



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

فضل کا تھ ملز لمیٹڈ (کمپنی) کے ڈائریکٹرز نے ماہی 30 ستمبر 2019 کی مالیاتی کارکردگی پر جائزہ رپورٹ پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔ رواں سہ ماہی ستمبر 2019 میں فروختگی 8,403.43 ملین روپے رہی جو پچھلے سال سہ 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 سہ ماہی 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 پچھلی سہ ماہی ستمبر 2018 میں 1,052.96 ملین روپے تھی۔ فی حصص آمدنی موجودہ سہ ماہی میں 11.29 روپے ہے جو پچھلے سال اسی سہ ماہی میں 12.57 روپے تھی۔

ذیلی کمپنی اور یکجا مالیاتی سٹیٹمنٹس

کیا 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 کمپنیز ایکٹ 2017 کی متعلقہ قوانین کی روشنی میں تیار کیے گئے ہیں۔

رواں سال سہ 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 سہ ماہی میں فرسودگی کا خرچہ 275.50 ملین روپے منہا کرنے کے بعد بعد از ٹیکس منافع 474.10 ملین تھا۔ رواں سہ ماہی 30 ستمبر 2019 میں کمپنی کی فی حصص آمدنی 12.87 روپے ہے جو پچھلی سہ ماہی 30 ستمبر 2018 میں 15.80 روپے تھی۔

(کم) / 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 تعداد

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

سیریل نمبر	ڈائریکٹر کا نام	عہدہ
1	جناب بابر علی	چیرمین
2	جناب شیخ نسیم احمد	ممبر
3	جناب فہد مختار	ممبر



بورڈ کی بیومن ریسورس کمیٹی

سیریل نمبر	ڈائریکٹر کا نام	عہدہ
1	جناب ہارٹل	چیئرمین
2	جناب عامر نسیم 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 آزاد اور نان ایگزیکٹو ڈائریکٹرز کو کوئی معاوضہ ادا نہ کرے گی۔
مینٹگ کی مدد میں سفری اور رہا ۱۰۰۰ اجات کمپنی ادا کرے گی۔
کمپنی پالیسی میں وقت کے ساتھ ساتھ مہم اور منظوری کرتی رہے گی۔

مستقبل کا نقطہ نظر

ملک میں شرح سود میں اضافہ ہوا ہے جس کی وجہ سے مالیاتی اخراجات میں اضافہ ہوا ہے۔ نتیجے کے طور پر پیچھے کی وجہ سے اس نفع میں اضافہ کے وجود خالص منافع میں کمی واقع ہوئی ہے۔ انتظامیہ اس سلسلے کو رواں سال میں جاری رہنے کی توقع کر رہا ہے۔

انتظامیہ اور لیبر طبقہ میں تعلقات

انتظامیہ اور لیبر طبقہ میں تعلقات پرامن اور ہموار رہے۔ ڈائریکٹرز انتظامیہ اور تمام ورکرز کی محنت اور کوشش کو سراہتے ہیں۔

بورڈ کی طرف سے

رحمان نسیم

(چیف ایگزیکٹو آفیسر ڈائریکٹر)

بتاریخ: 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	<u>700,000,000</u>	<u>700,000,000</u>
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	<u>10,623,931,290</u>	<u>10,212,704,818</u>
	21,105,940,721	20,925,244,095
<u>Non-current liabilities</u>		
Long term financing - <i>secured</i>	5 9,139,739,542	7,984,533,368
Long term musharika - <i>secured</i>	6 2,091,666,667	1,685,416,667
Deferred liabilities:		
- <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	7	
	<u>49,734,798,747</u>	<u>49,671,476,357</u>

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

	<i>Note</i>	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</i>	<i>Three Months Ended 30 September 2018</i>
	Rupees	Rupees
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

Share capital	Capital reserves			Revenue reserve		Total	
	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
Total comprehensive income for the period:							
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
Total comprehensive income for the period:							
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	-
Transactions with the owners of the Company:							
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
Total comprehensive income for the period:							
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

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

Lender	Amount	Rate of Markup 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).

