



Annual Report
2011/2012



Fateh
TEXTILE MILLS LTD

Hali Road, Hyderabad, Pakistan.

Contents

Notice of Annual General Meeting	1
Company Information	3
Company's Vision & Mission Statement	4
Directors' Report	5
Statement of Code of Corporate Governance	9
Pattern of Shareholding	11
Key Operating and Financial Data	13
Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance	14
Auditors Report	15
Balance Sheet	18
Profit & Loss Account	20
Cash Flow Statement	21
Statement of Changes in Equity	22
Notes to the Accounts	23
Form of Proxy	55



Notice is hereby given that the 60th Annual General Meeting of the Shareholders of FATEH TEXTILE MILLS LIMITED will be held on Friday the 30th November 2012 at 09.00 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 Annual General Meeting of the Company held on 31st October 2011.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.
3. To declare Cash Dividend @ 5% as recommended by the Directors for the year 2011-2012.
4. To appoint Auditors for the year ending June 30, 2013 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".

MUHAMMAD NADEEM AQEEL
Company Secretary

HYDERABAD: 9th November 2012

NOTES:

1. The Share Transfer Books of the Company will remain closed for 7 days from 24th to 30th November 2012 (both days inclusive). Transfer received at our Share Registrar Office M/s. Technology Trade (pvt) Ltd, Dajia House, 241-C, Block-02, P.E.C.H.S, Off Shakra-e-Quaideen, Karachi, at the close of business on 23rd November 2012 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 along with 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. With reference to the notification of SECP, SRO 831(1)/2012 Dated: 05.07.2012 which requires that dividend warrant should bear CNIC of the members or their authorized person. 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. Non-compliance of the above, the company may be constrained to withhold dividend warrants. Corporate entities are requested to provide copy of NTN certificate.

Certificate of Registration



This is to certify that the
Quality Management System of:

FATEH TEXTILE MILLS LTD.

69, A/4, S.I.T.E,
HYDERABAD – PAKISTAN

has been assessed and found compliant with the requirements of

ISO 9001:2008

Approval is hereby granted for registration on the proviso that the
Certification rules and conditions are observed at all times.

Certification Scope:

**MANUFACTURERS AND EXPORTER OF DYED/PRINTED FABRIC, BEDWARE
ITEM, QUILTED ITEMS, COMFORTERS, READYMADE GARMENTS,
POLYESTER FIBER WADDING, TOWEL & TERRY ITEMS.**

Certificate No. 05060

Issue Date: March 26, 2012

Expiry Date: March 05, 2015

A handwritten signature in black ink, appearing to be 'Mint'.

Authorised Signature

Moody International Certification Ltd.

www.moodyint.com



014

The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the Accreditation Certificate 014.
The certificate remains the property of Moody International Certification Limited to whom it must be returned on request.



Board of Directors

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

Chief Financial Officer

Mr. Abdul Razzak

Company Secretary

Mr. Muhammad Nadeem Aqeel

Audit Committee

Mr. Maqsood Ahmed Khan	Chairman
Mr. Humayun Barkat	Member
Mr. Soofi Taj Muhammad	Member

HR & RC

Mr. Maqsood Ahmed Khan	Chairman
Mr. Hasinuddin	Member
Mr. Soofi Taj Muhammad	Member

External Auditors

Rahim Jan & Co.
Chartered Accountants,
Karachi.

Legal Advisor

Atta-ur-Rehman Shaikh, Advocate

Bankers

Allied Bank Limited
Askari 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

A-4, Hali Road, S.I.T.E., Hyderabad - Sindh.
Phone No. 022-3880463-66
Fax No. 022-3880514, 3880711
E-mail: fsml@fateh-group.com
URL: www.ftml.com.pk
Liaison Office
114-A, S.M.C.I.I.S, Near Mehdi Towers,
Shabra-e-Faisal, Karachi.

Mills

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

Share Registrar

Technology Trade (Pvt.) Ltd.
Dagja House, 241-C, Block-2, P.E.C.H.S.,
Off: Shahrah-e-Quaideen, Karachi.
Tel : 021-4391316-7, 19 & 4387960-1
Fax : 021-4391319



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.



The Directors of your Company have the pleasure to welcome you in this 60th Annual General Meeting of the Company and take this opportunity to present you the Audited Accounts and Auditors' Report to the Members thereon and Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance, together with notes forming part thereof for the financial year ended on June 30, 2012.

GENERAL OVERVIEW

Our nation has been witnessing numerous domestic and external distresses since last many years. The incessantly steep rise in international oil and other commodity prices, the internal security hazards and repeated disaster in the form of successive floods have buffet the macroeconomic strategy. Domestically, the difficult security situation and the energy crises have combine to drastically impact the national economic growth.

The textile industry maintains that there are a number of factors that account for the decline in our textile exports including ongoing massive load shedding, the law and order problems and a tariff structure and their basic recommendation is to extend subsidies in the form of lower or zero tariffs and to motivate the commercial counselors of our embassies to proactively seek orders for their products.

OPERATING RESULTS:

During the year under review, your Company managed to achieved a turnover of Rs.2,684.459 million as compared to Rs.2,825.315 million, about 5% less as compared to the corresponding period of last year results which is primarily due to the escalating of input cost that slash the gross profit margin which stood at Rs.278.922 million.

Cost of Sales was increased, which mainly attributes to increasing trend of raw material, power and gas tariffs, hitting astronomical highs, therefore decline gross margin thus putting upward pressure on the costs besides increase in other input cost.

Other income was increased considerably due to provision of exchange gain difference. Financial charges have significantly declined by Rs.455.093 million, since NBP has filed recovery suit before Sindh High Court no markup has been provided and legal advisor and management of the company in light of various orders of superior courts believe that no markup is payable and that only the Cost of Fund will be applicable in this case (ref: Note No.29.1). Other charges rose which mainly pertains to write off of stock, R&D support and other general items.

After provision of current and deferred taxation the profit stood at Rs.4.125 million. The earnings per share worked out to Rs.3.30 per share.

Following are appropriations:

Profit before taxation		Rs. 12.125 million
Taxation		
Current	Rs. 10.000 million	
Deferred	Rs.(2.000 million)	Rs. 8.000 million
Profit after taxation		Rs. 4.125 million
Un appropriated profit brought forward		Rs.46.958 million
Less Dividend Paid		Rs. 1.250 million
		Rs.49.833 million

DIVIDEND:

It has always been policy of the company to distribute as much return to the members as possible. Therefore, your Directors despite the financial constraints faced by the company have recommended a final cash dividend @5%.

The final cash dividend @5% is proposed to be paid to all such shareholders of the company whose names appear in the company's register as on 24th November 2012.

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 Honorable High Court of Sindh, Karachi for approval.

COAL FIELD:

The 30-years coal mining lease at Lakhra coalfield over an area of 8626 acres was awarded to the company by the Government of Sindh (GoS) vide Notification dated 14.12.05 for the development and establishment of: (a) coal mining (b) coal washing plant and (c) power plant up to 200 MW.

