



Fateh Industries Limited
ANNUAL REPORT 2008-2009

ANNUAL REPORT

2008-2009



**Fateh
Industries
Ltd.**

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Notice of Annual General Meeting



Notice is hereby given that the 24th Annual General Meeting of the Shareholders of **FATEH INDUSTRIES LIMITED**, will be held on Thursday the 29th October, 2009 at 8:30 a.m. at the registered office of the Company at Mirpurkhas Road, Hyderabad for the purpose of transacting the following business:-

1. To confirm the minutes of the last Annual General Meeting of the Company held on 30th October, 2008.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2009 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2009-2010 and to fix their remuneration.
4. Any other business with the permission of the Chair.

By order of the Board
for **FATEH INDUSTRIES LIMITED**

Ghous Muhammad Khan
Company Secretary

Hyderabad.
5th October, 2009

NOTES :

1. The share transfer books of the Company will remain closed for 7 days from 23rd to 29th October, 2009 (both days inclusive).
2. Any member of the Company who is entitled to attend and vote may appoint any other member of the Company as his/her Proxy to attend and vote in
3. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the
4. Shareholders are required to notify the change of their address if any, immediately.

BOARD

CHAIRMAN / CHIEF EXECUTIVE

Mr. Saeed Alam

DIRECTORS

Mr. Rauf Alam

Mr. Aftab Alam

Mr. Muhammed Mohsin

Mr. Muhammed Naveed

Mr. Faraz Alam

Mrs. Najma Roshan

SECRETARY

Mr. Ghous Muhammad Khan

CHIEF FINANCIAL OFFICER

Mr. Muhammed Ishaque Essani

AUDIT COMMITTEE

Mr. Rauf Alam (Chairman)

Mr. Aftab Alam (Member)

Mr. Faraz Alam (Member)

AUDITORS

M/s. Tanwir Arif & Co.

Chartered Accountants

Hyderabad.

BANKERS

United Bank Limited

REGISTERED OFFICE

Mirpurkhas Road,

Hyderabad

PLANT

442 Mirpurkhas Road

Hyderabad.

Directors' Report to the Members

for the year ended June 30, 2009



The Board of Directors present the company's annual audited financial statement alongwith Auditors' Report for year ended June 30, 2009

The operational activities time being remain suspended due to lack of working capital. However, the management is trying its best to revive its production activities immediately on realization of stuck up funds from Russia. The management of the company is continuously chasing for the recovery of stuck up funds with the Russian Government for supply of goods.

During the year under review Company has earned profit before taxation of Rs.5.733 million mainly due to exchange gain on trade debts. The accumulated loss carried to balance sheet amounts to Rs. 183.072 million.

The accounts of the company are prepared on going concern basis as the management intends to revive its production activities after realization of funds from abroad. The management will financially support the company till the recovery of the outstanding debts, as such Company's Bank liability was squad off with the help of directors and associated companies.

Compliance with the Code of Corporate Governance:

The requirements of Code of Corporate Governance set out by Karachi Stock Exchange in their listing rules, relevant for the year ended June 30, 2009, have been duly complied with. The Directors confirm the compliance of Corporate Governance, statement to this effect is annexed.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, presents fairly its state of affairs, cash flows and changes in equity;
- Proper books of accounts have been maintained by the Company;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- The System on internal control is sound in design;
- There are no significant doubts upon the company's ability to continue as a going concern;
- There has been no material departure from the best-practices of corporate governance, as detailed in the listing regulations;
- Operating and financial data for the last six years is as under; (000)

