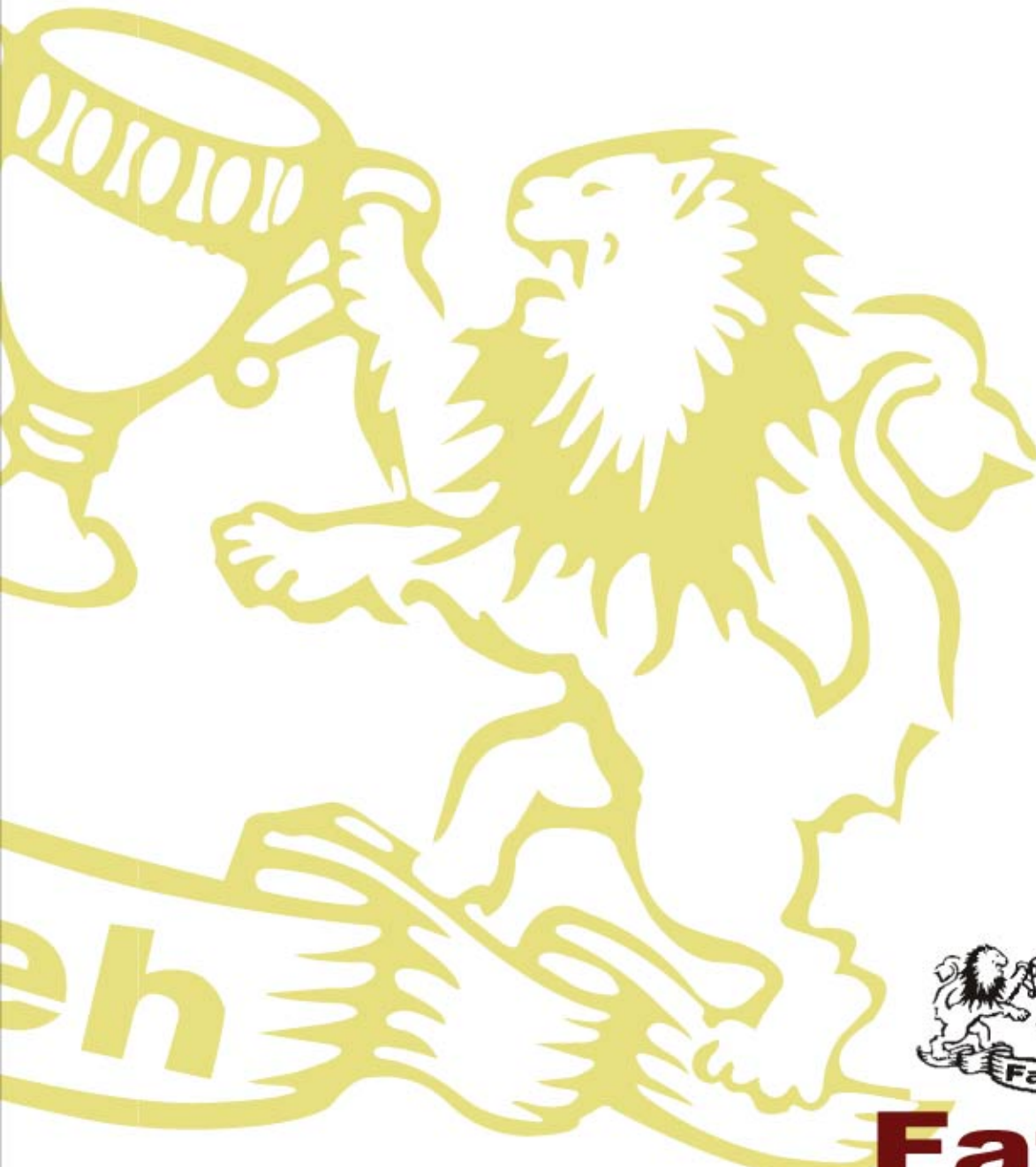




**Fateh**

Annual Report  
2010/2011



**Fateh**  
TEXTILE MILLS LTD

Hali Road, Hyderabad, Pakistan.

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Notice is hereby given that the 59th Annual General Meeting of the Shareholders of FATEH TEXTILE MILLS LIMITED will be held on Monday the 31st October 2011 at 08.00 a.m. at the Registered Office of the Company at Hali Road, S.I.T.E., Hyderabad for the purpose of transacting the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on 31st March 2011.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon.
3. To declare Cash Dividend @ 10% as recommended by the Directors for the year 2010-2011.
4. To appoint Auditors for the year ending June 30, 2012 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board  
For FATEH TEXTILE MILLS LIMITED

A handwritten signature in black ink, appearing to read "Muhammad Nadeem Aqeel", is written over a light blue horizontal line.

**MUHAMMAD NADEEM AQEEL**  
Company Secretary

HYDERABAD: 8th October, 2011.

### NOTES:

1. The Share Transfer Books of the Company will remain closed for 7 days from 25th to 31st October 2011 (both days inclusive). Transfer received at our Share Registrar Office M/s. Progressive Management Services (pvt) Ltd, 10th Floor, Mehdi Towers, A-115, S.M.C.H.S, Shahrah-e-Faisal, Karachi, at the close of business on 24th October 2011 will be treated in time for the purpose of above entitlement to the transferees.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. A proxy must be a member of the Company (except for a corporation).
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 for holding meeting.
4. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited under Central Depository System (CDS) must bring their original National Identity Card (NIC) or Original Passport alongwith their account number in CDS at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the CNIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to immediately notify the Share Registrar of the Company change of their address, if any.
6. Members who have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company at the earliest.







# Fateh

### Board of Directors

Mr. Gohar Ullah	Chairman
Mr. Assadullah Barkat	Chief Executive
Mr. Humayun Barkat	
Mr. Maqsood Ahmed Khan	
Mr. Muhammad Saleem	
Mr. Muhammad Ayub	NIT Nominee
Mr. Soofi Taj Muhammad	

### Chief Financial Officer

Mr. Muhammad Saleem

### Company Secretary

Mr. Muhammad Nadeem Aqeel

### Audit Committee

Mr. Gohar Ullah	Chairman
Mr. Humayun Barkat	Member
Mr. Soofi Taj Muhammad	Member

### External Auditors

M/s. Rahim Jan & Co.  
Chartered Accountants,  
Karachi.

### Legal Advisor

Ansari & Ansari, Advocates.

### Bankers

Allied Bank Limited  
Askari Bank Limited  
Deutsche Bank  
Habib Bank Limited  
Meezan Bank Limited  
Metropolitan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank

### Registered Office

A/4, Hali Road, S.I.T.E., Hyderabad - Sindh.  
Phone No: 022-3880463-66  
Fax No: 022-3880042 & 3880514  
E-mail: fatehmills@aol.com  
URL: www.ftml.com.pk

### Liaison Office

114-A, S.M.C.H.S., Near Mehdi Tower,  
Shahra-e-Faisal, Karachi.

### Mills

Hali Road, S.I.T.E., Hyderabad - Sindh,  
Pakistan.

### Share Registrar

M/s Progressive Management Services (Pvt.) Ltd.  
10th Floor, Mehdi Towers, A-115, S.M.C.H.S. Shahrah-e-Faisal,  
Karachi. Tel: 021 34526983, Fax: 021 34526985  
E-mail: pmsl-rta@hotmail.com



## **Vision**

Fateh to be the first choice of customers in international textile market and to make the Fateh brand globally known for quality products with innovative design capabilities.

## **Mission**

To be a market leader in textiles specially in bedwear items. Our mission is to exceed our customers' expectations by producing quality products employing state-of-art/latest technology, international best practices and an integrated approach to manufacturing technology, contributing to the economic growth of the nation by increasing exports and earning foreign exchange for our Country.



For and on behalf of your Board of Directors, I feel pleasure in welcoming you to this 59th Annual General Meeting of the Company and presenting you the Audited Accounts and Auditors Report thereon together with notes forming part thereof for the financial year ended on June 30, 2011..

The year under review was another period of struggle for our Country which is again punch by the heavy deluge that swamped through the cotton fields, threatened the commodity's production causing it to slump. Incessant downpour has damaged the fields in Punjab and Sindh, wiped off the country's positive expectations regarding cotton crops. Ballpark figure state that losses due to rain are marked about 1.5 million bales. There is also no guarantee that the residual cotton in fields will have good quality, therefore expectations to achieve the target of 14 million bales could not be achieved and the Country is likely to fall back about 25% of its cotton production. Therefore the country will bear a supplementary burden on the cotton imports.

This has not only jeopardized the cotton crops, but also the national economy which has already under the clench of high cost of production. Besides the mentioned factors manufacturers have to sustain huge production losses due to gas and power shortage, which is still unsolved since many years, have bust the national economy in addition to inflicting enormous loss to the infrastructure. Growing energy shortages and widening of fiscal and external current account deficits including escalating trend of power and gas tariffs also hampered economic activities manifold during the year.

**OPERATING RESULTS:**

During the accounting year under discussion, your Company has achieved a turnover of Rs.2,825.314 million as compared to Rs.2,442.560 million, showing an improvement up to 15% against the corresponding period of last year's result.

Cost of Sales has been reduced which mainly attributes to the reduction in salaries & wages, fuel and power expenses and consumption of stores & spares due to the closure of spinning unit since there were rising trend of input cost coupled with escalation of raw cotton prices.

Administration expenses as well as selling expenses also showing declining trend as compare to last year results. Other income was decreased as compared to corresponding period of last year since considerable part of this was consists of provision of exchange gain difference.

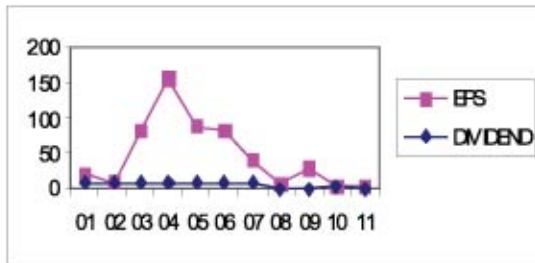
There is a reduction in financial expense mainly due to re-settlement with leasing companies on mark up rates.

After provision of current and deferred taxation the profit stood at Rs. 2.229 million. The earnings per share worked out to Rs.1.78 per share.