The first 2-phases of the mega project are moving satisfactorily. The delay in establishment of the power plant is due to default on the part of GoS/Sindh Coal Authority (SCA) for fulfilling its duties enumerated in the MoU dated 17.5.2005 (Ref Note No.16). The company's plan to import 30 MW coal fired power plant was also suspended as no ancillary support extended by the Government of Sindh. However, the Company enjoys government's permission for sale of surplus coal till functioning of the power plant.

CHANGES IN BOARD:

During the year Mr. Assadullah Barkat resigned from the Board of Directors as well as Chief Executive of the Company. The Board of Directors therefore appointed Mr. Hamid Mehmood Nasir as Director on the Board in his place and Mr. Muhammad Saleem, who was already serving as Director on the board, appointed as Chief Executive of the Company for the remaining period of outgoing CEO.

Further Mr. Hamid Mehmood Nasir resigns and Mr. Hasinuddin has been appointed as Director on the Board.

SOCIAL, HEALTH AND HUMAN RESOURCES

The Company is aware of its duty in respect of health which is one of the most important components of Corporate Social Responsibility. The Group is actively participating in the Social and Health uplift in the city of Hyderabad. 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.

Human Capital is one of the center focuses for the management of your Company. Substantial efforts were made in development of human resources. Human Resource Department develops the key competencies that enable the employees in organizations to perform current and future jobs through planned learning activities.

ENVIRONMENTAL POLICY

We are 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:

The unstable security situation, the shortage and high costs of energy are the chief elements posing big threat to the textile industries at large and it feels that difficult business environments are likely to carry on in the future and the profitability will remain under pressure which should have to meet with endurance and persistent efforts. As a part of your Directors' efforts to take every possible step in order to improve yields, quality products and to achieve better working efficiency, the production of spinning units resumed during the year under review. Further the Company has signed agreement with Askari Bank Limited whereby various financial facilities has been converted into the term finance loan refer note 7.3. Further that your Company has also commenced selling of electricity to HESCO which is one of the strategies for diversifying business option where we got encouraging symptom and sees it a profitable business operation.



AUDITORS' OBSERVATION

- (a) The recession in the global market during recent past caused for delay in realization of export proceeds, however, the recovery is being made from these past due debtors is quite encouraging (refer No 20.3). The State Bank of Pakistan (SBP) is therefore, taking lenient view in regard to enforcement of Foreign Exchange Regulations and is allowing extension in repatriation of export debts.
- (b) 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.

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. Following are the statements on Corporate and Financial Reporting Framework.

- (a) The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the listed company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored; and
- (f) There are no significant doubts upon the listed company's ability to continue as a going concern.
- (g) Key operating and financial data of last six years in a summarized form is annexed.
- (h) Outstanding taxes and levies (if any) have been adequately disclosed in the financial statements.
- (i) The Company operates an unfunded gratuity scheme for its all eligible employees. Obligations under the scheme are provided annually. The provision is adjusted triennially.
- (j) During the year, seven Board and four Audit Committee Meetings were held as per following attendance;

BOARD MEETINGS

Name of Director	Meetings attended
Mr. Gohar Ullah	5
Mr. Assadullah Barkat	1 (Resigned)
Mr. Humayun Barkat	2
Mr. Maqsood Ahmed Khan	6
Mr. Muhammad Saleem	7
Mr. Muhammad Ayub (NIT Nominee)	2
Mr. Soofi Taj Muhammad	7
Mr. Hamid Mehmood Nasir	2 (Appointed)

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

AUDIT COMMITTEE MEETINGS

Name of Director	Meetings attended
Mr. Gohar Ullah	4
Mr. Humayun Barkat	2 (Re-appointed)
Mr. Maqsood Ahmed Khan	2 (Appointed)
Mr. Soofi Taj Muhammad	4

(k) During the year Mr. Humayun Barkat attended training program held by Pakistan Institute of Corporate Governance.

(l) During the year Sale/ Purchase made by the Directors are as follows.

	Purchase	Sale	Balance
Mr. Hamid Mehmood Nasir	2500	0	2500

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 & Company, Chartered Accountants, Karachi who retire and being eligible, offer themselves for reappointment for the financial year ending June, 2013.

COMPANY SHARES:

The Directors, CEO, CFO and Company Secretary have not traded in Company's shares during the year except Mr. Hamid Mehmood Nasir who purchased 2500 shares of the Company.

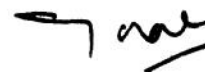
ACKNOWLEDGEMENT:

We take this opportunity to express our gratitude to our members for their continued trust. We would also like to thank all our customers for confidence and positive feedback that motivate us to further improve our products. The Board extends their thanks to the company's bankers and the financial institutions for their cooperation.

I wish to endorse my appreciation to the Board Members for the dedicated services, unflinching support and contribution to the Company. 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

Hyderabad: October 24, 2012.



GOHAR ULLAH
Chairman

Statement of Compliance with the Corporate Governance

for the year ended 30th June 2012



This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of XI 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 has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Independent Directors

—

Executive Directors

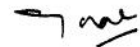
Mr. Gohar Ullah
Mr. Muhammad Saleem
Mr. Maqsood Ahmed Khan
Mr. Hasinuddin

Non Executive Directors

Mr. Humayun Barkat
Mr. Muhammad Ayub (NIT NOMINEE)
Mr. Soofi Taj Muhammad

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board and filled up by the directors within stipulated period of time.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. 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.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. 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.
9. The board arranged a training program for its directors during the year. Further one Director attended training program held by Pakistan Institute of Corporate Governance.
10. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. 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.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Audit Committee comprises three members; of whom two are non-executive directors and the chairman of the committee is an executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is non-executive director and the chairman of the committee is an executive director.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with



Gohar Ullah
Chairman

Hyderabad:October 24, 2012



**Pattern of share holding
as at 30th June, 2012**

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
141	From	1	To	100	12,243
24	From	101	To	500	6,291
4	From	501	To	1,000	3,099
10	From	1,001	To	5,000	29,420
1	From	5,001	To	10,000	6,400
1	From	10,001	To	15,000	11,847
1	From	40,001	To	45,000	40,200
1	From	55,001	To	60,000	59,500
1	From	90,001	To	95,000	94,050
1	From	105,001	To	110,000	109,900
1	From	110,001	To	115,000	113,250
1	From	120,001	To	125,000	124,013
1	From	130,001	To	135,000	132,600
1	From	150,001	To	155,000	151,100
1	From	170,001	To	175,000	171,837
1	From	180,001	To	185,000	184,250
<u>191</u>					<u>1,250,000</u>

