



Fazal Cloth Mills Limited



Interim Financial Information

**FOR THE
HALF YEAR ENDED
DECEMBER 31, 2019**



Contents

Corporate

- 03 Company Information
- 04 Directors' Review
- 06 ڈائریکٹر جانزہ رپورٹ
- 08 Independent Auditor's Review Report

Condensed Interim Unconsolidated Financial Information

- 10 Condensed Interim Unconsolidated Statement of Financial Position (Un-Audited)
- 12 Condensed Interim Unconsolidated Statement of Profit or Loss (Un-Audited)
- 13 Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-Audited)
- 14 Condensed Interim Unconsolidated Statement of Changes in Equity (Un-Audited)
- 15 Condensed Interim Unconsolidated Statement of Cash Flows (Un-Audited)
- 16 Notes to the Condensed Interim Unconsolidated Financial information

Condensed Interim Consolidated Financial Information

- 34 Condensed Interim Consolidated Statement of Financial Position (Un-Audited)
- 36 Condensed Interim Consolidated Statement of Profit or Loss (Un-Audited)
- 37 Condensed Interim Consolidated Statement of Comprehensive Income (Un-Audited)
- 38 Condensed Interim Consolidated Statement of Changes in Equity (Un-Audited)
- 39 Condensed Interim Consolidated Statement of Cash Flows (Un-Audited)
- 40 Notes to the Condensed Interim Consolidated Financial information





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 six months ended December 31, 2019.

Sales were recorded at Rs. 17,688.97 million during the six months of the current financial year as compared to Rs. 15,757.40 million during the corresponding period last year, registering an increase of 12.26%. Your Company earned after tax profit of Rs. 543.85 million (pre-tax profit of Rs. 775.61 million) as compared to Rs. 840.60 million (pre-tax profit of Rs. 1009.51 million) for the corresponding period last year after charging depreciation of Rs. 524.67 million (December 31, 2018: Rs. 473.42 million). EBITDA of Rs. 2,571.67 million (December 31, 2018: Rs. 2,261.83 million) was generated.

Earnings per Share of the Company for the six months ended December 31, 2019 are Rs. 18.13 as compared to Rs. 28.02 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 six months reported the Group earned after tax of Rs. 481.14 million (pre-tax profit of Rs. 736.11 million) as compared to Rs. 938.92 million (pre-tax profit of Rs. 1,177.41 million) earned in the same period last year after charging depreciation of Rs. 604.80 million as compare to Rs. 556.70 million in the same period last year. EBITDA of Rs. 2,801.82 million (December 31, 2018: Rs. 2,690.43 million) was generated. EBITDA per ordinary share is Rs. 93.39 (December 31, 2018: Rs. 89.68).

Financial Highlights	Six months ended		Increase / (decrease)
	31 December 2019	31 December 2018	
	Rupees in (‘000’)	Rupees in (‘000’)	% age
Sales – net	20,234,458	18,060,289	12.04%
Cost of sales	17,471,529	15,805,324	10.54%
Gross profit	2,762,929	2,254,966	22.53%
EBITDA	2,801,818	2,690,435	4.14%
Depreciation	604,799	556,700	8.64%
Finance cost	1,460,910	956,322	52.76%
Other income	162,099	278,519	-41.80%
Profit before tax	736,109	1,177,412	-37.48%
Profit after tax	481,144	938,917	-48.76%
EPS-Rupees	16.04	31.30	-48.76%

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

Director's Remuneration

The Board of Directors has approved Director's 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 traveling and accommodation of directors in relation to attending of Board and its Committees meetings.
- The Director's Remuneration policy will be reviewed and approved by the Board of Directors from time to time.

Future Outlook

Yarn and Fabric demand remains stable so far. Margins are similar or better than the first half of the financial year. However, due to spread of corona virus worldwide, demand is expected to slow down which can hurt prices and margins.

During the period under review, GOP has backed out of its commitment to supply electricity at 7.5c/Kwh to Export Oriented Industries and increased electricity price with retrospective effect. Although bulk of the energy consumed by our factories is generated through gas fired generators, some energy is consumed from Grid supply as well. Your management has filed law suit against this increase in power costs. An adverse outcome in this matter can also effect margins negatively.

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



(SHEIKH NASEEM AHMAD)
DIRECTOR

Dated: February 25, 2020



ڈائریکٹرز جائزہ رپورٹ

معزز شیئر ہولڈرز

فضل کا تجھ ملز لمیٹڈ (کمپنی) کے ڈائریکٹر ششماہی دسمبر 2019, 31 کی مالیاتی کارکردگی پر جائزہ رپورٹ پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔ رواں سال ششماہی دسمبر 2019 میں فروخت کی 17,688.97 ملین روپے رہی جو پچھلے سال اسی ششماہی میں 15,757.40 ملین روپے تھی۔ لہذا اضافہ % 12.26 فیصد رہا۔ جائزہ کے عرصے کے دوران کمپنی نے منافع بعد از ٹیکس 543.85 ملین روپے کمایا جبکہ عرصہ ششماہی دسمبر 2018, 31 بعد از ٹیکس منافع فرسودگی کا خرچہ 473.42 ملین روپے منہا کرنے کے بعد 840.60 ملین روپے تھا۔ آمدنی قبل از فرسودگی، منافع اور ٹیکس 2,571.67 ملین روپے رہی جو کہ پچھلے ششماہی دسمبر 2018 میں 2,261.83 ملین روپے تھی۔ فی حصص آمدنی موجودہ ششماہی میں 18.13 روپے ہے جو کہ پچھلے سال اسی ششماہی میں 28.02 روپے تھی۔

ذیلی کمپنی اور یکجا مالیاتی سٹیٹمنٹس

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

رواں سال ششماہی دسمبر 2019 میں گروپ نے فرسودگی کا خرچہ 604.80 ملین روپے منہا کرنے کے بعد بعد از ٹیکس منافع 481.14 ملین روپے کمایا جبکہ پچھلے سال اسی ششماہی میں فرسودگی کا خرچہ 556.70 ملین روپے منہا کرنے کے بعد بعد از ٹیکس منافع 938.92 ملین تھا۔ رواں سال ششماہی دسمبر 2019 میں گروپ کی فی حصص آمدنی قبل از ٹیکس اور فرسودگی 93.39 روپے ہے جو کہ پچھلے ششماہی دسمبر 2018, 31 میں 89.68 روپے تھی۔

مالی جھلکیاں	ششماہی اختتام برائے مالی سال		(کمی) / اضافہ
	2018	2019	
خالص فروختنگی	18,060,289	20,234,458	12.04%
لاگت فروختنگی	15,805,324	17,471,529	10.54%
گراس منافع	2,254,966	2,762,929	22.53%
فرسودگی	556,700	604,799	8.64%
مالیاتی لاگت	956,322	1,460,910	52.76%
دوسری آمدن	278,519	162,099	-41.80%
منافع قبل از ٹیکس	1,177,412	736,109	-37.48%
منافع بعد از ٹیکس	938,917	481,144	-48.76%
آمدنی فی حصص روپے	31.30	16.04	-48.76%

کارپوریٹ گورننس

بورڈ کی تشکیل

الف۔ کل تعداد

- 1- مرد 7
2- خواتین 0

تشکیل

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

بورڈ کی آڈٹ کمیٹی

سیریل نمبر	ڈائریکٹر کا نام	عہدہ
1	جناب باہری	چیرمین
2	جناب شیخ ایم احمد	ممبر
3	جناب فہد مختار	ممبر



بورڈ کی پیومن دیسورس کمیٹی

سیریل نمبر	ڈائریکٹر کا نام	عہدہ
1	جناب بابری	چیرمین
2	جناب عامر شیخ	ممبر
3	جناب فیصل احمد مختار	ممبر

ڈائریکٹرز کا معاوضہ

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

مستقبل کا نقطہ نظر

دھماگہ اور کپڑے کی مانگ مستحکم رہی مالی سال کے پہلے چھ ماہ میں منافع بہتر رہا۔ دنیا میں کرونا وائرس کا پھیلاؤ مانگ میں کمی لاسکتا ہے جس سے قیمت اور منافع اثر انداز ہو سکتے ہیں۔ مالی سال کے پہلے چھ ماہ میں حکومت اپنے وعدہ سے پیچھے ہٹ گئی اور برآمدات کے صنعت کو بجلی کی فراہمی 7.5 سینٹ فی کلو سے اوپر کی قیمت پر کی جا رہی ہے اگرچہ زیادہ تر بجلی ہمارے کارخانے میں گیس سے پیدا ہو رہی ہے مگر کچھ استعمال واپڈہ سے بھی کی جا رہی ہے انتظامیہ نے بجلی کی قیمت میں اضافہ کو عدالت میں چیلنج کر رکھا ہے عدالت سے خلاف فیصلہ منافع پر مبنی اثر ڈال سکتا ہے۔

انتظامیہ اور لیبر طبقہ میں تعلقات

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

بورڈ کی طرف سے

By Mansoor

شیخ نسیم احمد

ڈائریکٹر

رحمان نسیم

(چیف ایگزیکٹو آفیسر / ڈائریکٹر)

تاریخ: فروری 25, 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT****To the members of Fazal Cloth Mills Limited****Report on review of Interim Unconsolidated Financial Statements****Introduction**

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Fazal Cloth Mills Limited as at 31 December 2019 and the related condensed interim unconsolidated statement of profit or loss and condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated statement of cash flows, and notes to the financial statements for the six-month period then ended (hereinafter referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the condensed interim unconsolidated statement of profit or loss and condensed interim unconsolidated statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018, have not been reviewed by us and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditor's report is Bilal Ali.