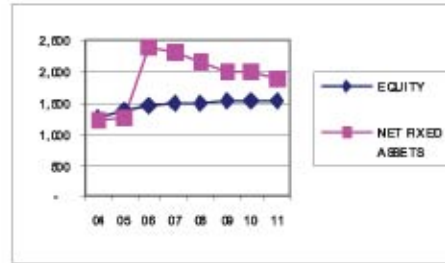
**Your Directors recommend the following appropriation:**

	Rs. (In Million)
Profit before taxation	4.952
Current Taxation	15.722
Deferred Taxation	(13.000)
Profit after taxation	<u>2.229</u>
Un appropriated profit brought forward	46.603
<b>Appropriation:</b>	
Transfer to General Reserve	0
Final Dividend Paid - 2009 - 2010	<u>1.875</u>
Un appropriated profit carried forward	<u><u>46.958</u></u>





**Dividend payout and Earning per Share**



**Shareholders Equity v/s Net Fixed Assets**

## DIVIDEND:

It has always been policy of the company to distribute as much return to the members as possible. Therefore, your Directors are pleased to recommend a final cash dividend @10%.

The final cash dividend @10% is proposed to be paid to all such shareholders of the company whose names appear in the company's register as on 25th October 2011.

## AUDITOR'S OBSERVATIONS:

a) The gain on ABL shares have not been taken to "statement of changes in equity" since management has decided that these shares should remain at its cost price till the outcome of suit and countersuit in the High Court of Sindh.

b) Since efforts are being made to realize the export proceeds, therefore the management believes that no provision is required

## MERGER SCHEME:

Your Company's merger plan of absorption of two of its associated undertakings with the object of strengthening its financial resources, resort to economy in cost and saving in taxation is pending with the Honourable High Court of Sindh, Karachi for approval.

## COAL FIELD:

Thirty (30) years mining lease of Lakhra coalfield comprises of an area of 8626 acres equivalent to 35 square kilometer was awarded to your company by the Government of Sindh vide Notification dated 14.12.2005 for the development and establishment of coal mining and coal washing plant leading to power plant up to 200MW. The designated area is the fully explored coalfield of Pakistan having necessary infrastructure and connected by metallic road and a rail track. The mining part of the mega project is moving satisfactory. The coal washing plant is in function. The import progress of 30mw coal fire power plant is also satisfactory. In the first part 02 Nos of Coal Fired Boiler and turbine are to be shipped by the end of this year.

## SOCIAL, HEALTH AND HUMAN RESOURCES

We are extremely aware of our responsibility in respect of safe and healthy environment. The Group is actively participating in the Social and Health uplift of the Group Companies in particular and the city of Hyderabad in general. In order to ensure the safety of all our employees the Company established a Hospital with qualified Doctor and Compounders, is working in the Mills round the clock. Besides this the employees are covered under the government Social Security Scheme





The Group is also running two charitable Hospitals in the city to provide medical facilities to poor ailing people. The Human Resource policy based on fairness, merit and on equal opportunity. Further the Company pays considerable heed to enhancing the employees' productivity, which results towards organizational effectiveness. The Company maintains a high standard of working environment.

During the recent and preceding year flood caused enormous devastation across large parts of the Country the Company provided relief goods including bed wear items and blankets to the affected peoples

### **ENVIRONMENTAL POLICY**

Fateh Group is very conscious about the environmental conditions not only in the Plants but also in the adjoining area and all efforts are made to keep and maintain the environmental condition in a befitting manner. Big Plantation is done in the Factories area and beautiful grass-lawns, Mosque, play ground, canteen etc., are provided for the employees to make them fit to their work. Adequate arrangements are made to dispose off industrial waste to avoid pollution and degradation.

### **FUTURE PROSPECT:**

It feels that difficult business environments are likely to carry on in the next accounting year and the profitability will remain under pressure. Your Directors will make all efforts to ensure a reasonable return on equity and retain its market share.

Entering into domestic market through opening of Company's Sales Outlets for the local sale of its products is one of the strategies for diversifying business option where we got encouraging symptom.

Every possible step is being taken to improve yields, quality products and to achieve better working efficiency. Your management is fully equipped and geared up to flow swiftly to the varying market dynamics.

### **CORPORATE GOVERNANCE**

The statement of compliance with the best practices of Code of Corporate Governance is annexed.

### **CORPORATE AND FINANCIAL FRAMEWORK**

In compliance with the Code of Corporate Governance, the Board is committed to maintain the Corporate Governance in letter and spirit. The Board has reviewed the Code of Corporate Governance and gives hereunder statements of Corporate and Financial Reporting Framework:

- The financial statements under review have been prepared in accordance with the provisions of the Companies Ordinance, 1984 as amended by Companies (Amendment) Ordinance, 2002, the requirements of Securities and Exchange Commission of Pakistan and the Listing Regulations of Karachi Stock Exchange (G) Limited. These financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account 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.
- International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in

preparation of these financial statements and any departure there from has been adequately disclosed.

- The system of internal control of the Company is sound in design and has been effectively implemented and monitored.
- 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 of Karachi Stock Exchange (G) Limited wherever applicable to the Company for the year ended June 30, 2011.
- Outstanding taxes and other government levies are given in related note(s) to the financial statements.
- The key operating and financial data for the last six years, in a summarized form, is annexed.
- The Company operates an unfunded gratuity scheme for its all eligible employees. Obligations under the scheme are provided annually. The provision is adjusted triennially as per actuarial valuation as required by IAS-19.
- During the year seven (07) meetings of the Board of Directors were held and attendance at meetings were as follows:

<b>Name of Director</b>	<b>Meetings attended</b>
Mr. Gohar Ullah	05
Mr. Assadullah Barkat	04
Mr. Humayun Barkat	05
Mr. Maqsood Ahmed Khan	07
Mr. Muhammad Saleem	06
Mr. Muhammad Ayub (NIT Nominee)	03
Mr. Soofi Taj Muhammad	07

Leave of absence was granted to Directors who could not attend some of the Board Meetings.

#### **AUDIT COMMITTEE**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee. The names of its members are given under Company Information.

#### **PATTERN OF SHAREHOLDING**

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

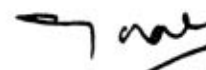
#### **AUDITORS**

As required by the Code of Corporate Governance, the Audit Committee of the Board has recommended the name of M/s. Rahim Jan & Co., Chartered Accountants, Karachi who retire and being eligible, offer themselves for reappointment for the financial year ending June, 2012.

#### **ACKNOWLEDGEMENT**

We would like to thank all our customers for their trust, confidence and positive feedback that motivate us to further improve our products. The Board extend their thanks to the banks and financial institutions for their continued support, timely services and cooperation. The Board also wishes to place on record the continuous hard work and efforts put up by all the employees for the business of the Company

For and on behalf of the Board



**GOHAR ULLAH**  
Chairman



## Statement of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi Stock Exchange (G) Limited 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.

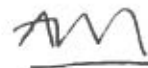
- The Company encourages effective representation of independent non-executive Directors on its board. At present the Board includes non-executive directors
- The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
- All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred in the board during the year.
- The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the Directors and employees of the Company.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors.
- The Audit Committee was established to assist the Board in discharging its duties and responsibilities ensuring good Corporate Governance including review of reports of Company's financial results and internal control procedures for management decisions and evolving strategy for safeguarding Company's assets and its business potentials.
- The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and financial results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
- The Company has arranged an orientation course during the period.
- The transactions with related parties are placed before the Audit Committee and Board of Directors for review and approval along with the method for pricing.
- The Directors, CEO, CFO, Executives and their spouses and minor children have not transacted in the shares of the Company during the year other than disclosed in the pattern of shareholding.
- All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board



for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- The Board has approved appointment of CFO, Company Secretary and Internal Audit function, including their remuneration and terms and conditions of employment, as determined by the CEO.
- The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the Code.
- The Statutory Auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program 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 Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 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.
- We confirm that all other material principles contained in the Code have been substantially complied with.

Hyderabad: 5th October, 2011



**ASSADULLAH BARKAT**  
Chief Executive



**Pattern of share holding  
as at 30th June, 2011**

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
163	From	1	To	100	15,022
22	From	101	To	500	6,010
4	From	501	To	1000	3,099
8	From	1001	To	5000	24,708
1	From	5001	To	10000	6,400
1	From	10001	To	15000	14,061
1	From	40001	To	45000	40,200
1	From	55001	To	60000	59,500
1	From	90001	To	95000	94,050
1	From	105001	To	110000	109,900
1	From	110001	To	115000	113,250
1	From	120001	To	125000	124,013
1	From	130001	To	135000	132,600
1	From	150001	To	155000	151,100
1	From	170001	To	175000	171,837
1	From	180001	To	185000	184,250
<u>209</u>					<u>1,250,000</u>

S. No.	CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	% AGE
1.	Individuals	201	999,800	79.98%
2.	Investment Companies	0	0	0.00%
3.	Insurance Companies	0	0	0.00%
4.	Joint Stock Companies	1	132,600	10.61%
5.	Financial Institutions	6	117,500	9.40%
6.	Modaraba Companies	0	0	0.00%
7.	Abandoned Properties Organization	1	100	0.01%
		<u>209</u>	<u>1,250,000</u>	<u>100.00%</u>

## Details of Pattern of Shareholding as per Requirement of Code of Corporate Governance

CATEGORIES OF SHAREHOLDERS	SHARES HELD	% AGE
<ul style="list-style-type: none"> <li>• Associated companies, undertakings and related parties Barkat Limited</li> </ul>	132,600	10.61
<ul style="list-style-type: none"> <li>• NIT and ICP National Bank of Pakistan, Trustee Department Investment Corporation of Pakistan</li> </ul>	94,649 -	7.57 -
<ul style="list-style-type: none"> <li>• Directors, CEO and their spouse and minor children Mr. Gohar Ullah Mr. Asad Ullah Barkat Mr. Humayun Barkat Mr. Maqsood Ahmed Khan Mr. Muhammad Saleem Mr. Soofi Taj Muhammad Mr. Muhammad Ayub (NIT Nominee)</li> </ul>	113,250 124,013 151,100 2,500 2,500 2,500 -	9.06 9.92 12.09 0.20 0.20 0.20 -
<ul style="list-style-type: none"> <li>• Executives</li> </ul>	-	-
<ul style="list-style-type: none"> <li>• Public Sector Companies and Corporations</li> </ul>	-	-
<ul style="list-style-type: none"> <li>• Banks, DFIs, NBFIs, Insurance Companies, Modaraba and Mutual Funds</li> </ul>	22,851	1.82
<ul style="list-style-type: none"> <li>• Administrator, Abandoned Properties, Govt. of Pakistan</li> </ul>	100	0.01
<ul style="list-style-type: none"> <li>• Joint Stock Companies</li> </ul>	-	-
<ul style="list-style-type: none"> <li>• Individuals</li> </ul>	603,937	48.32
<ul style="list-style-type: none"> <li>• Shareholders holding ten percent or more voting interest in the listed company Mr. Inayat Ullah Mrs. Kulsoom Inayat Mr. Humayun Barkat Barkat Limited</li> </ul>	171,837 184,250 151,100 132,600	13.75 14.74 12.09 10.61



