



Fazal Cloth Mills Limited



2019

**FOR THE
THREE MONTHS ENDED
SEPTEMBER 30, 2019**



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**Company Information**

| | | |
|---|--|---|
| Board of Directors | Sh. Naseem Ahmad Mr. Rehman Naseem Mr. Amir Naseem Sheikh Mr. Fazal Ahmed Sheikh Mr. Faisal Ahmed Mr. Fahd Mukhtar Mr. Babar Ali | Chairman Chief Executive Officer Independent Director |
| Audit Committee | Mr. Babar Ali Mr. Naseem Ahmad Mr. Fahd Mukhtar | Chairman Member Member |
| Human Resource and Remuneration Committee | Mr. Babar Ali Mr. Amir Naseem Sheikh Mr. Faisal Ahmad | Chairman Member Member |
| Company Secretary | Mr. Asad Mustafa | |
| Chief Financial Officer | Mr. Muhammad Azam | |
| Auditors | KPMG TaseerHadi& Co., Chartered Accountants | |
| Bankers | Allied Bank Limited National Bank of Pakistan MCB Bank Limited Meezan Bank Limited United Bank Limited Standard Chartered Bank Pakistan Limited Habib Bank Limited Soneri Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited Saudi Pak Industrial & Agricultural Investment Company Ltd Habib Metropolitan Bank Ltd | Faysal Bank Limited Askari Bank Limited The Bank of Punjab The Bank of Khyber Pak Brunei Investment Company Limited Pak Oman Investment Company Limited Summit Bank Limited Dubai Islamic Bank (Pakistan) Limited JS Bank Limited Bank Islami Pakistan Ltd |
| Head Office & Shares Department: | 59/3, Abdali Road, Multan. Phone: (92) 61-4579001-7,4781637 Fax: (92) 61-4541832 E-mail: corporate@fazalcloth.com; shares@fazalcloth.com Website: www.fazalcloth.com | |
| Shares Registrar: | Vision Consulting Ltd. 3-C, LDA Flats, Lawrence Road, Lahore. shares@vcl.com.pk Phone: (92) 42-36283096, 36283097 Fax: (92) 42-36312550 | |
| Registered Office: | 69/7, AbidMajeed Road, Survey No. 248/7, Lahore Cantt, Lahore. Phone: (92) 42-36684909 | |
| Mills: | i) Fazal Nagar, Jhang Road, Muzaffargarh– Pakistan Ph. (92) 66-2422216,18 Fax: (92) 66-2422217 ii) QadirpurRawan 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 financial information of Fazal Cloth Mills Limited for the three months ended September 30, 2019.

Your Company earned after tax profit of Rs. 338.81 million as compared to Rs. 377.19 million for the corresponding period last year after charging depreciation of Rs. 253.95 million (September 30, 2018: Rs. 232.08 million). EBITDA of Rs. 1,331.72 million (September 30, 2018: Rs. 1,052.96 million) was generated.

Sales were recorded at Rs. 8,403.43 million during the three months of the current financial year compared to Rs. 7,444.47 million during the corresponding period of last year, registering an increase of 12.88%.

Earnings per share of the Company for the three months ended September 30, 2019 is Rs. 11.29 as compared to Rs. 12.57 for corresponding period in previous year.

Subsidiary Companies and Consolidated Financial Statements

The consolidated condensed interim un-audited financial information comprising Fazal Cloth Mills Limited and Fazal Weaving Mills Limited is annexed with separate interim condensed un-audited financial information of your Company in accordance with the requirements of International Accounting Standard 27 (Consolidated and Separate Financial Statements), 34 (Interim Financial Reporting) and applicable provisions of Companies Act, 2017.

During the three months, the Group earned after tax profit of Rs. 386.19 million as compared to Rs. 474.10 million earned in the same period of last year after charging depreciation of Rs. 293.99 million as compare to Rs. 275.50 million in the same period last year. EBITDA of Rs. 1,533.84 million (September 30, 2018: Rs. 1,288.61 million) was generated.

Earnings per share of the Group for the three months ended September 30, 2019 is Rs. 12.87 as compared to Rs. 15.80 for corresponding period in previous year.

| Financial Highlights – Consolidated Financial Statements | Three Months Ended September 30 | | Increase/ (Decrease) % |
|--|---------------------------------|-----------|------------------------|
| | 2019 | 2018 | |
| Net Sales (Rs. '000') | 9,569,549 | 8,392,642 | 14.02 |
| Gross Profit (Rs. '000') | 1,564,073 | 1,037,377 | 50.78 |
| Profit before tax (Rs. '000') | 498,617 | 633,750 | (21.32) |
| Profit after tax (Rs. '000') | 386,189 | 474,100 | (18.54) |
| Gross Profit (%) | 16.34 | 12.36 | |
| Profit after tax (%) | 4.04 | 5.65 | |
| Earnings per share-Rs. | 12.87 | 15.80 | |

CORPORATE GOVERNANCE

Composition of Board is as follows

a) Total number of Directors:

- 1) Male 7
- 2) Female 0

b) Composition

- 1) Independent Director 1
- 2) Non-executive Directors 4
- 3) Executive Directors 2



Committees of the Board are two

a) **Audit Committee of the Board:**

| Sr. No. | Name of Directors | Designation |
|---------|-------------------------|-------------|
| 1 | Mr. Babar Ali | Chairman |
| 2 | Mr. Sheikh Naseem Ahmed | Member |
| 3 | Mr. Fahd Mukhtar | Member |

b) **Human Resource and Remuneration Committee:**

| Sr. No. | Name of Directors | Designation |
|---------|-------------------------|-------------|
| 1 | Mr. Babar Ali | Chairman |
| 2 | Mr. Aamir Naseem Sheikh | Member |
| 3 | Mr. Faisal Ahmed | Member |

Directors' Remuneration

The Board of Directors has approved Directors' Remuneration Policy. The main features of the policy are as follows:

- The Company shall not pay remuneration to its non-executive directors including independent directors except for meeting fee for attending Board and its Committees meetings.
- The Company will reimburse or incur expenses of travelling and accommodation of Directors in relation to attending of Board and its Committees meetings.
- The Directors' Remuneration Policy will be reviewed and approved by the Board of Directors from time to time.

Future Outlook

Interest rate has registered a sharp increase in the Country. As a result finance costs have registered a tremendous increase. As a result profit has decreased during the quarter in spite of an increase in Sales and EBTDA/Gross profit. Your management expects this trend to continue during remaining part of the current financial year.

Management and Labor Relations

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

(Rehman Naseem)
Chief Executive Officer

Dated: October 29, 2019



ڈائریکٹرز جائزہ رپورٹ

معزز شیئر ہولڈرز

فصل کلاتھ ملز لمیٹڈ (کمپنی) کے ڈائریکٹرز نے ماہ 30 ستمبر 2019 کی مالیاتی کارکردگی پر جائزہ رپورٹ پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔ رواں سال ماہ ستمبر 2019 میں فروختگی 8,403.43 ملین روپے رہی جو پچھلے سال سے ماہی میں 7,444.47 ملین روپے تھی۔ لہذا اضافہ 12.88 فیصد رہا۔ جائزہ کے عرصے کے دوران کمپنی نے منافع بعد از ٹیکس 338.81 ملین روپے کمایا جبکہ عرصہ سے ماہ ستمبر 2018, 30 بعد از ٹیکس منافع 377.19 ملین روپے تھا۔ آمدنی قبل از فرسودگی منافع اور ٹیکس 1,331.72 ملین روپے رہی جو کہ پچھلی سال سے ماہ ستمبر 2018 میں 1,052.96 ملین روپے تھی۔ فی حصص آمدنی موجودہ سے ماہی میں 11.29 روپے ہے جو کہ پچھلے سال اسی سے ماہی میں 12.57 روپے تھی۔