Lahore

Date: 26 February 2020

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants



Fazal Cloth Mills Limited
Condensed Interim Unconsolidated Financial Information (Un-audited)
For the Half Year ended 31 December 2019



Condensed Interim Un-Consolidated Statement of Financial Position

		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
	Note		
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital		700,000,000	700,000,000
Issued, subscribed and paid-up capital		300,000,000	300,000,000
Capital reserves			
- Others capital reserves		1,168,183,274	1,373,543,815
- Revaluation surplus on property, plant and equipment - net of tax		8,933,283,226	9,038,995,462
Unappropriated profits - revenue reserve		10,582,790,204	10,212,704,818
		20,984,256,704	20,925,244,095
<u>Non-current liabilities</u>			
Long term financing - secured	5	8,765,530,041	7,984,533,368
Long term musharika - secured	6	2,383,333,334	1,685,416,667
Lease liability	7	73,999,345	-
Deferred liabilities:			
- Staff retirement benefit		275,483,801	255,329,914
- Deferred taxation		2,989,636,130	3,022,411,367
		14,487,982,651	12,947,691,316
<u>Current liabilities</u>			
Current portion of non-current liabilities		2,463,059,104	2,142,163,428
Trade and other payables	8	4,310,503,888	3,326,593,203
Unclaimed dividend		14,203,064	12,340,081
Short term borrowings - secured		11,934,653,003	9,910,552,807
Accrued mark-up		485,046,153	406,891,427
		19,207,465,212	15,798,540,946
Contingencies and commitments	9	54,679,704,567	49,671,476,357

The annexed notes from 1 to 22 form integral part of these condensed interim unconsolidated financial statements.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR



As at 31 December 2019

	Note	(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	10	25,030,973,197	24,000,031,655
Long term investments	11	3,384,876,421	3,590,236,962
Long term loan and advances	12	2,975,889,715	2,435,124,267
Long term deposits		24,128,493	24,071,493
		31,415,867,826	30,049,464,377
<u>Current assets</u>			
Stores, spares and loose tools		676,099,602	665,347,135
Stock-in-trade		15,750,345,658	10,942,040,120
Trade debts	13	4,079,073,390	5,432,387,658
Loans and advances		957,366,883	567,894,315
Deposits, prepayments and other receivables		358,517,280	352,249,486
Mark-up accrued		487,120,640	293,102,880
Short term investment	14	162,730,800	182,682,000
Tax refunds due from the Government - net		586,880,996	1,025,741,886
Cash and bank balances	15	205,701,492	160,566,500
		23,263,836,741	19,622,011,980
		54,679,704,567	49,671,476,357


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



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

For the half year and quarter ended 31 December 2019

	Note	Half year ended		Quarter ended	
		31 December	31 December	31 December	31 December
		2019	2018	2019	2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	16	17,688,965,081	15,757,400,552	9,285,539,343	8,312,930,202
Cost of sales	17	(15,326,409,649)	(13,874,012,043)	(8,225,326,563)	(7,240,676,807)
Gross profit		2,362,555,432	1,883,388,509	1,060,212,780	1,072,253,395
Selling and distribution expenses		(190,583,446)	(113,487,409)	(100,972,311)	(64,494,071)
Administrative expenses		(176,527,314)	(155,243,388)	(95,407,290)	(82,667,113)
Other expenses		(148,766,254)	(71,894,749)	(20,922,566)	(30,550,357)
		(515,877,014)	(340,625,546)	(217,302,167)	(177,711,541)
Other income		200,329,902	245,669,087	126,322,763	73,007,598
Profit from operations		2,047,008,320	1,788,432,050	969,233,376	967,549,452
Finance cost		(1,271,401,574)	(778,921,356)	(634,086,392)	(471,007,586)
Profit before taxation		775,606,746	1,009,510,694	335,146,984	496,541,866
Taxation		(231,752,403)	(168,907,721)	(130,104,284)	(33,134,226)
Profit after taxation		543,854,343	840,602,973	205,042,700	463,407,640
Earnings per share - basic and diluted		18.13	28.02	6.83	15.45

The annexed notes from 1 to 22 form integral part of these condensed interim unconsolidated financial statements.


 (REHMAN NASEEM)
 CHIEF EXECUTIVE OFFICER


 (SHEIKH NASEEM AHMAD)
 DIRECTOR


 (MUHAMMAD AZAM)
 CHIEF FINANCIAL OFFICER



Condensed Interim Un-Consolidated Statement of Comprehensive Income (Un-Audited)
For the half year and quarter ended 31 December 2019

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Rupees	Rupees	Rupees	Rupees
Profit after taxation	543,854,343	840,602,973	205,042,700	463,407,640
<u>Other comprehensive income / (loss) - 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 classified as FVOCI	(205,360,541)	256,385,707	(47,245,524)	(59,214,389)
Total comprehensive income for the period	338,493,802	1,096,988,680	157,797,176	404,193,251

The annexed notes from 1 to 22 form integral part of these condensed interim unconsolidated financial statements.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



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

For the half year ended 31 December 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 - audited	300,000,000	77,616,000	175,000,000	1,272,824,947	9,574,659,705	8,615,376,351	20,015,477,003
<u>Total comprehensive income for the period:</u>							
Profit for six months ended 31 December 2018	-	-	-	-	-	840,602,973	840,602,973
Other comprehensive loss for six months ended 31 December 2018	-	-	-	256,385,707	-	-	256,385,707
	-	-	-	256,385,707	-	840,602,973	1,096,988,680
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax	-	-	-	-	(149,581,598)	149,581,598	-
<u>Transactions with the owners of the Company:</u>							
Final cash dividend @ Rs. 8.50 per ordinary share for the year ended 30 June 2018	-	-	-	-	-	(255,000,000)	(255,000,000)
Balance as at 31 December 2018	300,000,000	77,616,000	175,000,000	1,529,210,654	9,425,078,107	9,350,560,922	20,857,465,683
<u>Total comprehensive income / (loss) for the period:</u>							
Profit for six months ended 30 June 2019	-	-	-	-	-	674,899,788	674,899,788
Other comprehensive income / (loss) for six months ended 30 June 2019	-	-	-	(408,282,839)	-	21,311,751	(386,971,088)
	-	-	-	(408,282,839)	-	696,211,539	287,928,700
Effect on deferred tax due to change in tax rate and proportion rate	-	-	-	-	(220,150,288)	-	(220,150,288)
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax	-	-	-	-	(147,731,377)	147,731,377	-
Transfer from revaluation surplus on property, plant and equipment on disposal - net of tax	-	-	-	-	(18,200,980)	18,200,980	-
Balance as at 30 June 2019 - audited	300,000,000	77,616,000	175,000,000	1,120,927,815	9,038,995,462	10,212,704,818	20,925,244,095
<u>Total comprehensive income for the period:</u>							
Profit for six months ended 31 December 2019	-	-	-	-	-	543,854,343	543,854,343
Other comprehensive loss for six months ended 31 December 2019	-	-	-	(205,360,541)	-	-	(205,360,541)
	-	-	-	(205,360,541)	-	543,854,343	338,493,802
Effect on deferred tax due to change in proportion rate	-	-	-	-	35,518,807	-	35,518,807
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax	-	-	-	-	(135,950,154)	135,950,154	-
Transfer from revaluation surplus on property, plant and equipment on disposal - net of tax	-	-	-	-	(5,280,889)	5,280,889	-
<u>Transactions with the owners of the Company:</u>							
Final cash dividend @ Rs. 10.50 per ordinary share for the year ended 30 June 2019	-	-	-	-	-	(315,000,000)	(315,000,000)
Balance as at 31 December 2019	300,000,000	77,616,000	175,000,000	915,567,274	8,933,283,226	10,582,790,204	20,984,256,704

The annexed notes from 1 to 22 form integral part of these condensed interim unconsolidated financial statements.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



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

For the half year ended 31 December 2019

	31 December 2019 Rupees	31 December 2018 Rupees
<u>Cash flows from operating activities</u>		
Profit before taxation	775,606,746	1,009,510,694
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	524,665,622	472,311,758
Amortization on intangible assets	-	1,112,620
Provision for doubtful balances	12,309,534	-
Unrealized loss / (gain) on re-measurement of short term investment	19,951,200	(24,908,400)
Provision for gratuity	71,292,210	55,312,224
Provision for infrastructure cess	36,537,805	39,595,218
Provision for workers' profit participation fund	41,672,651	54,566,985
Provision for workers' welfare fund	5,830,727	9,104,713
Loss / (gain) on disposal of property, plant and equipment	11,115,997	(197,034)
Markup accrued	(194,017,760)	(95,827,571)
Finance cost	1,271,401,574	778,921,356
Cash generated from operations before working capital changes	2,576,366,306	2,299,502,563
<u>Effect on cash flows due to working capital changes</u>		
<i>(Increase)/ decrease in current assets:</i>		
Stores, spares and loose tools	(10,752,467)	(105,578,950)
Stock-in-trade	(4,808,305,538)	(5,611,406,586)
Trade debts	1,341,004,734	907,637,917
Loans and advances	(389,472,568)	21,023,607
Deposits, prepayments and other receivables	(6,267,794)	(1,538,134)
	(3,873,793,633)	(4,789,862,146)
<i>Increase in current liabilities:</i>		
Trade and other payables	899,869,502	374,469,252
Cash used in operations	(397,557,825)	(2,115,890,331)
Gratuity paid to employees	(51,138,323)	(51,521,817)
Taxes recovered / (paid) - net	209,852,058	(165,123,594)
	158,713,735	(216,645,411)
Net cash used in operating activities	(238,844,090)	(2,332,535,742)
<u>Cash flows from investing activities</u>		
Fixed capital expenditure	(1,500,900,895)	(1,805,322,863)
Proceeds from sale of property, plant and equipment	3,100,700	685,500
Long term loan and advances	(540,765,448)	(600,000,000)
Long term deposits	(57,000)	(11,000)
Net cash used in investing activities	(2,038,622,643)	(2,404,648,363)
<u>Cash flows from financing activities</u>		
Long term financing obtained	1,780,821,372	1,728,298,347
Long term financing repaid	(822,262,356)	(807,889,782)
Long term musharika obtained	1,000,000,000	1,100,000,000
Long term musharika repaid	(158,750,000)	(158,750,000)
Short term borrowings - net	2,024,100,196	3,899,654,940
Finance cost paid	(1,188,170,470)	(683,812,590)
Dividend paid	(313,137,017)	(251,378,383)
Net cash generated from financing activities	2,322,601,725	4,826,122,532
Net increase in cash and cash equivalents	45,134,992	88,938,427
Cash and cash equivalents at beginning of the period	160,566,500	67,957,579
Cash and cash equivalents at end of the period	205,701,492	156,896,006

The annexed notes from 1 to 22 form integral part of these condensed interim unconsolidated financial statements.


 (REHMAN NASEEM)
 CHIEF EXECUTIVE OFFICER


 (SHEIKH NASEEM AHMAD)
 DIRECTOR


 (MUHAMMAD AZAM)
 CHIEF FINANCIAL OFFICER

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

For the period ended 31 December 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, Muzaaffargarh 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** These condensed interim unconsolidated financial statements comprise the condensed interim unconsolidated statement of financial position of the Company as at 31 December 2019 and the related condensed interim unconsolidated 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** These condensed interim financial statements do 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, statement of cash flows and statement of changes in equity are stated from unaudited condensed interim financial statements of the Company for the six months period ended 31 December 2018.
- 2.2.4** These condensed interim unconsolidated financial statements are unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act") and is un-audited but subject to limited scope review by external auditors as required by the Act and Code of Corporate Governance.
- 2.2.5** These condensed interim unconsolidated financial statements 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 statements of the Group are prepared and presented separately.