## Key Operating and Financial Data



**Fateh**

<u>Operating Data</u>	2011	2010	2009	2008	2007	2006
Sales	2,825,314,922	2,442,558,995	3,050,988,913	4,716,081,695	6,289,408,315	6,687,701,377
Cost of sales	2,282,067,243	2,423,990,825	2,971,848,461	4,272,302,110	5,745,212,649	6,020,802,274
Gross profit	543,247,679	18,568,130	79,140,452	443,779,585	544,195,666	666,899,103
Operating profit/(Loss)	479,875,690	(60,098,077)	(1,541,196)	333,947,783	393,194,356	462,141,377
Profit before tax	4,951,803	27,722,147	39,026,362	37,556,385	101,667,425	138,705,485
Profit after tax	2,229,452	4,622,147	34,026,362	8,056,385	50,667,425	100,705,485

### Financial Data

Paid-up capital	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
Fixed assets	1,873,015,899	2,003,222,631	1,995,513,077	2,140,103,181	2,300,148,442	2,369,911,366
Long term investment	526,526,968	525,701,132	524,357,579	526,032,414	528,134,792	526,511,947
Current assets	7,569,817,839	7,267,915,683	6,983,245,958	6,223,660,322	5,088,756,126	4,733,660,466
Current liabilities	3,649,253,883	6,094,464,222	5,587,473,433	4,629,474,587	3,403,589,885	2,963,491,821

### Key Ratios

Gross margin	19.23%	0.76%	2.59%	9.41%	8.65%	9.97%
Operating margin	16.98%	(2.46%)	(0.05%)	7.08%	6.25%	6.91%
Net profit	0.08%	0.19%	1.12%	0.17%	0.81%	1.51%
Current ratio	2.07	1.19%	1.25	1.34	1.50	1.60
Earning per share (Rupees)	1.78	3.70	27.22	6.45	40.53	80.56
Cash dividend	10%	15%	10%	10%	75%	75%
Break-up value (Rs./share)	1,234	1,234	1,230	1,205	1,208	1,173

### Statistics

Number of spindles	30,720	30,720	30,720	30,720	30,720	30,720
Yarn production into 20/s counts (Kgs)	0	1,244,000	0	2,434,122	8,109,229	8,397,273

**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 Fateh Textile Mills Limited ("the company") to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, 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 provision 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 of Corporate Governance.

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 are not required to consider whether the Board's statement on internal control covers all risk and controls, or to form an opinion of the effectiveness of such controls, the company's corporate governance procedures and risk.

Further, sub regulation (xiii a ) of Listing Regulation 35 (previously No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, as applicable to the Company for the year ended June 30, 2011

:

  
RAHIMJAN & CO.,

Dated: 5th October, 2011

Chartered Accountants  
Engagement Partner: Badrur Rahman

Karachi.



## Auditor's Report to the Members

We have audited the annexed balance sheet of Fatch Textile Mills Limited as at June 30, 2011 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 period 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 purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the period was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affair as at June 30, 2011 and of the profit, its cash flows and changes in equity for the period then ended; and
- d) in our opinion Zakat deductible at source under Zakat and Usher Ordinance, (xviii of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion:

- (a) We point out that as against established policy, the investment in shares of Allied Bank Ltd has been retained at cost price as briefly disclosed in Note No. 17.1.1 and the gain of Rs. 528.773 million at year end has not been accounted for. Had this been done, the equity would have been increased by that much amount. The hearing of the case before High Court of Sindh has since been completed but judgment has been reserved.
- (b) The export trade debts include past due balances amounting to around Rs. 5 billion which are over due against the normal practices, against which provision for doubtful debts has not been made. Recoveries during the year from these past due debtors amount to Rs. 600 million only, which evidently indicate very slow recovery. The situation, therefore, requires all out efforts to expedite recovery, which are necessarily to be made, to avoid legal action from State Bank of Pakistan under Foreign Exchange Regulations.

Dated: 5th October, 2011  
Karachi

  
RAHIM JAN & CO.  
Chartered Accountants  
Engagement Partner: **Badrur Rahman**







# 2010/2011



## Balance Sheet as at

<b>CAPITAL &amp; LIABILITIES</b>	Note No.	2011 Rupees	2010 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital 2,000,000 ordinary shares of Rs.10/ each		20,000,000	20,000,000
Issued, subscribed and paid up capital	3	12,500,000	12,500,000
General reserve	4	1,481,000,000	1,481,000,000
Investment revaluation reserve		2,591,449	1,763,733
Unappropriated profit carried forward		46,958,411	46,603,959
		1,543,049,860	1,541,867,692
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	5	1,043,388,986	1,091,872,631
<b>LOAN SUBORDINATE TO EQUITY</b>	6	51,000,000	51,000,000
<b>LONG TERM LOANS</b>	7	4,211,340,450	1,235,000,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	8	10,528,915	11,542,926
<b>DEFERRED LIABILITIES</b>			
Gratuity and staff benefits	9	5,548,800	10,472,900
Deferred taxation	10	28,000,000	41,000,000
		33,548,800	51,472,900
<b>CURRENT LIABILITIES</b>			
Trade and Others payable	11	376,275,415	398,375,451
Mark-up on secured finances		2,374,494,347	1,827,696,850
Short term running finances	12	649,978,148	3,152,781,660
Current portion of long term liabilities	13	208,223,213	683,441,466
Provision for taxation		40,282,760	32,168,795
		3,649,253,883	6,094,464,222
<b>CONTINGENCIES AND COMMITMENTS</b>	14	10,542,110,895	10,077,220,370

**NOTE:**

The annexed notes 1 to 40 form an integral part of these accounts.





# June 30, 2011

<b>PROPERTY &amp; ASSETS</b>	Note No.	2011 Rupees	2010 Rupees
<b>FIXED ASSETS - Tangible</b>			
Operating fixed assets	15	1,873,015,899	2,003,222,631
<b>CAPITAL WORK IN PROGRESS</b>			
	16	568,932,643	276,563,379
<b>LONG TERM INVESTMENTS</b>			
	17	526,526,968	525,701,132
<b>LONG TERM DEPOSITS</b>			
		3,817,546	3,817,546
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	18	24,090,658	29,488,600
Stock-in-trade	19	1,495,965,403	1,303,098,761
Trade debts	20	5,850,126,066	5,655,316,029
Advances, deposits and prepayments	21	27,094,805	35,778,121
Other receivables	22	148,223,622	230,822,111
Cash and bank balances	23	24,317,285	13,412,062
		7,569,817,839	7,267,915,683
		10,542,110,895	10,077,220,370

ASSADULLAH BARKAT  
Chief Executive

MAQSOOD AHMED KHAN  
Director

## Profit & Loss Account for the year ended June 30, 2011

	Note No.	2011 Rupees	2010 Rupees
Sales	24	2,825,314,922	2,442,558,955
Cost of sales	25	2,282,067,243	2,423,990,825
Gross profit		543,247,679	18,568,130
Administration expenses	26	51,193,992	60,216,029
Selling expenses	27	12,177,997	18,450,179
		63,371,989	78,666,207
Operating Profit / (loss)		479,875,690	(60,098,077)
Other income	28	81,399,156	655,745,201
		561,274,846	595,647,124
Financial expenses	29	550,330,426	561,196,888
Other charges	30	5,992,617	6,728,088
		556,323,043	567,924,976
Profit before taxation		4,951,803	27,722,147
Taxation			
Current	31	15,722,351	8,100,000
Deferred		(13,000,000)	15,000,000
		2,722,351	23,100,000
Profit after taxation		2,229,452	4,622,147
Other Comprehensive income for the year			
Unrealized gain on investment Available- for- sale		827,716	1,343,553
Total Comprehensive income for the year		3,057,168	5,965,700
Earning Per Share	33	1.78	3.70

**Note:**

The annexed notes 1 to 40 form an integral part of these accounts.



ASSADULLAH BARKAT  
Chief Executive



MAQSOOD AHMED KHAN  
Director

## Cash Flow Statement for the year ended June 30, 2011



**Fateh**

	Note No.	2011 Rupees	2010 Rupees
<b>Cash from Operating Activities</b>			
Net profit before taxation		4,951,803	27,722,147
Adjustment for:			
Depreciation	15.2	82,422,348	91,713,051
Profit on bank deposits	28	(908,681)	(376,978)
Dividend income	28	(237,688)	(113,129)
Gain on sale of investment	28	(15,322)	0
Provision for gratuity	9	387,000	2,294,700
Financial charges		549,983,716	560,053,780
Cash generated before working capital change		636,583,176	681,293,571
<b>Changes in Working Capital</b>			
<b>(INCREASE)/ DECREASE IN CURRENT ASSETS</b>			
Stores, spares and loose tools		5,397,942	(120,037)
Stock-in-trade		(192,866,643)	458,522,565
Trade debts		(194,810,037)	(705,497,524)
Advances, deposits & prepayments		8,683,316	4,747,517
Other receivables		82,598,489	(39,915,347)
<b>INCREASE/ (DECREASE) IN CURRENT LIABILITIES</b>			
Creditors, accrued & other liabilities		(22,100,036)	(40,390,578)
		(313,096,969)	(322,653,404)
Cash generated from operations		323,486,207	358,640,167
Gratuity paid	9	(5,311,100)	(202,400)
Taxes paid		(7,608,385)	(7,143,612)
		(12,919,485)	(7,346,012)
Net cash generated from operations		310,566,722	351,294,154
<b>(OUTFLOW)/INFLOW DUE TO INVESTING ACTIVITIES</b>			
Additions in fixed assets	15	(699,261)	(153,293,325)
Long term investments- disposal of shares Investment	28	17,202	0
Profit on bank deposit received	28	908,681	376,978
Dividend received	28	237,688	113,129
Capital work - in - progress	16	(292,369,264)	(163,907,554)
		(291,904,954)	(316,710,772)
<b>INFLOW/ (OUTFLOW) DUE TO FINANCING ACTIVITIES</b>			
Repayment of finance leases		(6,673,572)	(909,401)
Payment of dividend		(1,875,000)	(1,250,000)
Financial charges paid		(3,186,219)	(28,860,012)
		(11,734,791)	(31,019,413)
Net Increase/(Decrease) in cash and its equivalent during the year		6,926,977	3,563,970
Cash & cash equivalents at the beginning of the year		(3,139,369,599)	(3,142,933,569)
Cash & cash equivalents at the end of the year		(3,132,442,621)	(3,139,369,599)
<b>Cash &amp; Cash Equivalents</b>			
Cash & bank balances	23	24,317,285	13,412,062
Short term bank borrowing	12	(3,156,759,906)	(3,152,781,660)
		(3,132,442,621)	(3,139,369,599)

**Note:**

The annexed notes 1 to 40 form an integral part of these accounts.

