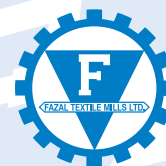


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### 47th Annual Report 2009





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. M. Yunus A. Aziz	(Chairman)
Mr. Sohail M. Yunus	(Chief Executive)
Mr. Muhammad Ali A. Razzak	
Mr. Imran M. Yunus	
Mr. Javed M. Yunus	
Miss Mariam Razzak	
Mr. Ilyas Ismail	
Mrs. Raheela Aleem	
Mr. Abdul Rahman Yaqoob	

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Toufique Yusuf  
FCA FICS

### AUDIT COMMITTEE

Mr. Sohail M. Yunus	Chairman
Mr. Muhammad Ali A. Razzak	Member
Mr. Imran M. Yunus	Member

### AUDITORS

Hyder Bhimji Co.  
Chartered Accountants

### LEGAL ADVISOR

Mr. Mohammad Aleem  
(Advocate)

### BANKERS

Bank Al-Habib Limited  
Bank Al-Falah Limited  
Citibank N. A.  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Meezan Bank Limited  
Royal Bank of Scotland  
Standard Chartered

### REGISTERED OFFICE AND MILLS

LA-2/B Block # 21,  
Rashid Minhas Road,  
Federal 'B' Area, Karachi - 75950.  
Phones : 6321311-6322048  
Fax : 92-21-6313372  
E-mail : [finance@fazaltextile.com](mailto:finance@fazaltextile.com)  
Website : [www.fazaltextile.com](http://www.fazaltextile.com)



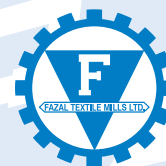
# MISSION STATEMENT

Fazal Textile Mills Limited through its innovative technology and effective resource management has maintained high ethical and professional standards.

The core values are its commitment, integrity, excellence, teamwork, transparency and creativity.

Fazal Textile is committed to:-

- produce quality and fault free products for its valued customers by continual improvements by providing proper training and development programmes, upgrading of resources, setting quality objectives by analyzing customer's feedback.
- provides good returns and security to its shareholders
- fulfill obligation towards creditors, employees and the society.



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 47th Annual General Meeting of the Members of the Fazal Textile Mills Limited will be held at Registered office of the Company located at L-A, 2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi on Wednesday the 28th October 2009 at 11.00 a.m to transact the following business.

### **Ordinary Business :**

1. To confirm the minutes of the 46th Annual General Meeting held on 28th October 2008.
2. To receive consider and adopt the Audited accounts for the year ended June 30, 2009 together with the Directors and Auditors report thereon.
3. To approve cash dividend of Rs 1.50 per share of Rs 10/- each for the year ended 30th June 2009 as recommended by the Board.
4. To appoint Auditors for the year ending 30th June 2010 and to fix their remuneration.
5. To transact any other business with the permission of the Chairman.

Karachi : September 25, 2009

**By order of the Board  
M. Toufique Yusuf  
Company Secretary**

### **Notes :**

1. The share transfer books of the Company will remain closed from October 21, 2009 to October 28, 2009 (both days inclusive)
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote for him/her. Proxy forms must be deposited at the registered office of the Company not later than 48 hours before the time of holding the meeting.
3. An individual beneficial owner of shares from CDC must bring his/her original NIC or Passport, Account and Participant's I.D numbers to prove his/her identity. A representative of Corporate member of the Company or CDC must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.
4. Members are requested to notify the Company of any change in their addresses immediately.



## DIRECTORS' REPORT TO THE MEMBERS

We are pleased to welcome the Members at the 47th Annual General Meeting and have pleasure in presenting the Annual Report together with the Company's audited accounts for the year ended June 30, 2009.

### Financial and operational results

The financial results for the year under review are as follows:

	(Rs in 000)	
	Year Ended 30 June 2009	Year Ended 30 June 2008
Sales	2,819,019	2,447,138
Gross Profit	220,351	139,904
Profit before taxation	48,219	27,361
Provision for taxation	22,926	17,321
<b>Profit after taxation</b>	<b>25,293</b>	<b>10,040</b>
Unappropriated profit brought forward	3,792	3,033
<b>Profit Accumulated Loss available for appropriation</b>	<b>29,085</b>	<b>13,073</b>
<b>Appropriation:</b>		
Proposed Cash Dividend	9,281	9,281
Transfer to general reserve	15,000	-
	24,281	9,281
Unappropriated profit carried forward	4,804	3,792

### Overview

During the period under review the sales increased by 15.37% and the gross margin increased from 5.72% to 7.81% due to increase in the value addition product of knitted fabrics. This increase in gross does not reflect on the net profit before tax due to step increase in the interest rate and overall inflation.

### Earning per share

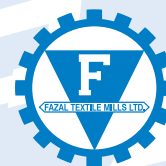
The profit per share after tax was Rs. 4.09 for the year ended June 30, 2009.

### Dividend

The Board of Directors have recommended a dividend of Rs 1.50 per shares (i.e. 15%) for the year ended June 30, 2009.

### Future Prospects

Chances of the global recovery from recession appear to be bright. Should the world economy improve, Pakistan's textile industry is well-positioned to reap some benefits. The cotton crop for the coming season was estimated to be around 13.2 million bales, has been revised at 12 million bales. Given the short supply against the demand, the spinners will not have easy time finding lint at a reasonable price without compromising quality. The energy crisis, inflation, erosion of value of Pak rupee etc could effect the profitability of coming periods. Notwithstanding the foregoing constraints, your director would like to assure you that every endeavour will be made to achieve better results in the coming year.



### Shifting of production facilities

As already informed to you, the company in order to increase the production facilities and to make its product much competitive, has decided to shift its production facilities from its present location to Nooriabad (Super Highway), the civil work, electrification & humidification etc are all ready and it is expected that the shifting of the facilities will commence from January 2010. The planning of construction of shopping mall and the apartments is in process and it will be duly inform to the members accordingly.