ذیلی کمپنی اور یکجا مالیاتی سٹیٹمنٹس

یکجا عبوری مالیاتی حسابات کمپنی اور فضل و یونگ ملز لمیٹڈ پر مشتمل ہیں جو کہ کمپنی کی علیحدہ عبوری مالیاتی حسابات کے علاوہ ہیں اور عالمی اکاؤنٹنگ معیار 27 اور 34 اور کنٹینر ایکٹ 2017 کی متعلقہ قوانین کی روشنی میں تیار کیے گئے ہیں۔

رواں سال سے ماہی 30 ستمبر 2019 میں گروپ نے فرسودگی کا خرچہ 293.99 ملین روپے منہا کرنے کے بعد بعد از ٹیکس منافع 386.19 ملین روپے کمایا جبکہ پچھلے سال اسی سے ماہی میں فرسودگی کا خرچہ 275.50 ملین روپے منہا کرنے کے بعد بعد از ٹیکس منافع 474.10 ملین تھا۔ رواں سال سے ماہی 30 ستمبر 2019 میں کمپنی کی فی حصص آمدنی 12.87 روپے ہے جو پچھلی سال سے ماہی 30 ستمبر 2018 میں 15.80 روپے تھی۔

| (کمی) / اضافہ | سہ ماہی اختتام برائے عرصہ ستمبر 30, 2019 | | مالی جھلکیاں |
|---------------|--|-----------|--------------------------|
| | 2018 | 2019 | |
| 14.02 | 8,392,642 | 9,569,549 | خالص فروختگی |
| 50.78 | 1,037,377 | 1,564,073 | گراس منافع |
| (21.32) | 633,750 | 498,617 | منافع قبل از ٹیکس |
| (18.54) | 474,100 | 386,189 | منافع بعد از ٹیکس |
| | 12.36 | 16.34 | گراس منافع - فیصد |
| | 5.65 | 4.04 | منافع بعد از ٹیکس - فیصد |
| | 15.80 | 12.87 | آمدنی فی حصص - روپے |

بورڈ کی تشکیل

الف - کل اعداد

1- مرد 7
2- خواتین 0

تشکیل

1- آزاد 1
2- ایگزیکٹو 2
3- نان ایگزیکٹو 4

کارپوریٹ گورننس

بورڈ کی کل دو کمپنیاں ہیں

بورڈ کی آڈٹ کمیٹی

| سرٹ نمبر | ڈائریکٹر کا نام | عہدہ |
|----------|--------------------|--------|
| 1 | جناب بابری | چیرمین |
| 2 | جناب شیخ نسیم احمد | ممبر |
| 3 | جناب فہد مختار | ممبر |



بورڈ کی پیومن دیسورس کمیٹی

| سہیل نمبر | ڈائریکٹر کا نام | عہدہ |
|-----------|-----------------|---------|
| 1 | جناب بابری | چیئرمین |
| 2 | جناب عامر شیخ | ممبر |
| 3 | جناب فیصل احمد | ممبر |

ڈائریکٹرز کا معاوضہ

کمپنی نے ڈائریکٹرز کے معاوضہ کی پالیسی منظوری ہوئی ہے جو کہ درج ذیل ہے
سوائے مینٹگ فیس کے، کمپنی آڈا اور نان ایگزیکٹو ڈائریکٹرز کو کوئی معاوضہ ادا نہ کرے گی۔
مینٹگ کی مد میں سفری اور رہائش اجازت کمپنی ادا کرے گی۔
کمپنی اس پالیسی میں وقت کے ساتھ ساتھ بہیم اور منظوری کرتی رہے گی۔

مستقبل کا نقطہ نظر

ملک میں شرح سود میں اضافہ ہوا ہے جس کی وجہ سے مالیاتی لاگت میں اضافہ ہوا ہے۔ نتیجہ کے طور پر فروختگی اور اس نفع میں اضافہ کے وجود خالص منافع میں کمی واقع ہوئی ہے۔ انتظامیہ اس سلسلے کو رواں سال میں جاری رہنے کی توقع کرتا ہے۔

انتظامیہ اور لیبر طبقہ میں تعلقات

انتظامیہ اور لیبر طبقہ میں تعلقات پر جوش اور ہمواری ہے۔ ڈائریکٹرز انتظامیہ اور تمام ورکرز کی محنت اور کوشش کو سراہتے ہیں۔

بورڈ کی طرف سے

رحمان نسیم

(چیف ایگزیکٹو آفیسر ڈائریکٹر)

تاریخ: اکتوبر 29, 2019





Fazal Cloth Mills Limited
Condensed Interim Unconsolidated Financial Information (Un-audited)
For the three months ended 30 September 2019



Condensed Interim Unconsolidated Statement of Financial Position

| | <i>(Un-audited)</i> 30 September 2019 Rupees | <i>(Audited)</i> 30 June 2019 Rupees |
|--|--|--|
| EQUITY AND LIABILITIES | | |
| <u>Share capital and reserves</u> | | |
| Authorized share capital | 700,000,000 | 700,000,000 |
| Issued, subscribed and paid-up capital | 300,000,000 | 300,000,000 |
| <i>Capital reserves</i> | | |
| - Others capital reserves | 1,215,428,798 | 1,373,543,815 |
| - Revaluation surplus on property, plant and equipment | 8,966,580,633 | 9,038,995,462 |
| Unappropriated profits - revenue reserve | 10,623,931,290 | 10,212,704,818 |
| | 21,105,940,721 | 20,925,244,095 |
| <u>Non-current liabilities</u> | | |
| Long term financing - <i>secured</i> | 9,139,739,542 | 7,984,533,368 |
| Long term musharika - <i>secured</i> | 2,091,666,667 | 1,685,416,667 |
| <i>Deferred liabilities:</i> | | |
| - <i>Staff retirement benefit</i> | 272,849,292 | 255,329,914 |
| - <i>Deferred taxation</i> | 3,016,928,593 | 3,022,411,367 |
| | 14,521,184,094 | 12,947,691,316 |
| <u>Current liabilities</u> | | |
| Current portion of non-current liabilities | 2,209,731,944 | 2,142,163,428 |
| Trade and other payables | 3,532,391,706 | 3,326,593,203 |
| Unclaimed dividend | 12,340,081 | 12,340,081 |
| Short term borrowings - <i>secured</i> | 7,855,778,934 | 9,910,552,807 |
| Accrued mark-up | 497,431,267 | 406,891,427 |
| | 14,107,673,932 | 15,798,540,946 |
| Contingencies and commitments | 49,734,798,747 | 49,671,476,357 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

As at 30 September 2019

| | | <i>(Un-audited)</i> 30 September 2019 Rupees | <i>(Audited)</i> 30 June 2019 Rupees |
|---|---|--|--|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 8 | 25,133,598,853 | 24,000,031,655 |
| Long term investments | | 3,432,121,945 | 3,590,236,962 |
| Long term loan and advances | | 2,575,889,715 | 2,435,124,267 |
| Long term deposits | | 24,133,493 | 24,071,493 |
| | | 31,165,744,006 | 30,049,464,377 |
| | | | |
| <u>Current assets</u> | | | |
| Stores, spares and loose tools | | 663,749,620 | 665,347,135 |
| Stock-in-trade | | 10,589,417,714 | 10,942,040,120 |
| Trade debts | | 4,959,674,056 | 5,432,387,658 |
| Loans and advances | | 301,328,916 | 567,894,315 |
| Deposits, prepayments and other receivables | | 362,540,052 | 352,249,486 |
| Mark-up accrued | | 388,376,448 | 293,102,880 |
| Short term investments | 9 | 434,658,225 | 182,682,000 |
| Tax refunds due from the Government - net | | 713,307,406 | 1,025,741,886 |
| Cash and bank balances | | 156,002,304 | 160,566,500 |
| | | 18,569,054,741 | 19,622,011,980 |
| | | | |
| | | 49,734,798,747 | 49,671,476,357 |