Description	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sales	0	0	0	0	0	0	0
Gross Profit / (Loss)	0	0	0	0	0	0	0
Selling & Administration Expenses	9,319	9,641	40,603	5,782	6,709	6,187	6,401
Profit/(Loss) before Taxation	(756)	(7,985)	(42,131)	(6,064)	(2,070)	1,120	5,733
Profit/(Loss) after Taxation	(609)	(7,985)	(42,131)	(6,064)	(2,070)	1,120	5,733
Authorized Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Paid up Capital	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Shareholder's equity	(11,675)	(119,660)	(161,790)	(167,854)	(169,869)	(168,669)	(162,980)
Fixed Assets	98,398	88,875	49,236	44,661	40,547	36,845	33,514
Total Assets	215,091	208,025	166,451	181,310	155,371	158,824	168,160

- No trading of shares have been carried out by the Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children;

- During the year four (04) meetings of the Board of Directors were held. The attendance of each Director is as follows:

<u>S.NO.</u>	<u>NAME OF DIRECTOR</u>	<u>MEETING ATTENDED</u>
1.	Mr. Rauf Alam	04
2.	Mr. Aftab Alam	04
3.	Mr. Saeed Alam	04
4.	Mr. Muhammad Mohsin	03
5.	Mr. Muhammad Naveed	03
6.	Mr. Faraz Alam	04
7.	Mrs. Najma Roshan	

- Pattern of Shareholding required under section 236 of the Companies Ordinance, 1984 is annexed;
- Outstanding taxes and levies are given in the relevant notes to the audited financial statements; and
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of directors' report.

Auditors' Observation

1. On the issue of going concern we would like to state that the main reason for the above situation is the stuck up funds with Russia (former U.S.S.R). The operations carried out with the scarce available financial resources were not feasible, therefore to mitigate the losses, manufacturing activities were closed in 2000 till the recovery of the stuck up funds. However, the management has continued its efforts and financial support to the Company.

Government of Pakistan and Russian Government have been discussing the matter of adjustment of amounts receivable by Pakistani exporters from Russian Government for the last many years. Government of Pakistan is pleading the case to safeguard the interest of Pakistani exporters. Government of Pakistan has frozen the account of Russian Government, which is currently maintained at National Bank of Pakistan, Karachi, which will remain intact till receipt of Pakistani exporters' stuck up funds that also include claim of Fateh Industries Limited.

In the light of the current development for the recovery of stuck up funds from Russian Government, the management is hopeful to receive the long outstanding foreign receivable shortly. Further the management intends to restart its operations anew and have no plan to liquidate the assets. The financial statement, are therefore, prepared on going concern assumption.

2. No provision has been made in the accounts for other receivables amounting to Rs.30.873 million since this amount is recoverable, soon after realization of outstanding debts. In this regard the State Bank of Pakistan has allowed the extension in maturity date of non-repatriated foreign proceeds upto 31st December, 2009.

Auditors

The retiring Auditors M/s. Tanwir Arif & Co., Chartered Accountants, being eligible offer themselves for re-appointment for the year ended June 30, 2010.

SAEED ALAM
CHAIRMAN
BOARD OF DIRECTORS

Dated: 28th September, 2009

Statement of Compliance

for the year ended June 30, 2009



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

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

1. The company encourages the presentation of independent, non-executive directors and directors representing minority interests on its Board of Directors. However there is no representation of non-executive independent directors and minority shareholders on the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board till June 30, 2009.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.
7. The meeting of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board Meeting, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. Officers having position of Chief Financial Officer (CFO) and Company Secretary were appointed prior to the implementation of the Code of Corporate Governance.
9. The Directors' Report for the period ended June 30, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
10. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

11. The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
12. The company has complied with all the corporate and financial reporting requirements of the Code.
13. The Board has already formed an Audit Committee which comprises three members of whom two (02) are non-executive directors.
14. The meeting of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of references of the committee have been formed and advised to the committee for compliance.
15. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountant (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other material principles contained in the Code have been compiled with.