The Company has following major investment:

Name of the company	Shareholding	Nature	Place of business
<u>Subsidiary</u>			
- Fazal Weaving Mills Limited ("the Subsidiary")	100.00%	Spinning unit	Qadirpur Rawan, Khanewal Road Multan
<u>Associates</u>			
- Fatima Energy Limited ("FEL")	24.11%	Energy Generation	Sanawan, Kot Addu, Punjab
- Fatima Transmission Company Limited ("FTCL")	24.00%	Transmission of Energy	Sanawan, Kot Addu, Punjab
- Fatima Electric Company Limited ("FECL")	20.00%	Energy Generation	Khayaban-e-Jinnah Lahore Cantt

3 Estimates and judgments

- 3.1 The preparation of condensed interim unconsolidated financial statements 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 expense. 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 statements 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 statements are same as those applied in the preparation of the unconsolidated annual financial statements for the year ended 30 June 2019 except for the adoption of new standards effective from 01 July 2019 as stated below:

4.1.1 Changes in significant accounting policies

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from the annual period beginning on or after 01 January 2019.

The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

IFRS 16 - Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As a result, the Company, as a lessee, has recognized right of use of assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for material leases i.e. these leases are on balance sheet.

The Company presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Company has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

Significant accounting policies

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. Right of use asset is disclosed in the property, plant and equipment as referred to in 10.2 of these condensed interim unconsolidated financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement. Refer note 7 to these condensed interim unconsolidated financial statements for disclosure of lease liability.

The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (Hussain Gineries). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or term in ate the lease.

Impact of financial statements

The Company has applied IFRS 16 using the modified retrospective approach. On transition to IFRS 16, the Company recognized additional Rs. 68.92 million right of use asset and Rs. 68.92 million of lease liability. When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate applicable at the time of initial application of the standard. However, there is a particular lease prior to 01 July 2019 that has not been considered as significant for the purpose of application of IFRS 16 and accordingly applied low value exception as available in IFRS 16.

The result of initial application of IFRS 16 has been disclosed in note 10.2 and note 7 to these condensed interim unconsolidated financial statements.

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Company recognised Rs. 2.87 million of depreciation charge and Rs. 5.08 million of interest cost from this lease.

- 4.1.2** Other than those disclosed above in note 4.1.1, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

Amendments and interpretations of approved accounting standards

- | | |
|---|-----------------|
| - Amendment to IFRS 3 - Business Combinations – Definition of a Business | 01 January 2020 |
| - Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | 01 January 2020 |
| - Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 | 01 January 2020 |
| - IFRS 14 Regulatory Deferral Accounts | 01 January 2020 |
| - Revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. | 01 January 2020 |

5 Long term financing - secured

Opening balance
Loan obtained during the period / year
Repayments made during the period / year
Closing balance
Less: current portion grouped under current liabilities

	(Un-audited) 31 December 2019	(Audited) 30 June 2019
	Rupees	Rupees
	9,650,863,463	8,552,607,107
5.1	1,780,821,372	2,608,778,944
	(822,262,356)	(1,510,522,588)
	10,609,422,479	9,650,863,463
	(1,843,892,438)	(1,666,330,095)
	8,765,530,041	7,984,533,368

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

Lender	Amount -- Rupees --	Rate of markup per annum	Purpose	Number of installments	Security
National Bank of Pakistan Demand finance under SBP's LTFF scheme	783,186,920	SBP rate + 0.60%	To import textile machinery	Principal amount is payable in thirty Six equal quarterly installments beginning on 08 July 2020.	1st joint pari passu charge / mortgage of Rs.1,626.00 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 under SBP's LTFF scheme	205,630,735	6 Months KIBOR + 0.75%	To import plant & machinery for establishment / expansion / BMR project and procurement of boiler other allied machinery related to renewable power plant in the spinning unit of the Company	Principal amount is payable in sixteen equal half yearly installments beginning on 27 September 2021. Principal amount is payable in sixteen equal half yearly installments beginning on 27 September 2021.	1st joint pari passu charge / mortgage of Rs.3,227.00 million on all present and future fixed assets of the Company and personal guarantees of one director of the Company.
The Bank of Punjab Term loan under SBP's LTFF scheme	45,685,581	6 Months KIBOR + 1.50%	To import textile machinery / generator / components	Principal amount is payable in sixteen equal half yearly installments beginning on 27 June 2022.	1st joint pari passu charge / mortgage of Rs.2,940.00 million on all present and future fixed assets of the Company and personal guarantees of two directors of the Company.
Bank Al Habib Limited Term loan	500,000,000	6 Months KIBOR + 1.00%	For re-profiling / refinancing of CAPEX already incurred by the company through own sources during recent year	Principal amount is payable in ten equal half yearly installments of principal beginning on 17 July 2020.	1st joint pari passu charge / mortgage of Rs.667.00 million on all present and future fixed assets of the Company.
	1,780,821,372				

5.2 As per the financing documents, the Company is required to comply with certain financial covenants which mainly include current ratio, interest coverage ratio, minimum debt service coverage ratio, gearing ratio and maximum leverage ratio which would be assessed by the banks annually on the basis of annual audited financial statements.

Long term musharika - secured

Opening balance	(Un-audited) 31 December 2019	(Audited) 30 June 2019
Loan obtained during the period / year	Rupees	Rupees
Repayments made during the period / year	2,161,250,000	1,378,750,000
Closing balance	1,000,000,000	1,100,000,000
	(158,750,000)	(317,500,000)
	<u>3,002,500,000</u>	<u>2,161,250,000</u>
Less: current portion grouped under current liabilities	(619,166,666)	(475,833,333)
	<u>2,383,333,334</u>	<u>1,685,416,667</u>

6

6.1 Profit bearing finances availed during the period from Islamic bank:

Lender	Amount	Rate of profit per annum	Purpose	Number of installments	Security
-- Rupees --					
National Bank of Pakistan					
Diminishing Musharika	500,000,000	6 Months KIBOR + 0.85%	To finance the CAPEX already incurred through own sources.	Principal amount is payable in ten equal half yearly installments beginning on 02 January 2021.	Ranking charge over plant & machinery of Rs.667.00 million. This charge will be upgraded to 1st JPP charge with deferral period.
Dubai Islamic Bank Pakistan Ltd.					
Diminishing Musharika	500,000,000	3 Months KIBOR + 1.50%	Re-profiling of existing short term financing of the Company	Principal amount is payable in twenty equal quarterly installments beginning on 06 March 2021.	1st joint pari passu charge / mortgage of Rs.1,736.00 million and personal guarantees of few of sponsoring directors of the Company.
	<u>1,000,000,000</u>				

6.2 As per the financing documents, the Company is required to comply with certain financial covenants which mainly include current ratio, interest coverage ratio, minimum debt service coverage ratio, gearing ratio and maximum leverage ratio which would be assessed by the banks annually on the basis of annual audited financial statements.

		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
7 Lease liability	<i>Note</i>		
Opening balance		-	-
Effect of initial application of IFRS-16		68,922,967	-
Increase during the period		5,076,378	-
		73,999,345	-
Less: current portion of lease liability		-	-
Closing balance		73,999,345	-
8 Trade and other payables			
Trade creditors		569,362,046	646,495,712
Accrued liabilities		1,157,199,783	1,134,612,379
Contract liabilities		50,939,458	68,220,014
Due to associated undertakings	8.1	119,253,165	21,011,764
Bills payable		1,614,397,299	743,765,178
Tax deducted at source		4,508,983	1,686,185
Infrastructure cess		430,827,466	394,289,661
Workers' profit participation fund		160,491,053	118,818,402
Workers' welfare fund		38,759,287	32,928,560
Sales tax payable		164,765,348	164,765,348
		4,310,503,888	3,326,593,203
8.1 Due to associated undertakings			
Ahmed Fine Textile Mills Limited		94,650,034	-
Hussain Gineries Limited		13,250,970	12,000,970
Fatima Energy Limited		-	757,694
Fatima Fertilizer Company Limited		6,180,175	6,180,175
Fazal Rehman Fabrics Limited		5,131,485	-
Fazal Farm (Private) Limited		-	1,818,639
Fazal-ur-Rehman Foundation		-	213,785
Pakarab Fertilizer Limited		40,501	40,501
		119,253,165	21,011,764
9 Contingencies and commitments			
9.1 Contingencies			
9.1.1	There has been no change in the status of contingencies since the annual audited financial statements as at June 30, 2019 except for the contingency disclosed in 15.1.8 in the annual financial statements, which has been disposed off by appellate order passed by CIR(A) in favour of the Company dated 23 October 2019.		
9.1.2	Export documents negotiated with banks under Foreign Bill Purchase ("FBP") facility aggregating to USD 4.72 million and CNY 4.32 million (30 June 2019: USD 1.48 million).		
		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
9.2 Commitments			
9.2.1	Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies.		
		941,674,700	829,918,200
9.2.2 Commitments against irrevocable letters of credit:			
- capital expenditure		390,066,821	1,156,882,636
- raw material and stores and spares		1,902,737,195	672,052,805
		2,292,804,016	1,828,935,441
9.2.3 Commitments in respect of foreign exchange forward contracts:		772,612,649	-



		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
10 Property, plant and equipment	<i>Note</i>		
Operating fixed assets	10.1	24,352,928,879	23,518,103,577
Right of use asset	10.2	66,051,177	-
Capital work in progress - at cost	10.3	611,993,141	481,928,078
		<u>25,030,973,197</u>	<u>24,000,031,655</u>
10.1 Operating fixed assets			
Opening net book value		23,518,103,577	22,022,207,606
<i>Additions during the period / year:</i>			
Freehold land		-	299,491
Factory building on free hold land		32,258,265	273,422,609
Non-factory building on free hold land		169,198	12,781,120
Non-factory building on lease hold land		-	3,324,073
Plant and machinery	10.1.1	1,294,354,298	2,113,013,151
Electric fittings and installations		28,637,531	105,950,607
Fire extinguishing equipment and scales		-	137,500
Tools, laboratory equipment and arms		1,603,476	488,669
Office equipment		6,689,357	4,188,144
Furniture and fixtures		120,018	1,527,866
Vehicles		7,003,688	24,681,814
		<u>1,370,835,831</u>	<u>2,539,815,044</u>
<i>Surplus on revaluation of assets - net book value</i>		-	-
Net book value of assets disposed of during the period / year		(14,216,697)	(52,353,071)
Depreciation charge for the period		(521,793,832)	(991,566,002)
Closing net book value		<u>24,352,928,879</u>	<u>23,518,103,577</u>
10.1.1	This mainly includes 12 ring frames with the capacity of 14,400 spindles and 22 automatic winder link cones.		
10.2 Right of use asset			
Opening net book value		-	-
Effect of initial application of IFRS-16		68,922,967	-
Depreciation charge for the period		(2,871,790)	-
Closing net book value		<u>66,051,177</u>	<u>-</u>
10.3 Capital work in progress - at cost			
Break - up of capital work in progress is as follows:			
<i>Factory building</i>			
Material and expenses		187,331,248	106,641,634
Advance payments		12,501,745	34,211,429
		<u>199,832,993</u>	<u>140,853,063</u>
<i>Non - factory building</i>			
Material and expenses		84,110,713	40,429,390
Advance payments		1,618,487	-
		<u>85,729,200</u>	<u>40,429,390</u>
<i>Plant and machinery</i>			
Cost and expenses		72,105,999	3,335,277
Advance payments		1,192,346	14,066,590
Letters of credit		186,695,030	257,521,850
		<u>259,993,375</u>	<u>274,923,717</u>
Sui Gas Installation - Cost and expenses		359,550	-
Electric fittings and Installations - Cost and advance payments		53,975,924	18,637,945
Tools, laboratory equipment and arms -Cost and expenses		701,653	385,600
Fire Fighting Equipment & Weigh Scales - Cost and advance payments		1,262,021	-
Office equipment - Cost and expenses		220,000	1,458,975
Furniture and fixtures - Cost and expenses		79,077	-
Vehicles- Cost and advance payments		9,839,348	5,239,388
		<u>611,993,141</u>	<u>481,928,078</u>



