

Fateh Textile Mills Limited



Company Information

Board of Directors

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

Chief Financial Officer

Mr. Abdul Razzak

Company Secretary

Mr. Muhammad Nadeem Aqeel

Audit Committee

Mr. Gohar Ullah	Chairman
Mr. Maqsood Ahmed Khan	Member
Mr. Soofi Taj Muhammad	Member

External Auditors

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

External Auditors

Ansari & Ansari, Advocates

Bankers

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

Registered Office

Hali Road, S.I.T.E., Hyderabad - Sindh.
Phone No: 022-3880463-66
Fax No: 022-3880514 & 3880711
E-mail: fatehmills@aol.com
URL: www.ftml.com.pk

Liaison Office

114-A, S.M.C.H.S, Near Mehdi Towers
Shahrah-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, Shahra-e-Faisal,
Karachi. Ph: 021-34526983-84, Fax: 021-34526985,
E-mail: pmsl-rta@hotmail.com



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, 2011 along with half yearly operating results, reviewed by the statutory auditors of the Company.

During the period under review, your company has been able to increase net sales by 15% from Rs 1,358.067m to Rs 1,172.472m as compare to the corresponding period of the last. The cost of sales decreased by 1.33% from Rs 1,029.901m to Rs 904.809m, mainly due to effective cost control. The decrease in cost of sales has improved the gross profit.

Your Company therefore earned profit before taxation for Rs.14.048m and after provision of tax stood at Rs.0.449 million. The earning per share was Rs.0.36.

Inflation is likely to edge up higher in the remaining period as local fuel prices are aligned to higher international oil prices. Growing energy shortages and widening of fiscal and external current account deficits and increased domestic uncertainties have put negative impact on the business environment. Keeping in view the above mentioned factors it appears that earning of textile sectors shall remain under strain.

However, your management still focusing on development and putting its paramount efforts to achieve better results for the remaining period of the financial year. Accordingly we have planned to expand within our means and continue to supply quality products.

Auditors' Observation:

- i) The gain on ABL shares have not been taken to the "Statement of Changes in Equity" since management has decided that these shares should remain at its cost price till the outcome of the suit and countersuit in the High Court of Sindh.
- ii) Since efforts are being made to realize the export proceeds, therefore the management considers that no provision is required.
- iii) The management believes that the rise in US dollar rate in respect of Pak rupee is transitory due to the volatile market; therefore exchange rate difference on trade debts shall be incorporated in the annual accounts for the year ended on 30th June 2012.

During the year under review Mr. Muhammad Saleem, already serving as Director on the Board, was appointed as Chief Executive and Mr. Hamid Mehmood Nasir has been taken in as new Director in place of Mr. Assadullah Barkat. Further Mr. Abdul Razzak has been appointed as Chief Financial Officer of the Company in place of Mr. Muhammad Saleem. The Audit Committee now comprise of the following members.

1. Mr. Gohar Ullah Chairman
2. Mr. Soofi Taj Muhammad Member
3. Mr. Maqsood Ahmed Khan Member

Hyderabad: 24th February, 2012

GOHAR ULLAH
Chairman
Board of Directors

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Fateh Textile Mills Limited as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim statement of cash flow together with the notes forming part thereof for the half year 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 interim profit and loss account for the quarters ended 31st December, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for half year ended December 31, 2011.

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 consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Conclusion.

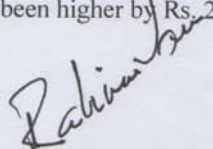
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter.

- (i) We point out that against established policy, the investment in shares of Allied Bank Ltd has been retained at cost price as disclosed in Note No. 8 and the gain of Rs. 360.592/- million at the end of six months has not been accounted for. Had this provision been done, the equity would have been increased by that much amount.
- (ii) The export trade debts includes past due balances amounting to around Rs. 5 billion, which are overdue against normal practice against which provision for doubtful debts has not been made. The situation, therefore, requires all out efforts to expedite recovery which are necessarily to be made to avoid legal actions from State Bank of Pakistan under foreign exchange regulations.
- (iii) Foreign exchange gain on export debtors amounting to Rs. 215 million has not been accounted for in the books as against the established policy as disclosed in Note No. 7. Had the exchange gain been recognized, the profit for the current period would have been higher by Rs. 215 million.

