

# Fateh

Half Yearly Report

31st December 2008



## Fateh Textile Mills Limited

### Company Information

#### Board of Directors

Mr. Gohar Ullah	Chairman
Mr. Asad Ullah Barkat	
Mr. Humayun Barkat	Chief Executive
Mr. Maqsood Ahmed Khan	
Mr. Muhammad Saleem	
Mr. Abdul Razzak Memon	
Mr. Muhammad Ayub	NIT Nominee

#### Company Secretary

Mr. Muhammad Nadeem Aqeel

#### Audit Committee

Mr. Gohar Ullah	Chairman
Mr. Maqsood Ahmed Khan	Member
Mr. Abdul Razzak Memon	Member

#### External Auditors

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

#### 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](mailto:fatehmills@aol.com)  
URL: [www.ftml.com.pk](http://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.

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## **BOARD'S REVIEW TO THE MEMBERS**

Dear Members,

For and on behalf of the Board of Directors, I take pleasure to present before you the business performance of your Company for the 2nd quarter ended on December 31, 2008 along with half yearly operating results, reviewed by the auditors of the Company.

During the period under review your company has achieved a Sales Volume of Rs.1,685,990,127/- as compared to Rs.3,193,288,128/- the same period of the last year results, a decline up to 47%, however cost of sales was reduced due to better management control and its corresponding impact appeared in the shape of increase in gross profit to some extent.

There was a decrease in administration and selling expenses mainly due to reduction in sales volume. After charging financial expenses and other charges and adding other income, your Company's profit before taxation comes to Rs.10,562,386/-. After tax provisions, the profit stood at Rs.2,162,386/- and earning per share at Rs.1.73.

Pakistan Textile industry is witnessing an unprecedented financial crunch that has gripped the sector and the situation has become grim. Absence of Research and Development support has further deepened the crises.

Apart from the high cost of production, this sector has had to sustain production losses due to gas and power shortage. The deteriorating global economy has hit the Country's economy badly.

In spite of the number of multiple unfavorable factors which are being faced by the industry, the hectic efforts of your management have been succeeded up to some extent in the shape of reduction in cost and control over non productive expenses.

Your Directors would continue their efforts to over come the situation as far as the market is concerned; they are working towards introducing new products along with entering into new markets.

The reason of reduction in mark up on secured finance is that the liabilities shall be applicable on cost of funds as per agreement.

**GOHAR ULLAH**

Chairman  
Board of Directors

Hyderabad: 18th February 2009



## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying condensed balance sheet of Fateh Textile Mills Limited as at December 31, 2008 and the related condensed profit and loss account, condensed statement of changes in equity and condensed cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarter ended 31st December, 2008 and 2007 have not been reviewed as we are required to review only the cumulative figures for six months period ended December 31, 2008.

### **Scope of Review**

We conducted our review in accordance with International Standards for Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis of Conclusion**

Based on information provided to us by management, the company has short provided the mark up on secured finances for the period as detailed in note 8.

### **Conclusion**

Based on our review, except for the effect of the matter described in the preceding paragraph and the extent to which this may effect the annexed interim financial information, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Date: 18 February 2009  
Karachi