 (MUHAMMAD AZAM)
 CHIEF FINANCIAL OFFICER



Condensed Interim Unconsolidated Statement of Profit or Loss (Un-Audited)

For the three months ended 30 September 2019

| | Note | Three Months Ended 30 September 2019 Rupees | Three Months Ended 30 September 2018 Rupees |
|---|------|---|---|
| Sales - net | 10 | 8,403,425,738 | 7,444,470,350 |
| Cost of sales | 11 | <u>(7,101,083,086)</u> | <u>(6,633,661,363)</u> |
| Gross profit | | 1,302,342,652 | 810,808,987 |
| Selling and distribution expenses | | <u>(89,611,135)</u> | <u>(48,993,338)</u> |
| Administrative expenses | | <u>(81,120,024)</u> | <u>(72,250,148)</u> |
| Other expenses | | <u>(151,010,973)</u> | <u>(41,344,392)</u> |
| | | <u>(321,742,132)</u> | <u>(162,587,878)</u> |
| Other income | | <u>97,174,424</u> | <u>172,661,489</u> |
| Profit from operations | | 1,077,774,944 | 820,882,598 |
| Finance cost | | <u>(637,315,182)</u> | <u>(307,913,770)</u> |
| Profit before taxation | | 440,459,762 | 512,968,828 |
| Taxation | | <u>(101,648,119)</u> | <u>(135,773,495)</u> |
| Profit after taxation | | <u>338,811,643</u> | <u>377,195,333</u> |
| | | | |
| Earnings per share - basic and diluted | | <u>11.29</u> | <u>12.57</u> |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-Audited)

For the three months ended 30 September 2019

| | <i>Three Months Ended 30 September 2019 Rupees</i> | <i>Three Months Ended 30 September 2018 Rupees</i> |
|--|--|--|
| Profit after taxation | 338,811,643 | 377,195,333 |
| <u>Other comprehensive income - net of tax</u> | | |
| <i>Items that will never be reclassified to statement of profit or loss:</i> | | |
| Net change in fair value of financial assets at FVOCI | (158,115,017) | 315,600,096 |
| Total comprehensive income for the period | <u>180,696,626</u> | <u>692,795,429</u> |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Unconsolidated Statement of Changes in Equity (Un-Audited)

For the three months ended 30 September 2019

| | Capital reserves | | | Revenue reserve | | Total | |
|---|--------------------|-------------------|----------------------------|----------------------|--|-----------------------|-------------------------|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | | Un-appropriated profits |
| | Rupees | | | | | | |
| Balance as at 30 June 2018 | 300,000,000 | 77,616,000 | 175,000,000 | 1,272,824,947 | 9,574,659,705 | 8,615,376,351 | 20,015,477,003 |
| <u>Total comprehensive income for the period:</u> | | | | | | | |
| Profit for three months ended 30 September 2018 | - | - | - | - | - | 377,195,333 | 377,195,333 |
| Other comprehensive (loss)/ income for three months ended 30 September 2018 | - | - | - | 315,600,096 | - | - | 315,600,096 |
| | - | - | - | 315,600,096 | - | 377,195,333 | 692,795,429 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax | - | - | - | - | (87,522,042) | 87,522,042 | - |
| Balance as at 30 September 2018 | 300,000,000 | 77,616,000 | 175,000,000 | 1,588,425,043 | 9,487,137,663 | 9,080,093,726 | 20,708,272,432 |
| <u>Total comprehensive income for the period:</u> | | | | | | | |
| Profit for nine months ended 30 June 2019 | - | - | - | - | - | 1,138,307,428 | 1,138,307,428 |
| Other comprehensive (loss)/ income for nine months ended 30 June 2019 | - | - | - | (467,497,228) | - | 21,311,751 | (446,185,477) |
| | - | - | - | (467,497,228) | - | 1,159,619,179 | 692,121,951 |
| Effect on deferred tax due to change in tax rate and proration rate | - | - | - | - | (220,150,288) | - | (220,150,288) |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - net of tax | - | - | - | - | (209,790,933) | 209,790,933 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - net of tax | - | - | - | - | (18,200,980) | 18,200,980 | - |
| <u>Transactions with the owners of the Company:</u> | | | | | | | |
| Cash dividend @ Rs. 8.50 per ordinary share for the period ended 30 June 2018 | - | - | - | - | - | (255,000,000) | (255,000,000) |
| Balance as at 30 June 2019 | 300,000,000 | 77,616,000 | 175,000,000 | 1,120,927,815 | 9,038,995,462 | 10,212,704,818 | 20,925,244,095 |
| <u>Total comprehensive income for the period:</u> | | | | | | | |
| Profit for three months ended 30 September 2019 | - | - | - | - | - | 338,811,643 | 338,811,643 |
| Other comprehensive (loss)/ income for three months ended 30 September 2019 | - | - | - | (158,115,017) | - | - | (158,115,017) |
| | - | - | - | (158,115,017) | - | 338,811,643 | 180,696,626 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax | - | - | - | - | (67,588,668) | 67,588,668 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - net of tax | - | - | - | - | (4,826,162) | 4,826,162 | - |
| Balance as at 30 September 2019 | 300,000,000 | 77,616,000 | 175,000,000 | 962,812,798 | 8,966,580,633 | 10,623,931,290 | 21,105,940,721 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Unconsolidated Statement of Cash Flows (Un-Audited)
For the three months ended 30 September 2019

| | <i>Three Months Ended 30 September 2019 Rupees</i> | <i>Three Months Ended 30 September 2018 Rupees</i> |
|--|--|--|
| <u>Cash flows from operating activities</u> | | |
| Profit before taxation | 440,459,762 | 512,968,828 |
| <i>Adjustments for:</i> | | |
| Depreciation on property, plant and equipment | 253,949,838 | 232,078,918 |
| Unrealized loss/(gain) on re-measurement of short term investments | 39,406,049 | (30,661,200) |
| Provision for gratuity | 35,646,105 | 27,941,572 |
| Loss on disposal of property, plant and equipment | 10,055,515 | - |
| Finance cost | 637,315,182 | 307,913,770 |
| Cash generated from operations before working capital changes | 1,416,832,451 | 1,050,241,888 |
| <u>Effect on cash flows due to working capital changes</u> | | |
| <i>(Increase) / decrease in current assets:</i> | | |
| Stores, spares and loose tools | 1,597,515 | (42,456,704) |
| Stock-in-trade | 352,622,406 | (236,095,419) |
| Trade debts | 472,713,602 | 1,301,231,739 |
| Loans and advances | 266,565,399 | (170,818,253) |
| Deposits, prepayments and other receivables | (10,290,566) | (38,441,512) |
| Sales tax refund bonds | (291,382,274) | - |
| | 791,826,082 | 813,419,851 |
| <i>Increase in current liabilities:</i> | | |
| Trade and other payables | 205,798,503 | 711,668,355 |
| Cash generated from operations | 2,414,457,036 | 2,575,330,094 |
| Gratuity paid to employees | (18,126,727) | (21,148,259) |
| Taxes paid - net | 205,303,589 | (76,114,789) |
| | 187,176,862 | (97,263,048) |
| Net cash generated from operating activities | 2,601,633,898 | 2,478,067,046 |
| <u>Cash flows from investing activities</u> | | |
| Fixed capital expenditure | (1,400,050,753) | (1,417,898,556) |
| Proceeds from sale of property, plant and equipment | 2,478,200 | - |
| Long term loan and advances to associates | (140,765,448) | (600,000,000) |
| Long term deposits | (62,000) | 1,002,991 |
| Net cash used in investing activities | (1,538,400,001) | (2,016,895,565) |
| <u>Cash flows from financing activities</u> | | |
| Long term financing obtained | 1,667,762,035 | 1,270,533,882 |
| Long term financing repaid | (429,987,345) | (321,554,877) |
| Long term musharika obtained | 500,000,000 | - |
| Long term musharika repaid | (108,750,000) | (108,750,000) |
| Short term borrowings - net | (2,054,773,873) | (728,292,158) |
| Finance cost paid - net | (642,048,910) | (316,997,187) |
| Net cash used in financing activities | (1,067,798,093) | (205,060,340) |
| Net increase / (decrease) in cash and cash equivalents | (4,564,196) | 256,111,141 |
| Cash and cash equivalents at beginning of the period | 160,566,500 | 67,957,579 |
| Cash and cash equivalents at end of the period | 156,002,304 | 324,068,720 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the three months ended 30 September 2019