11 Long term investments

Investment in related parties:

At fair value through OCI

- Fatima Fertilizer Company Limited - quoted
- Multan Real Estate (Private) Limited

Associated companies - at cost
Subsidiary company - at cost

Note	(Un-audited) 31 December 2019	Rupees	(Audited) 30 June 2019	Rupees

11.1	1,675,011,284	1,880,371,825
11.2	30,381,647	30,381,647
11.3	1,705,392,931	1,910,753,472
11.3	1,429,483,490	1,429,483,490
11.4	250,000,000	250,000,000
	3,384,876,421	3,590,236,962

	Shares	Market value 31 December 2019	Market value 30 June 2019	Market value per share 31 December 2018	Market value per share 30 June 2019	Percentage of holding 31 December 2018	Percentage of holding 30 June 2019
11.1							
Investment - at fair value through OCI							
Fatima Fertilizer Company Limited - quoted	62,994,031	1,675,011,284	1,880,371,825	26.59	29.85	3.00%	3.00%

11.1.1 The Company does not have significant influence on Fatima Fertilizer Company Limited.

11.2 This represents ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dominant entity.

	Shares	Carrying value 31 December 2019	Carrying value 30 June 2019	Percentage of holding 31 December 2019	Percentage of holding 30 June 2019
11.3					
Associated companies - at cost					
Fatima Energy Limited - unquoted	137,421,349	1,374,213,490	1,374,213,490	24.11%	24.11%
Fatima Transmission Company Limited - unquoted	5,520,000	55,200,000	55,200,000	24.00%	24.00%
Fatima Electric Company Limited - unquoted	7,000	70,000	70,000	20.00%	20.00%
	142,948,349	1,429,483,490	1,429,483,490		

11.4 This represent investment in Fazal Weaving Mills Limited ("FWML") set up to carry business of textile spinning. The Company being sponsor of FWML holds 100% of equity share of FWML, which commenced its commercial operations on 01 April 2014.



		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
12 Long term loan and advances	<i>Note</i>		
<u>Long term loan to subsidiary</u>			
Fazal Weaving Mills Limited	12.1	530,000,000	530,000,000
<u>Long term advances to associates</u>			
Pak Arab Energy Limited		25,904,160	25,904,160
Fatima Transmission Company Limited		66,577,033	38,811,585
Fatima Energy Limited		2,353,408,522	1,840,408,522
	12.2 & 12.3	2,445,889,715	1,905,124,267
		2,975,889,715	2,435,124,267

12.1 It represents loan disbursed to finance capital expenditure as well as the working capital needs thereof. It carries mark-up at weighted average borrowing cost of the Company.

12.2 Provisions of section 199 of the Companies Act, 2017 have been fully complied with in respect of advances to associated companies.

12.3 These represent amounts disbursed to finance capital expenditure and to meet the working capital needs thereof. During the period mark up charged at the rates ranging from 14.37% to 15.14% per annum (30 June 2019: 8.53% to 14.29% per annum).

		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
13 Trade debts	<i>Note</i>		
<i>Export debtors - secured against letters of credit:</i>			
Considered good		829,819,142	2,266,901,086
<i>Local debtors - unsecured</i>			
Related parties - considered good	13.1	6,378,114	271,224,138
Others - considered good		3,242,876,134	2,894,262,434
Others - considered doubtful		39,677,485	27,367,951
		3,288,931,733	3,192,854,523
Provision for doubtful balances		(39,677,485)	(27,367,951)
		3,249,254,248	3,165,486,572
		4,079,073,390	5,432,387,658

13.1 These include due from following associated undertakings on account of trading activities.

	(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
Fazal Weaving Mills Limited	1,515,209	84,890,583
Reliance Weaving Mills Limited	448,351	814,194
Fazal Rehman Fabrics Limited	-	163,631,802
Ahmad Fine Textile Mills Limited	-	17,473,005
Fatimafert Limited	4,414,554	4,414,554
	6,378,114	271,224,138



	(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
14 Short term investment		
<u>At fair value through profit or loss</u>		
Investment in related party:		
Fatima Fertilizer Company Limited - quoted 6,120,000 (30 June 2019 : 6,120,000) fully paid ordinary shares of Rs. 10 each having market value of Rs. 26.59 per share (30 June 2019 : Rs. 29.85 per share)	182,682,000	198,288,000
Unrealized fair value loss on re-measurement of investments	(19,951,200)	(15,606,000)
	162,730,800	182,682,000

15 Cash and bank balances

Cash in hand	11,159,063	17,947,352
Cash at banks		
- Current accounts	194,540,568	142,616,639
- Saving accounts	1,861	2,509
	194,542,429	142,619,148
	205,701,492	160,566,500

	Half year ended		Quarter ended	
	(Un-audited) 31 December 2019 Rupees	(Un-audited) 31 December 2018 Rupees	(Un-audited) 31 December 2019 Rupees	(Un-audited) 31 December 2018 Rupees
<i>Note</i>				

16 Sales - net

Gross sales				
Local	11,875,617,420	12,710,535,879	6,213,712,370	6,596,692,187
Direct export	4,420,645,940	2,529,345,689	2,779,480,419	1,568,731,036
Indirect export	3,679,476,925	588,661,302	1,603,250,671	199,623,622
	19,975,740,285	15,828,542,870	10,596,443,460	8,365,046,845
Sales tax				
Local sales	(1,774,347,728)	(40,437,398)	(1,060,032,348)	(22,857,173)
Indirect export	(413,716,045)	-	(170,954,484)	-
	(2,188,063,773)	(40,437,398)	(1,230,986,832)	(22,857,173)
Sales return	(98,711,431)	(30,704,920)	(79,917,285)	(29,259,470)
	17,688,965,081	15,757,400,552	9,285,539,343	8,312,930,202

16.1 This represents sales made to direct exporters against Standard Purchase Order (SPOs) and Duty and Tax Remission for Export (DTRE) amounting to Rs. 2,433.62 million (31 December 2018: Nil) and Rs. 832.14 million (31 December 2018: 588.66 million) respectively.

	Half year ended		Quarter ended	
	(Un-audited) 31 December 2019 Rupees	(Un-audited) 31 December 2018 Rupees	(Un-audited) 31 December 2019 Rupees	(Un-audited) 31 December 2018 Rupees
17 Cost of sales				
Raw and packing materials consumed	11,924,875,987	10,638,687,298	6,178,871,631	5,466,503,643
Manufacturing costs	3,690,119,898	3,234,292,872	1,852,396,033	1,627,005,353
	15,614,995,885	13,872,980,170	8,031,267,664	7,093,508,996
Opening stock of work-in-process	358,479,339	315,152,028	362,265,331	307,125,346
Closing stock of work-in-process	(398,621,852)	(348,378,277)	(398,621,852)	(348,378,277)
Cost of goods manufactured	15,574,853,372	13,839,753,921	7,994,911,143	7,052,256,065
Opening stock of finished goods	1,714,623,220	1,757,373,131	3,098,426,374	2,390,346,770
Finished goods purchased	1,565,265,685	1,056,286,829	665,654,048	585,445,152
	18,854,742,277	16,653,413,881	11,758,991,565	10,028,047,987
Closing stock of finished goods	(3,556,837,889)	(2,792,255,908)	(3,556,837,889)	(2,792,255,908)
Cost of raw material sold	28,505,261	12,854,070	23,172,887	4,884,728
	15,326,409,649	13,874,012,043	8,225,326,563	7,240,676,807

18 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),

- Inputs other than quoted prices measured within level 1 that are observable for the asset or liability, either directly or indirectly, through observable market data (i.e. observable inputs).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Note

As at 31 December 2019

Long term investments	-	-	1,705,392,931	-	1,705,392,931	-	30,381,647	1,705,392,931
Short term investment	-	-	182,682,000	-	182,682,000	-	-	182,682,000
Financial assets - not measured at fair value								
Trade debts	4,079,073,390	-	-	-	4,079,073,390	-	-	-
Cash and bank balances	205,701,492	-	-	-	205,701,492	-	-	-
Long term deposits	24,128,493	-	-	-	24,128,493	-	-	-
Other receivables	21,029,817	-	-	-	21,029,817	-	-	-
Loan and advances	957,366,883	-	-	-	957,366,883	-	-	-
Mark-up accrued	487,120,640	-	-	-	487,120,640	-	-	-
Long term advances to associates	2,975,889,715	-	-	-	2,975,889,715	-	-	-
	8,750,310,430	182,682,000	1,705,392,931	-	10,638,385,361	1,857,693,284	30,381,647	1,888,074,931
	1/8/							

18.1

Financial liabilities - not measured at fair value

Long term financing - secured	-	-	8,765,530,041	8,765,530,041	-
Long term musharaka - secured	-	-	2,383,333,334	2,383,333,334	-
Current portion of non-current liabilities	-	-	2,463,059,104	2,463,059,104	-
Trade and other payables	-	-	3,511,151,751	3,511,151,751	-
Unclaimed dividend	-	-	14,203,064	14,203,064	-
Short term borrowings - secured	-	-	11,934,653,003	11,934,653,003	-
Accrued mark-up	-	-	485,046,153	485,046,153	-
	18/1	-	29,556,976,450	29,556,976,450	-