ASSADULLAH BARKAT  
Chief Executive

MAQSOOD AHMED KHAN  
Director

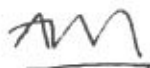


## Statement of Changes in Equity for the year ended June 30, 2011

	Share Capital Rupees	General Reserve Rupees	Surplus on Revaluation of Investments Rupees	Unappropriated Profit/(Loss) Rupees	Total Rupees	Surplus on Revaluation of Fixed Assets Rupees
Balance as at 1st July, 2009	12,500,000	1,481,000,000	420,180	43,231,812	1,537,151,992	1,145,743,347
Net profit for the year ended June 30, 2010	0	0	0	4,622,147	4,622,147	0
Incremental Depreciation for the year	0	0	0	0	0	(53,870,716)
Unrealised gain on revaluation of investments	0	0	1,343,553	0	1,343,553	0
Final Dividend Paid for 2008-2009	0	0	0	(1,250,000)	(1,250,000)	0
Transfer to General Reserves	0	0	0	0	0	0
<b>Balance as at 1st July, 2010</b>	<b>12,500,000</b>	<b>1,481,000,000</b>	<b>1,763,733</b>	<b>46,603,959</b>	<b>1,541,867,692</b>	<b>1,091,872,683</b>
Net profit for the year ended June 30, 2011	0	0	0	2,229,452	2,229,452	0
Incremental Depreciation for the year	0	0	0	0	0	(48,483,645)
Unrealised gain on revaluation of investments	0	0	827,716	0	827,716	0
Final Dividend Paid for 2009-2010	0	0	0	(1,875,000)	(1,875,000)	0
Transferred from / to General Reserves	0	0	0	0	0	0
<b>Balance as at June 30, 2011</b>	<b>12,500,000</b>	<b>1,481,000,000</b>	<b>2,591,449</b>	<b>46,958,411</b>	<b>1,543,049,860</b>	<b>1,043,388,986</b>
Balance as at June 30, 2010	12,500,000	1,481,000,000	1,763,733	46,603,959	1,541,867,692	1,091,872,631

**Note:**

The annexed notes 1 to 40 form an integral part of these accounts.



ASSADULLAH BARKAT  
Chief Executive



MAQSOOD AHMED KHAN  
Director



## Notes to the Accounts for the year ended June 30, 2011

### 1. STATUS AND NATURE OF BUSINESS

Fateh Textile Mills Limited was incorporated in Pakistan as a private limited company and converted into public limited company in 1960 and subsequently listed on Karachi Stock Exchange. The company is engaged in the business of manufacturing, bleaching, dyeing, printing, buying, selling and dealing in textile, yarn, cloth and fabrics made from raw cotton and polyester fiber. The company has obtained coal mining lease basically for power generation and is manufacturing auto parts for motorcycle and tractors.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Convention

These accounts have been prepared under the historical cost convention, except for certain fixed assets which include revaluation amount and investments “available for sale” which are stated at fair value.

The investments in shares of Allied Bank Limited are, however, stated at cost.

#### 2.2 Statement of Compliance

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

#### 2.3 Adoption of New and Revised Standards & Interpretations

The following amendments, revisions and interpretations to published accounting standards were not effective during the year and have not been earlier adopted by the Company:

	Effective date (annual periods beginning on or after)
IFRS 7 Financial instruments : Disclosures (Amendments)	January 1, 2011 & July 1, 2011
IAS 1 Presentation of financial statements (Amendments)	January 1, 2011 & July 1, 2012
IAS 12 Income taxes (Amendments)	January 1, 2012
IAS 19 Employee benefits (Amendments)	January 1, 2013
IAS 24 Related party disclosures (Revised)	January 1, 2011
IAS 28 Investments in Associates and Joint Venture (Revised)	January 1, 2013
IAS 34 Interim Financial Reporting (Amendments)	January 1, 2011
IFRIC 13 Customer Loyalty Programs (Amendments)	January 1, 2011
IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction (Amendments)	January 1, 2011

The management anticipate that, except for the effects on the financial statements of amendments to IAS 19 “Employee Benefits”, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures. The application of the amendments to IAS 19 (effective date January 1, 2013) would result in the recognition of cumulative unrecognized actuarial gains / losses in other comprehensive income in the period of initial application, which cannot be presently quantified at the statement of financial position date

#### **2.4 Fixed Assets and Depreciation**

These are stated at cost less accumulated depreciation and impairment loss except land, factory and colony building and plant and machinery in which element of revaluation is included. Depreciation is calculated on written down value of assets. Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year. Charge for depreciation in profit and loss account is on the basis of historical cost. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised. Gain or loss on disposal of operating fixed assets is recognised in current year's income statement.

#### **2.5 Stores, Spares and Loose Tools**

These are valued using moving average cost method. The items in transit are stated at cost accumulated upto the date of balance sheet.

#### **2.6 Stock-in-Trade**

These are valued at lower of cost and net realisable value. Cost is calculated on the following basis:

Raw Materials	At weighted average cost
Material-in-Transit	At cost accumulated upto the date of balance sheet
Goods in process	At manufacturing cost
Finished Goods	At average manufacturing cost.

Net realisable value signifies the estimated selling price prevailing in the market less estimated selling expenses incidental to sales and average manufacturing cost including direct overheads.

#### **2.7 Trade Debts**

Trade receivables are recognized and carried at original invoice amount except that export bills receivable are carried at the rate of exchange prevailing at the year end. Bad debts are adjusted against provision 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 Long Term Investments**

2.8.1 All investments are initially recognised at cost, being fair value of the consideration given including acquisition charges associated with investments and classified as either “held for trading” or “available for sale”.

2.8.2 Investment “held for trading” are those which are either acquired for generating a profit for short-term fluctuation in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. Gains and losses on investments held for trading are recognised in income statement.





- 2.8.3 Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rate are classified as “available for sale”. These are classified as non current unless management has an intention of holding the investment for not more than 12 months from the balance sheet date in which case they are included as current assets.
- Gains and losses on investments “available for sale” are recognised as separate component of equity until investments are disposed of or until the investment is determined to be impaired, at which time the accumulated gains / loss previously reported in equity is included in income statement.
- 2.8.4 All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the investments.
- 2.8.5 Fair value of publicly traded investment is based on quoted market prices at balance sheet date.
- 2.9 Staff Retirement Benefits**  
The Company operates unfunded gratuity scheme for all its entitled workmen. In terms of the scheme the workers are entitled for encashment of this entitlement at their option. The provision is adjusted triennially as per actuarial valuation required under IAS -19. During the interim period provision is updated on the old basis. The most recent actuarial valuation was carried out for the period 2010 using projected unit credit method, which has been given effect to in these accounts.
- 2.10 Taxation**  
Charge for current taxation is based on taxable income at current tax rates after considering tax credits and tax rebates if any, available to the company.
- Provision for deferred taxation is made on all significant temporary timing differences which are likely to reverse in future, using the liability method.
- 2.11 Assets Subject to Finance Lease**  
These are recognised as assets and liabilities at the inception of the lease equal to the fair value of the leased assets or, if lower, at the present value of minimum lease payments, using the discount factor as interest rate which is implicit in the lease. The financial charges are allocated to the related accounting periods in a manner so as to provide a constant periodic rate of charge. These leased assets are depreciated in accordance with the depreciation policy, which is consistent with depreciable assets, which are owned.
- 2.12 Foreign Currency Transactions**  
Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities in foreign currencies at year end are translated into rupees at the rate of exchange ruling on the balance sheet date. Exchange gains and losses are included in income statement currently.
- 2.13 Trade and other Payables**  
Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.
- 2.14 Borrowing Cost**  
Borrowing cost that are directly attributable to the acquisition, construction or



production of a qualifying assets are capitalized as a part of the cost of that asset. All other borrowing costs are charged to income.

#### **2.15 Revenue Recognition**

Dividend income on equity investment is recognised when the company's right to receive the payment has been established. Return on deposits are recognised on accrual basis.

#### **2.16 Research and Development Support**

The manufacturing cum exporting units in respect of certain type of fabrics have been allowed Research and Development Support by the Government at specified rates and with specified conditions.

The income is accounted for on accrual basis and is grouped under "other income" in the financial statements.

#### **2.17 Sales**

Sales including sale of coal and auto parts are recorded on dispatch of goods.

Sales include export rebates, which are accounted for on accrual basis.

#### **2.18 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 intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **2.19 Provisions**

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a present or past event and it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

#### **2.20 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 asset is reduced to its recoverable amount and is recognised as an expense in the income statement.

#### **2.21 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.

#### **2.22 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.

#### **2.23 Research and Development Cost**

Research and development cost is charged to income as and when incurred.

#### **2.24 Dividend and Appropriation to Reserves**

Dividend is recognized in the financial statements in the period in which this is approved.

#### **2.25 Financial Assets and Liabilities**

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

#### **2.26 Capital Work in Progress**

This is stated at cost which includes all specific expenses incurred for installation / erection and are transferred to fixed assets when ready for intended use.



	Rupees 2011	Rupees 2010
<b>3. ISSUED, SUBSCRIBED &amp; PAID-UP SHARE CAPITAL</b>		
1,250,000 (2010: 1,250,000) Fully paid ordinary shares of Rs. 10 / - each issued for cash.	<u>12,500,000</u>	<u>12,500,000</u>
<b>4. GENERAL RESERVE</b>		
Opening Balance	1,481,000,000	1,481,000,000
Transfer during the year	<u>0</u>	<u>0</u>
	<u>1,481,000,000</u>	<u>1,481,000,000</u>
<b>5. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
<p>Revaluation of Land, Factory &amp; Colony Building and Plant &amp; Machinery was carried out by Sidat Hyder &amp; Co. Chartered Accountants under asset valuation method duly assisted by an independent valuer viz. M/s. Iqbal A. Nanjee &amp; Co. Surveyors and valuation consultants as on September 30, 1999 resulting in to creation of surplus of Rs. 717.856 million. Subsequently it was carried out by M/s. Iqbal A. Nanjee &amp; Co. Surveyors and valuation consultants as on June 21, 2005 resulting into creation of a surplus Rs. 1,139.013 million. Amortization of both revaluations are given in Note no. 15.2.</p> <p>The management has at the end of the year, physically carried out survey of all the assets and noted no material impairment in the assets which are properly maintained.</p> <p>The movement in this account is as under:-</p>		
Opening balance as at July 1	1,091,872,631	1,145,743,347
Amortization of revaluation surplus representing Incremental Depreciation for current year (5.1)	<u>(48,483,645)</u>	<u>(53,870,716)</u>
	<u>1,043,388,986</u>	<u>1,091,872,631</u>
5.1	<p>In accordance with the amendment in Section 235 of Companies Ordinance, 1984 inserted by Companies (Amendment) Ordinance 2002, the balance of revaluation surplus representing incremental depreciation has been amortized by the incremental depreciation.</p>	
<b>6. LOANS SUBORDINATE TO EQUITY (UNSECURED)</b>	<u>51,000,000</u>	<u>51,000,000</u>
<p>These have been received from directors and bear no interest.</p>		
<b>7. LONG TERM LOANS</b>		
Financial Institutions		
Demand Finance - Secured		
MC B Bank Limited (7.1)	5,004,000	5,004,000
Allied Bank Limited (7.2)	1,235,000,000	1,235,000,000
National Bank of Pakistan (7.3)	<u>2,976,340,450</u>	<u>469,558,692</u>
	4,216,344,450	1,709,562,692
Less: Current Maturity (Note # 13)	<u>(5,004,000)</u>	<u>(474,562,692)</u>
	<u>4,211,340,450</u>	<u>1,235,000,000</u>

- 7.1 The management and MCB Bank has renegotiated the matter during the month of Aug 2011. According to the arrangements company would pay Rs. 4,250,000/- as advance payment and 9 PDCs amounting to Rs. 4,527,215/- to settle this long standing issue permanently.