S. No.	CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	% AGE
1	Individuals	182	999,635	79.97
2	Investment Companies		-	0.00
3	Insurance Companies		-	0.00
4	Joint Stock Companies	2	132,800.00	10.62
5	Financial Institutions	6	117,465.00	9.40
6	Modaraba Companies		-	0.00
7	Abandoned Properties Organization	1	100.00	0.01
		<u>191</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"> • Associated companies, undertakings and related parties Barkat Limited 	132,600	10.61
<ul style="list-style-type: none"> • NIT and ICP National Bank of Pakistan, Trustee Department Investment Corporation of Pakistan 	94,649 -	7.57 -
<ul style="list-style-type: none"> • Directors, CFO and their spouse and minor children Mr. Gohar Ullah Mr. Humayun Barkat Mr. Maqsood Ahmed Khan Mr. Muhammad Saleem Mr. Soofi Taj Muhammad Mr. Muhammad Ayub (NIT Nominee) Mr. Hamid Mehmood Nasir 	113,250 151,100 2,500 2,500 2,500 - 2,500	9.06 12.09 0.20 0.20 0.20 - 0.20
<ul style="list-style-type: none"> • Executives 	-	-
<ul style="list-style-type: none"> • Public Sector Companies and Corporations 	-	-
<ul style="list-style-type: none"> • Banks, DFIs, NBFIs, Insurance Companies, Modaraba and Mutual Funds 	22,816	1.82
<ul style="list-style-type: none"> • Administrator, Abandoned Properties, Govt. of Pakistan 	100	0.01
<ul style="list-style-type: none"> • Joint Stock Companies 	200	0.02
<ul style="list-style-type: none"> • Individuals 	725,285	58.02
<ul style="list-style-type: none"> • Shareholders holding five percent or more voting interest in the listed company Mr. Inayat Ullah Mrs. Kulsoom Inayat Mr. Gohar Ullah Mr. Asad Ullah Barkat Mr. Humayun Barkat Barkat Limited 	171,837 184,250 113,250 124,013 151,100 132,600	13.75 14.74 9.06 9.92 12.09 10.61

Key Operating and Financial Data



<u>Operating Data</u>	2012	2011	2010	2009	2008	2007
Sales	2,684,459,161	2,825,314,922	2,442,558,995	3,050,988,913	4,716,081,695	6,289,408,315
Cost of sales	2,405,537,526	2,282,067,243	2,423,990,825	2,971,848,461	4,272,302,110	5,745,212,649
Gross profit	278,921,635	543,247,679	18,568,130	79,140,452	443,779,585	544,195,666
Operating profit/(Loss)	216,698,141	479,875,690	(60,098,077)	(1,541,196)	333,947,783	393,194,356
Profit before tax	12,124,625	4,951,803	27,722,147	39,026,362	37,556,385	101,667,425
Profit after tax	4,124,625	2,229,452	4,622,147	34,026,362	8,056,385	50,667,425
 <u>Financial Data</u>						
Paid-up capital	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
Fixed assets	1,760,794,282	1,873,015,899	2,003,222,631	1,995,513,077	2,140,103,181	2,300,148,442
Long term investment	526,413,819	526,526,968	525,701,132	524,357,579	526,032,414	528,134,792
Current assets	6,495,272,929	7,569,817,839	7,267,915,683	6,983,245,958	6,223,660,322	5,088,756,126
Current liabilities	4,624,913,046	3,649,253,883	6,094,464,222	5,587,473,433	4,629,474,587	3,403,589,885
 <u>Key Ratios</u>						
Gross margin	10%	19.23%	0.76%	2.59%	9.41%	8.65%
Operating margin	8%	16.98%	(2.46%)	(0.05%)	7.08%	6.25%
Net profit	0.15%	0.08%	0.19%	1.12%	0.17%	0.81%
Current ratio	1.41	2.07	1.19%	1.25	1.34	1.50
Earning per share (Rupees)	3.3	1.78	3.70	27.22	6.45	40.53
Cash dividend	5%	10%	15%	10%	10%	75%
Break-up value (Rs./share)	1,234	1,234	1,234	1,230	1,205	1,208
 <u>Statistics</u>						
Number of spindles	30,720	30,720	30,720	30,720	30,720	30,720
Yarn production into 20/s counts (Kgs)	1,187,992	0	1,244,000	0	2,434,122	8,109,229

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 Regulation 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.

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 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 (x) of listing regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 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 Statements 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.

Date: 24th October 2012
Karachi:

Rahim Jan & Co.

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



Fateh

Rahim Jan & Co.
CHARTERED ACCOUNTANTS

Nelsons Chamber, I.I. Chundrigar Road,
Karachi-74000, PHONES : 32629515 / 32629518
Fax : 32212373 CABLL : SKANSEN
www.rahimjan.com E-mail : info@rahimjan.com

We have audited the annexed balance sheet of Fateh Textile Mills Limited as at June 30, 2012 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 audit evidence that we have obtained is sufficient and appropriate to provide a basis for a qualified opinion.

- (1) As disclosed in note 20 and sub notes thereto, the export trade debts include three years stagnant past due balances of Rs. 573.73 million. We are of the opinion that creation of provision for doubtful debts for these stagnant balances is necessary, which has not been made in the books. Had this provision been created, the equity would have been decreased by that much amount.
We further state that the overall export debts are largely overdue, causing delay in clearing bank loans, which has resulted in unnecessary litigation against the company as disclosed in respective notes to the accounts. Therefore, it is imperative that the realization of stuck up funds be expedited to avoid further litigations including actions under provisions of the Foreign Exchange Regulations by the State Bank of Pakistan.
- (2) The investment in shares of Allied Bank Ltd has been retained at cost price as disclosed in note no. 17.1.1 and the gain of Rs. 529.428 million at year end has not been accounted for. This is against the consistent policy of the company relating to investment as elaborated in Note No. 2.9. Had the gain been recognized, the equity would have been increased by that much amount.

In our opinion, except for the effects of the matter described in the basis for Qualified Opinion paragraphs (1) and (2) 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, 2012 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.

Rahim Jan & Co.

RAHIM JAN & CO.
Chartered Accountants



Fateh

2011/2012



Balance Sheet as at

CAPITAL & LIABILITIES	Note No.	2012 Rupees	2011 Rupees
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 capital	3	12,500,000	12,500,000
General reserve	4	1,481,000,000	1,481,000,000
Investment revaluation reserve		2,478,300	2,591,449
Unappropriated profit carried forward		49,833,036	46,958,411
		1,545,811,336	1,543,049,860
SURPLUS ON REVALUATION OF FIXED ASSETS			
	5	999,753,706	1,043,388,986
LOAN SUBORDINATE TO EQUITY			
	6	51,000,000	51,000,000
LONG TERM LOANS			
	7	2,311,588,800	4,211,340,450
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	8	2,352,000	10,528,915
DEFERRED LIABILITIES			
Gratuity and staff benefits	9	7,213,250	5,548,800
Deferred taxation	10	26,000,000	28,000,000
		33,213,250	33,548,800
CURRENT LIABILITIES			
Trade and others payable	11	341,308,650	376,275,415
Mark-up on secured finances		1,969,019,940	2,374,494,347
Short term running finances	12	30,884,563	649,978,148
Current portion of long term liabilities	13	2,240,866,924	208,223,213
Provision for taxation		42,832,969	40,282,760
		4,624,913,046	3,649,253,883
CONTINGENCIES AND COMMITMENTS			
	14	9,568,632,138	10,542,110,895

NOTE:

The annexed notes 1 to 41 form an integral part of these accounts.



