

# Fateh

Half Yearly Report

31st December 2007



## Fateh Textile Mills Limited

### Company Information

#### Board of Directors

|                        |                 |
|------------------------|-----------------|
| Mr. Gohar Ullah        | Chairman        |
| Mr. Asad Ullah Barkat  | Chief Executive |
| Mr. Humayun Barkat     |                 |
| 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. Humayun Barkat     | 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 operating results of your Company for the 2nd quarter ended on December 31, 2007 along with half yearly performance, reviewed by the auditors of the Company.

During the period your company has achieved a Sales Volume of Rs.3,193,288,128 and earned a gross profit of Rs. 251,554,778/- a reduction up to 12% in the turnover was noted as compared to the corresponding year of the same period which also effected the gross profit of the Company.

There is a slight decrease in administration and selling expenses as a result of improved controls as compared to the corresponding figures for the same period of last year. However, after accounting for financial expenses, other charges and adding other income, your Company's profit before taxation comes to Rs. 31,843,561/-. After tax provisions, the profit stood at Rs. 16,243,561/- and earning per share was Rs.12.99.

The period under discussion was not good for textile industries in Pakistan, since our textile products are facing tough competition and new challenges in the international markets due to higher production cost. The cost of manufacturing in Pakistan is about 10% higher than our counterparts in the region mainly due to high price of power and gas as well as mark up rates which is about 3% high as compared to our neighbor countries.

Our neighbor countries have given subsidies to their industries which make our products uncompetitive and resultantly they have captured significant Pakistani share in the international market.

Keeping in view the global situation your Directors are continuing their efforts to gain market share in the new markets and also striving to cut down controllable overheads as far as possible which shall ultimately improve the profitability of your Company.

### **Statement under section 241(2) of the Companies Ordinance 1984.**

Since the Chief Executive of the Company is out of Country, therefore the following Directors shall sign the Financial Statements of the Company.

1. Mr. Humayun Barkat
2. Mr. Maqsood Ahmed Khan

**GOHAR ULLAH**

Chairman  
Board of Directors

Hyderabad: 23rd February 2008



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

### **Introduction**

We have reviewed the accompanying condensed balanced sheet of Fateh Textile Mills Limited as at December 31, 2007 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, 2007 and 2006 have not been reviewed as we are required to review only the cumulative figures for six months period ended December 31, 2007.

### **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.

### **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 six months period ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Date: 23rd February 2008  
Karachi

**Rahim Jan & Company**  
Chartered Accountants

**BALANCE SHEET AS AT  
DECEMBER 31, 2007 (UN-AUDITED)**

|  | December , 2007<br>Rupees | June, 2007<br>Rupees |
|--|---------------------------|----------------------|
| <b>CAPITAL &amp; LIABILITIES</b>                                 |                           |                      |
| <b>SHARE CAPITAL AND RESERVES</b>                                |                           |                      |
| Authorised Capital<br>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                                   | 4,196,092                 | 4,196,092            |
| Unappropriated profit  | 28,017,626                | 11,774,065           |
|  | 1,525,713,718             | 1,509,470,157        |
| <b>SURPLUS ON REVALUATION OF<br/>FIXED ASSETS</b>                | 1,238,853,229             | 1,272,106,756        |
| <b>LOAN SUBORDINATE TO EQUITY</b>                                | 51,000,000                | 51,000,000           |
| <b>LONG TERM LOANS</b>   | 1,547,672,692             | 1,547,672,692        |
| <b>LIABILITIES AGAINST ASSETS SUBJECT<br/>TO FINANCE LEASE</b>   | 128,849,263               | 97,252,804           |
| <b>DEFERRED LIABILITIES</b>                                      |                           |                      |
| Provision for gratuity   | 12,493,680                | 13,764,613           |
| Deferred Taxation  | 26,000,000                | 26,000,000           |
|  | 38,493,680                | 39,764,613           |
| <b>CURRENT LIABILITIES</b>                                       |                           |                      |
| Trade and others payable   | 511,303,367               | 531,927,857          |
| Mark-up on secured finances                                      | 831,339,590               | 730,210,346          |
| Short term running finances                                      | 2,665,489,551             | 1,885,484,238        |
| Current portion of long term liabilities                         | 226,268,149               | 229,681,153          |
| Provision for taxation   | 27,551,040                | 26,286,291           |
|  | 4,261,951,697             | 3,403,589,885        |
|  | 8,792,534,279             | 7,920,856,907        |
| <b>PROPERTY &amp; ASSETS</b>                                     |                           |                      |
| <b>FIXED ASSETS TANGIBLE</b>                                     |                           |                      |
| Operating fixed assets   | 2,220,471,535             | 2,300,148,442        |
| <b>LONG TERM INVESTMENTS</b>                                     | 528,134,792               | 528,134,792          |
| <b>LONG TERM DEPOSITS</b>  | 3,817,546                 | 3,817,546            |
| <b>CURRENT ASSETS</b>  |                           |                      |
| Stores, spare parts and loose tools                              | 72,023,580                | 86,446,765           |
| Stock in trade   | 2,432,448,901             | 2,267,553,713        |
| Trade debts  | 3,210,406,286             | 2,335,579,503        |
| Advances, deposits and prepayments                               | 106,515,656               | 75,236,396           |
| Other receivables  | 188,551,812               | 267,067,216          |
| Cash and bank balances   | 30,164,171                | 56,872,534           |
|  | 6,040,110,406             | 5,088,756,127        |
|  | 8,792,534,279             | 7,920,856,907        |