In case of non-compliance of the compromise package the bank will recover the old outstanding as per previously announced court decree.

This is secured by hypothecation of raw material, cloth and garments stored at mills premises or elsewhere in Pakistan and charge over book debts as well as fixed assets, as additional security.

- 7.2 On 5th October 2005, Company and Allied Bank Limited agreed to settle this long term loan liability at a sum of Rs 1300 million out of which company paid a sum of Rs. 65 million as down payment leaving the balance of Rs. 1235 million payable within the period of five years. The first four quarterly payments were of Rs. 50 million commencing from 15th March, 2006 and the remaining balance of Rs. 1035 million were to be paid in 16 equal quarterly instalments with mark up of KIBOR plus 1%.

The bank defaulted in fulfilling the requirements as enunciated in para 5 of the above said agreement and therefore the company has filed a suit against the bank for specific performance in Sindh High Court which is pending. For the same reason markup on the loan is not being provided.

In spite of reminders by the auditors, the bank does not respond.

This is secured by:

- (a) An equitable mortgage which ranked (pari passu) with National Bank of Pakistan of Plot of land bearing No - A / 47 / A, S.I.T.E, Hyderabad together with all factory buildings, workshop, plant & machinery and hypothecation of equipments, stores etc. of spinning unit # 2.
  - (b) Second charge by way of mortgage of plot No A- 4 SITE, Hyderabad, together with buildings, plant & machinery and equipments, and hypothecation of stock of raw materials, goods in process, finished goods, stores, spares & packing materials.
  - (c) A floating charge on the current assets of the company to rank as third, the first charge being in favour of National Bank of Pakistan and second charge in favour of Askari Bank Limited.
  - (d) Hypothecation over stocks and raw materials, charge over present and future book debts, receivables, claims, investments, and rights over assets, .
- 7.3 As a result of financial package with the NBP in a previous years, various financing liabilities of the Company were converted into Demand Finance of Rs. 469.558 million & Cash Finance of Rs. 2.506 billion totalling to Rs. 2.976 billion as on 30.06.2011.

The repayment of the entire loan is to be made in five years time. Whenever payment is made 80% are to be adjusted against principal and 20% against accrued markup.

The securities are as follows.

- (a) Land measuring 52.35 acres situated at Deh Sukhpur, Taluka Hyderabad and 8.05 acrs at Deh Ghangra, Taluka Hyderabad at Forced Sales Value of Rs. 1.018 billion.



- (b) First charge by way of registered mortgage of plot no. A-4 , S.I.T.E Hyderabad together with all factory building, plant and machinery and all fixed assets.
- (c) First charge by way of hypothecation and letter of lein on book debts, stock and all movable assets.

Rupees  
2011

Rupees  
2010

**8. OBLIGATION FOR ASSETS ACQUIRED UNDER FINANCE LEASE**

Future Minimum Lease Payments		
2010 - 2011	0	20,109,852
2011 - 2012	16,579,548	10,227,552
2012 - 2013	8,242,226	2,556,888
2013 - 2014	2,352,000	0
	27,173,774	32,894,292
Less: Financial charges allocated to future periods.	1,241,514	4,053,678
	25,932,260	28,840,614
Less: Current Portion (Note-9)	15,403,345	17,297,688
	10,528,915	11,542,926

Reconciliation of minimum lease payments and their present value is given below:  
(Amount in Rupees)

	2011		2010	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due within one year	16,579,548	15,403,345	20,109,852	17,297,688
Due after one year but not later than five year	10,594,226	10,528,915	12,784,440	11,542,926
	27,173,774	25,932,260	32,894,292	28,840,614

The implicit rate used as the discounting factor ranges from 7.5% to 25% per annum.  
Lease rentals are payable in equal monthly / quarterly instalments.  
The cost of repair, taxes and insurance are to be borne by the company.  
The company has purchase option after the expiry of lease period.



	Rupees 2011	Rupees 2010
<b>9. GRATUITY AND STAFF BENEFITS</b>		
Provision for gratuity		
Opening balance	10,472,900	8,380,600
Provision made during the year	<u>387,000</u>	<u>2,294,700</u>
	10,859,900	10,675,300
Less: Paid during the year	<u>5,311,100</u>	<u>202,400</u>
	<u><u>5,548,800</u></u>	<u><u>10,472,900</u></u>
<b>MEMBERSHIP DATA</b>		
Number of members	<u>80</u>	<u>126</u>
Total monthly eligible salary	554,600	723,150
<b>ACTUARIAL ASSUMPTIONS</b>		
Discount rate	10%	10%
Expected rate of salary increase in future years	9%	9%
Average expected remaining working lifetime of employees.	10 years	10 years
<b>EMPLOYEES COMPENSATED ABSENCE</b>		
Employees are allowed to proceed on annual earned leave accrued to them as a result of services rendered by them to company.		
<b>10. DEFERRED TAXATION</b>		
Deferred Tax (10.1)	<u>28,000,000</u>	<u>41,000,000</u>
(10.1)	In the view of the fact that the company is an export oriented company whose export sales are approximately 74% of the total sales and whereas export proceeds are subject to collection of tax at source which are treated as discharge of full and final tax liability for the purpose of Income Tax Ordinance 2001 and therefore timing differences are unlikely to reverse on this portion of sales which warrants deferred tax provision. The remaining 26% of sale will be assessed under the normal assessment on which the deferred tax is provided after considering the accelerated depreciation lease rental and staff gratuity etc.	
<b>11. TRADE AND OTHERS PAYABLES</b>		
Trade creditors	348,680,706	320,146,194
Accrued expenses	11,979,011	60,195,805
Security deposits	20,000	20,000
Income tax deducted at source	13,609,515	14,150,015
Worker's profit participation fund (11.1)	<u>1,986,183</u>	<u>3,863,437</u>
	<u><u>376,275,415</u></u>	<u><u>398,375,451</u></u>



	Rupees 2011	Rupees 2010
(11.1) <b>WORKERS' PROFIT PARTICIPATION FUND</b>		
Opening at July 01	3,863,437	4,361,883
Profit Allocation for the year	261,000	1,500,000
Interest Accrued	<u>225,000</u>	<u>308,250</u>
	4,349,437	6,170,133
Less: Payment made during the year	<u>2,363,254</u>	<u>2,306,696</u>
Balance At June 30	<u><u>1,986,183</u></u>	<u><u>3,863,437</u></u>

**12. SHORT TERM RUNNING FINANCES UNDER MARK-UP ARRANGEMENT**

From Banking Companies (Secured)	<u>649,978,148</u>	<u>3,152,781,660</u>
-------------------------------------	--------------------	----------------------

These are secured against hypothecation and pledge of stock-in-trade and stores, book debts, lien on export contracts, letters of credit and foreign bills drawn, personal guarantee of sponsoring directors as well as equitable mortgage of fixed assets.

Facility extended to company amounts to Rs. 4074.765 million. Mark up is charged on the running finance facility from KIBOR (3 months ask) plus 2% to 2.5% per Annum.

**13. CURRENT PORTION OF LONG TERM LIABILITIES**

Long Term Loans	(Note # 7)	5,004,000	474,562,692
Finance Leases	(Note # 8)	15,403,345	17,297,688
Over Due Lease Rentals		<u>187,815,868</u>	<u>191,581,086</u>
		<u><u>208,223,213</u></u>	<u><u>683,441,466</u></u>

- (13.1) NIB Bank Limited has filed a suit on June 11, 2009 in the banking court-1. Karachi for the recovery of Rs. 44,820,550 representing principal as well as mark up and surcharge on default payment. The suit has been decreed by the court in favour of bank on February 10, 2010 for an amount of Rs.27,643,415 along with the cost of fund from the date of decree. The liability has been fully provided which is included in Rs. 187.815/- million above.

**14. CONTINGENCIES & COMMITMENTS**

- |       |   |     |                |
|-------|---|-----|----------------|
| (i)   | In respect of letters of credit   | NIL | 35.646 million |
| (ii)  | In respect of letters of credit (Local)   | NIL | 10.400 million |
| (iii) | The company is contesting a number of cases under foreign exchange regulations in respect of non repatriation of export proceeds, however, the legal advisor of the company has opined that no financial loss is expected. Recovery from old export debtors as already commenced<br>The aggregate repatriable amount is 162.746 million. (2010 Rs. 161.893 million) |     |                |

- (v) There exists contingent liability:  
 In respect of export bills sold. Rs. 499,859 million Rs. 434,233 million  
 In respect of bank Guarantee Rs. 7.654 million Rs. 7.654 million

- (vi) Mark up on loan from Allied Bank Limited amounting to Rs. 912.294 million (2010 Rs. 735.103 million).

This is not provided in the books because the matter is subjudice in the court.