June 30, 2012

PROPERTY & ASSETS	Note No.	2012 Rupees	2011 Rupees
FIXED ASSETS - Tangible			
Operating fixed assets	15	1,760,794,282	1,873,015,899
CAPITAL WORK IN PROGRESS	16	782,333,562	568,932,643
LONG TERM INVESTMENTS	17	526,413,819	526,526,968
LONG TERM DEPOSITS		3,817,546	3,817,546
CURRENT ASSETS			
Stores , spares and loose tools	18	24,996,776	24,090,658
Stock-in-trade	19	1,458,154,873	1,495,965,403
Trade debts	20	4,801,692,095	5,850,126,066
Advances, deposits and prepayments	21	23,988,479	27,094,805
Other receivables	22	169,742,510	148,223,622
Cash and bank balances	23	16,698,196	24,317,285
		6,495,272,929	7,569,817,839
		9,568,632,138	10,542,110,895

MUHAMMAD SALEEM
Chief Executive

MAQSOOD AHMED KHAN
Director

Profit & Loss Account for the year ended June 30, 2012

	Note No.	2012 Rupees	2011 Rupees
Sales	24	2,684,459,161	2,825,314,922
Cost of sales	25	2,405,537,526	2,282,067,243
Gross profit		278,921,635	543,247,679
Administration expenses	26	51,390,635	51,193,992
Selling expenses	27	10,832,859	12,177,997
		62,223,494	63,371,989
Operating Profit		216,698,141	479,875,690
Other income	28	264,045,000	81,399,156
		480,743,141	561,274,847
Financial expenses	29	95,237,258	550,330,426
Other charges	30	373,381,258	5,992,617
		468,618,516	556,323,043
Profit before taxation		12,124,625	4,951,803
Taxation			
Current	31	10,000,000	15,722,351
Deferred		(2,000,000)	(13,000,000)
		8,000,000	2,722,351
Profit after taxation		4,124,625	2,229,452
Other Comprehensive income for the year			
Unrealized gain on investment available- for- sale		(113,149)	827,716
Total Comprehensive income for the year		4,011,476	3,057,168
Earning Per Share	33	3.30	1.78

Note:

The annexed notes 1 to 41 form an integral part of these accounts.



MUHAMMAD SALEEM
Chief Executive



MAQSOOD AHMED KHAN
Director



**Statement of Changes in Financial Position
(Cash Flow Statement)
for the year ended June 30, 2012**

Fateh

		2012 Rupees	2011 Rupees
Cash from Operating Activities			
Net profit before taxation		12,124,625	4,951,803
Adjustment for:			
Depreciation	15.2	74,633,357	82,422,348
Profit on bank deposits	28	0	(908,681)
Dividend income	28	(392,839)	(237,688)
Gain on sale of investment	28	0	(15,322)
Provision for gratuity	9	1,772,757	387,000
Financial charges	29	95,074,376	549,983,716
Cash generated before working capital change		183,212,276	636,583,176
Changes in Working Capital (INCREASE)/ DECREASE IN CURRENT ASSETS			
Stores, spares and loose tools		(906,118)	5,397,942
Stock-in-trade		37,810,531	(192,866,643)
Trade debts		1,048,433,971	(194,810,037)
Advances, deposits & prepayments		3,106,326	8,683,316
Other receivable		(21,518,888)	82,598,489
INCREASE/ (DECREASE) IN CURRENT LIABILITIES			
Creditors, accrued & other liabilities		(34,966,764)	(22,100,036)
		1,031,959,057	(313,096,969)
Cash generated from operations		1,215,171,333	323,486,207
Gratuity paid	9	(108,307)	(5,311,100)
Taxes paid		(7,449,792)	(7,608,385)
		(7,558,099)	(12,919,485)
Net cash generated from operations		1,207,613,235	310,566,722
(OUTFLOW)/INFLOW DUE TO INVESTING ACTIVITIES			
Additions in fixed assets	15	(6,047,022)	(699,261)
Disposal of shares Investment	28	0	17,202
Profit on bank deposit received	28	0	908,681
Dividend received	28	392,839	237,688
Capital work - in - progress	16	(213,400,919)	(292,369,264)
		(219,055,102)	(291,904,954)
INFLOW/ (OUTFLOW) DUE TO FINANCING ACTIVITIES			
Repayment of finance leases		(2,760,146)	(6,673,572)
Repayment/Rescheduling of long term finance	7	(372,394,508)	0
Payment of dividend		(1,250,000)	(1,875,000)
Financial charges paid	29	(678,983)	(3,186,219)
		(377,083,637)	(11,734,791)
Net Increase/(Decrease) in cash and its equivalent during the year		611,474,496	6,926,977
Cash & cash equivalents at the beginning of the year		(625,660,863)	(3,139,369,599)
Cash & cash equivalents at the end of the year		(14,186,367)	(3,132,442,621)
Cash & Cash Equivalents			
Cash & bank balances	23	16,698,196	24,317,285
Rescheduleing of finance facilities	7	0	(2,506,781,758)
Short term bank borrowings	12	(30,884,563)	(649,978,148)
		(14,186,367)	(3,132,442,621)

Note: The annexed notes 1 to 41 form an integral part of these accounts.

MUHAMMAD SALEEM
Chief Executive

MAQSOOD AHMED KHAN
Director

Statement of Changes in Equity for the year ended June 30, 2012

	Share Capital Rupees	General Reserve Rupees	Surplus on Revaluation of Investments Rupees	Unappropriated Profit/(Loss) Rupees	Total Rupees	Surplus on revaluation Fixed Assets Rupees
Balance as at 1st July, 2010	12,500,000	1,481,000,000	1,763,733	46,603,959	1,541,867,692	1,091,872,683
Net Profit for the year ended June 30, 2011	0	0	0	2,229,452	2,229,452	0
Unrealised gain on revaluation of investments	0	0	827,716	0	827,716	0
Incremental Depreciation for the year	0	0	0	0	0	(48,483,645)
Final Dividend Paid for 2009-2010	0	0	0	(1,875,000)	(1,875,000)	0
Transfer to General Reserves	0	0	0	0	0	0
Balance as at 1st July, 2011	12,500,000	1,481,000,000	2,591,449	46,958,411	1,543,049,860	1,043,388,986
Net Profit for the year ended June 30, 2012	0	0	0	4,124,625	4,124,625	0
Unrealised gain (loss) on revaluation of investments	0	0	(113,149)	0	(113,149)	0
Incremental Depreciation for the year	0	0	0	0	0	(43,635,280)
Final Dividend Paid for 2010-2011	0	0	0	(1,250,000)	(1,250,000)	0
Transferred from / to General Reserves	0	0	0	0	0	0
Balance as at June 30, 2012	12,500,000	1,481,000,000	2,478,300	49,833,036	1,545,811,336	999,753,706
Balance as at June 30, 2011	12,500,000	1,481,000,000	2,591,449	46,958,411	1,543,049,860	1,043,388,986

Note: The annexed notes 1 to 41 form an integral part of these accounts.



MUHAMMAD SALEEM
Chief Executive



MAQSOOD AHMED KHAN
Director



Notes to the Accounts for the year ended June 30, 2012

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. The company has also started to generate, distribute and sale electricity.

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 Ltd 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 Standards, Interpretations and amendments to published approved accounting standards

2.3.1 Standards, Interpretations and amendments to published approved accounting standards became Effective during the year.

There are certain new standards, interpretations and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or before 1st January, 2011 but considered not to be relevant or to have significant effect on the company’s operations and are therefore, not disclosed in these financial statements.