SAEED ALAM
Chief Executive

Dated: 28th September, 2009

Auditors' Report to the Members

for the year ended June 30, 2009



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

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

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

1. As discussed in note 1.2 to the financial statements, the Company has been incurring continuous loss since last few years and has accumulated losses of Rs. 183.07 million including profit of Rs. 5.732 million earned during the current year. The negative equity of the company on the balance sheet date stands at Rs. 162.97 million. The current liabilities exceed current assets by Rs. 196.60 million thereby leaving an adverse current ratio of 0.41. The operations of the company are closed since 2000 and all the employees are laid off. These factors indicate the existence of material uncertainty, cast significant doubt about the company's ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. In spite of these factors the financial statements have been prepared on going concern assumption although adjustments relating to recoverability and reclassification of recorded assets and liabilities appear to be necessary.
2. the company has not made provision for doubtful balances in other receivables amounting to Rs. 30.873 million. Had this provision been made, the company would have incurred a loss Rs. 25.140 million instead of profit of Rs. 5.732 million.

- a) in our opinion, except for the effect of the matters referred to in paras 1 to 2 above, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion, except for the effect of the matters referred to in paras 1 to 2 above:
- i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion, because of the effect of the matters referred in 1 and 2 above and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively do not give a true and fair view of the state of the Company's affairs as at **June 30, 2009** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

TANWIR ARIF & CO.
CHARTERED ACCOUNTANTS

Hyderabad: September 28, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **M/s. Fateh Industries Limited**, as at June 30, 2009 to comply with the listing Regulation No. 37 of the Karachi Stock Exchange where the Company is listed.

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

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

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

TANWIR ARIF & CO.
CHARTERED ACCOUNTANTS



Balance Sheet as at

	NOTE NO	30-06-2009 RUPEES	30-06-2008 RUPEES
<u>CAPITAL AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Authorized Capital 10,000,000 ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid up share capital	3	20,000,000	20,000,000
Investment revaluation reserve		92,368	135,967
Accumulated loss		(183,072,214)	(188,804,828)
		(162,979,846)	(168,668,861)
CURRENT LIABILITIES			
Trade and other payables	4	100,979,409	97,332,540
Short term borrowings	5	230,160,083	230,160,083
Contingencies and Commitments	6	0	0
		331,139,492	327,492,623
		168,159,646	158,823,762

Notes :

1. The annexed notes form an integral part of these accounts.
2. Auditor's report is attached

Dated: 28th September, 2009

SAEED ALAM
Chief Executive

June 30, 2009



	<u>NOTE NO</u>	<u>30-06-2009 RUPEES</u>	<u>30-06-2008 RUPEES</u>
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
Operating fixed assets	7	33,514,009	36,844,601
LONG TERM INVESTMENTS	8	109,934	153,533
CURRENT ASSETS			
Stores, spare parts and loose tools	9	842,317	2,842,317
Trade debts	10	98,553,267	83,904,368
Advances, deposits and prepayments	11	94,624	33,600
Other receivables	12	35,034,877	35,034,877
Cash and bank balances	13	10,618	10,466
		134,535,703	121,825,628
		<u>168,159,646</u>	<u>158,823,762</u>

RAUF ALAM
Director

Profit & Loss Account
for the year ended June 30, 2009



	NOTE NO	30-06-2009 RUPEES	30-06-2008 RUPEES
Sales		0	0
Cost of Sale		0	0
Gross Profit / (Loss)		0	0
Administration Expenses	14	6,400,536	6,186,742
Operating Loss		(6,400,536)	(6,186,742)
Other Income	15	1,152	1,152
Exchange Gain		12,188,998	7,370,093
		5,789,614	1,184,503
Financial Expenses	16	1,000	8,699
Other Charges	17	56,000	56,000
		57,000	64,699
		5,732,614	1,119,804
Profit before taxation		5,732,614	1,119,804
Taxation		0	0
Profit after taxation		5,732,614	1,119,804
Accumulated loss brought forward.		(188,804,828)	(189,924,632)
Accumulated loss carried forward to balance sheet		(183,072,214)	(188,804,828)
Earning per share		2.87	0.56

Note: The annexed notes form an integral part of these accounts.