Hyderabad: 23rd February 2008

HUMAYUN BARKAT  
DIRECTOR

MAQSOOD AHMED KHAN  
DIRECTOR

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

These financial statements have been signed by two directors instead of Chief Executive and one director as the Chief Executive is not in Pakistan

**PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007  
(UN-AUDITED)**



|  | Quarter Ended<br>December 31, 2007<br>Rupees | Half Year Ended<br>December 31, 2007<br>Rupees | Quarter Ended<br>December 31, 2006<br>Rupees | Half Year Ended<br>December 31, 2006<br>Rupees |
|--|--|--|--|--|
| Sales  | 1,574,437,325                                | 3,193,288,128                                  | 1,862,142,780                                | 3,603,533,356                                  |
| Cost of Sales                                    | 1,452,327,961                                | 2,941,733,350                                  | 1,691,112,467                                | 3,279,314,589                                  |
| <b>Gross Profit</b>                              | <b>122,109,364</b>                           | <b>251,554,778</b>                             | <b>171,030,313</b>                           | <b>324,218,767</b>                             |
| Administration and selling expenses              | 31,887,744                                   | 67,385,396                                     | 55,362,489                                   | 99,434,372                                     |
| <b>Operating profit</b>                          | <b>90,221,620</b>                            | <b>184,169,382</b>                             | <b>115,667,824</b>                           | <b>224,784,395</b>                             |
| Other income                                     | 1,108,266                                    | 4,691,700                                      | 499,812                                      | 722,524  |
| Profit before financial expenses & other charges | 91,329,886                                   | 188,861,082                                    | 116,167,636                                  | 225,506,919                                    |
| Financial expenses                               | 82,145,018                                   | 153,162,686                                    | 82,992,861                                   | 161,909,647                                    |
| Other charges                                    | 1,437,321                                    | 3,854,835                                      | 3,614,847                                    | 7,517,729                                      |
|  | 83,582,339                                   | 157,017,521                                    | 86,607,708                                   | 169,427,376                                    |
| <b>Profit before taxation</b>                    | <b>7,747,547</b>                             | <b>31,843,561</b>                              | <b>29,559,928</b>                            | <b>56,079,543</b>                              |
| Provision for taxation                           |  |  |  |  |
| Current  | 7,500,000                                    | 15,600,000                                     | 9,500,000                                    | 18,500,000                                     |
| Profit after taxation                            | 247,547                                      | 16,243,561                                     | 20,059,928                                   | 37,579,543                                     |
| Unappropriated profit brought forward            | 27,770,079                                   | 11,774,065                                     | 28,001,254                                   | 10,481,639                                     |
|  | 28,017,626                                   | 28,017,626                                     | 48,061,182                                   | 48,061,182                                     |
| Final dividend payment (2007 Rs. 7.5 per share)  | 0  | 0  | 9,375,000                                    | 9,375,000                                      |
| <b>Unappropriated profit carried forward</b>     | <b>28,017,626</b>                            | <b>28,017,626</b>                              | <b>38,686,182</b>                            | <b>38,686,182</b>                              |
| Earning per share                                | 0.20   | 12.99  | 16.05  | 30.06  |

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 and that actuarial valuation for provision for gratuity has been made in June, 2007. In these accounts it has been incorporated on ad hoc basis.
- 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 amounting to Rs. 38.97 million and payment against documents (PAD) Rs. 16.69 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.
- These accounts have been authorized by the Board for issue on 23rd February, 2008.