15. FIXED ASSETS PARTICULARS	AMOUNT IN RUPEES										
	COST/ REVALUATION				DEPRECIATION					WRITTEN DOWN VALUE AS ON 30-06-2011	WRITTEN DOWN VALUE AS ON 30-06-2010
	AS ON 01-07-2010	ADDITION/ (DELETION)	REVALUATION	AS ON 30-06-2011	RATE %	AS ON 01-07-2010	FOR THE PERIOD	AMORTIZATION OF SURPLUS ON REVALUATION	ACCUMULATED DEPRECIATION		
<b>OWN ASSETS</b>											
Factory Land - Lease hold	385,110,000	0	0	385,110,000	0	0	0	0	0	385,110,000	385,110,000
Agricultural Land	317,325,000	0	0	317,325,000	0	0	0	0	0	317,325,000	317,325,000
Factory & Colony Building on Lease Hold Land	432,909,140	154,459	0	433,043,599	10	266,854,258	3,768,177	12,850,757	283,473,192	149,570,407	166,054,882
Garden Building	299,658	0	0	299,658	10	115,451	18,421	0	133,872	165,786	184,207
Plant & Machinery	2,785,636,010	0	0	2,785,636,010	10	1,910,997,388	51,830,974	35,632,888	1,998,461,250	787,174,760	874,638,622
Garden Fixed Assets	328,507	0	0	328,507	10	113,601	21,491	0	135,092	193,415	214,906
Office Equipments	11,833,669	38,000	0	11,871,669	10	9,810,729	206,094	0	10,016,823	1,854,846	2,022,940
Tools & Equipments	30,962,826	0	0	30,962,826	10	22,221,277	874,155	0	23,095,432	7,867,394	8,741,549
Electric Fittings	59,328,531	192,500	0	59,521,031	10	49,049,696	1,047,133	0	50,096,829	9,424,202	10,278,835
Furniture & Fixtures	18,174,905	79,300	0	18,254,205	10	14,932,811	332,139	0	15,264,950	2,989,255	3,242,094
Water Pipe Line	7,879,250	0	0	7,879,250	10	6,891,409	98,784	0	6,990,193	889,057	987,841
Vehicles	45,426,089	0	0	45,426,089	20	39,264,097	1,232,398	0	40,496,495	4,929,594	6,161,992
Air Conditioning Plant	12,825,777	255,000	0	13,080,777	10	10,238,795	284,198	0	10,522,993	2,557,784	2,586,982
Arms	942,185	0	0	942,185	10	806,868	13,532	0	820,400	121,785	135,317
Computers	35,965,568	0	0	35,965,568	10	28,845,580	711,999	0	29,557,579	6,407,989	7,119,988
	4,144,947,116	699,261	0	4,145,646,375		2,360,141,960	60,439,495	48,483,645	2,469,065,100	1,676,581,275	1,784,805,156
<b>ASSETS SUBJECT TO FINANCE LEASE</b>											
Plant & Machinery	391,094,225	0	0	391,094,225	10	174,087,778	21,700,645	0	195,788,423	195,305,802	217,006,447
Vehicles	3,646,847	0	0	3,646,847	20	2,235,817	282,206	0	2,518,023	1,128,824	1,411,030
	394,741,072	0	0	394,741,072		176,323,595	21,982,851	0	198,306,446	196,434,626	218,417,477
<b>TOTAL 2010 - 2011</b>	4,539,688,188	699,261	0	4,540,387,447		2,536,465,555	82,422,346	48,483,645	2,667,371,546	1,873,015,901	2,003,222,633
<b>TOTAL 2009 - 2010</b>	4,386,394,863	153,293,325	0	4,539,688,188		2,390,881,786	91,713,053	53,870,716	2,536,465,555	2,003,222,633	



	Rupees 2011	Rupees 2010
<b>15.1 Depreciation of assets have been apportioned as under:</b>		
(a) Cost of sales	79,319,870	88,096,858
(b) Administration Expenses	3,062,567	3,571,847
(c) Garden Income	39,911	44,346
	<u>82,422,348</u>	<u>91,713,051</u>

**15.2** Surplus on revaluation of land, factory & colony building and plant & machinery was incorporated firstly on 30th September, 1999 and subsequently on June 30, 2006, summarized position of which are as follows:-

	Agricultural Land Rupees	Factory Land Rupees	Factory & Colony Building Rupees	Plant And Machinery Rupees	Total Rupees
Cost as at June 30, 2005	6,694,287	45,355,125	231,905,730	2,497,571,852	2,781,526,994
Less: Accumulated depreciation upto June 30, 2005.	0	0	152,429,258	1,418,767,759	1,571,197,017
Written down value	6,694,287	45,355,125	79,476,472	1,078,804,093	1,210,329,977
Depreciated replacement cost	317,325,000	385,110,000	268,982,019	1,377,925,600	2,349,342,619
Surplus	310,630,713	339,754,875	189,505,547	299,121,507	1,139,012,642
Opening Balance	0	41,575,595	57,209,369	619,070,686	717,855,650
	310,630,713	381,330,470	246,714,916	918,192,193	1,856,868,292
Incremental depreciation transferred to retained earnings					
Upto 30-06-2010	0	0	118,207,346	561,863,316	680,070,662
Related deferred tax	0	0	0	0	84,925,000
Current year - Incremental depreciation	0	0	12,850,757	35,632,888	48,483,645
Balance					<u>1,043,388,986</u>

Had there been no revaluation the figures of land, factory and colony building and plant & machinery as at June 30, 2011 would have been as follows:-

	Cost Rupees	Accumulated Depreciation Rupees	Written Down Value Rupees
Land	3,779,530	0	3,779,530
Factory and Colony Building	183,645,271	144,014,800	39,630,471
Plant and Machinery	2,036,992,180	1,493,978,548	543,013,632
2011	2,224,416,981	1,637,993,348	586,423,633
2010	2,224,282,522	1,560,693,553	663,588,969



	2011 Rupees	2010 Rupees
<b>16. CAPITAL WORK IN PROGRESS</b>		
Development of coal mines	<u>568,932,643</u>	<u>276,563,379</u>

This represents development of coal mines which are in progress and permission for the sale of surplus coal has also been granted to the company by the Government of Sindh till the functioning of their power plant

Thirty (30) years mining lease of Lakhra coalfield comprises of an area of 8626 acres equivalent to 35 square kilometer was awarded to the company by the Government of Sindh vide notification dated 14th December, 2005 for the development and establishment of coal mining and coal washing plant leading to power generation upto 200MW.

**17. LONG TERM INVESTMENTS**

Quoted Companies - Available for sale	6,446,001	5,620,165
Less:-		
Provision for share investment theft	1,382,588	1,382,588
Provision for dimunition in value	<u>119,438</u>	<u>119,438</u>
	4,943,975	4,118,139
Add:		
Other (17.1)	<u>521,582,993</u>	<u>521,582,993</u>
	<u>526,526,968</u>	<u>525,701,132</u>

17.1 This is made up as under:-

Allied Bank Limited (17.1.1)		
16.376 million shares of Rs. 10 each	521,582,993	521,582,993
Investment in Talpur Textile Mills (17.1.2)		
Goodwill	775,371	775,371
51% shareholding	2,550,000	2,550,000
Current Account	1,116,127	1,116,127
Loan Account	2,300,000	2,300,000
	6,741,498	6,741,498
Less:-		
Provision for dimunition in value	<u>6,741,498</u>	<u>6,741,498</u>
	0	0
	<u>521,582,993</u>	<u>521,582,993</u>

17.1.1 The ABL Shares were pledged with the ABL as security for the Loan obtained. On 23rd July, 2004 the Bank invited bids for the sales of these shares with reserve price of Rs. 25 per share. Highest bid is stated to have been received at Rs. 25.51 per share which was approved and sum of Rs. 417.754 (m) has been kept in the deposit account by the Allied Bank Ltd.

At the same time, i.e., on 23rd July, 2004 Privatization Commission of Pakistan invited



open bids to raise additional 75% capital of the Allied Bank Ltd and highest bid was Rs. 43/- per share.

It would therefore be noted that right share were sold for Rs. 43 per share whereas at the same time the holding of the company's investment were sold for Rs. 25.51 per share.

The above disparity and injustice compelled the company to file suit against the bank in the High Court of Sindh, hearing of which is completed and judgement is reserved.

The price of ABL shares quoted at Karachi Stock Exchange (Guarantee) Ltd was Rs. 64.14 share as at June 30, 2011. However, gain (of Rs. 528.773 m) on these shares have not been taken to "statement of changes in equity" as required by IAS 39 since management has decided that these shares should remain at its cost price till the outcome of suit and countersuit in High Court.

17.1.2 It was a joint venture with PIDC, Management of which was taken over by them in 1968. The Project is stated to have been closed in 1997 and does not exist any more.

PIDC has sold out the machinery and other equipments of TTM for Rs. 7.1(m) and deposited the proceeds with the Nazir of Sindh High Court.

What happened to the Land, Building and other assets like Store & Spares, Debtors, Bank Balance, etc is not known and requires to be ascertained. The amount deposited with the Nazir of Sindh High Court is got to be released for which action is on hand. Necessary adjustments shall be carried out after the entire position is sorted out.

18. STORES, SPARES & LOOSE TOOLS- (AT COST)	Rupees 2011	Rupees 2010
Stores	8,597,155	20,758,165
Spares	15,493,503	8,730,435
	<u>24,090,657</u>	<u>29,488,600</u>
19. STOCK-IN-TRADE - (AT COST)		
Raw and packing materials	1466,499,328	1,267,658,996
Goods in process	11,313,604	15,013,722
Finished goods	18,152,471	20,426,043
	<u>1,495,965,403</u>	<u>1,303,098,761</u>
20. TRADE DEBTS -UNSECURED		
Considered good	5,850,126,006	5,655,316,029
Considered doubtful	312,208,453	312,208,453
	<u>6,162,334,519</u>	<u>5,967,524,482</u>
Provision for bad and doubtful debts	(312,208,453)	(312,208,453)
	<u>5,850,126,066</u>	<u>5,655,316,029</u>





# Fateh

	Rupees 2011	Rupees 2010
Rent, rates and taxes	1,463,658	1,267,951
Sample Expenses	20,000	796,534
Insurance	101,620	320,153
Coal mining expenses	29,484,000	18,988,578
Depreciation	79,319,870	88,096,858
	<u>2,276,093,553</u>	<u>2,392,369,709</u>
<b>Goods-in-Process</b>		
Opening inventory	15,013,722	19,946,736
Closing inventory	(11,313,604)	(15,013,722)
	<u>3,700,118</u>	<u>4,933,014</u>
<b>COST OF GOODS MANUFACTURED</b>	<u>2,279,793,671</u>	<u>2,397,302,723</u>
<b>Finished Goods</b>		
Opening balance	20,426,043	47,114,145
Closing balance	(18,152,471)	(20,426,043)
	<u>2,273,572</u>	<u>26,688,102</u>
	<u>2,282,067,243</u>	<u>2,423,990,825</u>
<b>25.1 RAW &amp; PACKING MATERIAL CONSUMED</b>		
Opening inventory	1,267,658,996	1,694,516,130
Add: Purchases	2,265,744,247	1,641,039,601
	<u>3,533,403,243</u>	<u>3,335,555,731</u>
Less: Closing Inventory	1,466,499,328	1,267,658,996
	<u>2,066,903,915</u>	<u>2,067,896,736</u>
<b>26. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits	29,933,589	30,396,351
Traveling, conveyance and entertainment	3,043,634	7,889,128
Rent, rates, taxes and subscription	3,713,079	5,616,142
Repairs and maintenance	49,525	66,702
Printing and stationery	704,346	401,079
Communication	1,156,778	2,275,822
Vehicles running expenses	2,105,456	2,013,816
Computer consumables	197,250	54,856
Other administrative expenses	2,808,470	3,045,964
Legal & professional charges	3,869,777	4,206,500
Guest expenses	549,521	677,822
Depreciation	3,062,567	3,571,847
	<u>51,193,992</u>	<u>60,216,029</u>
<b>27. SELLING EXPENSES</b>		
Freight & handling	4,396,149	10,295,719
Export expenses	3,827,374	6,375,454
Advertisement	2,522,366	1,125,806
Export development surcharge	1,432,108	653,200
	<u>12,177,997</u>	<u>18,450,179</u>