Dated: 28th September, 2009

SAEED ALAM
Chief Executive

RAUF ALAM
Director

Cash Flow Statement

for the year ended June 30, 2009



Cash Flow Statement

	NOTE NO	30-06-2009 RUPEES	30-06-2008 RUPEES
Cash flow from operating activities			
Profit / (Loss) before taxation		5,732,614	1,119,804
Depreciation	7	3,330,592	3,701,960
Provision for stock obsolescence	14	2,000,000	1,800,000
Other income	15	(1,152)	(1,152)
Exchange gain		(12,188,998)	(7,370,093)
		(6,859,558)	(1,869,285)
Operating (loss) before working capital changes		(1,126,944)	(749,481)
(Increase) / Decrease in current assets			
Trade debtors		(14,648,899)	(8,857,475)
Advances, deposits and pre-payments		(61,024)	(24,450)
(Decrease) / Increase in current liabilities			
Short term borrowings		0	0
Trade and other payables		3,646,869	2,252,614
		(11,063,054)	(6,629,311)
Cash(used in) / generated from operations		(12,189,998)	(7,378,792)
Markup / interest paid		0	0
Exchange gain		12,188,998	7,370,093
		12,188,998	7,370,093
Net cash flow from operating activities		(1,000)	(8,699)
Cash flow from investing activities			
Dividend received	15	1,152	1,152
		1,152	1,152
Net increase/(decrease) cash and cash equivalents	13	152	(7,547)
Cash and cash equivalents at the beginning of the year	13	10,466	18,013
Cash and cash equivalents at the end of the year		10,618	10,466

Dated: 28th September, 2009

SAEED ALAM
Chief Executive

RAUF ALAM
Director

Statement of Changes in Equity
for the year ended June 30, 2009



	Share Capital	Surplus on Revaluation of Investment	Accumulated (Loss)	Total
Balance as at June 30, 2007	20,000,000	55,294	(189,924,632)	(169,869,338)
Profit for the year	0	0	1,119,804	1,119,804
Unrealized gain on revaluation of investment	0	80,673	0	80,673
Balance as at June 30, 2008	20,000,000	135,967	(188,804,828)	(168,668,861)
Profit for the year	0	0	5,732,614	5,732,614
Unrealized gain on revaluation of investment	0	(43,599)	0	(43,599)
Balance as at June 30, 2009	20,000,000	92,368	(183,072,214)	(162,979,846)

Dated: 28th September, 2009

SAEED ALAM
Chief Executive

RAUF ALAM
Director

1. THE COMPANY AND ITS OPERATIONS

- 1.1. Fateh Industries Limited** is incorporated in Pakistan as a public limited company and is listed on the Karachi Stock Exchange.

The company is engaged mainly in the manufacturing and sale of footwear of all kinds, however, manufacturing is suspended since 1999-2000.

1.2 Going Concern

These financial statements have been prepared on going concern basis, despite the fact that operations are closed since the year 2000, there are accumulated losses and adverse financial ratios. The core reason for the non-production and losses is due to funds blocked with Russia that rendered the company in the financial distress. The manufacturing activities could not be profitably carried out with scarce financial resources, hence to mitigate the operational cost and administration expenses operations were closed in the year 2000, however, some inevitable expenses and cost were provided from the support of the directors.

The Government of Pakistan and Russian Government are discussing the matter for settlement of the claims of the Pakistani exporters. The Government of Pakistan has frozen the account of the Russian Government maintained with NBP, Karachi till the settlement of the claims of the Pakistani exporters. A draft protocol has been finalized which is likely to be signed within due course of time.

In these circumstance, the management is expecting recovery of stuck up funds and plans to restart its operations anew. Furthermore, the State Bank of Pakistan has granted extension upto 31-12-2008 for realization of Export proceeds, which shows the genuineness of claims of the company and strong possibility of receipt of funds from abroad.