18.1

	Carrying amount			Fair value		
	Financial assets at amortised cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Total
Rupees -----						
Note						
As at 30 June 2019						
Financial assets - measured at fair value						
Long term investments	-	-	1,910,753,472	-	1,910,753,472	1,910,753,472
Short term investment	-	198,288,000	-	-	198,288,000	198,288,000
Financial assets - not measured at fair value						
Trade debts	5,432,387,658	-	-	-	5,432,387,658	-
Cash and bank balances	160,566,500	-	-	-	160,566,500	-
Long term deposits	24,071,493	-	-	-	24,071,493	-
Other receivables	30,503,739	-	-	-	30,503,739	-
Loan and advances	484,090,787	-	-	-	484,090,787	-
Mark-up accrued	293,102,880	-	-	-	293,102,880	-
Long term advances to associates	2,435,124,267	-	-	-	2,435,124,267	-
18.1	8,859,847,324	198,288,000	1,910,753,472	-	10,968,888,796	2,078,659,825
						30,381,647
						2,109,041,472
Financial liabilities - not measured at fair value						
Long term financing - secured	-	-	-	7,984,533,368	7,984,533,368	-
Long term musharika - secured	-	-	-	1,685,416,667	1,685,416,667	-
Current portion of non-current liabilities	-	-	-	2,142,163,428	2,142,163,428	-
Trade and other payables	-	-	-	2,614,105,047	2,614,105,047	-
Unclaimed dividend	-	-	-	12,340,081	12,340,081	-
Short term borrowings - secured	-	-	-	9,910,552,807	9,910,552,807	-
Accrued mark-up	-	-	-	406,891,427	406,891,427	-
18.1	-	-	-	24,756,002,825	24,756,002,825	-

18.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or repurchase over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

19 Reconciliation of movement of liabilities to cash flows arising from financing activities

[illegible]



	31-Dec-18						
	Equity			Liabilities			
	Issued, subscribed and paid-up capital	Share premium	Dividend payable	Long term financing	Long term mustarika	Short term borrowing	Accrued markup
	Rupees						
As at 30 June 2018	300,000,000	77,616,000	8,971,945	8,552,607,107	1,378,750,000	7,953,052,718	275,093,224
18,546,090,994							
<u>Changes from financing cash flows</u>							
Dividend paid	-	-	(251,378,383)	-	-	-	-
Short term finances obtained - net	-	-	-	-	-	3,899,654,940	-
Finance cost paid	-	-	-	-	-	-	(683,812,590)
Long term finances paid	-	-	-	(807,889,782)	(158,750,000)	-	-
Proceeds from long term financing	-	-	-	1,728,298,347	1,100,000,000	-	-
Total changes from financing cash flows	-	-	(251,378,383)	920,408,565	941,250,000	3,899,654,940	(683,812,590)
4,826,122,532							
<u>Other changes</u>							
Final cash dividend	-	-	255,000,000	-	-	-	-
Finance cost	-	-	-	-	-	-	778,921,356
Total liability related other changes	-	-	255,000,000	-	-	-	778,921,356
1,033,921,356							
As at 31 December 2018	300,000,000	77,616,000	12,593,562	9,473,015,672	2,320,000,000	11,852,707,658	370,201,990
24,406,134,882							

**20 Transactions with related parties**

The related parties comprise subsidiary company (Fazal Weaving Mills Limited), associated companies, related group companies, directors of the Company, companies where directors also hold directorship, key employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial statements is as follows:

20.1 Aggregate transactions made with the associated undertakings were as follows:

	Half year ended	
	(Un-audited) 31 December 2019 Rupees	(Un-audited) 31 December 2018 Rupees
<u>Subsidiary Company</u>		
Sale of goods and services - <i>net</i>	49,393,698	1,174,803,457
Purchase of goods and services	914,622,220	705,758,238
Payments against purchase of goods and services - <i>net</i>	922,800,000	53,068,205
Interest income on subordinated loan	38,938,591	24,785,703
Payments against short term loan - <i>net</i>	303,092,368	-
<u>Associated undertakings</u>		
Long term advances to associates	540,765,448	600,000,000
Purchase of goods and services	783,281,150	239,350,470
Sale of goods and services - <i>net</i>	1,561,834,113	1,227,057,274
Receipts against sale of goods and services - <i>net</i>	1,005,891,013	800,086,443
Reimbursable expenses	-	1,586,375
Interest accrued on long term advances to associates	155,079,169	71,041,868

20.2 Sales, purchases and other transactions with related parties are carried out at fair market price in accordance with policy of related party transactions as approved by the board of directors.**21 Date of authorization for issue**

These condensed interim unconsolidated financial statements were authorized for issue by the Board of Directors on 25 February 2020.

22 General

Figures in the condensed interim unconsolidated financial statements have been rounded-off to the nearest rupee except stated otherwise.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Fazal Cloth Mills Limited (The Group)
Condensed Interim Consolidated Financial Information (Un-audited)
For the half year ended 31 December 2019



Condensed Interim Consolidated Statement of Financial Position

		<i>(Un-audited)</i> <i>31 December</i> <i>2019</i> <i>Rupees</i>	<i>(Audited)</i> <i>30 June</i> <i>2019</i> <i>Rupees</i>
	<i>Note</i>		
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital		700,000,000	700,000,000
Issued, subscribed and paid-up capital		300,000,000	300,000,000
Capital reserves			
- Others capital reserves		1,168,183,274	1,373,543,815
- Revaluation surplus on property, plant and equipment		9,443,633,859	9,558,609,807
Unappropriated profits - revenue reserve		10,836,573,622	10,516,841,450
		21,748,390,755	21,748,995,072
<u>Non-current liabilities</u>			
Long term financing - secured	5	9,374,512,692	8,755,286,862
Long term musharika - secured	6	2,386,455,978	1,690,100,636
Lease liability	7	73,999,345	-
Deferred liabilities:			
- Staff retirement benefit		295,194,920	273,812,115
- Deferred taxation		2,996,326,187	3,039,211,159
		15,126,489,122	13,758,410,772
<u>Current liabilities</u>			
Current portion of non-current liabilities		2,792,848,442	2,517,786,016
Trade and other payables	8	5,608,580,567	3,786,286,553
Unclaimed dividend		14,203,064	12,340,081
Short term borrowings - secured		13,655,354,138	12,299,901,368
Accrued mark-up		557,237,951	481,255,957
		22,628,224,162	19,097,569,975
Contingencies and commitments	9	59,503,104,039	54,604,975,819

The annexed notes from 1 to 23 form an integral part of these consolidated financial information.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR



As at 31 December 2019

		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
	Note		
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	10	28,195,260,128	27,229,288,197
Long term investments	11	2,852,776,555	3,177,998,048
Long term advances to associates	12	2,445,889,715	1,905,124,267
Long term deposits		24,128,493	24,071,493
		33,518,054,891	32,336,482,005
 <u>Current assets</u>			
Stores, spares and loose tools		749,399,934	761,761,480
Stock-in-trade		18,767,452,213	13,033,292,318
Trade debts	13	4,438,816,107	6,132,305,095
Loans and advances		183,357,130	92,746,164
Deposits, prepayments and other receivables		371,547,415	374,669,526
Mark-up accrued		416,409,059	261,329,890
Short term investment	14	162,730,800	182,682,000
Tax refunds due from the Government - net		640,869,205	1,230,231,303
Cash and bank balances	15	254,467,285	199,476,038
		25,985,049,148	22,268,493,814
		59,503,104,039	54,604,975,819


 (MUHAMMAD AZAM)
 CHIEF FINANCIAL OFFICER



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

For the half year and quarter ended 31 December 2019

	Note	Half year ended		Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	16	20,234,458,243	18,060,289,194	10,664,909,051	9,667,647,315
Cost of sales	17	(17,471,528,797)	(15,805,323,630)	(9,466,052,667)	(8,450,019,501)
Gross profit		2,762,929,446	2,254,965,564	1,198,856,384	1,217,627,814
Selling and distribution expenses		(221,319,834)	(130,270,198)	(119,992,440)	(77,983,957)
Administrative expenses		(197,490,884)	(170,091,103)	(106,809,631)	(90,349,341)
Other expenses		(189,337,550)	(84,646,197)	(18,469,117)	(33,912,672)
		(608,148,268)	(385,007,498)	(245,271,188)	(202,245,970)
Other income		162,098,827	278,518,700	107,373,733	106,349,393
Profit from operations		2,316,880,005	2,148,476,766	1,060,958,929	1,121,731,237
Share of loss from associates		(119,860,952)	(14,742,076)	(103,788,147)	(1,134,789)
Finance cost		(1,460,910,344)	(956,322,458)	(719,678,771)	(576,934,016)
Profit before taxation		736,108,709	1,177,412,232	237,492,011	543,662,432
Taxation		(254,964,391)	(238,494,767)	(142,536,744)	(78,845,103)
Profit after taxation		481,144,318	938,917,465	94,955,267	464,817,329
Earnings per share - basic and diluted		16.04	31.30	3.17	15.49

The annexed notes from 1 to 23 form an integral part of these consolidated financial information.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



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

For the half year and quarter ended 31 December 2019

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>31 December</u> <u>2019</u> <u>Rupees</u>	<u>31 December</u> <u>2018</u> <u>Rupees</u>	<u>31 December</u> <u>2019</u> <u>Rupees</u>	<u>31 December</u> <u>2018</u> <u>Rupees</u>
Profit after taxation	481,144,318	938,917,465	94,955,267	464,817,329
<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	(205,360,541)	256,385,707	(47,245,524)	(59,214,389)
Total comprehensive income for the period	275,783,777	1,195,303,172	47,709,743	405,602,940

The annexed notes from 1 to 23 form an integral part of these consolidated financial information.