HUMAYUN BARKAT  
DIRECTOR

MAQSOOD AHMED KHAN  
DIRECTOR

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984  
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**CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

|  | December, 2007<br>Rupees | December, 2006<br>Rupees |
|--|--------------------------|--------------------------|
| <b>CASH FROM<br/>OPERATING ACTIVITIES</b>  |                          |                          |
| Net profit before taxation   | 31,843,561               | 56,079,543               |
| Adjustment for:  |                          |                          |
| Depreciation   | 47,421,609               | 52,723,587               |
| Profit on bank deposits  | 0                        | (40,993)                 |
| Provision for gratuity   | 900,000                  | 1,000,000                |
| Dividend Income  | (68,391)                 | (28,751)                 |
| Financial charges  | 151,253,803              | 159,294,103              |
| Cash generated before working capital change   | 231,350,582              | 269,027,489              |
| <b>CHANGE IN WORKING CAPITAL<br/>(INCREASE)/ DECREASE IN<br/>CURRENT ASSETS</b>        |                          |                          |
| Stores, spares and loose tools   | 14,423,185               | 2,097,313                |
| Stock-in-trade   | (164,895,188)            | 325,231,886              |
| Trade debts  | (874,826,783)            | (521,728,956)            |
| Advances, deposits & prepayments   | (31,279,260)             | (15,729,675)             |
| Other receivable   | 78,515,404               | (123,793,786)            |
| <b>INCREASE / (DECREASE) IN<br/>CURRENT LIABILITIES</b>                                |                          |                          |
| Trade and other payable  | 638,102                  | (8,294,959)              |
|  | (977,424,540)            | (342,218,177)            |
| Cash generated from operations   | (746,073,958)            | (73,190,688)             |
| Gratuity paid  | (2,170,933)              | (2,569,610)              |
| Taxes paid   | (14,335,251)             | (19,518,068)             |
|  | (16,506,184)             | (22,087,678)             |
| Net cash generated from operations<br>(OUTFLOW)/ INFLOW DUE TO<br>INVESTING ACTIVITIES | (762,580,142)            | (95,278,366)             |
| Additions in Fixed Assets  | (998,231)                | (11,868,770)             |
| Profit on Bank Deposits Received   | 0                        | 40,993                   |
| Dividend received  | 68,391                   | 28,751                   |
|  | (929,840)                | (11,799,026)             |
| <b>INFLOW / (OUTFLOW) DUE TO<br/>FINANCING ACTIVITIES</b>                              |                          |                          |
| Repayment of long term loan  | 0                        | (88,443,100)             |
| Repayment of finance lease   | (35,388,787)             | (21,084,561)             |
| Increase in finance lease  | 42,309,652               | 2,629,045                |
| Payment of dividend  | 0                        | (9,375,000)              |
| Financial charges paid   | (50,124,559)             | (185,272,062)            |
|  | (43,203,694)             | (301,545,678)            |
| Net Increase in cash and its equivalent<br>during the period                           | (806,713,676)            | (408,623,070)            |
| Cash & cash equivalent at the beginning of the period                                  | (1,828,611,704)          | (1,276,004,701)          |
| Cash & cash equivalent at the end of the period  | (2,635,325,380)          | (1,684,627,771)          |
| <b>CASH &amp; CASH EQUIVALENT</b>  |                          |                          |
| Cash & bank balances   | 30,164,171               | 58,433,154               |
| Short Term Bank Borrowings   | (2,665,489,551)          | (1,743,060,925)          |
|  | (2,635,325,380)          | (1,684,627,771)          |

HUMAYUN BARKAT  
DIRECTOR

MAQSOOD AHMED KHAN  
DIRECTOR



Fateh

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

(Amount in Rs.)

|  | Paid-up Capital          | General Reserve             | Surplus on Revaluation of Investments | Unappropriated Profit    | Total                       |
|--|--------------------------|-----------------------------|---------------------------------------|--------------------------|-----------------------------|
| Balance as at June 30, 2006                          | 12,500,000               | 1,441,000,000               | 2,482,378                             | 10,481,639               | 1,466,464,017               |
| Net profit for the half year ended December 31, 2006 | 0                        | 0                           | 0                                     | 37,579,543               | 37,579,543                  |
| Less: Dividend Payment                               | 0                        | 0                           | 0                                     | (9,375,000)              | (9,375,000)                 |
| Balance as at December 31, 2006                      | <u>12,500,000</u>        | <u>1,441,000,000</u>        | <u>2,482,378</u>                      | <u>38,686,182</u>        | <u>1,494,668,560</u>        |
| 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 30, 2007                      | <u><u>12,500,000</u></u> | <u><u>1,481,000,000</u></u> | <u><u>4,196,092</u></u>               | <u><u>28,017,626</u></u> | <u><u>1,525,713,718</u></u> |

HUMAYUN BARKAT  
DIRECTOR

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