### Statement of Compliance with Code of Corporate Governance

The management is fully aware of the Company's obligation for compliance with the Code of Corporate Governance as incorporated in the Listing Regulations of all Stock Exchanges in Pakistan and step are being taken for its effective implementation within the allowed time frame. The various statements, as required by the Code, are given below:

- ▶ Presentation of financial statements. The financial statements under review have been prepared by the management and are in accordance with the provisions of the Companies Ordinance 1984. These financial statements present fairly the Company's state of affairs, the results of its operation, cash flow and changes in equity.
- ▶ Books of account. The Company has maintained proper books of account.
- ▶ Accounting policies. Appropriate accounting policies have been applied in preparation of financial statements.
- ▶ Compliance of International Accounting Standards (IAS). International Accounting Standards (IAS) as applicable in Pakistan have been followed in preparation of financial statements.
- ▶ Internal Control System. The system of internal control of the company is in place and is sound in design and is being effectively monitored.
- ▶ Going Concern. There are no significant doubts upon the Company's ability to continue as a going concern.
- ▶ Best practices of Corporate Governance. There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations wherever applicable to the Company for the period ended June 30, 2005.
- ▶ Outstanding statutory dues. The Company has paid all the statutory dues due, there are no unpaid disputed balances payable. The amount payable if any but not due are disclosed in note no 18 to the annexed audited financial statements.
- ▶ BOD meetings. During the period under review the Board convened 4 times and the attendance of the respective Directors was as under :-

S. No	Name of Directors	Meetings attended
1	Mr. M. Yunus A. Aziz	3
2	Mr. M. Sohail Yunus	4
3	Mr. Muhammad Ali A Razzak	4
4	Mr. Imran M. Yunus	3
5	Mr. Jawed M Yunus	2
6	Miss Mariam Razzak	3
7	Mrs. Raheela Aleem	1
8	Mr. Ilyas Ismail	2
9	Mr. Abdul Rahman Yaqoob	2

Leaves of absence in accordance to the law were granted to the Directors who could not attend the Board Meeting.

**Pattern of shareholding.**

The pattern of shareholding and the additional information as required by the Code of Corporate Governance is enclosed.

**Auditors.**

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and have offered themselves for reappointment.

As suggested by the audit committee, the Board recommends their appointment as Auditors for of the Company for the year ended June 30, 2010.

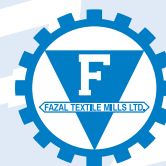
**Thanks and appreciation**

We would like to place on record our deep appreciation for the efforts of the executives, officers and other staff members and workers for their hard work, co-operation and sincerity to the company in achieving best possible results. The Board also wishes to place in record the appreciation to all banks for continued support to the company with zeal and dedications. The management is quite confident that these relation and cooperation will continue in the years to come.

Dated : September 25, 2009

**On behalf of the Board  
Sohail M. Yunus  
Chief Executive**





## KEY FINANCIAL AND OPERATIONAL DATA

Rupees “000”

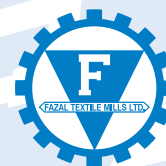
PARTICULARS	Y E A R S									
	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Export Sales	1,815,119	1,910,247	1,805,767	1,328,054	1,001,278	1,565,173	1,360,729	1,127,193	1,486,691	1,614,582
Local Sales	1,130,386	672,118	575,401	801,791	801,963	936,049	916,739	1,021,300	826,276	631,732
Gross Sales	2,945,505	2,582,365	2,381,168	2,129,845	1,803,241	2,501,222	2,277,468	2,148,493	2,312,967	2,246,314
Net Sales	2,819,019	2,444,146	2,263,195	2,027,303	1,642,382	2,265,602	2,060,705	1,915,960	2,090,444	2,051,484
Gross Profit	220,351	139,904	121,177	175,570	162,291	91,857	172,892	146,329	225,159	509,142
Gross Profit Ratio	7.82	5.72	5.35	8.66	9.88	4.05	8.39	7.64	10.77	24.82
Profit Before Tax	48,219	26,361	1,236	51,459	78,167	21,743	104,111	63,317	107,768	391,196
Profit Before Tax Ratio	1.71	1.08	0.05	2.54	4.76	0.96	5.05	3.30	5.16	19.07
Profit/(Loss) After Tax	25,293	10,040	(20,461)	48,619	40,882	29,828	86,967	43,838	63,905	282,955
Profit/(Loss) After Tax Ratio	0.90	0.41	(0.90)	2.40	2.49	1.32	4.22	2.29	3.06	13.79
Cost of Fixed Assets	1,625,504	1,597,122	1,550,952	1,407,892	1,395,754	1,284,882	1,141,310	1,126,429	998,738	887,793
Book Value of Fixed Assets	672,849	719,115	741,516	652,327	666,272	602,889	514,066	535,231	445,411	364,500
Total Assets Employed	2,884,682	3,328,731	1,824,287	1,868,796	1,699,360	1,387,082	1,087,737	1,019,702	1,209,972	1,156,566
Shareholders Equity	735,960	719,948	709,908	745,838	712,688	681,087	657,447	585,663	530,397	497,429
Breakup Value Per Share	119.10	116.35	114.73	120.54	115.18	110.07	106.25	94.65	85.72	80.39
Earning Per Share Before Tax	7.79	4.42	0.20	8.31	12.63	3.51	16.82	10.23	17.41	63.22
Earning/(Loss) Per Share After Tax	4.09	1.62	(3.31)	7.86	6.61	4.82	14.06	7.08	10.33	45.73
Production Capacity (20/s) (lbs)	48,990,026	48,990,026	47,879,424	48,341,510	34,725,150	45,397,909	43,970,027	41,869,613	41,414,443	41,414,443
Production converted into 20/s (lbs)	48,739,567	48,607,000	47,425,336	48,032,726	34,454,142	45,380,876	43,811,943	41,758,683	41,412,415	41,189,365
Capacity Utilization	99.49	99.22	99.05	99.36	99.22	99.96	99.64	99.74	100.00	99.46



**PATTERN OF SHAREHOLDING  
FORM "34"  
SHAREHOLDERS STATISTICS  
AS AT JUNE 30, 2009**

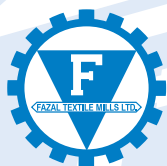
NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD	
	FROM	TO		
390	1	-	100	23,577
152	101	-	500	51,312
33	501	-	1000	26,297
38	1001	-	5000	96,387
10	5001	-	10000	74,284
1	10001	-	15000	11,452
3	15001	-	20000	55,915
2	20001	-	25000	44,004
1	30001	-	35000	31,300
2	65001	-	70000	137,550
1	70001	-	75000	70,785
3	135001	-	140000	407,806
1	160001	-	165000	160,174
1	170001	-	175000	172,996
1	200001	-	205000	201,346
3	225001	-	230000	683,912
1	260001	-	265000	262,267
1	270001	-	275000	272,250
1	340001	-	345000	344,328
1	345001	-	350000	345,454
1	350001	-	355000	351,656
1	390001	-	395000	391,100
1	415001	-	420000	419,534
1	440001	-	445000	440,406
1	1105001	-	1110001	1,111,411
651				6,187,503

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	Individual	621	4,471,766	72.27
2	Investment Companies	5	707	0.01
3	Joint Stock Companies	9	1,144,532	18.50
4	Financial Institutions	7	138,729	2.24
5	Modaraba Companies	1	900	0.01
6	Admin. Abandoned Prop.	1	19,965	0.32
7	Corporate Law Authority	1	1	0.00
8	Others	6	410,903	6.64
		651	6,187,503	100.00



## DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

PARTICULARS	SHARES HELD
<b>ASSOCIATED COMPANY</b>	
Lucky Energy (Pvt) Limited	1,111,411
<b>NIT/ICP</b>	
National Bank of Pakistan	137,550
Investment Corporation of Pakistan	177
<b>DIRECTORS, CEO, THEIR SPOUSE AND CHILDREN</b>	
Mr. M. Yunus s/o A. Aziz - Director	272,250
Mr. M. Sohail s/o M. Yunus - Chief Executive	262,267
Mr. Muhammad Ali s/o A. Razzak - Director	351,656
Mr. M. Imran s/o M. Yunus - Director	440,406
Miss Mariam A Razzak - Director	172,996
Mr. M. Ilyas s/o Ismail Moten - Director	228,242
Mr. A. Rahman Yaqoob s/o M. Yaqoob - Director	2,500
Mrs. Raheela Aleem - Director	345,454
Mrs. Kulsum A. Razzak	160,174
Miss Amina A. Razzak	344,328
Miss Zulekha A Razzak	201,346
Mrs. Khairunnissa M Yunus	70,785
Mr. Javed M. Yunus	419,534
Mrs. Maimoona Ismail	136,050
Mrs. Nasreen Iqbal	136,050
Mrs. Yasmeen Ismail	135,706
Mrs. Aslam Ismail	227,428
Mr. Arif Ismail	228,242
<b>EXECUTIVES</b>	<b>NIL</b>
<b>PUBLIC SECTOR COMPANIES &amp; CORPORATION</b>	<b>NIL</b>
<b>BANK, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUND</b>	140,336
<b>SHARHOLDERS HOLDING MORE THAN 10% OR MORE</b>	
Lucky Energy (Pvt) Limited	1,111,411



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner :

1. The board comprises eight directors, including the CEO. The number of executive director on the board is one.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIL or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been adopted by the board of directors and signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company are under process of approval.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Chief Executive recommends that members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.
10. The appointment of head of internal audit and his remuneration and terms and conditions have been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed on the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Audit Committee comprises of three members including the Chairman.
16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirmed that all other material principles contained in the Code have been complied with.

A handwritten signature in black ink, appearing to be 'Sohail M. Younus', is located above the name and title of the Chief Executive.

**Sohail M. Younus**  
**Chief Executive**



## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fazal Textile Mills Limited to comply with the Listing Regulation No 37 of the Karachi Stock Exchange, and the Listing Regulation No 40 (Chapter XIII) of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

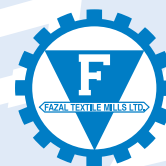
Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2009.

*Hyder Bhimji.*

**HYDER BHIMJI CO.**

**CHARTERED ACCOUNTANTS**

**Karachi : September 25, 2009**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Fazal Textile Mills Limited as at June 30, 2009, and the related Profit and Loss account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :-

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984 ;
- b) in our opinion ;
  - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited with the Central Fund established under section 7 of the Ordinance.

*Hyder Bhimji.*

**HYDER BHIMJI & CO**  
Chartered Accountants

Karachi : September 25, 2009



# BALANCE SHEET

AS AT JUNE 30, 2009

## ASSETS

### NON-CURRENT ASSETS

Property, Plant and equipment  
Operating fixed assets  
Capital work in progress

### LONG TERM LOANS AND ADVANCES

### LONG TERM DEPOSITS - Security deposits

### CURRENT ASSETS

Stores, spares and loose tools  
Stock in trade  
Trade debts  
Loans & advances  
Trade deposits and prepayments  
Taxation - net  
Cash and bank balances

### TOTAL ASSETS

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

Authorized Capital

Issued, subscribed and paid-up capital  
Reserves

### NON-CURRENT LIABILITIES

Long Term Finance  
Deferred gratuity  
Deferred taxation

### CURRENT LIABILITIES

Trade and other payables  
Accrued markup  
Short term finances

### Contingencies and Commitment

### TOTAL EQUITY AND LIABILITIES

The annexed notes form an integral part of these financial statements

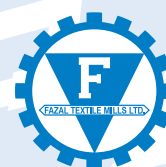
Note	June 2009	June 2008
Rs in 000		
3	679,842	719,115
4	1,325,830	914,782
	<b>2,005,672</b>	<b>1,633,897</b>
5	9,213	13,929
	<b>532</b>	<b>532</b>
	<b>2,015,417</b>	<b>1,648,358</b>
6	43,078	37,880
7	501,080	601,284
8	204,001	841,740
9	108,622	168,523
10	8,050	15,901
11	824	493
12	3,610	14,552
	<b>869,265</b>	<b>1,680,373</b>
	<b>2,884,682</b>	<b>3,328,731</b>
13	150,000	150,000
14	61,875	61,875
15	674,085	658,073
	<b>735,960</b>	<b>719,948</b>
16	1,000,000	1,000,000
17	38,796	29,032
18	44,032	50,445
	<b>1,082,828</b>	<b>1,079,477</b>
19	666,707	156,057
20	42,434	48,936
	<b>356,753</b>	<b>1,324,313</b>
	<b>1,065,894</b>	<b>1,529,306</b>
21	-	-
	<b>2,884,682</b>	<b>3,328,731</b>

M. Yunus A. Aziz  
Chairman

Sohail M. Yunus  
Chief Executive

Karachi : September 25, 2009





## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	June 2009	June 2008
Rupees "000"			
Sales - net	22	2,819,019	2,447,138
Cost of sales	23	2,598,668	2,307,234
Gross profit		220,351	139,904
General & administrative expenses	24	35,613	31,903
Selling & distribution expenses	25	17,353	13,384
Other operating expenses	26	2,538	2,028
		55,504	47,315
		164,847	92,589
Other operating income	27	4,191	3,826
Operating profit		169,038	96,415
Finance cost	28	120,819	69,054
Net Profit before taxation		48,219	27,361
Taxation :			
Current	29	29,324	20,803
Prior	16	183	
Deferred		(6,414)	(3,665)
		22,926	17,321
Net Profit after taxation		25,293	10,040
<b>Earning per share-basic and diluted (Rupees)</b>	30	<b>4.09</b>	<b>1.62</b>

Appropriation have been reflected in the statement of changes in equity.

The annexed notes form an integral part of these financial statements.