 (REHMAN NASEEM)
 CHIEF EXECUTIVE OFFICER


 (SHEIKH NASEEM AHMAD)
 DIRECTOR


 (MUHAMMAD AZAM)
 CHIEF FINANCIAL OFFICER



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

For the half year and quarter ended 31 December 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	10,139,599,548	8,818,046,544	20,783,087,039
<u>Total comprehensive income for the period:</u>							
Profit for six months ended 31 December 2018	-	-	-	-	-	938,917,465	938,917,465
Other comprehensive (loss)/ income for six months ended 31 December 2018	-	-	-	256,385,707	-	-	256,385,707
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax	-	-	-	256,385,707	-	938,917,465	1,195,303,172
<u>Transactions with the owners of the Group :</u>							
Cash dividend @ Rs. 8.50 per ordinary share for the year ended 30 June 2018						(255,000,000)	(255,000,000)
Balance as at 31 December 2018	300,000,000	77,616,000	175,000,000	1,529,210,654	9,976,943,718	9,664,619,839	21,723,390,211
<u>Total comprehensive income for the period:</u>							
Profit for six months ended 30 June 2019	-	-	-	-	-	648,922,150	648,922,150
Other comprehensive (loss)/ income for six months ended 30 June 2019	-	-	-	(408,282,839)	-	24,240,153	(384,042,686)
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	(408,282,839)	-	673,162,303	264,879,464
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - net of tax	-	-	-	-	(239,274,603)	-	(239,274,603)
Transfer from surplus on revaluation of fixed assets on disposal - net of tax	-	-	-	-	(160,858,328)	160,858,328	-
Balance as at 30 June 2019	300,000,000	77,616,000	175,000,000	1,120,927,815	9,558,609,807	10,516,841,450	21,748,995,072
<u>Total comprehensive income for the period :</u>							
Profit for six months ended 31 December 2019	-	-	-	-	-	481,144,318	481,144,318
Other comprehensive (loss)/ income for six months ended 31 December 2019	-	-	-	(205,360,541)	-	-	(205,360,541)
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	(205,360,541)	-	481,144,318	275,783,777
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax	-	-	-	-	(148,306,966)	148,306,966	-
Transfer from surplus on revaluation of fixed assets on disposal - net of tax	-	-	-	-	(5,280,888)	5,280,888	-
<u>Transactions with the owners of the Group :</u>							
Cash dividend @ Rs. 10.50 per ordinary share for the year ended 30 June 2019						(315,000,000)	(315,000,000)
Balance as at 31 December 2019	300,000,000	77,616,000	175,000,000	915,567,274	9,443,633,859	10,836,573,622	21,748,390,755

The annexed notes from 1 to 23 form an integral part of these consolidated financial information.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



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

For the half year and quarter ended 31 December 2019

	Half Year Ended 31 December 2019 Rupees	Half Year Ended 31 December 2018 Rupees
<u>Cash flows from operating activities</u>		
Profit before taxation	736,108,709	1,177,412,232
Adjustments for:		
Depreciation on property, plant and equipment	604,798,839	555,587,462
Amortization on intangible assets	-	1,112,620
Unrealized loss/(gain) on re-measurement of short term investments	19,951,200	(24,908,400)
Provision for doubtful debts	12,309,534	-
Provision for gratuity	80,494,356	64,376,857
Provision for infrastructure cess	89,173,735	45,305,626
Provision for workers' profit participation fund	45,956,725	63,384,215
Provision for workers' welfare fund	6,865,213	12,145,783
Loss / (Gain) on disposal of property, plant and equipment	11,115,997	(197,034)
Share of loss from associates	119,860,952	14,742,076
Markup accrued	(194,017,760)	(71,041,868)
Finance cost	1,460,910,344	956,322,458
Cash generated from operations before working capital changes	2,993,527,844	2,794,242,027
<u>Effect on cash flows due to working capital changes</u>		
<i>(Increase) / decrease in current assets:</i>		
Stores, spares and loose tools	12,361,546	(132,940,890)
Stock-in-trade	(5,734,159,895)	(7,331,022,942)
Trade debts	1,681,179,454	455,735,327
Loans and advances	(90,610,966)	33,679,347
Deposits, prepayments and other receivables	3,122,110	14,342,191
	(4,128,107,751)	(6,960,206,967)
<i>Increase in current liabilities:</i>		
Trade and other payables	1,680,298,341	758,319,464
Cash generated from operations	545,718,434	(3,407,645,476)
Gratuity paid to employees	(59,111,551)	(57,537,451)
Taxes paid - net	330,124,642	(195,888,881)
	271,013,091	(253,426,332)
Net cash generated from operating activities	816,731,525	(3,661,071,808)
<u>Cash flows from investing activities</u>		
Fixed capital expenditure	(1,516,064,500)	(1,812,971,655)
Proceeds from sale of property, plant and equipment	3,100,700	685,500
Long term loan and advances to associates	(540,765,448)	(600,000,000)
Long term deposits	(57,000)	(11,000)
Net cash used in investing activities	(2,053,786,248)	(2,412,297,155)
<u>Cash flows from financing activities</u>		
Long term financing obtained	1,780,821,372	1,728,298,347
Long term financing repaid	(1,029,866,449)	(1,015,493,876)
Long term musharika obtained	1,000,000,000	1,100,000,000
Long term musharika repaid	(160,311,325)	(160,311,325)
Short term borrowings - net	1,355,452,770	5,562,189,760
Finance cost paid - net	(1,340,913,381)	(833,469,377)
Dividend paid	(313,137,017)	(251,378,381)
Net cash used in financing activities	1,292,045,970	6,129,835,148
Net increase in cash and cash equivalents	54,991,247	56,466,185
Cash and cash equivalents at beginning of the period	199,476,038	134,297,492
Cash and cash equivalents at end of the period	254,467,285	190,763,677

The annexed notes from 1 to 23 form an integral part of these consolidated financial information.


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER

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

For the period ended 31 December 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 Holding 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 (now the Companies Act, 2017). 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 consolidated 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 31 December 2019 and the related condensed interim consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated 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 statements 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, consolidated statement of cash flows and consolidated statement of changes in equity are stated from unaudited condensed interim consolidated financial information of the Group for the six months period ended 31 December 2018.

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 expense. 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 except for the adoption of new standards effective from 01 July 2019 as stated below:

4.1.1 Changes in significant accounting policies

The Group has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from the annual period beginning on or after 01 January 2019.

The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

IFRS 16 - Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As a result, the Group, as a lessee, has recognized right of use of assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right of use assets and lease liabilities for material leases i.e. these leases are on balance sheet.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Group has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

Significant accounting policies

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. Right of use asset is disclosed in the property, plant and equipment as referred to in 10.2 of these condensed interim consolidated financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group has used its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement. Refer note 7 to these condensed interim consolidated financial statements for disclosure of lease liability.

The Group has elected not to recognize right of use assets and liabilities for some leases of low value assets (Hussain Gineries). The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

the Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or term in ate the lease.

Impact of financial statements

The Group has applied IFRS 16 using the modified retrospective approach. On transition to IFRS 16, the Group recognized additional Rs. 68.92 million right of use asset and Rs. 68.92 million of lease liability. When measuring lease liability, the Group discounted lease payments using its incremental borrowing rate applicable at the time of initial application of the standard. However, there is a particular lease prior to 01 July 2019 that has not been considered as significant for the purpose of application of IFRS 16 and accordingly applied low value exception as available in IFRS 16.

The result of initial application of IFRS 16 has been disclosed in note 10.2 and note 7 to these condensed interim consolidated financial statements.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised Rs. 2.87 million of depreciation charge and Rs. 5.08 million of interest cost from this lease.

- 4.1.2** Other than those disclosed above in note 4.1.1, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed.

The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

Amendments and interpretations of approved accounting standards

- | | |
|---|-----------------|
| - Amendment to IFRS 3 - Business Combinations – Definition of a Business | 01 January 2020 |
| - Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | 01 January 2020 |
| - Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 | 01 January 2020 |
| - IFRS 14 Regulatory Deferral Accounts | 01 January 2020 |
| Revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. | 01 January 2020 |



	(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
<i>Note</i>		
	10,794,116,895	10,019,402,226
5.1	1,780,821,372	2,608,778,945
	<u>(1,029,866,449)</u>	<u>(1,834,064,276)</u>
	11,545,071,818	10,794,116,895
	<u>(2170,559,156)</u>	<u>(2,038,830,033)</u>
	<u>9,374,512,662</u>	<u>8,755,286,862</u>

5 Long term financing - secured

Opening balance
Loan obtained during the period / year
Repayments made during the period / year
Closing balance

Less: current portion grouped under current liabilities

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

Lender	Amount	Rate of Mark Up Per Annum	Purpose	Number of Instalments	Security
-- Rupees --					
National Bank of Pakistan Demand finance under SBP's LTFF Scheme	783,186,920	SBP rate + 0.60%	To import Textile Machinery	Principal amount is payable in thirty six equal quarterly instalments beginning on July 08, 2020.	1st joint part passu charge / mortgage of Rs. 1,626.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
Allied Bank Limited Term finance / LTFF	205,640,735	6 Months KIBOR + 0.75%	To import plant & machinery for establishment / expansion / BMR project and procurement of boiler / other allied machinery related to renewable power plant in the spinning unit of the Holding Company	Principal amount is payable in sixteen equal half yearly instalments beginning on September 27, 2021.	1st joint part passu charge / mortgage of Rs. 3,227.00 million on all present and future fixed assets of the Holding Company and personal guarantees of one director of the Holding Company.
	246,318,136	SBP rate + 0.75%		Principal amount is payable in sixteen equal half yearly instalments beginning on September 27, 2021.	
The Bank of Punjab Term finance / LTFF	45,685,581	6 Months KIBOR + 1.50%	For import of Textile Machinery/ Generation Components	Principal amount is payable in sixteen equal half yearly instalments beginning on June 27, 2022.	1st joint part passu charge / mortgage of Rs.2,940 million on all present and future fixed assets of the Holding Company and personal guarantees of two directors of the Holding Company.
Bank Al Habib Limited Term finance	500,000,000	6 Months KIBOR + 1.00%	For reprofiling / refinancing of CAPEX already incurred by the company through own sources during recent year	Principal amount is payable in ten equal half yearly instalments of principal beginning on July 17, 2020.	1st joint part passu charge / mortgage of Rs. 667 million on all present and future fixed assets of the Holding Company.
	1,780,821,372				

5.2 As per the financing documents, the Group is required to comply with certain financial covenants which mainly include current ratio, interest coverage ratio, minimum debt service coverage ratio, gearing ratio and maximum leverage ratio, which would be assessed by the banks annually on the basis of annual audited financial statements.



	(Un-audited) 31 December 2019	(Audited) 30 June 2019
	Rupees	Rupees
	2,169,056,619	1,389,679,269
	1,000,000,000	1,100,000,000
	(160,311,325)	(320,622,650)
	3,008,745,294	2,169,056,619
	(622,289,316)	(478,955,983)
	2,386,455,978	1,690,100,636

Note

6.1

Long term musharika - secured

Opening balance
Loan obtained during the period / year
Repayments made during the period / year
Closing balance
Less: current portion grouped under current liabilities

6.1 - profit bearing finances availed during the period from Islamic bank:

Lender	Amount -- Rupees --	Rate of profit Per Annum	Purpose	Number of Instalments	Security
National Bank of Pakistan					
Diminishing Musharika	500,000,000	6 Months KIBOR + 0.85%	To finance the CAPEX already incurred through own sources.	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. This charge will be upgraded to 1st JPP charge with deferral period.
Dubai Islamic Bank Pakistan Ltd.					
Diminishing Musharika	500,000,000	3 Months KIBOR + 1.50%	Re-profiling of existing short term financing of the Holding Company	Principal amount is payable in twenty equal quarterly instalments beginning on March 06, 2021.	1st joint pari passu charge / mortgage of Rs. 1,736 million personal guarantees of few of sponsoring directors of the Holding Company.
	1,000,000,000				

6.2 As per the financing documents, the Group is required to comply with certain financial covenants which mainly include current ratio, interest coverage ratio, minimum debt service coverage ratio, gearing ratio and maximum leverage ratio, which would be assessed by the banks annually on the basis of annual audited financial statements.