The management of the company has no plan and do not see circumstances forcing it to liquidate its assets other than under normal course of business. The ability of the company to continue as a going concern currently is based on the followings:

- i) Continued financial support from the directors/related parties
- ii) Revival of the operations after receipts of stuck up funds from Russia

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These financial statements have been prepared under the "historical cost" convention except as otherwise disclosed in the accounting policies below.

2.2 Basis of Preparation

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

2.3 Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation except land, which is stated at cost. Depreciation is calculated on the written down value of assets. Full year's depreciation is charged on additions, while no depreciation is charged on fixed assets sold / deleted during the year. Maintenance and the normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of operating fixed assets is recognized in current year's income.

2.4 Long Term Investment

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement' at the time of purchase and classify these investments as either available for sale or held for trading.

Investments are initially recorded at cost being the fair value of the consideration given. Investments other than Term Finance Certificates are accounted for on trade date basis, which is the date that an enterprise commits to purchase or sell an asset.

Available for sale

These are investments that do not fall under held for trading and are stated at fair value with, any resultant gain or loss recognized as separate component of equity until investments are sold, disposed off or until the investment is determined to be impaired, at which time the accumulated gain or loss previously reported in equity is included in profit and loss account.

Held for trading

Held for trading investments are those which are either acquired for generating a profit from short term fluctuation in prices or dealers margin. Subsequently held for trading investments are re-measured at fair value with any resultant gain or loss recognized in the profit and loss account.

2.5 Stores, Spare Parts and Loose Tools

These are valued at lower of moving average cost or net realizable value except items in transit which are stated at cost accumulated up to the date of balance sheet.

2.6 Stock in Trade

These are valued at lower of cost and net realizable value, cost is calculated on the following basis:

Raw materials	At moving average cost.
Goods in transit	At cost accumulated upto balance sheet date.
Goods in process	At manufacturing cost.
Finished goods	At average manufacturing cost.

Net realizable value signifies the estimated selling price prevailing in the market less estimated selling expenses incidental to sales.

2.7 Trade Debts

Trade receivables are recognized and carried at original invoice amount. Bad debts are adjusted against provisions for doubtful debts or written off against the profit of the Company during the year in which these are deemed to be irrecoverable. Provision is made for debts which are considered doubtful of recovery.

2.8 Foreign Currency Transaction

Transactions in foreign currencies are accounted for in Pak Rupee at exchange rate approximating those prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the rates of exchange which approximate those prevalent at the balance sheet date except for liabilities covered under forward exchange contract which are translated at the contracted rates. Exchange gain and losses are included in the income statement currently.

2.9 Borrowing Cost

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset. All other borrowing costs are charged to income.

2.10 Provision for Gratuity

The Company operates an unfunded gratuity scheme for its all eligible employees and provision is made annually to cover the obligations under the scheme. Provision for gratuity has not been made in the accounts as there was no staff employed in the company to whom gratuity is to be paid.

2.11 Taxation

Charge for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

The company records deferred tax liability and assets on all temporary differences. However, the management is of the opinion that timing difference relating to deferred tax will not be materially reverse in foreseeable future, as the company's income is covered under presumptive tax regime.

2.12 Revenue Recognition

Sales are recorded on dispatch of goods. Income other than sales are recorded on accrual basis.

2.13 Sales

Sales include rebates on export sales.

2.14 Offsetting of Financial Assets and Financial Liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has the legal enforceable right to set off the transaction and also tends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.15 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset has been impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount and is recognized as an expense in the income statement.

2.16 Cash and its Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement it comprises cash in hand and demand deposits, short term highly liquid investments that are readily convertible to known amount of cash and which are not subject of significant change in value.

2.17 Related Party Transactions

Transactions between the company and related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to seller.

2.18 Financial Assets and Liabilities

All financial assets and liabilities are initially recognized at cost which is fair value for the consideration received or given. These financial assets and liabilities are subsequently measured at fair value.