1 Reporting entity

Fazal Cloth Mills Limited ("the Company") was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange ('PSX'). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and ware houses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

2 Basis of preparation**2.1 Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Accounting

2.2.1 This condensed interim unconsolidated financial information comprises the condensed interim unconsolidated statement of financial position of the Company as at 30 September 2019 and the related condensed interim unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows and unconsolidated statement of changes in equity together with the notes forming part thereof.

2.2.2 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 annual financial statements for the year ended 30 June 2019.

2.2.3 Comparative unconsolidated statement of financial position numbers are extracted from the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2019, whereas comparative condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity are stated from unaudited condensed interim financial information of the Company for the three months period ended 30 September 2018.

2.2.4 This condensed interim unconsolidated financial information is unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act").

2.2.5 These condensed interim unconsolidated financial information are the separate financial statements of the Company in which investments in subsidiaries are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Condensed interim consolidated financial information of the Group is prepared and presented separately.

The Company has following major investments:

| Name of the company | Shareholding | Nature |
|--|--------------|------------------------|
| <u>Subsidiary</u> | | |
| - Fazal Weaving Mills Limited ("the Subsidiary") | 100% | Spinning |
| <u>Associates</u> | | |
| - Fatima Energy Limited ("FEL") | 24.11% | Power Generation |
| - Fatima Transmission Company Limited ("FTCL") | 24.00% | Transmission of Energy |
| - Fatima Electric Company Limited | 20.00% | Power Generation |



3 Estimates and judgments

- 3.1 The preparation of condensed interim unconsolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
- 3.2 Estimates and judgments made by the management in the preparation of this condensed interim unconsolidated financial information are the same as those that were applied to the unconsolidated annual financial statements of the Company for the year ended 30 June 2019.

4 Statement of consistency in accounting policies

- 4.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are same as those applied in the preparation of the unconsolidated annual financial statements for the year ended 30 June 2019.



5 Long term financing - secured

- Markkup bearing finances availed during the period from conventional banks:

| Lender | Amount | Rate of Mark Up Per Annum | Number of Instalments | Security |
|---|----------------------|---------------------------|--|--|
| ----- R u p e e s ----- | | | | |
| National Bank of Pakistan Demand finance -9/ LTFF-9 | 783,186,802 | 6 Months KIBOR + 1.00% | This demand finance was obtained during the year. Principal amount is payable in thirty Six equal quarterly instalments beginning on July 08, 2020. | 1st joint pari passu charge / mortgage of Rs.1,882.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| Allied Bank Limited Term loan -9 /LTFF-9 | 384,575,233 | 6 Months KIBOR + 0.75% | This term loan was obtained during the year. Principal amount is payable in sixteen equal half yearly instalments beginning on September 27, 2021. | 1st joint pari passu charge / mortgage of Rs. 2,787.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| Bank Al Habib Limited Term finance | 500,000,000 | 6 Months KIBOR + 1.00% | This term loan was obtained during the year. Principal amount is payable in ten equal half yearly instalments of principal beginning on July 17, 2020. | Ranking charge of Rs.667.00 million on all present and future plant, machinery & equipments of the Company and personal guarantees of the sponsoring directors. This charge will be upgraded to 1st JPP charge with deferral period. |
| | <u>1,667,762,035</u> | | | |

6 Long term musharika - secured

- profit bearing finances availed during the period from islamic bank:

| Lender | Amount | Rate of profit Per Annum | Number of Instalments | Security |
|---|--------------------|---------------------------|--|---|
| National Bank of Pakistan Diminishing Musharika | 500,000,000 | 6 Months KIBOR + 0.85% | This diminishing musharaka was obtained during the year. Principal amount is payable in ten equal half yearly instalments beginning on Jan 02, 2021. | Ranking charge over plant & machinery of Rs.667.00 million and personal guarantees of the sponsoring directors of the Company. This charge will be upgraded to 1st JPP charge with deferral period. |
| | <u>500,000,000</u> | | | |

**7 Contingencies and commitments****7.1 Contingencies**

7.1.1 There has been no change in the status of contingencies since the annual audited financial statements as at June 30, 2019.

7.1.2 Export documents negotiated with banks under Foreign bill purchase facility are USD 7.42 million (30 June 2019: USD 1.48 million).

| | <i>Note</i> | (Un-audited) 30 September 2019 Rupees | (Audited) 30 June 2019 Rupees |
|--|-------------|--|--|
| 7.2 Commitments | | | |
| 7.2.1 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies. | | 859,918,200 | 829,918,200 |
| 7.2.2 Commitments against irrevocable letters of credit: | | | |
| - capital expenditure | | 144,376,788 | 1,156,882,636 |
| - raw material and stores and spares | | 847,040,360 | 672,052,805 |
| | | 991,417,148 | 1,828,935,441 |

8 Property, plant and equipment

| | | | |
|---|-----|-----------------------|-----------------------|
| Operating property, plant and equipment | 8.1 | 23,891,338,372 | 23,518,103,577 |
| Capital work-in-progress | 8.2 | 1,242,260,481 | 481,928,078 |
| | | 25,133,598,853 | 24,000,031,655 |

8.1 Opening net book value

23,518,103,577 22,022,207,606

Additions during the period / year:

| | | |
|--|-----------------------|-----------------------|
| Freehold land | - | 299,491 |
| Factory building on free hold land | 14,101,633 | 273,422,609 |
| Non-factory building on free hold land | 67,996 | 12,781,120 |
| Non-factory building on lease hold land | - | 3,324,073 |
| Plant and machinery | 621,966,281 | 2,113,013,151 |
| Electric fittings and installations | 773,481 | 105,950,607 |
| Tools, laboratory equipment and arms | 1,603,476 | 488,669 |
| Fire extinguishing equipments and scales | - | 137,500 |
| Office equipment | 1,132,063 | 4,188,144 |
| Furniture and fixtures | - | 1,527,866 |
| Vehicles | 73,419 | 24,681,814 |
| | 639,718,349 | 2,539,815,044 |
| Addition on revaluation surplus | - | - |
| Carrying value of assets disposed off during the period / year | (12,533,715) | (52,353,071) |
| Depreciation charge for the period / year | (253,949,838) | (991,566,002) |
| Closing net book value | 23,891,338,372 | 23,518,103,577 |



| | (Un-audited) 30 September | (Audited) 30 June |
|---|------------------------------|----------------------|
| | 2019 Rupees | 2019 Rupees |
| 8.2 The detail of capital work-in-progress is as follows: | | |
| <i>Factory building on free hold land</i> | | |
| Material and expenses | 152,216,882 | 106,641,634 |
| Advance payments | 24,513,013 | 34,211,429 |
| | 176,729,895 | 140,853,063 |
| <i>Non-factory building on free hold land</i> | | |
| Material and expenses | 68,214,579 | 40,429,390 |
| Advance payments | 4,537,056 | - |
| | 72,751,635 | 40,429,390 |
| <i>Plant and machinery</i> | | |
| Cost and expenses | 25,714,938 | 3,335,277 |
| Advance payments | 12,471,707 | 14,066,590 |
| Letters of credit | 916,423,292 | 257,521,850 |
| | 954,609,937 | 274,923,717 |
| <i>Sui Gas Installation - Cost and expenses</i> | 359,550 | - |
| <i>Electric fittings and Installations - Cost and advance payments</i> | 23,279,829 | 18,637,945 |
| <i>Tools, laboratory equipment and arms - Cost and expenses</i> | 701,652 | 385,600 |
| <i>Fire Fighting Equipment & Weigh Scales - Cost and advance payments</i> | 1,400,521 | - |
| <i>Office equipment - Cost and expenses</i> | 1,830,000 | 1,458,975 |
| <i>Furniture and fixtures - Cost and expenses</i> | 8,137 | - |
| <i>Vehicles- Cost and advance payments</i> | 10,589,325 | 5,239,388 |
| | <u>1,242,260,481</u> | <u>481,928,078</u> |