		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
7 Lease liability	<i>Note</i>		
Opening Balance		-	-
Effect of initial application of IFRS-16		68,922,967	-
Increase / (Decrease) during the period		5,076,378	-
		73,999,345	-
Less: current portion grouped under current liabilities		-	-
Closing Balance		73,999,345	-
8 Trade and other payables			
Trade creditors		713,882,787	740,705,618
Accrued liabilities		1,364,787,058	1,361,663,397
Contract liabilities		54,901,993	74,909,433
Due to associated undertakings	8.1	119,253,165	21,011,764
Bills payable		2,478,572,664	803,409,065
Tax deducted at source		5,528,692	2,292,813
Infrastructure cess		483,463,396	446,925,590
Workers' profit participation fund		179,438,508	133,481,782
Workers' welfare fund		43,687,263	36,822,050
Loan from Director		299,693	299,693
Sales tax payable		164,765,348	164,765,348
		5,608,580,567	3,786,286,553
8.1 Due to associated undertakings			
Ahmed Fine Textile Mills Limited		94,650,034	-
Hussain Gineries Limited		13,250,970	12,000,970
Fatima Energy Limited		-	757,694
Fazal Rehman Fabrics Limited		5,131,485	-
Fazal Farm (Private) Limited		-	1,818,639
Fazal-ur-Rehman Foundation		-	213,785
Fatima Fertilizer Company Limited		6,180,175	6,180,175
Pakarab Fertilizer Limited		40,501	40,501
		119,253,165	21,011,764
9 Contingencies and commitments			
9.1 Contingencies			
9.1.1	There has been no change in the status of contingencies since the annual audited financial statements as at June 30, 2019 except for the contingency disclosed in 15.1.8 in the annual consolidated financial statements, which has been disposed of by appellate order passed by CIR(A) in favour of the Holding Company dated 23 October 2019.		
9.1.2	Export documents negotiated with banks under Foreign Bill Purchase ("FBP") facility aggregating to USD 8.90 million and CNY 6.94 million (30 June 2019: USD 4.35 million).		
		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
9.2 Commitments			
9.2.1	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		941,674,700	829,918,200
- The Subsidiary Company		65,006,000	78,347,615



		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
9.2.2 Commitments against irrevocable letters of credit:	<i>Note</i>		
<u>The Holding Company</u>			
- capital expenditure		390,066,821	1,156,882,636
- raw material and stores and spares		1,902,737,195	672,052,805
- others		2,292,804,016	1,828,935,441
<u>The Subsidiary Company</u>			
- raw material and stores and spares		1,243,025,090	132,683,692
9.2.3 Commitments in respect of foreign exchange forward contracts:			
- The Holding Company		772,612,649	-
- The Subsidiary Company		225,493,733	-
10 Property, plant and equipment			
Operating property, plant and equipment	10.1	27,505,814,611	26,743,990,836
Right of use Asset	10.2	66,051,177	-
Capital work-in-progress	10.3	623,394,340	485,297,361
		28,195,260,128	27,229,288,197
10.1 Opening net book value		26,743,990,836	25,382,180,278
<i>Additions during the period / year:</i>			
Freehold land		-	299,491
Factory building on free hold land		32,258,265	274,071,493
Non-factory building on free hold land		659,229	35,185,300
Non-factory building on lease hold land		-	3,324,073
Plant and machinery	10.1.1	1,300,497,580	2,113,575,467
Electric fittings and installations		28,862,945	108,973,085
Tools, laboratory equipment and arms		1,648,939	488,669
Fire extinguishing equipments and scales		227,500	2,091,884
Office equipment		6,689,357	4,338,144
Furniture and fixtures		120,018	2,843,863
Vehicles		7,003,688	27,839,095
		1,377,967,521	2,573,030,564
Carrying value of assets disposed off during the period / year		(14,216,697)	(52,502,811)
Depreciation charge for the period / year		(601,927,049)	(1,158,717,195)
Closing net book value		27,505,814,611	26,743,990,836
10.1.1 This mainly includes 12 ring frames with the capacity of 14,400 spindles and 22 automatic winder link cones.			
10.2 Right of use Asset			
Effect of initial application of IFRS-16		68,922,967	-
Depreciation charge for the period		(2,871,790)	-
Closing net book value		66,051,177	-



<i>(Un-audited)</i>	<i>(Audited)</i>
<i>31 December</i>	<i>30 June</i>
<i>2019</i>	<i>2019</i>
<i>Rupees</i>	<i>Rupees</i>

10.3 The detail of capital work-in-progress is as follows:*Factory building on free hold land*

Material and expenses

Advance payments

187,331,248

12,501,745

199,832,993

106,641,634

34,211,429

140,853,063

Non-factory building on free hold land

Material and expenses

Advance payments

84,175,327

4,028,627

88,203,954

42,151,611

-

42,151,611

Plant and machinery

Cost and expenses

Advance payments

Letters of credit

61,009,940

13,332,285

190,637,022

264,979,247

3,511,850

14,066,590

257,521,850

275,100,290

Sui Gas Installation - Cost and expenses

359,550

-

Electric fittings and Installations - Cost and advance payments

55,446,417

20,108,438

Tools, laboratory equipment and arms -Cost and expenses

701,653

385,600

Fire Fighting Equipment & Weigh Scales - Cost and advance payments

3,442,101

-

Office equipment - Cost and expenses

510,000

1,458,975

Furniture and fixtures - Cost and expenses

79,077

-

Vehicles- Cost and advance payments

9,839,348

5,239,384

623,394,340

485,297,361



	Note	(Un-audited)		(Audited)	
		31 December 2019	30 June 2019	31 December 2019	30 June 2019
		Rupees	Rupees	Rupees	Rupees
11 Long term investments					
Investments in related parties:					
<i>At fair value through OCI</i>					
Fatima Fertilizer Company Limited - quoted	11.1	1,675,011,284	1,880,371,825		
Multan Real Estate (Private) Limited	11.2	30,381,647	30,381,647		
		1,705,392,931	1,910,753,472		
<i>Associated companies - at equity method</i>					
Fatima Energy Limited - unquoted		1,122,010,594	1,241,871,546		
Fatima Transmission Company Limited - unquoted		25,349,425	25,349,425		
Fatima Electric Company Limited - unquoted	11.3	23,605	23,605		
		1,147,383,624	1,267,244,576		
		2,852,776,555	3,177,998,048		
		Shares		Market value	
		31 December 2019	30 June 2019	31 December 2019	30 June 2019
		Number	Number	Rupees	Rupees
11.1 At fair value through OCI					
Fatima Fertilizer Company Limited - quoted	11.1.1	62,994,031	62,994,031	1,675,011,284	1,880,371,825
				26.59	29.85
				3.00%	3.00%
11.1.1 The Company does not have significant influence on Fatima Fertilizer Company Limited.					
11.2 This represents ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dormant entity.					
		Shares		Carrying value	
		31 December 2019	30 June 2019	31 December 2019	30 June 2019
		Number	Number	Rupees	Rupees
11.3 Associated companies with significant influence - at equity method					
Fatima Energy Limited - unquoted		137,421,349	137,421,349	1,122,010,594	1,241,871,546
Fatima Transmission Company Limited - unquoted		5,520,000	5,520,000	25,349,425	25,349,425
Fatima Electric Company Limited - unquoted		7,000	7,000	23,605	23,605
				1,147,383,624	1,267,244,576



		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
12 Long term advances to associates	<i>Note</i>		
Pak Arab Energy Limited		25,904,160	25,904,160
Fatima Transmission Company Limited		66,577,033	38,811,585
Fatima Energy Limited		2,353,408,522	1,840,408,522
	12.1 & 12.2	<u>2,445,889,715</u>	<u>1,905,124,267</u>

12.1 Provisions of section 199 of the Companies Act, 2017 have been fully complied with in respect of advances to associated companies.

12.2 These represent amounts disbursed to finance capital expenditure and to meet the working capital needs thereof. During the period mark up charged at the rates ranging from 14.37% to 15.14% per annum (30 June 2019: 8.53% to 14.29% per annum).

		(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
13 Trade debts	<i>Note</i>		
<i>Export debtors - secured against letters of credit:</i>			
Considered good		924,637,306	2,932,832,064
<i>Local debtors - unsecured</i>			
Related Parties - considered good	13.1	69,651,457	198,819,797
Others - considered good		3,446,103,177	3,000,653,234
Others - considered doubtful		39,677,485	28,943,784
		3,555,432,119	3,228,416,815
Provision for doubtful balances		(41,253,318)	(28,943,784)
		3,514,178,801	3,199,473,031
		<u>4,438,816,107</u>	<u>6,132,305,095</u>

13.1 These include due from following associated undertakings on account of trading activities.

	(Un-audited) 31 December 2019 Rupees	(Audited) 30 June 2019 Rupees
Reliance Weaving Mills Limited	448,351	5,619,336
Fazal Rehman Fabrics Limited	64,788,552	171,312,902
Ahmad Fine Textile Mills Limited	-	17,473,005
Fatimafert Limited	4,414,554	4,414,554
	<u>69,651,457</u>	<u>198,819,797</u>

14 Short term investment

At fair value through statement of profit or loss

Investment in related party:

Fatima Fertilizer Company Limited - quoted 6,120,000 (30 June 2019 : 6,120,000) fully paid ordinary shares of Rs. 10 each having market value of Rs. 26.59 per share (30 June 2019 : Rs. 29.85 per share)	182,682,000	198,288,000
Unrealized fair value loss on re-measurement of investment	(19,951,200)	(15,606,000)
	<u>162,730,800</u>	<u>182,682,000</u>

15 Cash and bank balances

Cash in hand	19,270,842	22,664,075
<i>Cash at banks</i>		
- Current accounts	235,194,582	176,809,454
- Saving accounts	1,861	2,509
	235,196,443	176,811,963
	<u>254,467,285</u>	<u>199,476,038</u>

	Note	<i>Half year ended</i>		<i>Quarter ended</i>	
		<i>(Un-audited)</i>	<i>(Un-audited)</i>	<i>(Un-audited)</i>	<i>(Un-audited)</i>
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
16 Sales - net					
Gross sales					
Local		12,816,830,892	12,656,257,749	6,958,537,137	6,408,123,396
Direct export		6,130,751,069	4,886,512,461	3,612,033,765	3,112,016,940
Indirect export	16.1	3,715,692,543	588,661,302	1,639,466,290	199,623,622
		22,663,274,504	18,131,431,512	12,210,037,192	9,719,763,958
Sales tax					
Local sales		(1,911,126,687)	(40,437,398)	(1,288,994,274)	(22,857,173)
Indirect export	16.1	(418,978,143)	-	(176,216,582)	-
		(2,330,104,830)	(40,437,398)	(1,465,210,856)	(22,857,173)
Sales return		(98,711,431)	(30,123,520)	(79,917,285)	(29,259,470)
		20,234,458,243	18,060,870,594	10,664,909,051	9,667,647,315

16.1 This represents sales made to direct exporters against Standard Purchase Order (SPOs) and Duty and Tax Remission for Export (DTRE) amounting to Rs. 2,464.58 million (31 December 2018: Nil) and Rs. 832.14 million (31 December 2018: 588.66 million) respectively.