2.19 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

	30-06-2009 RUPEES	30-06-2008 RUPEES
3. ISSUED, SUBSCRIBED & PAID-UP SHARE CAPITAL		
2,000,000 (2008:2,000,000) fully paid Ordinary shares of Rs. 10 each issued for cash	20,000,000	20,000,000
4. TRADE AND OTHER PAYABLES		
Creditors	10,815,778	10,840,778
Accrued expenses	1,038,314	1,027,314
Advances from customers	15,464,959	13,005,058
Due to associated undertakings	71,941,799	70,740,831
Others	1,718,559	1,718,559
	100,979,409	97,332,540
5. SHORT TERM BORROWINGS		
From Directors and their family members (unsecured) 5.1	230,160,083	230,160,083

5.1 The loan is unsecured and interest free, repayable on demand

6. CONTINGENCIES AND COMMITMENTS.

6.1 The company is contesting a number of cases under foreign exchange regulation with State Bank of Pakistan - Adjudication, in respect of non-repatriation of export proceeds. The State Bank of Pakistan has allowed extension in maturity date upto December 31, 2009. The management of the company is of the opinion that no financial loss is expected. The aggregate amount of cases under adjudication with State Bank of Pakistan is US\$: 761,552/-.

7. OPERATING FIXED ASSETS

PARTICULARS	COST			Accumulated depreciation as at 01-Jul-08	DEPRECIATION		Accumulated depreciation as at 30-Jun-09	Book Value as at 30-Jun-09	Book Value as at 30-Jun-08
	As on 01-Jul-08	Addition/ (Deletion)	As on 30-Jun-09		Charged for the year	Rate (%)			
	1	2	3	4	5	6	7	8	9
Land on free hold	3,585,601	-	3,585,601					3,585,601	3,585,601
Factory Building on free hold	30,908,554	-	30,908,554	25,885,922	502,263	10	26,388,185	4,520,369	5,022,632
Other Building on lease hold	1,943,657	-	1,943,657	1,487,054	45,660	10	1,532,714	410,943	456,603
Plant & Machinery	107,376,913	-	107,376,913	86,285,427	2,109,149	10	88,394,576	18,982,337	21,091,486
Air Conditioning Plant	2,033,634	-	2,033,634	1,638,028	39,561	10	1,677,589	356,045	395,606
Tools & Equipments	14,702,529	-	14,702,529	10,734,417	306,811	10	11,131,228	3,571,301	3,968,112
Furniture & Fixture	3,885,509	-	3,885,509	3,055,030	83,048	10	3,138,078	747,431	830,479
Office Equipment & Co	1,616,825	-	1,616,825	1,243,420	37,341	10	1,280,761	336,064	373,405
Electric Fittings	5,028,629	-	5,028,629	3,976,469	105,216	10	4,081,685	946,944	1,052,160
Vehicles	1,524,250	-	1,524,250	1,477,339	9,382	20	1,486,721	37,529	46,911
Arms	143,550	-	143,550	121,944	2,161	10	124,105	19,445	21,606
	172,749,651	-	172,749,651	135,905,050	3,330,592		139,235,642	33,514,009	36,844,601
30-06-2008	172,749,651	-	172,749,651	132,203,090	3,701,960		135,905,050		

Note: Depreciation for the year is charged to Administration Expenses.