**Rahim Jan & Company**  
Chartered Accountants

**BALANCE SHEET AS AT  
DECEMBER 31, 2008 (UN-AUDITED)**

	December , 2008 Rupees	June, 2008 Rupees
<b>CAPITAL &amp; LIABILITIES</b>		
<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 share capital	12,500,000	12,500,000
General reserve	1,481,000,000	1,481,000,000
Investment revaluation reserve	2,095,014	2,095,014
Unappropriated profit	11,367,836	10,455,450
	1,506,962,850	1,506,050,464
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	1,175,671,524	1,205,599,699
<b>LOAN SUBORDINATE TO EQUITY</b>	51,000,000	51,000,000
<b>LONG TERM LOANS</b>	1,390,786,692	1,390,786,692
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	75,619,694	75,619,694
<b>DEFERRED LIABILITIES</b>		
Provision for gratuity	8,575,426	9,082,328
Deferred Taxation	26,000,000	26,000,000
	34,575,426	35,082,328
<b>CURRENT LIABILITIES</b>		
Trade and others payable	437,603,295	442,581,324
Mark-up on secured finances	1,091,137,095	980,385,137
Short term running finances	3,076,261,075	2,708,582,466
Current portion of long term liabilities	463,967,993	465,326,470
Provision for taxation	37,482,646	32,599,190
	5,106,452,104	4,629,474,587
	9,341,068,290	8,893,613,464
<b>PROPERTY &amp; ASSETS</b>		
<b>FIXED ASSETS TANGIBLE</b>		
Operating fixed assets	2,067,628,129	2,140,103,181
<b>LONG TERM INVESTMENTS</b>	526,032,414	526,032,414
<b>LONG TERM DEPOSITS</b>	3,817,546	3,817,546
<b>CURRENT ASSETS</b>		
Stores, spare parts and loose tools	25,438,387	30,127,609
Stock in trade	2,100,212,209	2,125,628,131
Trade debts	4,354,907,324	3,848,163,811
Advances, deposits and prepayments	50,680,963	51,861,477
Other receivables	193,726,454	155,281,029
Cash and bank balances	18,624,864	12,598,265
	6,743,590,201	6,223,660,323
	9,341,068,290	8,893,613,464



**PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2008  
(UN-AUDITED)**

	Quarter Ended December 31, 2008 Rupees	Half Year Ended December 31, 2008 Rupees	Quarter Ended December 31, 2007 Rupees	Half Year Ended December 31, 2007 Rupees
Sales	777,562,284	1,685,990,127	1,574,437,325	3,193,288,128
Cost of Sales	698,087,206	1,510,385,893	1,452,327,961	2,941,733,350
<b>Gross Profit</b>	<b>79,475,078</b>	<b>175,604,234</b>	<b>122,109,364</b>	<b>251,554,778</b>
Administration and selling expenses	17,019,168	38,181,421	31,887,744	67,385,396
<b>Operating profit</b>	<b>62,455,910</b>	<b>137,422,813</b>	<b>90,221,620</b>	<b>184,169,382</b>
Other income	66,370	492,051	1,108,266	4,691,700
Profit before financial expenses & other charges	62,522,280	137,914,864	91,329,886	188,861,082
Financial expenses	54,106,768	122,800,992	82,145,018	153,162,686
Other charges	2,651,555	4,551,486	1,437,321	3,854,835
	56,758,323	127,352,478	83,582,339	157,017,521
<b>Profit before taxation</b>	<b>5,763,957</b>	<b>10,562,386</b>	<b>7,747,547</b>	<b>31,843,561</b>
Provision for taxation				
Current	3,850,000	8,400,000	7,500,000	15,600,000
Profit after taxation	1,913,957	2,162,386	247,547	16,243,561
Unappropriated profit brought forward	9,453,879	10,455,450	27,770,079	11,774,065
	11,367,836	12,617,836	28,017,626	28,017,626
Final dividend payment (2008 Rs. 1.0 per share)	0	(1,250,000)	0	0
<b>Unappropriated profit carried forward</b>	<b>11,367,836</b>	<b>11,367,836</b>	<b>28,017,626</b>	<b>39,791,691</b>
Earning per share	1.53	1.73	0.20	12.99

Notes:

- Fateh Textile Mills Limited was incorporated in Pakistan as private limited company in 1952 and converted into public limited company in 1960 and subsequently listed on the Karachi Stock Exchange. The company is engaged in the business of manufacturing, bleaching, dyeing, printing, buying, selling and dealing in the textile, yarn, cloth and fabrics made of raw cotton and polyester fiber.
- These accounts are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of IAS - 34.
- The accounting policies adopted by the company for preparation of these accounts are the same as those applied for the annual accounts.
- Other charges include workers' profit participation fund allocation which is provisional and the final liability will be determined on the basis of annual results.
- Provision for taxation represents the amount of provision for minimum tax as required by the Income Tax Ordinance, 2001. However, the final tax liability will be calculated at the end of the year after consideration of assessment completed and the available tax credits, if any.
- Contingencies and commitments for letters of credit other than for capital expenditure amounts to Rs. 42.841 million.
- The company is contesting a number of cases under foreign exchange regulation in respect of non - repatriation of export proceeds. However, the legal advisor of the company has opined that no financial loss is expected.
- The Company entered into an agreement with National Bank of Pakistan for restructuring the liabilities, whereby it was agreed that the liabilities shall be charged on cost of funds.
- These accounts have been authorized by the Board for issue on 18-02-2009