Date:
Karachi

24 FEB 2012


Rahim Jan & Co.
Chartered Accountants
Engagement Partner: Badrur Rahman

**CONDENSED INTERIM
BALANCE SHEET AS AT DECEMBER 31, 2011
(UN-AUDITED)**

	December, 2011 Rupees	June, 2011 Rupees
CAPITAL & LIABILITIES		
SHARE CAPITAL AND RESERVES		
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	2,038,531	2,591,449
Unappropriated profit	46,156,930	46,958,411
	1,541,695,461	1,543,049,860
SURPLUS ON REVALUATION OF FIXED ASSETS	1,021,571,347	1,043,388,986
LOAN SUBORDINATE TO EQUITY	51,000,000	51,000,000
LONG TERM LOANS	4,211,340,450	4,211,340,450
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	10,528,915	10,528,915
DEFERRED LIABILITIES		
Provision for gratuity	5,822,300	5,548,800
Deferred taxation	28,000,000	28,000,000
	33,822,300	33,548,800
CURRENT LIABILITIES		
Trade and other payable	385,791,070	376,275,415
Mark-up on secured finances	2,653,224,941	2,374,494,347
Short term running finances	649,090,123	649,978,148
Current portion of long term liabilities	207,889,880	208,223,213
Provision for taxation	50,868,632	40,282,760
	3,946,864,646	3,649,253,883
	10,816,823,119	10,542,110,893
PROPERTY & ASSETS		
FIXED ASSETS-Tangible		
Operating fixed assets	1,814,361,792	1,873,015,899
CAPITAL WORK IN PROGRESS	568,932,643	568,932,643
LONG TERM INVESTMENTS	525,974,050	526,526,968
LONG TERM DEPOSITS	3,817,546	3,817,546
CURRENT ASSETS		
Stores, spares and loose tools	30,625,044	24,090,658
Stock-in-trade	1,499,748,081	1,495,965,403
Trade debts	6,159,415,852	5,850,126,066
Advances, deposits and prepayments	36,559,306	27,094,805
Other receivables	163,254,925	148,223,622
Cash and bank balances	14,133,880	24,317,285
	7,903,737,088	7,569,817,838
	10,816,823,119	10,542,110,893



MUHAMMAD SALEEM
CHIEF EXECUTIVE



MAQSOOD AHMED KHAN
DIRECTOR

**CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2011
(UN-AUDITED)**



	Quarter Ended December 31, 2011 Rupees	Half Year Ended December 31, 2011 Rupees	Quarter Ended December 31, 2010 Rupees	Half Year Ended December 31, 2010 Rupees
Sales	649,870,285	1,358,067,222	619,039,813	1,172,472,056
Cost of sales	440,573,771	1,029,901,982	449,930,104	904,809,694
Gross profit	209,296,514	328,165,240	169,109,709	267,662,362
Administration and selling expenses	18,304,042	31,963,525	13,072,153	30,881,557
Operating profit	190,992,472	296,201,715	156,037,556	236,780,805
Other income	230,426	320,410	43,609,242	43,619,075
Profit before financial and other charges	191,222,898	296,522,125	199,646,798	280,399,880
Financial expenses	183,074,686	279,314,061	188,753,265	264,637,637
Other charges	1,630,165	3,159,545	1,962,950	3,540,210
Profit before taxation	184,704,851	282,473,606	190,716,215	268,177,847
Provision for taxation	6,518,047	14,048,519	8,930,584	12,222,033
Current	6,510,000	13,600,000	8,920,000	11,720,000
Profit after taxation	8,047	448,519	10,584	502,033
Other Comprehensive income for the Quarter				
Unrealized gain / (Loss) on investment available- for-sale				
Total Comprehensive income for the year	(573,238)	(552,918)	(962,097)	(1,270,662)
	(565,190)	(104,399)	(951,514)	(768,629)
Earning per share	0.01	0.36	0.01	0.40

The notes given below form an integral part of these accounts

NOTES:

- Fateh Textile Mills Limited was incorporated in Pakistan as a 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 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.
- These accounts are unaudited and are being submitted to the share holders 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 for which is provisional and the final liability will be determined on the basis of annual results.
- Provision for taxation represents the amount of 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.
- 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.
- Foreign exchange gain on Export Debtors amounting to Rs. 215 million has not been recognized in the books. The management intend to account for exchange gain at the end of the year on 30.06.2012 in annual report.
- The investment in shares of Allied Bank Ltd has been accounted for at cost fully disclosed in Note No. 17.1.1 Of published accounts for the year ended on 30th June, 2011. The gain of Rs. 360.59 million has not been accounted for accordingly.
- These accounts have been authorized by the Board for issue on 24th February, 2012.