9 Short term investments

At fair value through statement of profit or loss

Investment in related party:

| | | |
|---|--------------------|--------------------|
| Fatima Fertilizer Company Limited - quoted | | |
| 6,120,000 (30 June 2019 : 6,120,000) fully paid | 182,682,000 | 198,288,000 |
| Fair value adjustment | (15,361,200) | (15,606,000) |
| | <u>167,320,800</u> | <u>182,682,000</u> |

At amortized cost through statement of profit or loss

| | | |
|---|--------------------|--------------------|
| Sales tax refund bonds and accrued profit thereon | 291,382,274 | - |
| Fair value adjustment | (24,044,849) | - |
| | <u>267,337,425</u> | <u>-</u> |
| | <u>434,658,225</u> | <u>182,682,000</u> |

9.1 Sales tax refund bonds have been issued by the Federal Board of Revenue against sales tax refundable of Rs. 288.30 Million. The bonds so issued bear profit at the rate of 10% per annum which amounted Rs. 3.08 million.



| | <i>Quarter ended</i> | |
|----------------------------------|---|---|
| | <i>(Un-audited)</i> 30 September 2019 Rupees | <i>(Un-audited)</i> 30 September 2018 Rupees |
| 10 Sales - net | | |
| Export | 3,474,630,214 | 1,739,800,223 |
| Local | 4,928,795,524 | 5,704,670,127 |
| | 8,403,425,738 | 7,444,470,350 |
| 11 Cost of sales | | |
| Raw material consumed | 5,644,225,119 | 5,080,202,112 |
| Packing material consumed | 101,779,237 | 91,981,543 |
| Salaries, wages and benefits | 535,490,712 | 448,796,376 |
| Travelling and conveyance | 3,178,023 | 2,026,082 |
| Power and fuel | 737,156,987 | 733,788,388 |
| Stores and spares consumed | 226,314,949 | 123,849,715 |
| Freight charges-outward | 56,453,964 | 51,145,339 |
| Repair and maintenance | 13,414,348 | 5,864,379 |
| Insurance | 18,615,729 | 15,960,897 |
| Depreciation | 246,566,227 | 224,768,877 |
| Others | 532,926 | 1,413,592 |
| | 7,583,728,221 | 6,779,797,301 |
| Opening stock of work-in-process | 358,479,339 | 315,152,028 |
| Closing stock of work-in-process | (362,265,331) | (307,125,346) |
| Cost of goods manufactured | 7,579,942,229 | 6,787,823,983 |
| Opening stock of finished goods | 1,714,623,220 | 1,757,373,131 |
| Finished goods purchased | 899,611,637 | 470,841,677 |
| | 10,194,177,086 | 9,016,038,791 |
| Closing stock of finished goods | (3,098,426,374) | (2,390,346,770) |
| Cost of raw material sold | 5,332,374 | 7,969,342 |
| | 7,101,083,086 | 6,633,661,363 |

**12 Related party transactions**

The related parties comprise of associated companies, directors of the Company and entities under common directorship, key management personnel and post employment retirement plan. The company in the normal course of business carries out various transactions with various related parties. Detail of such transactions are as follows:

| | <i>Quarter ended</i> | |
|--|--|--|
| | (Un-audited) 30 September 2019 Rupees | (Un-audited) 30 September 2018 Rupees |
| Subsidiary Company | | |
| Sale of goods and services | 57,777,759 | 358,576,807 |
| Purchase of goods and services | 576,657,955 | 283,047,597 |
| Payments against purchase of goods and services-Net | 144,226,178 | 206,943,214 |
| Interest income on subordinated loan | 19,356,906 | 11,577,233 |
| Associated Companies | | |
| Long term advances to associates | 140,765,448 | 600,000,000 |
| Purchase of goods and services | 378,290,944 | 78,502,024 |
| Sale of goods and services | 809,137,942 | 673,595,415 |
| Receipts against sale of goods and services-Net | 411,318,004 | 451,373,393 |
| Interest accrued on long term advances to associates | 75,916,662 | 37,848,846 |

13 Date of authorization for issue

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors on 29 October 2019.

14 General

Figures in the financial statements have been rounded-off to the nearest rupee.


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Fazal Cloth Mills Limited (The Group)
Condensed Interim Consolidated Financial Information (Un-audited)
For the three months ended 30 September 2019



Condensed Interim Consolidated Statement of Financial Position

| | <i>(Un-audited)</i> 30 September 2019 Rupees | <i>(Audited)</i> 30 June 2019 Rupees |
|--|---|---|
| EQUITY AND LIABILITIES | | |
| <u>Share capital and reserves</u> | | |
| Authorized share capital | 700,000,000 | 700,000,000 |
| Issued, subscribed and paid-up capital | 300,000,000 | 300,000,000 |
| <i>Capital reserves</i> | | |
| - Others capital reserves | 1,215,428,798 | 1,373,543,815 |
| - Revaluation surplus on property, plant and equipment | 9,480,043,345 | 9,558,609,807 |
| Unappropriated profits - revenue reserve | 10,981,596,963 | 10,516,841,450 |
| | 21,977,069,106 | 21,748,995,072 |
| <u>Non-current liabilities</u> | | |
| Long term financing - <i>secured</i> | 9,854,531,376 | 8,755,286,862 |
| Long term musharika - <i>secured</i> | 2,095,301,423 | 1,690,100,636 |
| <i>Deferred liabilities:</i> | | |
| - <i>Staff retirement benefit</i> | 293,044,433 | 273,812,115 |
| - <i>Deferred taxation</i> | 3,030,759,599 | 3,039,211,159 |
| | 15,273,636,831 | 13,758,410,772 |
| <u>Current liabilities</u> | | |
| Current portion of non-current liabilities | 2,539,521,282 | 2,517,786,016 |
| Trade and other payables | 3,902,019,427 | 3,786,286,553 |
| Unclaimed dividend | 12,340,081 | 12,340,081 |
| Short term borrowings - <i>secured</i> | 9,516,288,302 | 12,299,901,368 |
| Accrued mark-up | 566,681,980 | 481,255,957 |
| | 16,536,851,072 | 19,097,569,975 |
| Contingencies and commitments | 53,787,557,009 | 54,604,975,819 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER



As at 30 September 2019

| | | <i>(Un-audited)</i> 30 September 2019 Rupees | <i>(Audited)</i> 30 June 2019 Rupees |
|--|---|---|---|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 8 | 28,330,852,691 | 27,229,288,197 |
| Long term investments | | 3,003,810,226 | 3,177,998,048 |
| Long term advance to associates | | 2,045,889,715 | 1,905,124,267 |
| Long term deposits | | 24,133,493 | 24,071,493 |
| | | 33,404,686,125 | 32,336,482,005 |
| | | | |
| <u>Current assets</u> | | | |
| Stores, spares and loose tools | | 749,821,197 | 761,761,480 |
| Stock-in-trade | | 12,028,825,469 | 13,033,292,318 |
| Trade debts | | 5,310,320,988 | 6,132,305,095 |
| Loans and advances | | 115,423,415 | 92,746,164 |
| Deposits, prepayments and other receivables | | 377,200,198 | 374,669,526 |
| Mark-up accrued | | 337,246,552 | 261,329,890 |
| Short term investments | 9 | 524,413,841 | 182,682,000 |
| Tax refunds due from the Government - net | | 718,457,961 | 1,230,231,303 |
| Cash and bank balances | | 221,161,263 | 199,476,038 |
| | | 20,382,870,884 | 22,268,493,814 |
| | | 53,787,557,009 | 54,604,975,819 |


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Consolidated Statement of Profit or Loss (Un-Audited)

For the three months ended 30 September 2019

| | Note | Three Months Ended 30 September 2019 Rupees | Three Months Ended 30 September 2018 Rupees |
|---|------|---|---|
| Sales - net | 10 | 9,569,549,192 | 8,392,641,880 |
| Cost of sales | 11 | (8,005,476,130) | (7,355,304,129) |
| Gross profit | | 1,564,073,062 | 1,037,337,750 |
| Selling and distribution expenses | | (101,327,394) | (52,286,241) |
| Administrative expenses | | (90,681,253) | (79,741,762) |
| Other expenses | | (194,035,718) | (50,733,525) |
| | | (386,044,365) | (182,761,528) |
| Other income | | 77,892,379 | 172,169,307 |
| Profit from operations | | 1,255,921,076 | 1,026,745,529 |
| Share of loss from associates | | (16,072,805) | (13,607,287) |
| Finance cost | | (741,231,573) | (379,388,442) |
| Profit before taxation | | 498,616,698 | 633,749,800 |
| Taxation | | (112,427,647) | (159,649,664) |
| Profit after taxation | | 386,189,051 | 474,100,136 |
| Earnings per share - basic and diluted | | 12.87 | 15.80 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Consolidated Statement of Comprehensive Income (Un-Audited)
For the three months ended 30 September 2019

| | <i>Three Months Ended 30 September 2019 Rupees</i> | <i>Three Months Ended 30 September 2018 Rupees</i> |
|--|--|--|
| Profit after taxation | 386,189,051 | 474,100,136 |
| <u>Other comprehensive income - net of tax</u> | | |
| <i>Items that will never be reclassified to statement of profit or loss:</i> | | |
| Net change in fair value of financial assets at FVOCI | (158,115,017) | 315,600,096 |
| Total comprehensive income for the period | <u>228,074,034</u> | <u>789,700,232</u> |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Consolidated Statement of Changes in Equity (Un-Audited)
For the three months ended 30 September 2019

| | Capital reserves | | | | Revenue reserve | | Total |
|---|--------------------|-------------------|----------------------------|----------------------|--|-------------------------|-----------------------|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | Un-appropriated profits | |
| | - Rupees | | | | | | |
| Balance as at 30 June 2018 | 300,000,000 | 77,616,000 | 175,000,000 | 1,272,824,947 | 10,139,599,548 | 8,818,046,544 | 20,783,087,039 |
| <u>Total comprehensive income for the period:</u> | | | | | | | |
| Profit for three months ended 30 September 2018 | - | - | - | - | - | 474,100,136 | 474,100,136 |
| Other comprehensive (loss) income for three months ended 30 September 2018 | - | - | - | 315,600,096 | - | - | 315,600,096 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax | - | - | - | - | (95,614,985) | 95,614,985 | - |
| Balance as at 30 September 2018 | 300,000,000 | 77,616,000 | 175,000,000 | 1,588,425,043 | 10,043,984,563 | 9,387,761,665 | 21,572,787,271 |
| <u>Total comprehensive income for the period:</u> | | | | | | | |
| Profit for nine months ended 30 June 2019 | - | - | - | - | - | 1,113,739,479 | 1,113,739,479 |
| Other comprehensive (loss) income for nine months ended 30 June 2019 | - | - | - | (467,497,228) | - | 24,240,153 | (443,257,075) |
| Effect on deferred tax due to change in tax rate and proration rate | - | - | - | (467,497,228) | - | 1,137,979,632 | 670,482,404 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - net of tax | - | - | - | - | (227,899,173) | 227,899,173 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - net of tax | - | - | - | - | (18,200,980) | 18,200,980 | - |
| <u>Transactions with the owners of the Group:</u> | | | | | | | |
| Cash dividend @ Rs. 8.50 per ordinary share for the period ended 30 June 2018 | - | - | - | - | - | (255,000,000) | (255,000,000) |
| Balance as at 30 June 2019 | 300,000,000 | 77,616,000 | 175,000,000 | 1,120,927,815 | 9,558,609,807 | 10,516,841,450 | 21,748,995,072 |
| <u>Total comprehensive income for the period:</u> | | | | | | | |
| Profit for three months ended 30 September 2019 | - | - | - | - | - | 386,189,051 | 386,189,051 |
| Other comprehensive (loss) income for three months ended 30 September 2019 | - | - | - | (158,115,017) | - | - | (158,115,017) |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax | - | - | - | (158,115,017) | - | 386,189,051 | 228,074,034 |
| Transfer from surplus on revaluation of fixed assets on disposal - net of tax | - | - | - | - | (73,740,300) | 73,740,300 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - net of tax | - | - | - | - | (4,826,162) | 4,826,162 | - |
| Balance as at 30 September 2019 | 300,000,000 | 77,616,000 | 175,000,000 | 962,812,798 | 9,480,043,345 | 10,981,596,963 | 21,977,069,106 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Condensed Interim Consolidated Statement of Cash Flows (Un-Audited)

For the three months ended 30 September 2019

| | Three Months Ended 30 September 2019 Rupees | Three Months Ended 30 September 2018 Rupees |
|--|---|---|
| <u>Cash flows from operating activities</u> | | |
| Profit before taxation | 498,616,698 | 633,749,800 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 293,989,153 | 275,503,532 |
| Unrealized loss/(gain) on re-measurement of short term investments | 46,621,365 | (30,661,200) |
| Provision for gratuity | 40,247,178 | 37,006,204 |
| Loss on disposal of property, plant and equipment | 10,055,515 | - |
| Share of loss from associates | 16,072,805 | 13,607,287 |
| Finance cost | 741,231,573 | 379,388,442 |
| Cash generated from operations before working capital changes | 1,646,834,287 | 1,308,594,065 |
| <u>Effect on cash flows due to working capital changes</u> | | |
| <i>(Increase) / decrease in current assets:</i> | | |
| Stores, spares and loose tools | 11,940,285 | (41,209,797) |
| Stock-in-trade | 1,004,466,849 | (430,619,952) |
| Trade debts | 821,984,107 | 1,002,036,901 |
| Loans and advances | (22,677,251) | 15,661,401 |
| Deposits, prepayments and other receivables | (2,530,673) | (40,818,171) |
| Sales tax refund bonds | (388,353,206) | - |
| | 1,424,830,111 | 505,050,382 |
| <i>Increase in current liabilities:</i> | | |
| Trade and other payables | 115,732,873 | 932,797,596 |
| Cash generated from operations | 3,187,397,271 | 2,746,442,043 |
| Gratuity paid to employees | (21,014,860) | (27,029,979) |
| Taxes paid - net | 390,894,131 | (91,618,726) |
| | 369,879,271 | (118,648,705) |
| Net cash generated from operating activities | 3,557,276,542 | 2,627,793,338 |
| <u>Cash flows from investing activities</u> | | |
| Fixed capital expenditure | (1,408,087,359) | (1,419,346,084) |
| Proceeds from sale of property, plant and equipment | 2,478,200 | - |
| Long term loan and advances to associates | (140,765,448) | (600,000,000) |
| Long term deposits | (62,000) | 1,002,991 |
| Net cash used in investing activities | (1,546,436,607) | (2,018,343,093) |
| <u>Cash flows from financing activities</u> | | |
| Long term financing obtained | 1,667,762,035 | 1,270,533,882 |
| Long term financing repaid | (531,782,255) | (423,349,787) |
| Long term musharika obtained | 500,000,000 | - |
| Long term musharika repaid | (109,799,213) | (109,799,213) |
| Short term borrowings - net | (2,783,613,067) | (749,633,031) |
| Finance cost paid - net | (731,722,210) | (373,708,104) |
| Net cash used in financing activities | (1,989,154,710) | (385,956,253) |
| Net increase in cash and cash equivalents | 21,685,225 | 223,493,992 |
| Cash and cash equivalents at beginning of the period | 199,476,038 | 134,297,492 |
| Cash and cash equivalents at end of the period | 221,161,263 | 357,791,484 |