	30-06-2009	30-06-2008
	RUPEES	RUPEES
14. ADMINISTRATION EXPENSES		
Provision for diminution in value of stores and spares	2,000,000	1,800,000
Rent, rates, taxes and fee	17,750	15,000
Property tax	146,580	0
Professional fee	60,000	0
Printing and stationary	25,185	20,915
Advertisement expenses	6,517	16,291
Utility expenses	813,912	632,576
Depreciation	3,330,592	3,701,960
	6,400,536	6,186,742
15. OTHER INCOME		
Dividend income	1,152	1,152
	1,152	1,152
16. FINANCIAL EXPENSES		
Interest and other charges :		
Bank charges and commission	1,000	8,699
	1,000	8,699
17. OTHER CHARGES		
Auditors' remuneration		
Audit fee	40,000	40,000
Half yearly review	16,000	16,000
	56,000	56,000
18. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES		
Remuneration and meeting fees were forgone by the Directors and Chief Executive as such no remuneration and perquisites were paid to them during the year.		
There were no loans or advances granted to the Directors during the year.		
19. AGGREGATE OF TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
i) Purchase of goods & services	0	0
ii) Sale of goods & services	0	0
iii) Brokerage, discount and commission	0	0
iv) Interest on loans		
a) charged to associated companies	0	0
b) charged by associated companies	0	0
v) Loan and advances		
a) advances provided	0	0
b) advances received	1,200,968	750,347
vi) Any other transaction	0	0

20. Related Parties Disclosure.

Name of Directors	Also Director in the following Associated Companies			
Mr. Rauf Alam	Fateh Sports Wear Ltd.	Finishers Limited	Trends Limited	Modes Limited
Mr. Aftab Alam	Fateh Sports Wear Ltd.	--	--	--
Mr. Saeed Alam	Fateh Sports Wear Ltd.	Finishers Limited	Modes Limited	--
Mr. Muhammad Mohsin	Fateh Sports Wear Ltd.	Trends Limited	Modes Limited	--
Mr. Muhammad Naveed	Fateh Sports Wear Ltd.	Trends Limited	--	--
Mr. Faraz Alam	Fateh Sports Wear Ltd.	--	--	--
Mrs. Najma Roshan	Fateh Sports Wear Ltd.	--	--	--

21. Financial Instruments and Related Disclosures

2009

21.1 Financial Assets and Liabilities

	Interest / Markup bearing			Non-Interest / Markup / bearing			
	Effective yield Markup	Maturity upto one year	Maturity after one year	Total Rupees	Maturity upto one year	Maturity after one year	Total Rupees
Financial Assets							
Trade debts		0	0	0	98,553,267	0	98,553,267
Other receivables		0	0	0	35,129,501	0	35,129,501
Cash & Bank Balances		0	0	0	10,618	0	10,618
		0	0	0	133,693,386	0	133,693,386
Financial Liabilities							
Short term borrowings		0	0	0	230,160,083	0	230,160,083
Trade and other payables		0	0	0	100,979,409	0	100,979,409
		0	0	0	331,139,492	0	331,139,492

2008

Financial Assets and Liabilities

	Interest / Markup bearing			Non-Interest / Markup / bearing			
	Effective yield Markup	Maturity upto one year	Maturity after one year	Total Rupees	Maturity upto one year	Maturity after one year	Total Rupees
Financial Assets							
Trade debts		0	0	0	83,904,368	0	83,904,368
Other receivables		0	0	0	35,068,477	0	35,068,477
Cash & Bank Balances		0	0	0	10,466	0	10,466
		0	0	0	118,983,311	0	118,983,311
Financial Liabilities							
Short term borrowings		0	0	0	230,160,083	0	230,160,083
Trade and other payables		0	0	0	97,332,540	0	97,332,540
		0	0	0	327,492,623	0	327,492,623

21.2 Risk Management

Overall, risks arising from the Company's financial assets and liabilities are limited.

a) Interest rate risk management.

The following rate liabilities comprise short term finance:

b) Foreign Exchange rate risk management.

No foreign currency loan is repayable except an advance from the customer amounting to Rs.15,464,959/-

c) Credit Risk Management.

The Company is exposed to a concentration of credit risk on its trade debts amounting to Rs. 92,095,005/- by virtue of all its customers being foreign. The Company do not have any limits on its customers.

21.3 Fair value of Financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

22. Date of Authorization of Issue

These financial statements were authorized for issue on **28th September, 2009** by the Board of Directors of the Company.