2.3.2 Standards, Interpretations and amendments to published approved accounting standards not yet Effective

The following standards, amendments and interpretations to published accounting standards that are mandatory to the company’s accounting periods beginning on or after the dates mentioned against them.

Effective date
(annual periods beginning
on or after)

IAS 1 - Presentation of Financial Statements:

Presentation of items of other Comprehensive Income (Amendments) July 01, 2012

IAS 12- Deferred Tax: recovery of underlying Assets (Amendments) January 01, 2012

IAS 19- Employee benefits (Amendments) January 01, 2013

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 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

2.4.1 Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at balance sheet date.

2.4.2 Useful Lives, Patterns Of Economic Benefits And Impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

2.4.3 Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

2.4.4 Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

2.4.5 Provision For Doubtful Debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.



2.4.6 Defined Benefit Plan
Actuarial assumptions have been adopted as disclosed in note 9 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

2.4.7 Provision For Obsolescence
Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

2.5 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. Depreciation on additions is charged from the date it is available for use, while no depreciation is charged from the date assets is disposed off. 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.

2.6 Stores, Spares and Loose tools

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

2.7 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 includes direct overheads.

2.8 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.

2.9 Long Term Investments

2.9.1 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".

2.9.2 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.

2.9.3 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.

2.9.4 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.

2.9.5 Fair value of publicly traded investment is based on quoted market prices at balance sheet date.

2.10 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.

2.11 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.

2.12 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, additional charges as per agreement are charged to income in the period of payment. These leased assets are depreciated in accordance with the depreciation policy, which is consistent with depreciable assets, which are owned.

2.13 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.



- 2.14 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.
- 2.15 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.
- 2.16 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; except as otherwise agreed with the concerned banks.
- 2.17 Sales**
Sales including sale of coal and auto parts are recorded on dispatch of goods. Sale of energy/electric power is recorded on the basis of billings. 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. In other cases approval of the Board is obtained.

2.23 Dividend and Appropriation to Reserves

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

2.24 Segment Reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Spinning, Processing and Home Textile and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

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 put to use or get ready for intended use.



3.	ISSUED, SUBSCRIBED & PAID-UP SHARE CAPITAL.	2012 Rupees	2011 Rupees
	1,250,000 (2011: 1,250,000) Fully paid ordinary shares of Rs. 10/- each issued for cash.	12,500,000	12,500,000
4.	GENERAL RESERVE		
	Opening Balance	1,481,000,000	1,481,000,000
	Transfer during the year	0	0
		1,481,000,000	1,481,000,000
5.	SURPLUS ON REVALUATION OF FIXED ASSETS		
	<p>Revaluation of Land, Factory & Colony Building and Plant & Machinery was carried out by Sidat Hyder & Co. Chartered Accountants under asset valuation method duly assisted by an independent valuer viz. M/s. Iqbal A. Nanjee & Co. Surveyors and valuation consultants as on September 30, 1999 resulting into creation of a surplus of Rs 717.856 million. Subsequently it was carried out by M/s. Iqbal A. Nanjee & Co. Surveyors and Valuation Consultants as on June 21, 2005 resulting into creation of surplus of Rs. 1,139.013 million and by M/s Angle Engineering Services, Consultants & Evaluators on 8th June, 2010 resulting into creation of surplus of Rs. 33.286 million. Amortizations of 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	1,043,388,986	1,091,872,631
	Amortization of revaluation surplus representing Incremental Depreciation for current year (5.1)	(43,635,280)	(48,483,645)
		999,753,706	1,043,388,986
	<p>5.1 In accordance with the amendment in Section 235 of Companies Ordinance, 1984 inserted by Companies (Amendment) Ordinance 2002, the balance of revaluation surplus is being amortized by the incremental depreciation.</p>		
6.	LOANS SUBORDINATE TO EQUITY (UNSECURED)	51,000,000	51,000,000
	These have been received from directors and bear no interest.		
7.	LONG TERM LOANS		
	Financial Institutions		
	Demand Finance -Secured		
	MCB Bank Limited (7.1)	3,504,000	5,004,000
	Allied Bank Limited (7.2)	1,235,000,000	1,235,000,000
	National Bank of Pakistan (13.2)	0	2,976,340,450
	Askari Bank Ltd (7.3)	576,719,000	0
	Askari bank Ltd- Frozen Markup (7.3)	499,869,800	0
		2,315,092,800	4,216,344,450
	Less: Current Maturity (13)	(3,504,000)	(5,004,000)
		2,311,588,800	4,211,340,450

7.1 The management and MCB Bank has renegotiated the matter during the month of Aug 2011.
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, which amounts to Rs. 1086.43 million [Ref. Note 14(iv)].

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 The settlement agreement signed between Askari Bank Ltd and the company in Dec, 2011 whereby various financial facilities amounting to Rs. 1,032.499 million has been converted into the term finance loan, payable in 72 equal monthly installments together with markup to be computed at the rate of one month KIBOR plus 1% commencing from Jan' 2014. The accrued markup of Rs. 488.443 million has been frozen and will be paid in 24 equal monthly installments beginning sooner the installments of principal amounts are released.

This facilities have been secured against various assets of the company including land and building, plant and machinery and hypothecation charge over book debts, receivables, stocks etc including goods in transit.



Terms and conditions of the agreement as enunciated in para 2 and para 5 are in implementation / compliance phase.

Total payments made after signing of the agreement amounts to Rs. 40.870/- million, including early payment of Rs. 30.870/- million being advance.

	2012 Rupees	2011 Rupees
8. OBLIGATION FOR ASSETS ACQUIRED UNDER UNDER FINANCE LEASE		
Future Minimum Lease Payments		
2011 - 2012	8,242,226	16,579,548
2012 - 2013	2,352,000	8,242,226
2013 - 2014	0	2,352,000
	10,594,226	27,173,774
Less: Financial charges allocated to future periods.	65,311	1,241,514
	10,528,915	25,932,260
Less: Current Portion (13)	8,176,915	15,403,345
	2,352,000	10,528,915

Reconciliation of minimum lease payments and their present value is given below:

	(Amount in Rupees)			
	2012		2011	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due within one year	8,242,226	8,176,915	16,579,548	15,403,345
Due after one year but not later than five year	2,352,000	2,352,000	10,594,226	10,528,915
	10,594,226	10,528,915	27,173,774	25,932,260

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.