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


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the three months ended 30 September 2019

1 Reporting entity

The Group comprises of

- Fazal Cloth Mills Limited ("the Holding Company"); and
- Fazal Weaving Mills Limited ("the Subsidiary Company").

Associates

- Fatima Energy Limited
- Fatima Transmission Company Limited
- Fatima Electric Company Limited

1.1 Fazal Cloth Mills Limited ("the Company") was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange (PSX). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and ware houses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

1.2 The Subsidiary Company was incorporated in Pakistan in 1989 as a public limited company under the Repealed Companies Ordinance, 1984. The registered office of the Subsidiary Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Subsidiary Company is engaged in the manufacture and sale of yarn. The manufacturing facility of the Subsidiary Company is located at Mauza Khairabad Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab. The Subsidiary Company commenced its commercial production on April 01, 2014.

2 Basis of preparation

2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Accounting

2.2.1 This condensed interim consolidated financial information comprises the condensed interim consolidated statement of financial position of the Group as at 30 September 2019 and the related condensed interim consolidated statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof.

2.2.2 This condensed interim consolidated financial information does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2019.

2.2.3 Comparative consolidated statement of financial position numbers are extracted from the annual audited consolidated financial position of the Group for the year ended 30 June 2019, whereas comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity are stated from unaudited condensed interim financial information of the Group for the three months period ended 30 September 2018.

2.2.4 This condensed interim consolidated financial information is unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act").

2.2.5 These condensed interim financial information are the consolidated financial statements of the Group in which investments in subsidiaries are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee.



3 Estimates and judgments

3.1 The preparation of condensed interim consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3.2 Estimates and judgments made by the management in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the consolidated annual financial statements of the Group for the year ended 30 June 2019.

4 Statement of consistency in accounting policies

4.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are same as those applied in the preparation of the consolidated annual financial statements for the year ended 30 June 2019.



5 Long term financing - secured

- Markup bearing finances availed during the period from conventional banks:

| Lender | Amount | Rate of Mark Up Per Annum | Number of Instalments | Security |
|---|----------------------|---------------------------|--|--|
| -----Rupees----- | | | | |
| National Bank of Pakistan Demand finance - 9/ LITFF-9 | 783,186,802 | 6 Months KIBOR + 1.00% | This demand finance was obtained during the year. Principal amount is payable in thirty Six equal quarterly instalments beginning on July 08, 2020. | 1st joint pari passu charge / mortgage of Rs.1,882.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| Allied Bank Limited Term finance - 9/ LITFF-9 | 384,575,233 | 6 Months KIBOR + 0.75% | This term loan was obtained during the year. Principal amount is payable in sixteen equal half yearly instalments beginning on September 27, 2021. | 1st joint pari passu charge / mortgage of Rs. 2,787.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company. |
| Bank Al Habib Limited Term finance | 500,000,000 | 6 Months KIBOR + 1.00% | This term loan was obtained during the year. Principal amount is payable in ten equal half yearly instalments of principal beginning on July 17, 2020. | Ranking charge of Rs.667.00 million on all present and future plant, machinery & equipments of the Holding Company and personal guarantees of the sponsoring directors. This charge will be upgraded to 1st JPP charge with deferral period. |
| | <u>1,667,762,035</u> | | | |

6 Long term musharika - secured

- profit bearing finances availed during the period from islamic bank:

| Lender | Amount | Rate of profit Per Annum | Number of Instalments | Security |
|---|--------------------|--------------------------|--|---|
| National Bank of Pakistan Diminishing Musharika | 500,000,000 | 6 Months KIBOR + 0.85% | This diminishing musharaka was obtained during the year. Principal amount is payable in ten equal half yearly instalments beginning on Jan 02, 2021. | Ranking charge over plant & machinery of Rs.667.00 million and personal guarantees of the sponsoring directors of the Holding Company. This charge will be upgraded to 1st JPP charge with deferral period. |
| | <u>500,000,000</u> | | | |

**7 Contingencies and commitments****7.1 Contingencies**

7.1.1 There has been no change in the status of contingencies since the annual audited consolidated financial statements as at June 30, 2019.

7.1.2 Export documents negotiated with banks under Foreign bill purchase facility are USD 12.02 million (Holding Company: USD 7.42 million and Subsidiary Company: USD 4.60 million)

| | <i>Note</i> | (Un-audited) 30 September 2019 | (Audited) 30 June 2019 |
|--|-------------|---|---------------------------------------|
| 7.2 Commitments | | Rupees | Rupees |
| 7.2.1 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Group, to various institutions and corporate bodies. | | | |
| - The Holding Company | | 859,918,200 | 829,918,200 |
| - The Subsidiary Company | | 63,006,000 | 78,347,615 |

7.2.2 Commitments against irrevocable letters of credit:**The Holding Company**

| | | | |
|--------------------------------------|--|--------------------|---------------|
| - capital expenditure | | 144,376,788 | 1,156,882,636 |
| - raw material and stores and spares | | 847,040,360 | 672,052,805 |
| | | 991,417,148 | 1,828,935,441 |

The Subsidiary Company

| | | | |
|--------------------------------------|--|---|-------------|
| - raw material and stores and spares | | - | 132,683,692 |
|--------------------------------------|--|---|-------------|

8 Property, plant and equipment

| | | | |
|---|------------|-----------------------|----------------|
| Operating property, plant and equipment | <i>8.1</i> | 27,084,095,707 | 26,743,990,836 |
| Capital work-in-progress | <i>8.2</i> | 1,246,756,984 | 485,297,361 |
| | | 28,330,852,691 | 27,229,288,197 |