		(Un-audited) 30 September 2019 Rupees	(Audited) 30 June 2019 Rupees
7.2 Commitments	<i>Note</i>		
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.		<u>859,918,200</u>	<u>829,918,200</u>
7.2.2 Commitments against irrevocable letters of credit:			
- capital expenditure		144,376,788	1,156,882,636
- raw material and stores and spares		<u>847,040,360</u>	<u>672,052,805</u>
		<u>991,417,148</u>	<u>1,828,935,441</u>

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	<u>1,242,260,481</u>	<u>481,928,078</u>
		<u>25,133,598,853</u>	<u>24,000,031,655</u>

8.1 Opening net book value*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
	<u>639,718,349</u>	<u>2,539,815,044</u>

Addition on revaluation surplus

Carrying value of assets disposed off during the period / year	-	-
Depreciation charge for the period / year	(12,533,715)	(52,353,071)

Closing net book value	<u>(253,949,838)</u>	<u>(991,566,002)</u>
	<u>23,891,338,372</u>	<u>23,518,103,577</u>



	(Un-audited) 30 September	(Audited) 30 June
Note	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
	1,242,260,481	481,928,078

9 Short term investments**At fair value through statement of profit or loss****Investment in related party:**

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

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)	-
	267,337,425	-
	434,658,225	182,682,000

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
	<u>8,403,425,738</u>	<u>7,444,470,350</u>
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
	<u>7,583,728,221</u>	<u>6,779,797,301</u>
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	<u>7,579,942,229</u>	<u>6,787,823,983</u>
Opening stock of finished goods	1,714,623,220	1,757,373,131
Finished goods purchased	899,611,637	470,841,677
	<u>10,194,177,086</u>	<u>9,016,038,791</u>
Closing stock of finished goods	(3,098,426,374)	(2,390,346,770)
Cost of raw material sold	<u>5,332,374</u>	<u>7,969,342</u>
	<u>7,101,083,086</u>	<u>6,633,661,363</u>

**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	(Un-audited) 30 September 2018
	Rupees	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	<u>700,000,000</u>	<u>700,000,000</u>
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	<u>10,981,596,963</u>	<u>10,516,841,450</u>
	21,977,069,106	21,748,995,072
<u>Non-current liabilities</u>		
Long term financing - <i>secured</i>	5 9,854,531,376	8,755,286,862
Long term musharika - <i>secured</i>	6 2,095,301,423	1,690,100,636
Deferred liabilities:		
- <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	7	
	<u>53,787,557,009</u>	<u>54,604,975,819</u>

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

	<i>Note</i>	<i>Three Months Ended 30 September 2019 Rupees</i>	<i>Three Months Ended 30 September 2018 Rupees</i>
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</i>	<i>Three Months Ended 30 September 2018</i>
	Rupees	Rupees
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
Total comprehensive income for the period:							
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
	-	-	-	315,600,096	-	474,100,136	789,700,232
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
Total comprehensive income for the period:							
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)
	-	-	-	(467,497,228)	-	1,137,979,632	670,482,404
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	-	(239,274,603)	-	(239,274,603)
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	-
Transactions with the owners of the Group:							
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
Total comprehensive income for the period :							
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)
	-	-	-	(158,115,017)	-	386,189,051	228,074,034
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - 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

	<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	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
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 loan -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 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 Group, to various institutions and corporate bodies.			
- The Holding Company		<u>859,918,200</u>	<u>829,918,200</u>
- The Subsidiary Company		<u>63,006,000</u>	<u>78,347,615</u>

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	<u>847,040,360</u>	<u>672,052,805</u>
	<u>991,417,148</u>	<u>1,828,935,441</u>

The Subsidiary Company

- raw material and stores and spares	-	<u>132,683,692</u>
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8 Property, plant and equipment

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

8.1 Opening net book value
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
	<u>646,627,739</u>	<u>2,573,030,564</u>

Addition on revaluation surplus

Carrying value of assets disposed off during the period / year	(12,533,715)	(52,502,811)
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Depreciation charge for the period / year	(293,989,153)	(1,158,717,195)
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Closing net book value	<u>27,084,095,707</u>	<u>26,743,990,836</u>
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	<i>(Un-audited)</i> 30 September 2019 Rupees	<i>(Audited)</i> 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
	1,246,756,984	485,297,361

9 Short term investmentsAt 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)
	167,320,800	182,682,000

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)	-
	357,093,041	-
	524,413,841	182,682,000

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> 30 September <i>2019</i> Rupees	<i>(Un-audited)</i> 30 September <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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