**M. Yunus A. Aziz**  
Chairman

**Sohail M. Yunus**  
Chief Executive

Karachi : September 25, 2009



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

### CASH FLOW FROM OPERATING ACTIVITIES

	Note	June 2009	June 2008
<b>Rupees "000"</b>			
Cash generated from operation	31	1,570,434	(536,213)
Gratuity paid		(7,355)	(9,964)
Finance Cost		(127,321)	(37,314)
Taxes paid		(29,671)	(19,322)
Net cash In/(Outflow) from operating activities		1,406,087	(602,813)

### CASH FLOW FROM INVESTING ACTIVITIES

Increase in long term liability	-	1,000,000
Fixed capital expenditure	(30,198)	(47,450)
Capital Work in progress	(411,048)	(914,532)
Sale proceeds from fixed assets	997	823
Net cash In/(Outflow) from investing activities	(440,249)	38,841

### CASH FLOW FROM FINANCIAL ACTIVITIES

Payment of dividend	(9,310)	(10)
Net cash In/(Outflow) from financial activities	(9,310)	(10)
Net increase(decrease) in cash and cash equivalents	956,528	(563,982)
Cash and cash equivalents at the beginning of the year	(1,309,671)	(745,779)
Cash and cash equivalents at the end of the year	32 (353,143)	(1,309,761)

The annexed notes form an integral part of these financial statements.

**M. Yunus A. Aziz**  
Chairman

**Sohail M. Yunus**  
Chief Executive

Karachi : September 25, 2009



## STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2009

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappropriated Profit	Total
Balance as on July 01, 2007	61,875	34,416	630,584	(16,967)	709,908
Transfer to/(from) profit and loss account	-	-	(20,000)	20,000	-
Profit after tax for the year ended June 30, 2008	-	-	-	10,040	10,040
Balance as on June 30, 2008	61,875	34,416	610,584	13,073	719,948
Proposed dividend	-	-	-	(9,281)	(9,281)
Profit after tax for the year ended June 30, 2009	-	-	-	25,293	25,293
Balance as on June 30, 2009	61,875	34,416	610,584	29,085	735,960

Karachi : September 25, 2009

**M. Yunus A. Aziz**  
Chairman

**Sohail M. Yunus**  
Chief Executive



## Notes to the financial statements

for the year ended June 30, 2009.

### I. LEGAL STATUS AND OPERATION:

The Company was incorporated on July 6, 1963 as a Private Limited Company under the Companies Act, 1913 (Companies Ordinance, 1984) and was converted into a Public Limited Company on May 04, 1966. The Company is quoted on stock exchanges in Pakistan since 1971. The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics. The address of its registered office is LA-2/B, Block 21, Rashid Minhas Road, federal "B" Area, Karachi, Pakistan

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The financial statements have been prepared on historical cost convention except for the recognition of certain staff retirement benefits at present value.

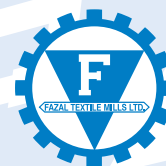
#### 2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

#### 2.3 Standards and interpretations to published approved accounting standards that are not yet effective

The following standards and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2008 are either not relevant to Company's operation or are not expected to have significant impact on the Company's financial statements other than increased disclosure in certain cases:-

IFRC 7 - Financial Instrument: Disclosure	Effective from accounting period beginning on or after April 28, 2008
IFRC 8 - Operating Segment	Effective from accounting period beginning on or after April 28, 2008
IFRC 12 - Services Concession Arrangements	Effective from accounting period beginning on or after January 01, 2008
IFRC 13 - Customer Loyalty Programs	Effective from accounting period beginning on or after January 01, 2008
IFRC 14 - The limit on Defined Benefits Assets, Minimum Funds Requirements and their interaction.	Effective from accounting period beginning on or after January 01, 2008



### 2.4 Significant accounting judgement and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimate and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the company's accounting policies, management has made following estimates and judgements which are significant to the financial statements.

#### a) Income Taxes

The company takes into account relevant provision of current income tax laws while providing for current and deferred taxes as explained in note 2.6 of these financial statements.

#### b) Defined Benefit Plan

Certain actuarial assumptions have been adopted as disclosed in note 2.5 and 17 of these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any change in these assumptions in future years might affect actuarial gain/losses recognized in those years.

### 2.5 Staff retirement benefits

The Company operates unfunded gratuity scheme covering all employees eligible to the benefit. The present value of the defined benefit obligation has been determined on the basis of actuarial valuation carried out on the Balance Sheet date. In accordance with the requirements of IAS 19, Employees Benefits actuarial valuation has been carried out using Projected Unit Credit Actuarial Cost Method. Main valuation assumption used for actuarial valuation were as under :

Discount Rate	13.00% per annum.
Expected rate on increase in salaries	11.00% per annum

### 2.6 Taxation

#### Current

Provision for current taxation is based on taxable income at current rates of taxation after taking in to account tax credits available rebate and exemption if any, subject to treatment in respect of tax deducted at source on export as final discharge of tax liabilities.

#### Deferred

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax assets and liabilities and their carrying values for financial reporting purposes and amount used for taxation purpose.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

### 2.7 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupee at the rates of exchange ruling on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contract rates. The gain or loss due to the rate fluctuation is adjusted against the plant and machinery acquired under the loan.



## 2.8 Property, Plant & Equipment

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged at normal tax rates on diminishing balance method. In respect of addition/deletion during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Maintenance and normal repairs are charged to income as and when incurred. Gain or loss on disposal of assets is included in income currently.

## 2.9 Capital Work-in-progress

All cost/expenditure connected with the assets, incurred during the implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

## 2.10 Stores, spares, loose tools and packing materials

These are valued at cost. Cost is determined on first in first out (FIFO) basis.

## 2.11 Stocks

These are valued as follows:

<b>Raw materials</b>	- At lower of cost or market value on FIFO basis.
<b>Finished goods</b>	- At lower of average cost and net realizable value including portion of related factory overheads.
<b>Work-in-process</b>	- At average cost of raw material and proportionate manufacturing overheads.
<b>Waste</b>	- At net realizable value.

## 2.12 Trade debts and other receivables

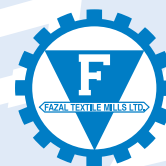
Trade debts and other receivables are recognized and carried at original invoice amount less any estimated allowance made for doubtful receivables based on review of outstanding amount at the year end. Balances considered bad and irrecoverable are written off when identified.

## 2.13 Cash and Cash equivalent

Cash and cash equivalent are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments and bank overdraft in the balance sheet, bank overdrafts are included in borrowing in current liabilities.

## 2.14 Revenue Recognition

Sales are recorded on dispatch of goods to customers, Rental Income is recognized as and when earned on annual basis and Income of deposits is recognized on receipt basis.



### 2.15 Financial instruments

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured as fair value or cost, as the case may be.

