGENCIES AND COMMITMENTS

Guarantees and counter guarantees	118,528	52,446
Letter of credits	95,198	4,145
	213,726	56,591

4.1 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.



	Sept 2011	Sept 2010
	Rupees in "000"	
5 SALES - Net		
Export	438,342	669,449
Local	487,389	447,019
Export rebate	70	148
Research & Development Support	83	-
Gross sales	925,884	1,116,616
Less : Export freight	10,882	29,241
Export duty and surcharge	2,237	1,576
Commission	7,319	7,361
	20,438	38,178
	<u>905,446</u>	<u>1,078,438</u>
6 COST OF SALES		
Raw material consumed		
Opening inventory	478,322	220,462
Purchases	372,713	384,457
Available for consumption	851,035	604,919
Closing inventory	(219,826)	(68,321)
Raw material consumed	631,209	536,598
Manufacturing expenses		
Stores, spares and packing	32,795	35,862
Salaries, wages & other benefits	101,162	58,888
Power and electricity	70,374	83,991
Knitting, dyeing and printing expenses	31,955	34,269
Insurance	612	612
Repair and maintenance	3,628	6,625
Labor welfare	2,774	1,283
Depreciation	12,605	13,943
Other manufacturing expenses	341	529
	256,246	236,002
	887,455	772,600
Work in process - opening inventory	39,280	10,090
Work in process - closing inventory	(34,747)	(17,326)
	4,533	(7,236)
Cost of goods manufactured	891,988	765,364
Finished goods - opening inventory	325,009	177,605
Available for sales	1,216,997	942,969
Finished goods - closing inventory	(349,116)	(105,988)
	<u>867,881</u>	<u>836,981</u>



	Sept 2011	Sept 2010
	Rupees in "000"	
7 CASH GENERATED FROM OPERATION		
Profit before taxation	16,878	208,422
Adjustment for non cash charges :		
Depreciation	13,502	14,692
Profit on sale of fixed assets	-	(1,119)
Provision for gratuity	3,713	2,722
	17,215	16,295
Finance cost	5,009	4,639
Long term loans and advances	54	(169)
Changes in working capital	7.1 448,991	668,983
	<u>488,147</u>	<u>898,170</u>
7.1 Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(16,244)	(7,949)
Stock in trade	238,921	216,524
Trade debts	207,140	206,979
Loans and advances	(69,102)	33,996
Trade deposits and short term prepayments	6,117	(28,976)
Other receivable	(25,722)	-
	<u>341,110</u>	<u>420,574</u>
Increase/(Decrease) in current liabilities		
Trade and other payables	107,881	248,409
Net Increase/(decrease) in working capital	<u>448,991</u>	<u>668,983</u>
8 CASH AND CASH EQUIVALENTS		
Cash & cash equivalent comprise the following items as included in the balance sheet		
Cash and bank balances	94,194	126,785
Short term borrowing	(1,467,242)	(578,586)
	<u>(1,373,048)</u>	<u>(451,801)</u>
9 TRANSACTION WITH REALTED PARTIES		
Related parties comprise of associated company, directors of the Company, companies in which directors also hold directorship, related group companies and key management personnel. Significant balances and transactions with related parties are as follows:		



<u>Nature of Transaction</u>	Rupees in "000"	
	Sept 2011	Sept 2010
<u>Sale of Goods and Providing of Services</u>		
Lucky Knits (Pvt) Ltd.	29,229	48,346
Lucky Textile Mills Ltd.	37,469	11,788
Younus Textile Mills Ltd.	40,432	142,804
	<u>107,130</u>	<u>202,938</u>
<u>Purchase of Goods and Receipt of Services</u>		
Lucky Cement Ltd.	4,876	1,736
Gadoon Textile Mills Ltd.	79,061	62,163
Lucky Knits (Pvt) Ltd.	7,414	6,211
Lucky Energy (Pvt) Ltd.	80,168	84,139
	<u>171,519</u>	<u>154,249</u>

- 9.1 All material transactions with associated undertaking are at arm's length.
- 9.2 The maximum amount due to related parties at the end of any month during the year was Rs 304.635 million (2010 : Rs 230.307 million)

	Rupees in "000"	
	Sept 2011	Sept 2010
10 EARNING PER SHARE		
Profit after taxation (Rs in "000")	<u>4,963</u>	<u>193,843</u>
Weighted average number of ordinary shares	<u>6,187,503</u>	<u>6,187,503</u>
Earning per share (Rs)	<u>0.80</u>	<u>31.33</u>

- 10.1 There is no dilutive effect on the basic earnings per shares of the Company.

11 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue by the Board of Directors on October 24, 2011.

12 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Karachi : October 24, 2011

Chairman

Chief Executive

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CORPORATE