HUMAYUN BARKAT  
CHIEF EXECUTIVE

MAQSOOD AHMED KHAN  
DIRECTOR

**CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

	December, 2008 Rupees	December, 2007 Rupees
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	10,562,386	31,843,561
Adjustment for:		
Depreciation	42,546,875	47,421,609
Profit on bank deposits	(373,005)	
Provision for gratuity	450,000	900,000
Dividend Income	(78,977)	(68,391)
Financial charges	122,258,735	151,253,803
Cash generated before working capital change	175,366,014	231,350,582
 <b>CHANGE IN WORKING CAPITAL (INCREASE)/ DECREASE IN CURRENT ASSETS</b>		
Stores, spares and loose tools	4,689,222	14,423,185
Stock-in-trade	25,415,922	(164,895,188)
Trade debts	(506,743,513)	(874,826,783)
Advances, deposits & prepayments	1,180,514	(31,279,260)
Other receivable	(38,445,425)	78,515,404
 <b>INCREASE / (DECREASE) IN CURRENT LIABILITIES</b>		
Trade and other payable	(4,978,029)	638,102
	(518,881,309)	(977,424,540)
Cash generated from operations	(343,515,295)	(746,073,958)
Gratuity paid	(956,902)	(2,170,933)
Taxes paid	(3,516,542)	(14,335,251)
	(4,473,444)	(16,506,184)
Net cash generated from operations (OUTFLOW)/ INFLOW DUE TO INVESTING ACTIVITIES	(347,988,739)	(762,580,142)
Additions in Fixed Assets	0	(998,231)
Profit on Bank Deposits Received	373,005	0
Dividend received	78,977	68,391
	451,982	(929,840)
 <b>INFLOW / (OUTFLOW) DUE TO FINANCING ACTIVITIES</b>		
Repayment of long term loan	0	0
Repayment of finance lease	(1,358,477)	(35,388,787)
Increase in finance lease	0	42,309,652
Payment of dividend	(1,250,000)	0
Financial charges paid	(11,506,776)	(50,124,559)
	(14,115,253)	(43,203,694)
Net Decrease in cash and its equivalent during the period	(361,652,010)	(806,713,676)
Cash & cash equivalent at the beginning of the period	(2,695,984,201)	(1,828,611,704)
Cash & cash equivalent at the end of the period	(3,057,636,211)	(2,635,325,380)
 <b>CASH &amp; CASH EQUIVALENT</b>		
Cash & bank balances	18,624,864	30,164,171
Short Term Bank Borrowings	(3,076,261,075)	(2,665,489,551)
	(3,057,636,211)	(2,635,325,380)

HUMAYUN BARKAT  
CHIEF EXECUTIVE

MAQSOOD AHMED KHAN  
DIRECTOR



**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

(Amount in Rs.)

	Paid-up Capital	General Reserve	Surplus on Revaluation of Investments	Unappropriated Profit	Total
Balance as at June 30, 2007	12,500,000	1,481,000,000	4,196,092	11,774,065	1,509,470,157
Net profit for the half year ended December 31, 2007	0	0	0	16,243,561	16,243,561
Balance as at December 31, 2007	<u>12,500,000</u>	<u>1,481,000,000</u>	<u>4,196,092</u>	<u>28,017,626</u>	<u>1,525,713,718</u>
Balance as at June 30, 2008	12,500,000	1,481,000,000	2,095,014	10,455,450	1,506,050,464
Net profit for the half year ended December 31, 2008	0	0	0	2,162,386	2,162,386
Less: Dividend Payment	0	0	0	(1,250,000)	(1,250,000)
Balance as at December 31, 2008	<u><u>12,500,000</u></u>	<u><u>1,481,000,000</u></u>	<u><u>2,095,014</u></u>	<u><u>11,367,836</u></u>	<u><u>1,506,962,850</u></u>

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CHIEF EXECUTIVE

MAQSOOD AHMED KHAN  
DIRECTOR