

Auditor's Report to the Members

We have audited the annexed balance sheet of Fateh Textile Mills Limited as at June 30, 2008 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-

- 1) Assets and liabilities in the foreign currencies are required to be translated in Pak rupees at rates prevailing at balance sheet date as stated in Note # (2.11). The company not made provision of exchange gain on trade debts, to the extent of Rs. 407,640,604 due to which the profit of the company and the trade debts are understated by the amount of exchange gain not provided.
- a) in our opinion, except for the effect of the matters reported in paragraphs (1) 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 reported in paragraphs (1) 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 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, except for the effect of the matters reported in paragraphs (1) 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 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, 2008 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 and deposited by the company in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: October 07, 2008

RAHIM JAN & CO.
Chartered Accountants