8.1 Opening net book value **26,743,990,836** 25,382,180,278

Additions during the period / year:

| | | |
|--|--------------------|---------------|
| Freehold land | - | 299,491 |
| Factory building on free hold land | 14,101,633 | 274,071,493 |
| Non-factory building on free hold land | 545,727 | 35,185,300 |
| Non-factory building on lease hold land | - | 3,324,073 |
| Plant and machinery | 628,109,563 | 2,113,575,467 |
| Electric fittings and installations | 998,895 | 108,973,085 |
| Tools, laboratory equipment and arms | 1,648,939 | 488,669 |
| Fire extinguishing equipments and scales | 17,500 | 2,091,884 |
| Office equipment | 1,132,063 | 4,338,144 |
| Furniture and fixtures | - | 2,843,863 |
| Vehicles | 73,419 | 27,839,095 |
| | 646,627,739 | 2,573,030,564 |

| | | |
|--|-----------------------|-----------------|
| Addition on revaluation surplus | - | - |
| Carrying value of assets disposed off during the period / year | (12,533,715) | (52,502,811) |
| Depreciation charge for the period / year | (293,989,153) | (1,158,717,195) |
| Closing net book value | 27,084,095,707 | 26,743,990,836 |



| | (Un-audited) 30 September 2019 Rupees | (Audited) 30 June 2019 Rupees |
|---|--|--|
| 8.2 The detail of capital work-in-progress is as follows: | | |
| <i>Factory building on free hold land</i> | | |
| Material and expenses | 152,216,882 | 106,641,634 |
| Advance payments | 24,513,013 | 34,211,429 |
| | 176,729,895 | 140,853,063 |
| <i>Non-factory building on free hold land</i> | | |
| Material and expenses | 68,279,193 | 42,151,611 |
| Advance payments | 6,692,795 | - |
| | 74,971,988 | 42,151,611 |
| <i>Plant and machinery</i> | | |
| Cost and expenses | 26,230,595 | 3,511,850 |
| Advance payments | 12,471,707 | 14,066,590 |
| Letters of credit | 916,423,292 | 257,521,850 |
| | 955,125,594 | 275,100,290 |
| <i>Sui Gas Installation - Cost and expenses</i> | 359,550 | - |
| <i>Electric fittings and Installations - Cost and advance payments</i> | 24,750,322 | 20,108,438 |
| <i>Tools, laboratory equipment and arms -Cost and expenses</i> | 701,652 | 385,600 |
| <i>Fire Fighting Equipment & Weigh Scales - Cost and advance payments</i> | 1,690,521 | - |
| <i>Office equipment - Cost and expenses</i> | 1,830,000 | 1,458,975 |
| <i>Furniture and fixtures - Cost and expenses</i> | 8,137 | - |
| <i>Vehicles- Cost and advance payments</i> | 10,589,325 | 5,239,384 |
| | <u>1,246,756,984</u> | <u>485,297,361</u> |

9 Short term investments

At fair value through statement of profit or loss

Investment in related party:

| | | |
|--|--------------------|--------------------|
| Fatima Fertilizer Company Limited - quoted 6,120,000 (30 June 2019 : 6,120,000) | 182,682,000 | 198,288,000 |
| | (15,361,200) | (15,606,000) |
| | <u>167,320,800</u> | <u>182,682,000</u> |

At amortized cost through statement of profit or loss

| | | |
|---|--------------------|--------------------|
| Sales tax refund bonds and accrued profit thereon | 388,353,206 | - |
| Fair value adjustment | (31,260,165) | - |
| | 9.1 357,093,041 | - |
| | <u>524,413,841</u> | <u>182,682,000</u> |

9.1 Sales tax refund bonds have been issued by the Federal Board of Revenue against sales tax refundable of Rs. 382.90 Million. The bonds so issued bear profit at the rate of 10% per annum which amounted Rs. 5.45 million.



| | <i>Quarter ended</i> | |
|----------------------------------|---|---|
| | <i>(Un-audited)</i> <i>30 September</i> <i>2019</i> Rupees | <i>(Un-audited)</i> <i>30 September</i> <i>2018</i> Rupees |
| 10 Sales - net | | |
| Export | 4,352,181,997 | 2,553,681,092 |
| Local | 5,217,367,195 | 5,838,960,788 |
| | 9,569,549,192 | 8,392,641,880 |
| 11 Cost of sales | | |
| Raw material consumed | 6,725,410,698 | 5,968,583,151 |
| Packing material consumed | 119,723,754 | 111,529,318 |
| Salaries, wages and benefits | 614,651,421 | 518,130,414 |
| Travelling and conveyance | 3,460,806 | 2,700,759 |
| Power and fuel | 859,824,898 | 829,929,254 |
| Stores and spares consumed | 244,685,083 | 145,273,929 |
| Freight charges-outward | 62,389,495 | 62,363,460 |
| Repair and maintenance | 14,592,931 | 6,720,874 |
| Insurance | 20,918,801 | 18,013,674 |
| Depreciation | 286,276,782 | 268,030,972 |
| Others | 532,926 | 1,413,592 |
| | 8,952,467,595 | 7,932,689,397 |
| Opening stock of work-in-process | 410,363,326 | 359,035,028 |
| Closing stock of work-in-process | (410,462,330) | (357,291,346) |
| Cost of goods manufactured | 8,952,368,591 | 7,934,433,079 |
| Opening stock of finished goods | 1,844,002,220 | 1,945,763,131 |
| Finished goods purchased | 645,505,881 | 473,649,511 |
| | 11,441,876,692 | 10,353,845,722 |
| Closing stock of finished goods | (3,441,732,936) | (3,006,510,934) |
| Cost of raw material sold | 5,332,374 | 7,969,342 |
| | 8,005,476,130 | 7,355,304,129 |



12 Segment information

12.1 Segment revenue and results

Following is an analysis of the Group's revenue and results by reportable segments:

| | Spinning | | Weaving | | Total | |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | (Un-audited) 30 September 2019 | (Un-audited) 30 September 2018 | (Un-audited) 30 September 2019 | (Un-audited) 30 September 2018 | (Un-audited) 30 September 2019 | (Un-audited) 30 September 2018 |
| | ----- Rupees ----- | | | | | |
| External revenues | 6,622,228,978 | 5,988,521,274 | 1,859,112,109 | 1,562,766,060 | 9,569,549,192 | 8,392,641,880 |
| Intersegment revenues | 1,088,138,104 | 838,601,545 | 70,000 | 2,753,000 | (1,088,208,104) | (841,354,545) |
| Cost of sales | (6,295,364,751) | (5,900,449,453) | (621,903,275) | (613,500,131) | (8,005,476,130) | (7,355,304,129) |
| Intersegment cost of sales | (70,000) | (2,753,000) | (1,088,138,104) | (838,601,545) | 1,088,208,104 | 841,354,545 |
| Distribution and marketing expense | (86,101,002) | (38,277,259) | (15,226,392) | (14,008,982) | (101,327,394) | (52,286,241) |
| Administrative expenses | (79,901,277) | (69,174,537) | (10,779,976) | (10,567,225) | (90,681,253) | (79,741,762) |
| Other operating expense | (194,035,718) | (50,733,525) | - | - | (194,035,718) | (50,733,525) |
| Finance cost | (661,886,399) | (341,105,026) | (79,345,174) | (38,283,417) | (741,231,573) | (379,388,442) |
| Other operating income | 85,258,016 | 167,848,043 | (7,365,637) | 4,321,264 | 77,892,379 | 172,169,307 |
| Share of loss of associate | - | - | - | - | (16,072,805) | (13,607,287) |
| Profit before tax | 478,265,952 | 592,478,062 | 36,423,551 | 54,879,024 | 498,616,698 | 633,749,800 |

12.1.1 The accounting policies of the reportable segments are the same as those described in the annual Consolidated financial statements for the preceding year ended 30 June 2019.

**13 Related party transactions**

The related parties comprise of associated companies, directors of the Group and entities under common directorship, key management personnel and post employment retirement plan. The Group in the normal course of business carries out various transactions with various related parties. Detail of such transactions are as follows:

| | <i>Quarter ended</i> | |
|--|--|--|
| | (Un-audited) 30 September 2019 Rupees | (Un-audited) 30 September 2018 Rupees |
| Associated Companies | | |
| Long term advances to associates | 140,765,448 | 600,000,000 |
| Purchase of goods and services | 378,290,944 | 78,502,024 |
| Sale of goods and services | 863,005,013 | 726,909,699 |
| Receipts against sale of goods and services-net | 416,058,004 | 501,834,193 |
| Interest accrued on long term advances to associates | 75,916,662 | 37,848,846 |

14 Date of authorization for issue

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors on 29 October 2019.

15 General

Figures in the financial statements have been rounded-off to the nearest rupee.


(SHEIKH NASEEM AHMAD)
CHAIRMAN


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER





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