	Rupees 2011	Rupees 2010
<b>28. OTHER INCOME</b>		
Dividend Income	237,688	113,129
Profit on Bank Deposits	908,681	376,978
Income from sales of shares	15,322	0
Miscellaneous Income	6,992,698	29,708
Gain on Exchange Rate	73,095,215	654,407,292
Income from Garden-net	149,552	818,093
	<u>81,399,156</u>	<u>655,745,201</u>
<b>29. FINANCIAL EXPENSES</b>		
Interest & other charges on :		
Long term loans	83,814,434	67,202,316
Mark-up on export refinance	168,951,896	214,781,683
Mark-up on running finance	294,180,222	270,407,905
Mark-up on lease finance	2,812,164	7,353,626
Bank charges & commission	346,710	1,143,108
W. P. P. F.	225,000	308,250
	<u>550,330,426</u>	<u>561,196,888</u>
<b>30. OTHER CHARGES</b>		
Auditors' remuneration (30.1)	700,000	773,270
Workers profit participation fund	261,000	1,500,000
Niaz expenses	4,116,017	3,497,966
Donations (30.2)	915,600	956,852
	<u>5,992,617</u>	<u>6,728,088</u>
30.1		
Audit fee	500,000	500,000
Review of half yearly accounts	200,000	200,000
Out of pocket expenses	0	73,270
	<u>700,000</u>	<u>773,270</u>
30.2	Recipients of donations do not include anybody in whom any director or his spouse had any interest.	
<b>31. TAXATION CURRENT</b>	<u>15,722,351</u>	<u>8,100,000</u>
31.1	This include provision of Workers' Welfare Fund.	
<b>32. PROPOSED DIVIDEND</b>		

Pursuant to requirement of IAS-10 "Events after the balance sheet date" the proposed dividend has not been included as a liability in these financial statements.



33. EARNING PER SHARE	Rupees 2011	Rupees 2010
Net (Loss) / Profit after tax for the year	<u>(2,229,452)</u>	<u>4,622,147</u>
Number of Ordinary Shares	<u>1,250,000</u>	<u>1,250,000</u>
Earning per share (Rupees)	<u>(1.78)</u>	<u>3.70</u>

### 34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 34.1 Credit Risk and concentration of credit risk.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of total financial assets of Rs. 6,576 (m). [2010: Rs. 6,461 (m)]. The financial assets which are subject to credit risk amount to Rs. 5,850 (m). [2010: Rs. 5,610 (m)]. The company applies credit limits to its customers with in which all credit customers are credit worthy.

#### 34.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company has significant amount of interest based financial liabilities which include Short Term Running Finance, Export Refinance, Cash Finance, Demand Finance and Lease Finance which are based on 3 to 6 months KIBOR. Since, the impact of interest rates exposure is significant to the company, management analysis its interest rate exposure on a regular basis.

#### 34.3 Fair value of Financial Instruments

Fair value is the amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation mode. The carrying value of all the financial instruments reported in the financial statements approximate their fair value, except for the share of Allied Bank Ltd which is stated at cost, market value of which, however, is fairly high on balance sheet.

#### 34.4 Market Risk

Market risk includes (1) currency risk which signifies that value of a financial instrument will fluctuate due to changes in foreign exchange rates. (2) Price risk which signifies that value of financial instrument will fluctuate as result of exchange in market prices. This risk embodies potential loss and gain. The company is not exposed to any material market risk.

34.5 Financial Assets & Liabilities as on 30th June, 2011.

	Rate of interest	Interest Bearing			Non Interest Bearing	2011 Total Rupees	2010 Total Rupees
		Maturity Upto One Year	Maturity After One Year	Sub Total			
<b>Financial Assets</b>							
Investment	0	0	0	0	526,526,968	526,526,968	525,701,132
Trade Debtor's	0	0	0	0	5,850,126,066	5,850,126,066	5,655,316,029
Advances, deposits and prepayments	0	0	0	0	27,094,805	27,094,805	35,778,121
Other receivable	0	0	0	0	148,223,622	148,223,622	230,822,111
Cash and bank	0	0	0	0	24,317,285	24,317,285	13,412,062
	0	0	0	0	6,576,288,746	6,576,288,746	6,461,029,455
<b>Financial Liabilities</b>							
Liabilities against assets subject to finance lease	7.5% to 12.5%	15,403,345	10,528,915	25,932,260	0	25,932,260	28,840,614
Long term loans	3 months (ask) KIBOR +2.5%	5,004,000	4,211,340,450	4,216,344,450	0	4,216,344,450	1,709,562,692
Short term bank borrowings	3 months (ask) KIBOR +2.5%	649,978,148	0	649,978,148	0	649,978,148	3,152,781,660
Trade & Other Payables		0	0	0	376,275,415	376,275,415	398,375,451
Mark up on Secured Finance		0	0	0	2,374,494,347	2,374,494,347	1,827,696,850
		670,385,493	4,221,869,365	4,892,254,858	2,750,769,762	7,643,024,620	7,117,257,267



### 34.6 Liquidity Risk

Liquidity risk reflects the company's inability of generating funds to meet its commitments. The company applies effective funds management techniques by maintaining sufficient cash and bank balances.

### 34.7 Foreign Exchange Risk

Foreign exchange risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The company is not materially exposed to foreign currency risk on assets and liabilities.

### 34.8 Capital Risk Management

The Company's objective when managing capital is to safeguard the company's ability to continue as a going concern so that it can provide return for shareholders benefits, for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure by monitoring return on net assets and financial leverages.

## 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

The aggregate amount charged in accounts during the year for remuneration, including benefits to the Chief Executive, full time working Directors and other Executives of the company is as follows:-

	Chief Executive Rupees	Directors Rupees	Executives Rupees	Total 2011 Rupees	Total 2010 Rupees
Meeting fees	0	1,500	0	1,500	1,500
Remunerations	595,700	1,242,000	0	1,837,700	1,656,000
House rent allowance	267,633	372,000	0	639,633	558,000
Utilities	210,500	555,600	0	766,100	754,250
Reimbursable expenses	70,500	216,350	0	286,850	263,930
<b>Rupees</b>	<b>1,144,333</b>	<b>2,387,450</b>	<b>0</b>	<b>3,531,783</b>	<b>3,233,680</b>

#### Number of persons

2011	1	3	0	4
2010	1	3	0	4

There was no loan or advance granted to Directors during the year. Company maintained car is provided to Chief Executive and to full time working Directors and medical expenses for self and family are paid at actual.



		Rupees 2011	Rupees 2010
<b>36. PRODUCTION CAPACITY</b>			
Spinning			
Plant capacity of yarn after conversion into 20 counts	(Kgs.)	9,400,000	9,400,000
Actual production of yarn after conversion into 20 counts	(Kgs.) 36.1	0	1,244,000
Number of spindles		30,720	30,720
Number of shifts worked per day		Nil	Nil

36.1 Due to different kinds of products mix the production capacity of composite unit cannot be accurately determined.

Spinning units were temporarily closed due to the continuous escalation of raw cotton prices, coupled with rise in other input cost, which eroded the margin of profit in spinning sector.

#### **37. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

##### **Associated Companies**

##### **Hero Motors Limited**

Sale of goods and services	0	713,000
Receivables as on 30 June	0	14,369,245

##### **Fateh Motors Limited**

Sale of goods and services	231,891,760	79,936,218
Receivables as on 30 June	0	30,291,707

##### **Fateh Construction Company Limited**

Purchase of Show Rooms	0	21,503,208
Purchase of goods and services	0	0

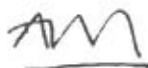
<b>38. NUMBER OF EMPLOYEES AT YEAREND</b>	202	322
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#### **39. GENERAL**

Figures have been rounded off to the nearest rupee.

#### **40. DATE OF AUTHORIZATION FOR ISSUE**

These Financial statements were authorized for issue on 5th October, 2011 by the board of directors of the company.