### 2.16 Employees Leave Entitlement

Employees entitlement to annual leaves are recognized when they accrue to employee. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

### 2.17 Borrowing Cost

Interest, Markup and other charges long term/short term liabilities are Capitalized upto the date of Commissioning of respective fixed assets acquired out of the proceeds of such long term/short term liabilities, all other interest, markup and other charges cost are charged to profit and loss account.

### 2.18 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### 2.19 Impairment of Assets

The carrying amount of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exist, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts and impairment losses are taken to profit and loss account.

### 2.20 Dividend

Dividend distribution to the company shareholder's is recognized as a liability in the company's financial statements in the period in which the dividends are approved.

### 2.21 Related Party Transaction

Transactions and Contracts with related party are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

### 2.22 Offsetting

Financial asset and financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the assets and settle the liability simultaneously.

### 2.23 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupee which is the Company's Functional Currency.



**3 OPERATING FIXED ASSETS - TANGIBLE**

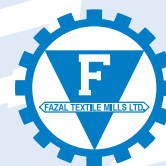
(Rs in 000)

Particulars	Cost as on 01-07-2008	Additions (Deletions)	Cost as on 30-06-2009	Accumulated depreciation 30-06-2009	Written down book value 30-06-2009	Depreciation for the period	Rate %
Land (lease hold)	6,591	-	6,591	-	6,591	-	-
Main factory building (on lease hold land)	31,250	-	31,250	27,010	4,240	471	10
Other factory building (on lease hold land)	171,389	-	171,389	65,807	105,582	5,557	5
Plant & machinery	1,339,672	28,597	1,368,269	818,536	549,733	59,919	10
		-					
Testing equipment, scales and weighments	7,488	-	7,488	6,296	1,192	132	10
Office equipments	4,905	103	5,008	3,289	1,719	182	10
Furniture & fixtures	2,158	-	2,158	1,849	309	34	10
Vehicles	25,988	1,236 (1,816)	25,408	15,872	9,536	2,301	20
Computer equipments	7,681	262	7,943	7,003	940	380	33
<b>Total June 2009</b>	<b>1,597,122</b>	<b>30,198 (1,816)</b>	<b>1,625,504</b>	<b>945,662</b>	<b>679,842</b>	<b>68,976</b>	
<b>Total June 2008</b>	<b>1,550,952</b>	<b>47,450 (1,280)</b>	<b>1,597,122</b>	<b>878,007</b>	<b>719,115</b>	<b>69,699</b>	

**3. A. Depreciation charge for the year has been allocated as follows :**

	June 2009	June 2008
	Rs "000"	
Cost of sales	66,079	66,768
Administrative, selling and general expenses	2,897	2,931
	<u>68,976</u>	<u>69,699</u>





**3-B Disposal of operating fixed assets.**

(Rs in 000)

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Motor Cycle	New Jubilee Insurance Co Karachi	64	37	27	64	Negotiation
Motor Cycle	New Jubilee Insurance Co Karachi	57	6	51	57	Negotiation
Motor Cycle	Israr Ahmed Karachi	64	39	25	17	Negotiation
Motor Cycle	Israr Ahmed Karachi	75	63	12	7	Negotiation
Motor Vehicle	Mazhar Iqbal Karachi	431	327	104	302	Negotiation
Motor Vehicle	Mazhar Iqbal Karachi	849	666	183	450	Negotiation
Motor Vehicle	Gauhar Fayyaz Karachi	276	183	93	100	Negotiation
<b>Total June 2009</b>		<b>1,816</b>	<b>1,321</b>	<b>495</b>	<b>997</b>	
Total June 2008		1,280	1,128	152	823	

**4 CAPITAL WORK IN PROGRESS**

June 2009      June 2008

Rs in "000"

**KARACHI PROJECT**

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

**633,472**      483,219

**NOORIABAD PROJECT**

New factory building under construction  
Plant & Machinery under installation

<b>590,742</b>	431,563
<b>101,616</b>	-
<b>692,358</b>	431,563

<b>1,325,830</b>	<b>914,782</b>
------------------	----------------

**5 LONG TERM LOAN & ADVANCE (Unsecured - Considred Good)**

Loan to Executive (5-A)  
Loan to Employees (5-A)

<b>6,204</b>	9,350
<b>7,231</b>	9,559
<b>13,435</b>	18,909

Less: Current maturity of Long Term Loan and Advances

<b>4,222</b>	4,980
<b>9,213</b>	<b>13,929</b>



- 5-A** These interest free loan represents for house assistance, medical expenses and support for children marriage and are repayable within 3 years

The maximum amount due from Executive at the end of any month during the year was Rs 9.350 million (2008 : Rs 11.591 million)

**6 STORES, SPARES AND LOOSE TOOLS**

	June 2009	June 2008
	Rs in "000"	
Stores	8,599	7,755
Spares	29,662	27,007
Loose tools	121	118
Packing material	4,696	3,000
	<b>43,078</b>	<b>37,880</b>

**7 STOCK IN TRADE**

Raw material	362,207	499,835
Work in process	5,354	8,087
Finished goods	133,519	93,362
	<b>501,080</b>	<b>601,284</b>

**8 TRADE DEBTS**

Considered good		
Export receivables - secured against L/C	132,720	700,665
Local receivables - unsecured	71,281	141,075
	<b>204,001</b>	<b>841,740</b>

**9 LOANS AND ADVANCES**

Considered good		
Current maturity of loan	4,222	4,980
Advances to employees	4,276	3,412
Advances to suppliers	100,124	160,131
	<b>108,622</b>	<b>168,523</b>

**10 TRADE DEPOSITS AND PREPAYMENTS**

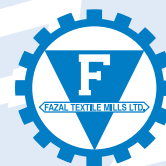
Deposit & Prepayments	3,433	2,717
Deposit with central excise & sales tax	4,617	13,184
	<b>8,050</b>	<b>15,901</b>

**11 TAXATION - Net**

Paid/Deducted/Refunds	30,164	21,296
Less : Current year taxation - Note 29	29,340	20,803
	<b>824</b>	<b>493</b>

The income tax assessment of the company have been finalized upto and including Tax Year 2008 corresponding to income year June 2008.