	2012 Rupees	2011 Rupees
	<u> </u>	<u> </u>
9 GRATUITY AND STAFF BENEFITS		
Provision for gratuity		
Opening balance	5,548,800	10,472,900
Provision made during the year	<u>1,772,757</u>	<u>387,000</u>
	7,321,557	10,859,900
Less: Paid during the year	<u>108,307</u>	<u>5,311,100</u>
	<u><u>7,213,250</u></u>	<u><u>5,548,800</u></u>
 MEMBERSHIP DATA		
Number of members	<u>80</u>	<u>126</u>
Total monthly eligible salary	<u>554,600</u>	<u>723,150</u>
 ACTUARIAL ASSUMPTIONS		
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
 EMPLOYEES COMPENSATED ABSENCE		
Employees are allowed to proceed on annual earned leave accrued to them as a result of services rendered by them to company.		
 10 DEFERRED TAXATION		
Deferred Tax (10.1)	<u>26,000,000</u>	<u>28,000,000</u>
10.1 In view of the fact that the company is an export oriented company whose export sales are approximately 72 % 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 difference are unlikely to reverse on this portion of sales which warrants deferred tax provision. The remaining 28% of sales will be assessed under the normal assessment on which the deferred tax is provided after considering the accelerated depreciation, lease rentals and staff gratuity etc.		
 11 TRADE AND OTHERS PAYABLES		
Trade creditors	280,091,068	348,680,706
Accrued expenses	47,842,483	11,979,011
Security deposits	20,000	20,000
Income tax deducted at source	12,414,918	13,609,515
Workers' profit participation fund (11.1)	<u>940,181</u>	<u>1,986,183</u>
	<u><u>341,308,650</u></u>	<u><u>376,275,415</u></u>



	2012 Rupees	2011 Rupees
11.1 WORKERS' PROFIT PARTICIPATION FUND		
Opening at July 01	1,986,183	3,863,437
Profit Allocation for the year	639,000	261,000
Interest Accrued	298,000	225,000
	<u>2,923,183</u>	<u>4,349,437</u>
Less: Payment made during the year	1,983,002	2,363,254
Balance at June 30	<u>940,181</u>	<u>1,986,183</u>

SHORT TERM RUNNING FINANCES UNDER MARK-UP ARRANGEMENT

12	From Banking Companies (Secured) (7.3 & 12.2)	<u>30,884,563</u>	<u>649,978,148</u>
-----------	--	-------------------	--------------------

12.1 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. 4,033,895 million. Mark up is charged on the running finance facility ranges from KIBOR (3 months ask) plus 2% to 2.5% per Annum.

12.2 The shore term facilities of Askari Bank Ltd amounting to Rs.576.70 million has been transferred to long term loan as detailed in Note No.7.3.

13. CURRENT PORTION OF LONG TERM LIABILITIES

Long Term Loans (MCB Bank Ltd (7)	3,504,000	5,004,000
National Bank of Pakistan (7 & 13.2)	2,028,726,942	0
Finance Leases (8)	8,176,915	15,403,345
Over Due Lease Rentals (13.1)	200,459,067	187,815,868
	<u>2,240,866,924</u>	<u>208,223,213</u>

13.1 NIB Bank Limited had 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. 200.459/- million above.

13.2 The National Bank of Pakistan has filed Recovery Suit in December, 2011 before Sindh High Court for recovery of principal amount of Rs. 3.276 billion and Rs. 1.633 billion markup.

The assets and properties pledged/charged against NBP finance facilities are as under.

- (a) Land measuring 52.35 acres situated at Deh Sukhpur, Taluka Hyderabad and 8.05 acres at Dch 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 lien on book debts, stock and all movable assets.

	2012 Rupees	2011 Rupees
14 CONTINGENCIES & COMMITMENTS		
(i) In respect of letters of credit	NIL	NIL
(ii) In respect of letters of credit (Local)	NIL	NIL
(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 has already commenced. The aggregate repatriable amount is Rs. 4 billion. (2011: Rs. 162.746 million)		
(iv) There exists contingent liability In respect of export bills discounted. Rs. 1,427,489 million Rs. 499,859 million In respect of bank Guarantee Rs. 7.654 million Rs. 7.654 million		
(iv) (a) Liability in respect of export bills discounted is as under:		
i) Bills discounted for Rs. 947.630 million by National Bank of Pakistan.		
ii) Bills discounted for Rs. 414.230 million by Askari Bank Ltd.		
iii) Bills discounted for Rs. 65.626 million by Deutsche Bank AG.		
In case any bill is dishonored either by the importer and/or its banker, the bank discounted the bill may raise claim against the company.		
(v) Mark up on loan from Allied Bank Limited amounts to Rs. 1,086.43 million (2011: Rs. 912.294 million) This is not provided in the books because the matter is subjudice in the court.		



15. FIXED ASSETS

AMOUNT IN RUPEES

PARTICULARS	COST				DEPRECIATION						WRITTEN DOWN VALUE AS ON 30-06-2012	WRITTEN DOWN VALUE AS ON 30-06-2011
	AS ON 01-07-2011	ADDITION/(DELETION)	REVALUATION	AS ON 30-06-2012	RATE %	AS ON 01-07-2011	FOR THE PERIOD	AMORTIZATION OF SURPLUS ON REVALUATION	ADDITION/(DELETION)	ACCUMULATED DEPRECIATION		
OWN ASSETS												
Factory Land - Lease hold	385,110,000	0	0	385,110,000	0	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	433,043,599	50,721	0	433,094,320	10	283,473,192	3,396,432	11,565,681	0	298,435,305	134,659,015	149,570,407
Garden Building	299,658	0	0	299,658	10	133,872	16,579	0	0	150,451	149,207	165,786
Plant & Machinery	2,785,636,010	2,885,000	0	2,788,521,010	10	1,998,461,250	46,936,377	32,069,599	0	2,077,467,226	711,053,784	787,174,760
Garden Fixed Assets	328,507	0	0	328,507	10	135,092	19,342	0	0	154,434	174,073	193,415
Office Equipments	11,871,669	97,200	0	11,968,869	10	10,016,823	195,205	0	0	10,212,028	1,756,841	1,854,846
Tools & Equipments	30,962,826	0	0	30,962,826	10	23,095,432	786,739	0	0	23,882,171	7,080,655	7,867,394
Electric Fittings	59,521,031	2,900,000	0	62,421,031	10	50,096,829	1,232,420	0	0	51,320,249	11,091,782	9,424,202
Furniture & Fixtures	18,254,205	23,800	0	18,278,005	10	15,264,950	301,305	0	0	15,566,255	2,711,750	2,989,255
Water Pipe Line	7,879,250	0	0	7,879,250	10	6,990,193	88,906	0	0	7,079,099	800,151	889,057
Vehicles	45,426,089	0	0	45,426,089	20	40,496,495	985,919	0	0	41,482,414	3,943,675	4,929,594
Air Conditioning Plant	13,080,777	59,300	0	13,120,077	10	10,522,993	259,708	0	0	10,782,701	2,337,376	2,557,784
Arms	942,185	0	0	942,185	10	820,400	12,179	0	0	832,579	109,606	121,785
Computers	35,965,568	51,000	0	36,016,568	10	29,557,579	645,899	0	0	30,203,478	5,813,090	6,407,989
	4,145,646,375	6,047,022	0	4,151,693,396		2,469,065,100	54,877,010	43,635,280	0	2,567,577,390	1,584,116,006	1,676,581,275
ASSETS SUBJECT TO FINANCE LEASE												
Plant & Machinery	391,094,225	0	0	391,094,225	10	195,788,423	19,530,580	0	0	215,319,003	175,775,222	195,305,802
Vehicles	3,646,847	0	0	3,646,847	20	2,518,023	225,765	0	0	2,743,788	903,059	1,128,824
	394,741,072	0	0	394,741,072		198,306,446	19,756,345	0	0	218,062,791	176,678,281	196,434,626
TOTAL 2011 - 2012	4,540,387,447	6,047,022	0	4,546,434,468		2,667,371,546	74,633,357	43,635,280	0	2,785,640,183	1,760,794,285	1,873,015,899
TOTAL 2010 - 2011	4,539,688,188	699,261	0	4,540,387,447		2,536,564,555	82,422,346	48,483,645	0	2,667,371,546	1,873,015,901	