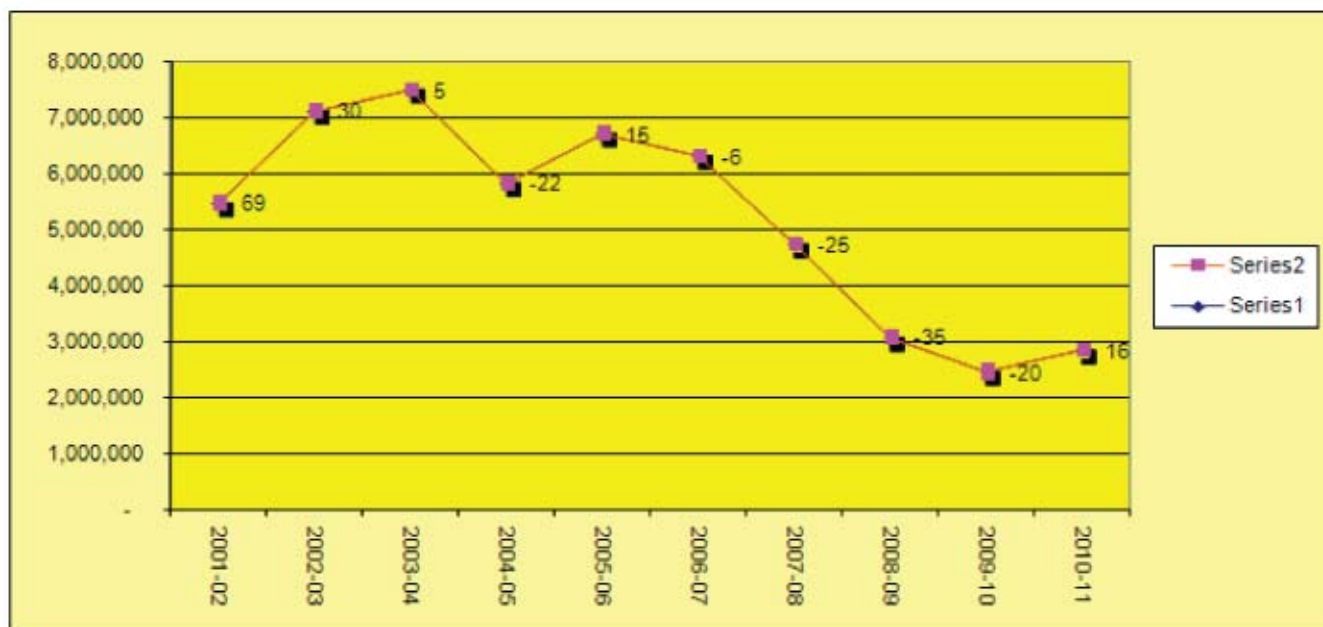
**ASSADULLAH BARKAT**  
Chief Executive



**MAQSOOD AHMED KHAN**  
Director

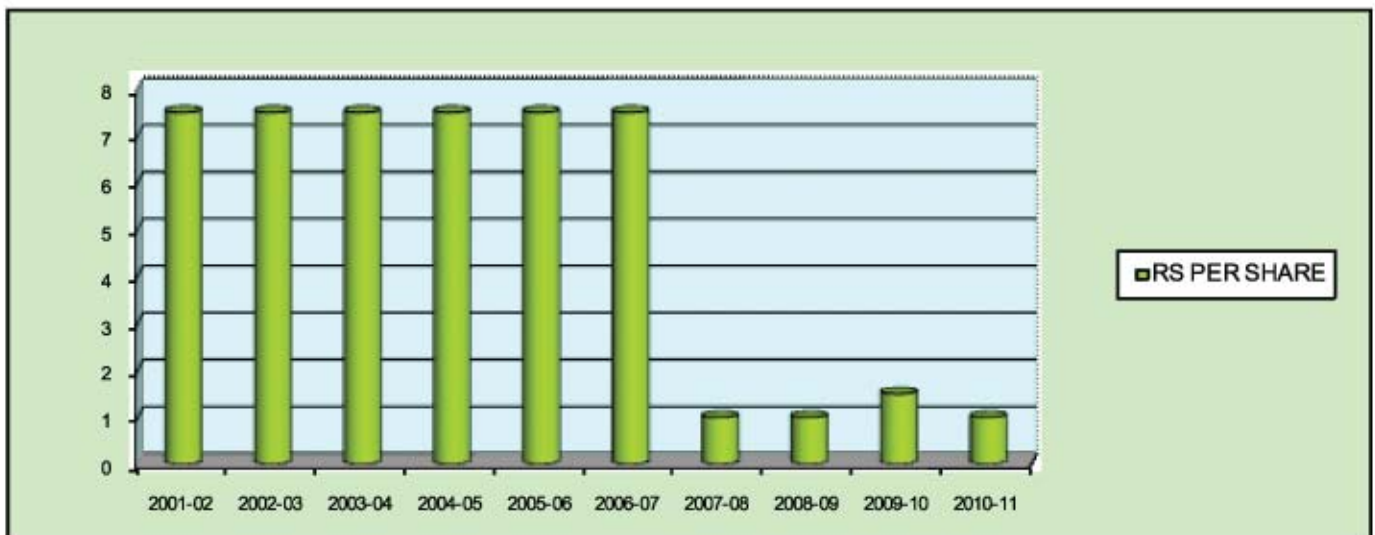


Year	Amount (000'Rupees)	Growth %age
2001-02	5,443,784	69
2002-03	7,091,941	30
2003-04	7,470,440	5
2004-05	5,809,675	-22
2005-06	6,687,701	15
2006-07	6,289,408	-6
2007-08	4,716,082	-25
2008-09	3,050,989	-35
2009-10	2,442,559	-20
2010-11	2,825,314	16



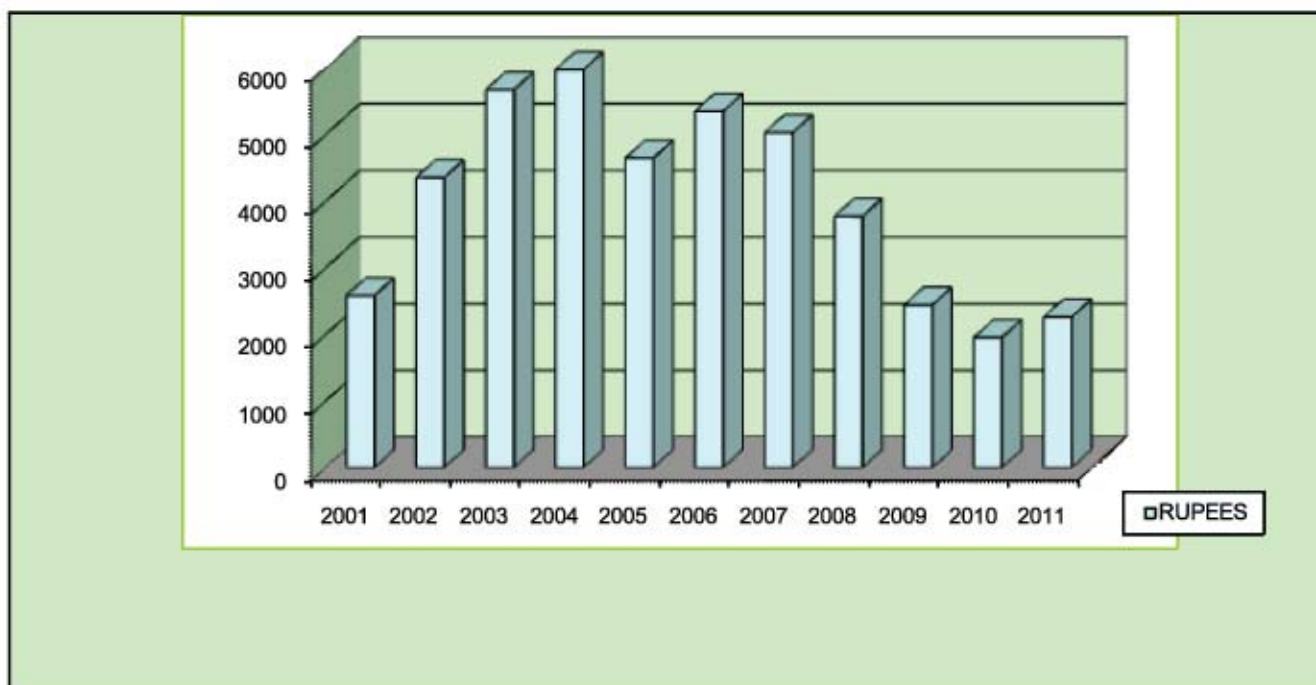


Year	Rupees Per Share
2001-02	7.50
2002-03	7.50
2003-04	7.50
2004-05	7.50
2005-06	7.50
2006-07	7.50
2007-08	1.00
2008-09	1.00
2009-10	1.50
2010-11	1.00



## Revenue Realised Per Share

Year	Rupees
2001	2580.61
2002	4355.03
2003	5673.55
2004	5976.35
2005	4647.74
2006	5350.16
2007	5031.53
2008	3772.87
2009	2440.79
2010	1954.05
2011	2260.25





# Profitability Brief

(Rs. '000)



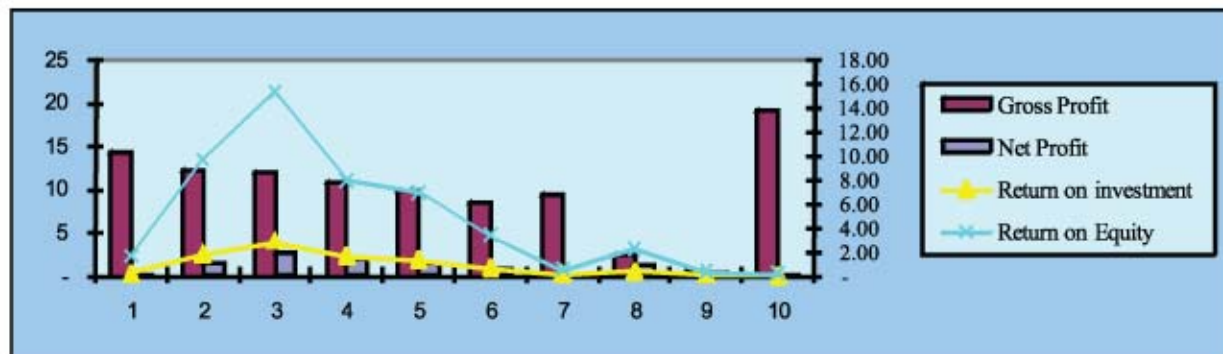
**Fateh**

2005-06

Data	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Sale	5,443,784	7,091,941	7,470,440	5,809,675	6,687,701	6,289,408	4,716,082	3,050,989	2,442,559	2,825,315
Gross Profit	785,107	871,952	898,426	634,715	666,899	544,195	443,780	79,140	18,568	543,264
Profit after Tax	9,499	103,673	194,376	108,190	100,705	50,667	8,056	34,026	4,622	1,891
Total Assets	5,755,435	5,995,619	6,883,214	6,834,795	7,730,657	7,920,856	8,893,613	9,619,590	10,077,220	10,542,111
Equity	599,293	1,079,459	1,274,298	1,373,140	1,466,464	1,509,470	1,506,050	1,537,152	1,541,867	1,542,712

## PROFITABILITY

Gross Profit	14.42	12.29	12.03	10.93	9.97	8.65	9.41	2.59	0.76	19.22
Net Profit	0.17	1.46	2.60	1.86	1.51	0.81	0.17	1.12	0.19	0.07
Return on Investment	0.16	1.73	2.82	1.58	1.30	0.63	0.10	0.35	0.05	0.02
Return on Equity	1.59	9.60	15.25	7.88	6.87	3.36	0.53	2.21	0.30	0.12







## FATEH TEXTILE MILLS LIMITED FORM OF PROXY

I/we \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of the Fateh Textile Mills Limited, Hyderabad, holding \_\_\_\_\_ Ordinary Shares hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ another member of the Company, as my/our proxy to attend and vote for me/us and on my/our behalf at the 59th Annual General Meeting of the Company to be held on Monday the 31st October, 2011 and or any adjournment thereof.

1) Witness: \_\_\_\_\_ Signed by me this \_\_\_\_\_ day of \_\_\_\_\_ 2011.  
Name \_\_\_\_\_ Signed \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Affix Revenue Stamp Rs. 5/-

NIC No. \_\_\_\_\_

2) Witness: \_\_\_\_\_  
Name \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

NIC No. \_\_\_\_\_ Folio No./CDC Account No. \_\_\_\_\_

1. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
2. Proxies granted by shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must be accompanied with attested copies of the National Identity Card (NIC) or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
3. A proxy must be a member of the Company.
4. If the member is a corporation its common seal should be affixed to the proxy form.