MUHAMMAD SALEEM
CHIEF EXECUTIVE

MAQSOOD AHMED KHAN
DIRECTOR

**CONDENSED INTERIM
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

	December, 2011 Rupees	December, 2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	14,048,519	12,222,033
Adjustment for:		
Depreciation	37,023,687	41,202,624
Provision for gratuity	350,000	300,000
Dividend income	(144,984)	0
Financial charges	279,111,577	264,437,746
Cash generated before working capital change	330,388,799	318,162,403
CHANGE IN WORKING CAPITAL		
(INCREASE)/ DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	(6,534,386)	2,435,066
Stock-in-trade	(3,782,678)	414,601
Trade debts	(309,289,783)	(266,912,795)
Advances, deposits & prepayments	(9,464,501)	(4,647,083)
Other receivable	(15,031,303)	58,342,543
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Trade and other payable	9,515,655	(7,554,075)
	(334,586,996)	217,921,743
Cash generated from operations	(4,198,197)	100,240,660
Gratuity paid	(76,500)	(408,600)
Tax paid	(3,014,129)	(3,011,717)
	(3,090,629)	(3,420,317)
Net cash generated from operations	(7,288,826)	96,820,343
(OUTFLOW)/INFLOW DUE TO INVESTING ACTIVITIES		
Additions in fixed assets	(187,221)	(528,260)
Capital work - in - progress	0	(102,400,000)
Dividend received	144,984	0
	(42,237)	(102,928,260)
INFLOW/(OUTFLOW) DUE TO FINANCING ACTIVITIES		
Repayment of long term loans	0	0
Repayment of finance lease	(333,333)	0
Payment of dividend	(1,250,000)	(1,875,000)
Financial charges paid	(380,984)	(338,502)
	(1,964,317)	(2,213,502)
Net increase in cash and its equivalent during the period	(9,295,380)	(8,321,419)
Cash & cash equivalents at the beginning of the period	(3,132,442,621)	(3,139,369,599)
Cash & cash equivalents at the end of the period	(3,141,738,001)	(3,147,691,018)
CASH & CASH EQUIVALENT		
Cash & bank balances	14,133,880	10,982,888
Short term bank borrowings	(3,155,871,881)	(3,158,673,906)
	(3,141,738,001)	(3,147,691,018)



MUHAMMAD SALEEM
CHIEF EXECUTIVE



MAQSOOD AHMED KHAN
DIRECTOR

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

	Paid-up Capital	General Reserve	Surplus on Revaluation of Investment	Unappropriated Profit	(Amount in Rs.) Total
Balances as at June 30,2010	12,500,000	1,481,000,000	1,763,733	46,603,959	1,541,867,692
Net profit for the half year ended December, 31, 2009	0	0	0	213,890	213,890
Unrealised gain/(Loss)	0	0	(430,547)	0	(430,547)
On revaluation of investments	0	0	0	(1,250,000)	(1,250,000)
Less: Dividend Payment	0	0	0	(1,250,000)	(1,250,000)
Balances as at December 31, 2010	12,500,000	1,481,000,000	1,333,186	45,567,849	1,540,401,035
Balances as at June 30,2011	12,500,000	1,481,000,000	2,591,449	46,958,411	1,543,049,860
Net profit for the half year ended December, 31, 2011	0	0	0	448,519	448,519
Unrealised gain/(Loss)	0	0	(552,918)	0	(552,918)
On revaluation of investments	0	0	0	(1,250,000)	(1,250,000)
Less: Dividend Payment	0	0	0	(1,250,000)	(1,250,000)
Balances as at December 31, 2011	12,500,000	1,481,000,000	2,038,531	46,156,930	1,541,695,461



MUHAMMAD SALEEM
CHIEF EXECUTIVE



MAQSOOD AHMED KHAN
DIRECTOR