	2012 Rupees	2011 Rupees
15.1 Depreciation of assets have been apportioned as under		
(a) Cost of Sales	71,976,837	79,319,870
(b) Administration Expenses	2,623,600	3,062,567
(c) Garden Income	32,920	39,911
	74,633,357	82,422,348

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, 2005 and lastly on June 8, 2010, 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	2,497,571,652	2,781,526,994
Less: Accumulated depreciation upto June 30, 2005.	0	0	152,429,258	1,418,767,739	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 30-06-2011	0	0	131,058,103	597,496,204	728,554,307
Related Deferred tax	0	0	0	0	84,925,000
Current years - Incremental depreciation	0	0	11,565,681	32,069,599	43,635,280
Balance					999,753,706

Had there been no revaluation the figures of land, factory and colony building and plant & machinery as at June 30, 2012 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	183,695,992	147,411,232	36,284,760
Plant and Machinery	2,039,877,180	1,560,445,505	479,431,675
2012	2,227,352,702	1,707,856,737	519,495,965
2011	2,224,416,981	1,637,993,348	586,423,633



2012
Rupees

2011
Rupees

16 CAPITAL WORK IN PROGRESS

Development of coal mines	782,333,562	568,932,643
---------------------------	-------------	-------------

Thirty (30) years mining lease of Lakhra Coalfield comprises of an area of 8626 acres was awarded to the company by the Government of Sindh(GoS) vide notification dated 14th December, 2005 for the development and establishment of (i) coal mining (ii) coal washing plant, and (c) power plant upto 200MW.

The First two phases of the project are moving satisfactorily. The delay in establishment of the power plant is due to default on part of GoS/Sindh Coal Authority (SCA) for fulfilling its duties enumerated in the MoU dated 17.05.2005. The Company's plan to import 30MW coal fired power plant was also suspended as no ancillary support was extended by the Gos. The company, however, enjoys government's permission for sale of surplus coal till functioning of the power plant.

In May 2010, GoS cancelled the lease on ground of failure of the company to establish power plant, however, Court accepted the plea of the company and lease was restored. The appeal of the GoS, though, is pending before the Court.

In view of the above position a suitable policy for amortization of the development cost could not yet be finalized

17 LONG TERM INVESTMENTS

Quoted Companies - Available for sale	6,332,852	6,446,001
Less:-		
Provision for share investment theft	1,382,588	1,382,588
Provision for diminution in value	119,438	119,438
	<u>4,830,826</u>	<u>4,943,975</u>

Add:

Others (17.1)	521,582,993	521,582,993
	<u>526,413,819</u>	<u>526,526,968</u>

17.1 This is made up as under:-

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

		2012 Rupees	2011 Rupees
		<u> </u>	<u> </u>
17.1.1	<p>The ABL shares were pledged with the bank as security for the loan obtained. On 23rd July, 2004, the bank invited bids for the sale 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 Allied Bank Limited.</p> <p>At the same time, i.e on 23rd July, 2004 Privatization Commission of Pakistan invited open bid to raise additional 75% capital of Allied Bank Limited and the highest bid received was Rs. 43 per share.</p> <p>It would therefore be noted that right shares were sold for Rs. 43 per share whereas at the same time the holding of the company's investment was sold for Rs. 25.51 per share.</p> <p>The above disparity and injustice compelled the company to file suit against the bank in the High Court of Sindh, hearing of which has since been completed but judgement was reserved.</p> <p>The price of ABL shares quoted at Karachi Stock Exchange (Guarentee) Ltd. was Rs.64.18 per share as at June 30, 2012. However, gain (of Rs. 529.428 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 the High Court of Sindh.</p>		
17.1.2	<p>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 1977 and does not exists any more.</p> <p>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.</p> <p>What happened to the Land, Building and other assets like Store & Spares, Debtors, Bank Balances 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 adjustment shall be carried out after the entire position is sorted out.</p>		
18	STORES, SPARES & LOOSE TOOLS		
	Stores (30)	16,473,883	8,597,155
	Spares	8,522,893	15,493,503
		<u>24,996,776</u>	<u>24,090,658</u>
19	STOCK - IN - TRADE		
	Raw and Packing materials (30)	1,430,082,015	1,466,499,328
	Goods in Process	12,235,635	11,313,604
	Finished Goods	15,837,223	18,152,471
		<u>1,458,154,873</u>	<u>1,495,965,403</u>



20 TRADE DEBTS -UNSECURED

	2012 Rupees	2011 Rupees
Export Debts (20.1, 20.2 & 34.1.2)	4,791,030,946	5,839,455,869
Local Debts	<u>10,661,148</u>	<u>10,670,197</u>
Total considered good	4,801,692,095	5,850,126,066
Considered doubtful	<u>312,208,453</u>	<u>312,208,453</u>
	5,113,900,547	6,162,334,519
Provision for bad and doubtful debts	<u>(312,208,453)</u>	<u>(312,208,453)</u>
	<u>4,801,692,094</u>	<u>5,850,126,066</u>
20.1 Includes amount due from related parties as under:		
Barkat Inc. Newyork, USA	307,762,188	1,414,676,527
Brkat Int'l, GMBH, Germany	0	4,277,375
Barkat Limited, Hong Kong	23,539,638	39,041,575
Barkat Int'l Ltd, UK	993,283,440	1,151,333,653
Barkat Ltd, Mascow	0	15,895,315
	<u>1,324,585,266</u>	<u>2,625,224,445</u>

20.2 Exports debts does not include Rs. 947.63 million export bills purchased from NBP. [Ref: Note No. 14 (iv)(a)].

20.3 The export debts constitute 50% of total assets and 74% of current assets (2011:55% & 77% respectively).
Out of total export debts, debts of Rs. 1,472.44 million are over 5 years past due (Ref. Note No.34.1.2)

However, recovery is being made from these past due debtors. Amount pertaining to stagnant balances from over three years comes to Rs. 573.73 million. Management. However, has believe that their relationship with the export debtor are very strong and still continue, therefore, is highly positive for effecting full recovery of export debts. During the year recovery from past due debt amounts to Rs. 101 million (2011: Rs. 600 million).

The company is contesting number of cases before SBP under Foreign Exchange Regulations (FER). Since, the company and management is responsible under the provision of FER for complete repatriation of export proceeds and the company is successfully effecting recovery of past due debts as is evident from above, therefore, the SBP has taken lenient view regarding enforcement of Foreign Regulations and is allowing extension in repatriation of export debts. Moreover, the management has made plan for achieving recovery of Rs. 800 million per year from its past due export debtors.