## Fazal Textile Mills Limited



	June 2009	June 2008
	Rupees in "000"	
<b>12 CASH AND BANK BALANCES</b>		
Cash in hand	1,330	217
Balance with bank in :		
Current Account	2,274	14,329
Deposits Account	6	6
	<u>2,280</u>	<u>14,335</u>
	<u>3,610</u>	<u>14,552</u>
<b>13 AUTHORIZED CAPITAL</b>		
15,000,000 Ordinary shares of Rs 10/- each	<u>150,000</u>	<u>150,000</u>
<b>14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
4,579,094 Ordinary shares of Rs 10/- each fully paid issued for cash.	45,791	45,791
1,608,409 Ordinary shares of Rs 10/- each issued as fully paid bonus shares	16,084	16,084
	<u>61,875</u>	<u>61,875</u>
Out of the total share capital of the Company, associated undertaking held 1,093,529 (2008 : 1,093,529) ordinary shares of Rs 10.00 each as at June 30, 2009.		
<b>15 RESERVES</b>		
Capital Reserve		
Share premium	34,416	34,416
Revenue Reserve		
General Reserve		
Opening balance	610,584	630,584
Transfer from profit & loss account	-	(20,000)
	<u>610,584</u>	<u>610,584</u>
Unappropriated profit	29,085	13,073
	<u>674,085</u>	<u>658,073</u>
<b>16 LONG TERM FINANCE</b>	<u>1,000,000</u>	<u>1,000,000</u>

This represents term finance facility availed from National Bank of Pakistan to finance the balance sheet restructuring and reallocation/BMR of the company. It is secured by way of First parri passu hypothecation charge over its plant & machinery located at its present premises, in transit and installed/to be installed on the new premises of the company. Equitable mortgage over land & building situated at Karachi and building situated at Super Highway, Nooriabad. It carries markup charges at Base Rate plus 0.25%. Base Rate represents Ask Rate of one month KIBOR on last on day of each month. This loan is repayable in four equal quarterly installments of Rs 250 million each beginning from July 2010.



**17 STAFF RETIREMENT GRATUITY**

As mentioned in Note 2.5 the company operates an unfunded gratuity scheme for all its permanent employees. Actuarial valuation of scheme is carried out and the latest actuarial valuation was carried out as at June 30, 2009.

The fair value of scheme's assets and the present value of obligation under the scheme at balance sheet date were as follows:

**Reconciliation of Payable to / (Receivable from) Defined Benefit Plan**

	June 2009	June 2008
	Rupees in "000"	
Present Value of Defined Benefit Obligation	38,864	30,281
Net Actuarial Gains/(Losses) not recognized	(68)	(1,249)
Unrecognized Past Service Cost	<u>38,796</u>	<u>29,032</u>

**Movement in Net Liability / (Assets) recognized**

Opening Net (Assets) / Liability	29,032	28,338
Expenses/(Income) for the year	17,119	10,658
Benefit paid	(7,355)	(9,964)
Closing Net (Assets) / Liability	<u>38,796</u>	<u>29,032</u>

**Charge for / (Income from) the Defined Benefit Plan**

Current service cost	14,091	9,768
Interest cost	3,028	890
	<u>17,119</u>	<u>10,658</u>

Actuarial Assumptions:

Valuation Discount Rate	13.00%	10.00%
Salary Increase Rate	11.00%	10.00%

**18 DEFERRED TAXATION**

On accelerated depreciation rates	<u>44,032</u>	<u>50,445</u>
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**19 TRADE AND OTHER PAYABLES**

Creditors	76,934	27,968
Accrued expenses	204,006	122,113
Advance from customers Note 19-A	380,893	2,230
Unclaimed dividend	1,778	1,718
Workers profit participation fund Note 19-B	2,538	1,470
Workers Welfare Fund	558	558
	<u>666,707</u>	<u>156,057</u>

**19-A Includes amount due to associated undertaking Rs 379.458 million (2008 : Rs 2.230 million)**



## 19-B Workers Profit Participation Fund

	June 2009	June 2008
	Rupees in "000"	
Opening balance	1,470	66
Contribution for the year	2,538	1,470
Add : Markup provided during the year	70	2
	<u>2,608</u>	<u>1,472</u>
Less : Paid during the year	4,078	1,538
	<u>1,540</u>	<u>68</u>
	<u>2,538</u>	<u>1,470</u>

## 20 SHORT TERM FINANCES

(Secured Note 20-A)		
Running finances	40,242	386,882
Export Finance & Import bills	316,511	937,431
	<u>356,753</u>	<u>1,324,313</u>

20-A The markup on bank finances is payable on quarterly basis at rates ranging from 7.50% to 14.00%. (2008 : 5.50% to 12.50%)

The above finances are secured by first parri passu hypothecation charge over stock and book debts of the company. Lien on Export documents and import documents/ duly accepted bill of discount.

The overall limit of Rs 2.467 billion ( 2008 : 2.468 billion ) applies on running, export pre/post shipment finances.

The carrying amount of inventories and book debts hypothecated as security for the bank borrowings is Rs 0.748 billion ( 2008 : 1.480 billion)

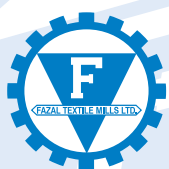
## 21 CONTINGENCIES AND COMMITMENTS

21-A Guarantees and counter guarantees	44,946	39,946
21-B Letter of credits	54,750	105,460
	<u>99,696</u>	<u>145,406</u>

21-C The Company has made a reference in the Honourable High Court of Sindh at Karachi u/s 133(i) of the Income Tax Ordinance, 2001 against rejection of loss of Rs 1,461,000 by the Appellate Tribunal vide M.A (Rect) No 402/KB/2005 dated January 25, 2006 for the assessment year 2002-03. The case is pending before Court for adjudication.

## 22 SALES - Net

Export	1,815,119	1,910,247
Local	1,130,386	672,118
Export rebate	923	666
Research & Development Support	1,104	2,326
Gross sales	<u>2,947,532</u>	<u>2,585,357</u>
Less : Export freight	67,667	78,595
Sales tax	-	-
Export duty and surcharge	5,477	4,105
Commission	55,369	55,519
	<u>128,513</u>	<u>138,219</u>
	<u>2,819,019</u>	<u>2,447,138</u>



## Fazal Textile Mills Limited

### 23 COST OF SALES

#### Raw material consumed

	June 2009	June 2008
	Rupees in "000"	
Opening inventory	499,835	296,779
Purchases	<u>1,715,415</u>	<u>1,947,941</u>
Available for consumption	<u>2,215,250</u>	<u>2,244,720</u>
Closing inventory	<u>(362,207)</u>	<u>(499,835)</u>
Raw material consumed	<u>1,853,043</u>	<u>1,744,885</u>