23. Production Capacity

Due to nature of company's business, production capacity of the plant is not determinable.

24. Number of Employees

There is no employee as at June 30, 2009 as well as at June 30, 2008.

25. Earning per Share

There is no dilutive effect on the basic earning per share of the Company, which is based on :

		2009	2008
Profit after tax for the year	Rs.	5,732,614	1,119,804
Number of Ordinary Shares		2,000,000	2,000,000
Earning per share	Rs.	2.87	0.56

26. Figures

Figures have been rounded off to the nearest rupee.

SAEED ALAM
Chief Executive

RAUF ALAM
Director

Pattern of Shareholdings
for the year ended June 30, 2009



**Pattern of holding of the shares held
by the shareholders of Fateh Industries Limited
as at 30th June, 2009**

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
456	From	1	To	100	38,302
118	From	101	To	500	32,748
39	From	501	To	1000	26,558
7	From	1001	To	5000	12,729
5	From	5001	To	10000	42,719
1	From	10001	To	15000	14,737
1	From	15001	To	20000	16,174
2	From	30001	To	35000	67,399
1	From	35001	To	40000	38,269
2	From	40001	To	45000	87,122
1	From	45001	To	50000	46,853
1	From	50001	To	55000	51,371
1	From	55001	To	60000	56,878
1	From	60001	To	65000	62,102
1	From	70001	To	75000	72,014
2	From	95001	To	100000	197,816
1	From	100001	To	105000	100,891
1	From	110001	To	115000	111,905
1	From	120001	To	125000	121,967
1	From	135001	To	140000	135,325
1	From	140001	To	145000	143,705
1	From	160001	To	165000	160,556
1	From	165001	To	170000	169,333
1	From	190001	To	195000	192,527
647			TOTAL		2,000,000

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
1.	Individuals	625	765,663	38.29%
2.	Associated Companies*	1	561	0.03%
3.	Joint Stock Companies	1	1,023	0.05%
4.	NIT / ICP	1	346	0.02%
5.	Directors, CEO & Spouse	17	1,183,754	59.19%
6.	Bank, Financial Institutions	2	48,653	2.43%
	TOTAL	647	2,000,000	100.00%

Details of Pattern of Shareholdings
for the year ended June 30, 2009



Categories of Shareholders

S.No.	Name	No. of Shares
1.	Associated companies, undertakings and related parties	
	1. Fateh Sports Wear Limited	561
	Total >	561
2.	Joint Stock Companies	
	1. Fateh Textile Mills Limited	465
	Total >	465
3.	NIT / ICP (Name wise details)	
	1. Investment Corporation of Pakistan	346
	Total >	346
4.	Directors, CEO and their spouse and minor children	
1	Mr. Rauf Alam (Chief Executive Officer)	143,705
2	Mr. Aftab Alam (Director)	160,556
3	Mr. Saeed Alam (Director)	135,325
4	Mr. Muhammad Mohsin (Director)	98,969
5	Mr. Muhammad Naveed (Director)	100,891
6	Mr. Faraz Alam (Director)	14,737
7	Mrs. Najma Roshan (Director)	192,527
8	Mr. Roshan Ali	111,905
9	Mrs. Seema Rauf	34,909
10	Mrs. Shabana Aftab	16,174
11	Mrs. Rana Saeed	32,490
12	Mrs. Fozia Mohsin	98,847
13	Mrs. Roohi Naveed	8,551
14	Mr. Ashhar Alam	8,642
15	Mr. Aneek Alam	8,242
16	Mr. Anhar Alam	8,642
17	Mr. Jamal Alam	8,642
	Total >	1,183,754
5.	Bank, Financial Institutions, Non-Banking Financial Institution etc	
1	National Bank of Pakistan Ltd.	46,853
2	Pakistan Industrial Credit & Investment Corporation Ltd.	1,800
	Total >	48,653