		<i>Half year ended</i>		<i>Quarter ended</i>	
		<i>(Un-audited)</i>	<i>(Un-audited)</i>	<i>(Un-audited)</i>	<i>(Un-audited)</i>
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
17 Cost of sales					
Raw and packing materials consumed		14,045,559,127	12,634,387,427	7,200,424,675	6,554,274,958
Manufacturing costs		4,244,178,007	3,729,587,778	2,136,844,863	1,877,010,850
		18,289,737,134	16,363,975,205	9,337,269,538	8,431,285,808
Opening stock of work-in-process		410,363,326	359,035,028	410,462,331	357,291,346
Closing stock of work-in-process		(451,315,852)	(402,846,277)	(451,315,852)	(402,846,277)
Cost of goods manufactured		18,248,784,608	16,320,163,956	9,296,416,017	8,385,730,877
Opening stock of finished goods		1,844,002,220	1,945,763,131	3,441,732,936	3,006,510,935
Finished goods purchased		1,312,925,264	894,511,278	667,419,383	420,861,766
		21,405,712,092	19,160,438,365	13,405,568,336	11,813,103,578
Closing stock of finished goods		(3,962,688,555)	(3,367,968,805)	(3,962,688,556)	(3,367,968,805)
Cost of raw material sold		28,505,260	12,854,070	23,172,887	4,884,728
		17,471,528,797	15,805,323,630	9,466,052,667	8,450,019,501

118 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets - measured at fair value		Carrying amount		Fair value		
Financial assets at amortised cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2
				----- Rupees -----		
-	162,730,800	-	-	162,730,800	162,730,800	-
-	-	1,705,392,931	-	1,705,392,931	1,675,011,284	30,381,647
4,438,816,107	-	-	-	4,438,816,107	-	-
254,467,285	-	-	-	254,467,285	-	-
241,128,493	-	-	-	241,128,493	-	-
21,252,473	-	-	-	21,252,473	-	-
416,409,059	-	-	-	416,409,059	-	-
2,445,889,715	-	-	-	2,445,889,715	-	-
7,600,963,132	162,730,800	1,705,392,931	-	9,469,086,863	1,837,742,084	30,381,647
<i>18.1</i>						
Financial liabilities - not measured at fair value						
-	-	-	9,374,512,692	9,374,512,692	-	-
-	-	-	2,386,455,978	2,386,455,978	-	-
-	-	-	2,792,848,442	2,792,848,442	-	-
-	-	-	4,731,697,360	4,731,697,360	-	-
-	-	-	14,203,064	14,203,064	-	-
-	-	-	13,655,354,138	13,655,354,138	-	-
-	-	-	557,237,951	557,237,951	-	-
-	-	-	33,512,309,625	33,512,309,625	-	-
<i>18.1</i>						



	Carrying amount		Fair value			
	Financial assets at amortised cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Total
As at 30 June 2019						
<i>Financial assets - measured at fair value</i>						
Short term investment	-	182,682,000	-	-	182,682,000	182,682,000
Long term investments	-	-	1,910,753,472	-	1,910,753,472	1,910,753,472
<i>Financial assets - not measured at fair value</i>						
Trade debts	6,132,305,095	-	-	-	6,132,305,095	-
Cash and bank balances	19,947,6038	-	-	-	19,947,6038	-
Long term deposits	24,071,493	-	-	-	24,071,493	-
Other receivables	38,617,310	-	-	-	38,617,310	-
Mark-up accrued	261,329,890	-	-	-	261,329,890	-
Long term advances to associates	1,905,124,267	-	-	-	1,905,124,267	-
	18,560,924,093	182,682,000	1,910,753,472	-	20,663,359,565	20,663,359,565
<i>Financial liabilities - not measured at fair value</i>						
Long term financing - secured	-	-	-	8,755,286,862	8,755,286,862	-
Long term musharka - secured	-	-	-	1,690,100,636	1,690,100,636	-
Current portion of non-current liabilities	-	-	-	2,517,786,016	2,517,786,016	-
Trade and other payables	-	-	-	3,001,998,970	2,927,089,537	-
Unclaimed dividend	-	-	-	12,340,081	12,340,081	-
Short term borrowings - secured	-	-	-	12,299,901,368	12,299,901,368	-
Accrued mark-up	-	-	-	481,255,957	481,255,957	-
	-	-	-	28,758,669,800	28,758,669,800	-
					30,381,647	2,091,435,472

18.1 The Group has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprise over short term. Therefore, their carrying amounts are reasonable approximation of fair value.



19

Segment information

19.1 Segment revenue and results

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

	Spinning		Weaving		Total	
	(Un-audited) 31 December 2019	(Un-audited) 31 December 2018	(Un-audited) 31 December 2019	(Un-audited) 31 December 2018	(Un-audited) 31 December 2019	(Un-audited) 31 December 2018
	----- Rupees -----					
External revenues	14,194,853,743	13,152,354,032	3,757,939,850	3,215,137,221	20,234,458,243	18,060,289,194
Intersegment revenues	2,279,697,149	1,684,216,856	1,967,500	8,581,086	(2,281,664,649)	(1,692,797,942)
Cost of sales	(13,985,327,010)	(12,832,591,778)	(1,204,537,138)	(1,279,933,910)	(17,471,528,798)	(15,805,323,630)
Intersegment cost of sales	(1,967,500)	(8,581,086)	(2,279,697,149)	(1,684,216,856)	2,281,664,649	1,692,797,942
Distribution and marketing expense	(188,236,579)	(81,766,354)	(33,083,255)	(48,503,844)	(221,319,834)	(130,270,198)
Administrative expenses	(175,593,447)	(150,018,486)	(21,897,437)	(20,072,617)	(197,490,884)	(170,091,103)
Other operating expense	(189,337,549)	(84,646,197)	-	-	(189,337,549)	(84,646,197)
Finance cost	(1,304,099,724)	(864,122,034)	(156,810,620)	(92,200,424)	(1,460,910,344)	(956,322,458)
Other operating income	169,478,869	250,879,984	(7,380,042)	27,638,716	162,098,827	278,518,700
Share of loss of associate	-	-	-	-	(119,860,952)	(14,742,076)
Profit before tax	799,467,952	1,065,724,936	56,501,709	126,429,372	736,108,709	1,177,412,232

19.1.1 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.

19.2 Segment assets and liabilities

Reporting segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	Spinning		Weaving		Total
	(Un-audited) 31 December 2019	(Audited) 30 June 2019	(Un-audited) 31 December 2019	(Audited) 30 June 2019	
Segment assets					
Segment assets for reportable segments					
Un-allocated corporate assets	-	-	-	-	-
	18,261,162,841	12,727,711,094	1,255,689,307	1,067,342,704	19,516,852,147
					13,795,053,798
					39,986,251,892
					40,809,922,021
	18,261,162,841	12,727,711,094	1,255,689,307	1,067,342,704	59,503,104,039
					54,604,975,819
Segment liabilities					
Un-allocated corporate liabilities	-	-	-	-	-
					37,754,713,284
					32,855,980,747
	-	-	-	-	37,754,713,284
					32,855,980,747



20 Reconciliation of movement of liabilities to cash flows arising from financing activities

	31 December 2019					
	Issued, subscribed and paid-up capital	Share premium	Dividend payable	Long term financing	Long term musharika	Short term borrowing
	(Rupees)					
	300,000,000	77,616,000	12,340,081	10,794,116,895	2,169,056,619	12,299,901,368
As at 30 June 2019						26,134,286,920
Changes from financing cash flows						
Dividend paid	-	-	(313,137,017)	-	-	-
Short term finances obtained-Net	-	-	-	-	-	1,355,452,770
Financial charges paid-Net	-	-	-	-	-	(1,384,928,350)
Long term finances paid	-	-	-	(1,029,866,449)	(160,311,325)	-
Proceeds from long term financing	-	-	-	1,780,821,372	1,000,000,000	-
Total changes from financing cash flows	300,000,000	77,616,000	(300,796,936)	11,545,071,818	3,008,745,294	13,655,354,138
Other changes						
Final cash dividend	-	-	315,000,000	-	-	-
Interest expense-Net	-	-	-	-	-	1,460,910,344
Total liability related other changes	-	-	315,000,000	-	-	1,460,910,344
As at 31 December 2019	300,000,000	77,616,000	14,203,064	11,545,071,818	3,008,745,294	29,158,228,265



	31 December 2018						
Issued, subscribed and paid-up capital	Share premium	Dividend payable	Long term financing	Long term musharka	Short term borrowing	Accrued markup	Total
----- (Rupees) -----							
300,000,000	77,616,000	8,971,945	10,019,402,227	1,389,679,269	10,728,556,612	322,880,239	22,847,106,292
Changes from financing cash flows							
Dividend paid	-	(251,378,381)	-	-	-	-	(251,378,381)
Short term finances obtained -Net	-	-	-	-	5,562,189,760	-	5,562,189,760
Financial charges paid-Net	-	-	-	-	(833,469,377)	-	(833,469,377)
Long term finances paid	-	-	(1,015,493,876)	(160,311,325)	-	-	(1,175,805,201)
Proceeds from long term financing	-	-	1,728,298,347	1,100,000,000	-	-	2,828,298,347
Total changes from financing cash flows	300,000,000	77,616,000	10,732,206,698	2,329,367,944	16,290,746,372	(510,589,138)	28,976,941,440
Other changes							
Final cash dividend	-	255,000,000	-	-	-	-	255,000,000
Interest expense-Net	-	-	-	-	-	956,322,458	956,322,458
Total liability related other changes	-	255,000,000	-	-	-	956,322,458	1,211,322,458
As at 31 December 2018	300,000,000	77,616,000	10,732,206,698	2,329,367,944	16,290,746,372	445,733,320	30,188,263,898

**21 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>Half year ended</i>	
	<i>(Un-audited)</i>	<i>(Un-audited)</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>Rupees</i>	<i>Rupees</i>
Associated Companies		
Long term advances to associates	540,765,448	600,000,000
Purchase of goods and services	783,281,150	239,350,470
Sale of goods and services	1,743,941,565	1,415,909,742
Receipts against sale of goods and services-net	1,135,696,156	964,547,243
Reimbursable expenses	-	1,586,375
Interest accrued on long term advances to associates	155,079,169	71,041,868

22 Date of authorization for issue

This condensed interim consolidated financial information was authorized for issue by the Board of Directors on 25 February 2020.

23 General

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


(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER


(SHEIKH NASEEM AHMAD)
DIRECTOR


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Investors' Education

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