#### Manufacturing expenses

Stores, spares and packing	114,306	88,894
Salaries, wages & other benefits Note 23-A	203,689	176,672
Power and electricity	303,410	259,217
Knitting, dyeing and printing expenses	79,602	28,740
Insurance	2,624	2,559
Repair and maintenance	9,719	4,612
Labour welfare	2,875	2,043
Depreciation	66,079	66,768
Other manufacturing expenses	845	1,119
	<u>783,149</u>	<u>630,624</u>
	<u>2,636,192</u>	<u>2,375,509</u>
Work in process - opening inventory	8,087	6,336
Work in process - closing inventory	<u>(5,354)</u>	<u>(8,087)</u>
	<u>2,733</u>	<u>(1,751)</u>
Cost of goods sold	<u>2,638,925</u>	<u>2,373,758</u>
Finished goods - opening inventory	<u>93,262</u>	<u>26,838</u>
Available for sales	<u>2,732,187</u>	<u>2,400,596</u>
Finished goods - closing inventory	<u>(133,519)</u>	<u>(93,362)</u>
	<u>2,598,668</u>	<u>2,307,234</u>

**23-A** This includes Rs 15.946 million in respect of staff retirement benefits (2008 : 9.872 million)



	June 2009	June 2008
	Rs in "000"	
<b>24 GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
Salaries, wages & other benefits Note 24-A	13,634	14,230
Postages, telegram and telephone	2,866	2,440
Printing and stationery	2,479	1,950
Fees and subscriptions	635	484
Travelling and conveyance	6,572	3,722
Entertainment	959	949
Rent, rates and taxes	726	676
Motor car expenses	2,397	1,916
Insurance	788	780
Legal and professional charges	641	972
Audit fee - Note 24-B	140	130
Advertisements	249	169
Donations - Note 24-C	296	297
Depreciation	2,897	2,931
Other expenses	335	257
	<b>35,614</b>	<b>31,903</b>
<b>24-A</b> This includes Rs 1.173 million in respect of staff retirement benefits ( 2008 : Rs .785 million)		
<b>24-B</b> Auditors remuneration		
Audit fee	100	100
Review audit fee	40	30
	<b>140</b>	<b>130</b>
<b>24-C</b> Donation		
None of the directors and their spouses had any interest in the donees fund.		
<b>25 SELLING &amp; DISTRIBUTION EXPENSES</b>		
Forwarding and other selling expenses	17,353	13,384
	<b>17,353</b>	<b>13,384</b>
<b>26 OTHER OPERATING EXPENSES</b>		
Workers profit participation fund	2,538	1,470
Workers welfare fund	-	558
	<b>2,538</b>	<b>2,028</b>
<b>27 OTHER OPERATING INCOME</b>		
Gain on sale of fixed assets	502	671
Misc income	781	781
Doubling charges	2,908	2,374
	<b>4,191</b>	<b>3,826</b>



## Fazal Textile Mills Limited

### 28 FINANCIAL COST

	June 2009	June 2008
	Rs in "000"	
Markup on short term finances	109,749	59,425
Markup on workers profit participation fund	70	2
Bank charges and commission	11,000	9,627
	<u>120,819</u>	<u>69,054</u>

### 29 TAXATION

#### 29.1 Current Tax

	<u>29,324</u>	<u>20,803</u>
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The charge for the year/period is as under.

Tax charge on direct exports	24,334	17,182
Normal Tax @ 35% on taxable income on local sales	4,990	3,621
	<u>29,324</u>	<u>20,803</u>

29.2 The Company has filed writ petitions in High Courts challenging the levy of tax U/S 80(d) and 80(cc) of the Income Tax Ordinance 1979.

### 30 EARNING PER SHARE

There is no dilutive effect on the basic earnings per shares of the Company which is based on :-

Profit after taxation (Rs in "000")	<u>25,294</u>	<u>10,040</u>
Weighted average number of ordinary shares	<u>6,187,503</u>	<u>6,187,503</u>
Earning per share (Rs)	<u>4.09</u>	<u>1.62</u>

### 31 CASH GENERATED FROM OPERATION

Profit before taxation	48,219	27,361
Adjustment for non cash charges :		
Depreciation	68,976	69,699
(Profit)/loss on sale of fixed assets	(502)	(671)
Provision for gratuity	17,119	10,658
	85,593	79,686
Finance cost	120,819	69,054
Long term loan and advances	4,716	1,766
Changes in working capital - Note 31-A	1,311,087	(714,080)
	<u>1,570,434</u>	<u>(536,213)</u>





June 2009      June 2008  
Rs in "000"

**31-A Changes in working capital**

(Increase)/Decrease in current assets

Stores, spares and loose tools	(5,198)	551
Stock in trade	100,204	(271,331)
Trade debts	637,739	(195,279)
Loans & advances considered good	59,901	(126,246)
Trade deposits & short term prepayments	7,851	(10,400)
	<u>800,497</u>	<u>(602,705)</u>

Increase/(Decrease) in current liabilities

Trade and other payables	510,590	(111,375)
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Net Increase/(decrease) in working capital	<u>1,311,087</u>	<u>(714,080)</u>
--	------------------	------------------

**32 CASH AND CASH EQUIVALENTS**

Cash & cash equivalent comprise the following items as included in the balance sheet

Cash and bank balances	3,610	14,552
Short term borrowing	(356,753)	(1,324,313)
	<u>(353,143)</u>	<u>(1,309,761)</u>

**33 EXPENSES RELATING TO 6% RESEARCH AND DEVELOPMENT SUPPORT**

During the year the company has incurred an amount of Rs 1.229 million (2008 : Rs 2.492 million) on account of research and development under the following head of accounts.

Skill Development and Training of staff & workers	201	757
Upgradation of information technology	262	263
Product development	776	1,472
	<u>1,239</u>	<u>2,492</u>

**34 TRANSACTION WITH ASSOCIATED UNDERTAKINGS**

Sales	339,985	225,676
Misc Income	781	781
Purchases	<u>467,506</u>	<u>396,524</u>

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

The maximum amount due to associated undertaking at the end of any month during the year was Rs 117.343 million (2008 : Rs 103.340 million)



**35 CAPACITY AND ACTUAL PRODUCTION**

**SPINNING**

	June 2009	June 2008
Total numbers of spindles at the end of the year	<b>59,160</b>	59,160
Average number of spindles worked	<b>59,150</b>	59,150
Capacity after conversion into 20's (lbs)	<b>48,990,026</b>	48,990,026
Production after conversion into 20's (lbs)	<b>48,739,567</b>	48,607,000

**KNITTING**

Total number of knitting machines installed	<b>12</b>	12
Average number of days worked	<b>154</b>	154
Installed capacity (kgs)	<b>1,485,000</b>	1,485,000
Actual production (kgs)	<b>740,923</b>	599,103

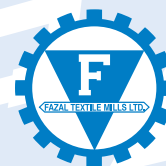
The under utilization of capacity is due to normal maintenance and shut down. It is difficult to describe precisely the production capacity in textile spinning industry, since it fluctuates widely depending on various factors such as count spun, spindles speed, twist and type of raw material.

**36 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES**

	June 2009		June 2008	
	CHIEF EXECUTIVE	EXECUTIVES	CHIEF EXECUTIVE	EXECUTIVES
	----- Rs in "000" -----			
Remuneration	<b>1,000</b>	<b>3,557</b>	1,000	3,547
House rent	<b>400</b>	<b>1,423</b>	400	1,419
Bonus/leaves encashment	-	<b>1,261</b>	-	1,260
Utilities	<b>100</b>	<b>355</b>	100	355
	<b>1,500</b>	<b>6,596</b>	1,500	6,581
Number of persons	<b>1</b>	<b>9</b>	1	9

Chief Executive and other executives are provided company maintained car.

No meeting fee and remuneration is paid to any director.



**37 FINANCIAL INSTRUMENT AND RELATED DISCLOSURE**

**FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 2007**

Rs in "000"

Financial Assets	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total June 2009	Total June 2008
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
Loan and advances considered good	-	-	-	8,498	9,213	17,711	17,711	22,321
Advances to suppliers	-	-	-	100,124	-	100,124	100,124	160,131
Trade deposits and short term prepayments	-	-	-	8,050	-	8,050	8,050	15,901
Trade debts	-	-	-	204,001	-	204,001	204,001	841,740
Cash and bank balances *	6	-	6	3,604	-	3,604	3,610	14,552
	6	-	6	324,277	9,213	333,490	333,496	1,054,645

Financial liabilities	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total June 2009	Total June 2008
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
Trade and other payable	-	-	-	666,707	-	666,707	666,707	156,057
Accrued markup	-	-	-	42,434	42,434	42,434	48,936	
Short term borrowings**	356,753	-	356,753	-	-	-	356,753	1,324,313
	356,753	-	356,753	709,141	-	709,141	1,065,894	1,529,306

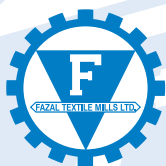
Off Balance Sheet Item	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total June 2009	Total June 2008
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
Guarantees and counter guarantees ***	-	44,946	44,946	-	-	-	44,946	39,946
Letter of Credits ***	54,750	-	54,750	-	-	54,750	105,450	
	54,750	44,946	99,696	-	-	-	99,696	145,396

The effective interest/markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**37.1 FINANCIAL RISK MANAGEMENT OBJECTIVES**

The Company's objective is to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programmes focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) of the Executive Committee (EXCO) of the Board of Directors (the Board) under policies approved by the board. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.



### **A Market Risk**

#### **i Foreign exchange risk management**

Foreign exchange risk is the risk that the fair value of future cash flows of a financial statements will fluctuate because of changes in foreign exchange rates.

Foreign exchange arises mainly from future economical transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the United States Dollar (USD) and Euro.

Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities and outstanding letters of credit. Most of the Company's foreign exchange risk arises out of import letters of credit, FE-25 loans & BILLS PAYABLE.

#### **ii Price risk**

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer.

The Company is not exposed to equity price risk since there are no investment in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity supplier.

#### **iii Interest / Markup rate risk management**

Interest / Markup rate risk arises from the possibility of changes in Interest / Markup rates which may effect the value of financial instruments. The Company has long term finance and short term borrowings at fixed and variable rates. Variable rate on long term finance have been hedges under Interest Rate swap and Cross Currence Swap agreements to mitigate against the adverse movement of interest rates. Variable rate long term financing is hedged against interest rate risk by holding " prepayment option ", which can be exercised upon any adverse movement in the underlying interest rates.

### **B Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company manages credit risk interalia by limiting significant exposure to any customers and by obtaining advance against sales and also obtains collaterals, where considered necessary. Also the company does not have significant exposure in relation to individual customer. Consequently, the Company believes that it is not exposed to any major concentration of credit risk.

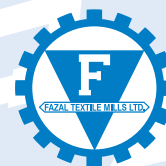
### **C Liquidity risk**

Liquidty risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

### **D Fair value of Financial Assets and liabilities**

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except Long term Investment which are carried at cost.



## 37.2 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2009 the Company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2009 and 2008 were as follows:

	June 2009	June 2008
	Rs in "000"	
Total borrowings	356,753	2,324,313
Cash and bank	(3,610)	(14,552)
Net debt / (cash)	<u>353,143</u>	<u>2,309,761</u>
Total equity	735,960	719,948
Total capital	<u>1,089,103</u>	<u>3,029,709</u>
Gearing ratio	32%	76%

The Company finance its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

## 38 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 25, 2009 has recommended dividend @ Rs. 1.50 per share (i.e 15%) for year ended June 30, 2009.

## 39 DATE OF AUTHORIZATION FOR ISSUE

The financial statement were authorized for issue by the Board of Directors on September 25, 2009

## 40 GENERAL

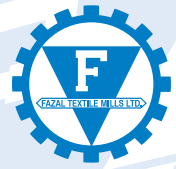
Figures have been rounded off to the nearest thousand rupees.

**M. Yunus A. Aziz**  
Chairman

**Sohail M. Yunus**  
Chief Executive

Karachi : September 25, 2009





# FORM OF PROXY

The Company Secretary  
**FAZAL TEXTILE MILLS LTD.**  
LA-2/B Block # 21, Rashid Minhas Road,  
Federal 'B' Area, Karachi - 75950.

I / We \_\_\_\_\_  
of \_\_\_\_\_ (full address)

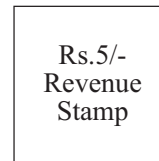
being a member of **FAZAL TEXTILE MILLS LTD.** hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ (full address)  
or failing him \_\_\_\_\_  
of \_\_\_\_\_ (full address)

another member of the Company to attend and vote for me / us and on my / our behalf at the 47th Annual General Meeting of the Company to be held on October 28, 2009 at 11:00 Hrs and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

**Witness No. 1**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
NIC No. \_\_\_\_\_



\_\_\_\_\_  
**Signature of Member(s)**

**Witness No. 2**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
NIC No. \_\_\_\_\_

\_\_\_\_\_  
**(Name in Block letters)**

Folio No \_\_\_\_\_  
Participant ID No \_\_\_\_\_  
Account No. in CDS \_\_\_\_\_

**Important:**

1. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a Proxy (except for a corporation) unless he / she is entitled to be present and vote in his / her own right.
2. Members are requested:
  - (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
  - (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
  - (c) to write down their Folio Numbers/Participant ID Numbers/Account Numbers in CDS(as applicable) at the place indicated above.
3. The instrument appointing a proxy, together with the Board of Directors' resolution / Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.
4. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No. I dated January 26, 2000 of SECP.
5. CDC Account Holders or their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport to this proxy form when submitting the same to the Company.