	2012 Rupees	2011 Rupees
21 ADVANCES, DEPOSITS, AND PREPAYMENTS -(Considered Good)		
Advances:		
Employees	5,071,161	6,057,681
Contractors	1,791,320	499,320
Against purchases	1,510,094	1,114,064
Suppliers	11,850,670	17,150,819
Others	3,139,544	1,647,231
	23,362,789	26,469,115
Deposits:		
Securities - others	625,690	625,690
	23,988,479	27,094,805
22 OTHER RECEIVABLES		
Export Rebates (30)	16,372,362	58,374,740
Sales Tax Refundable	153,370,148	89,848,882
	169,742,510	148,223,622
23 CASH & BANK BALANCES		
Cash in hand	144,985	102,005
Cash at banks (In current accounts)	8,406,040	16,069,636
(In deposit accounts)	8,147,171	8,145,644
	16,698,196	24,317,285
24 SALES		
Sales	2,728,704,119	2,885,580,209
Less:		
Sales commission	335,274	9,856,679
Sales Tax & SFED	43,909,684	50,408,608
	44,244,958	60,265,287
	2,684,459,161	2,825,314,922
The sales include:		
Export Sales	1,924,210,100	2,088,875,437
Coal Sales	37,245,962	32,760,000
Electric Power Sales (25.2)	56,881,380	0
Auto parts sales	154,857,940	231,891,760
25 COST OF SALES		
Raw & Packing Materials consumed (25.1)	2,045,257,215	2,066,903,915
Salaries, Wages & Other Benefits	75,451,795	55,602,307
Stores, Spare Parts Consumed	23,904,568	4,787,459
Repairs and Maintenance	3,927,595	1,342,769
Fuel and Power (25.2)	151,816,418	37,067,955
Rent, Rates and Taxes	1,200,000	1,463,658
Sample Expenses	85,252	20,000
Insurance	431,856	101,620
Coal mining expenses	30,092,773	29,484,000
Depreciation	71,976,837	79,319,870
	2,404,144,309	2,276,093,553
Goods-in-Process		
Opening balance	11,313,604	15,013,722
Closing balance	(12,235,635)	(11,313,604)
	(922,031)	3,700,118
Cost of Goods Manufactured	2,403,222,279	2,279,793,671



	2012 Rupees	2011 Rupees
Finished Goods		
Opening balance	18,152,471	20,426,043
Closing balance	(15,837,223)	(18,152,471)
	2,315,248	2,273,572
	<u>2,405,537,526</u>	<u>2,282,067,243</u>
25.1 RAW & PACKING MATERIAL CONSUMED		
Opening inventory	1,466,499,328	1,694,516,130
Add: Purchases	2,008,839,902	1,838,887,112
	3,475,339,230	3,533,403,243
Less: Closing Inventory	1,430,082,015	1,466,499,328
	<u>2,045,257,215</u>	<u>2,066,903,915</u>
25.2	During the year company consumed Gas amounting to Rs. 138.83 million utilized in power generated. The Company sold electricity of Rs. 56.88 million to HESCO as per Power Purchase Agreement and consumed Electricity of worth Rs. 101 million in house in various departments of the company mainly in Spinning Units.	
26 ADMINISTRATIVE EXPENSES		
Salaries, Wages and Benefits	32,553,501	29,933,589
Travelling, Conveyance and Entertainment	2,384,872	3,043,634
Rent, Rates, Taxes and Subscription	1,394,541	3,713,079
Repairs and Maintenance	629,235	49,525
Printing and Stationery	401,209	704,346
Communication	741,919	1,156,778
Vehicles Running Expenses	2,595,390	2,105,456
Computer Consumables	652,733	197,250
Other Administrative Expenses	1,448,679	2,808,470
Legal & Professional Charges	4,746,000	3,869,777
Guest Expenses	1,218,956	549,521
Depreciation	2,623,600	3,062,567
	<u>51,390,635</u>	<u>51,193,992</u>
27 SELLING EXPENSES		
Freight & Handling	3,417,957	4,396,149
Export Expenses	6,384,494	3,827,374
Advertisement	503,010	2,522,366
Export Development Surcharge	527,398	1,432,108
	<u>10,832,859</u>	<u>12,177,997</u>
28 OTHER INCOME		
Dividend Income	392,839	237,688
Profit on Bank Deposits	0	908,681
Income from sales of shares	0	15,322
Miscellaneous Income	18,000	6,992,698
Gain on Exchange Rate	261,651,870	73,095,215
Income from Gardens-nect	1,982,291	149,552
	<u>264,045,000</u>	<u>81,399,156</u>

	2012 Rupees	2011 Rupees
29 FINANCIAL EXPENSES		
Interest & Other Charges on :		
Long Term Loans (29.1 & 13.2)	350,000	83,814,434
Mark-up on Export Refinance (29.1 & 13.2)	0	168,951,896
Mark-up on Running Finance (29.1 & 13.2)	92,869,190	294,180,222
Mark-up on Lease Finance	1,557,186	2,812,164
Bank Charges & Commission	162,882	346,710
W. P. P. F.	298,000	225,000
	95,237,258	550,330,426

29.1 Ref. Note 13.2, since NBP has filed Recovery Suit before Sindh High Court no markup has been provided against the finance facilities of the NBP during the year. The legal advisor and management of the company in light of various orders of superior courts believe that no markup is payable and that only the Cost of Fund will be applicable in this case.

Upto June 2011, company has already provided markup upto Rs. 1.408 billion against finance facilities of NBP.

When markup is computed on the basis of Cost of Funds to NBP markup liability worksout to Rs. 941.847 million as at 30.06.2011. Hence, no further provision is desirable in the books.

30 OTHER CHARGES		
Auditors' Remuneration (30.1)	700,000	700,000
Workers Profit Participation Fund	639,000	261,000
Niaz Expenses	4,607,665	4,116,017
Donations (30.2)	179,600	915,600
Stock Written Off (30.3)	324,841,011	0
R & D Support Written Off (30.4)	41,892,839	0
Stationery Writtin off (30.5)	521,143	0
	373,381,258	5,992,617
30.1 Audit Fee	500,000	500,000
Review of half yearly account	200,000	200,000
Out of Pocket Expenses	0	0
	700,000	700,000

30.2 Recipients of donations do not include anybody in whom any director or his spouse had any interest.

30.3 The net amount of cost of yarn stock and grey cloth placed with weavers written off, after damaged in heavy rain fall and subsequent floods. The stock was not insured.

30.4 The R & D Support receivables written off after withdrawal of refund facility by the government.

30.5 The stock of general items including stationery was written off.

31 TAXATION CURRENT	10,000,000	15,722,351
----------------------------	------------	------------

31.1 This includes provision of Workers' Welfare Fund.

32 PROPOSED DIVIDEND		
Pursuant to requirement of IAS-10 "Events after the balance sheet date" the proposed dividend		



2012 Rupees	2011 Rupees
----------------	----------------

has not been included as a liability in these financial statements. However, the Board in their meeting dated 24.10.2012 have proposed a dividend of Rs. **0.5** per share (2011: Rs. 1.00 per share) amounting to Rs. 625,000/- subject to approval of members at the AGM to be held on 30th Nov, 2012.

33 EARNING PER SHARE

Net Profit after tax for the year	4,124,625	2,229,452
Number of Ordinary Shares	1,250,000	1,250,000
Earning per Share (Rupees)	3.30	1.78

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

The company's activities exposes it to a variety of financial risks: market risk (including foreign exchange risk, price and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the company's financial performance.

Risk management is carried out under policies and principles approved by the management. All treasury and financial related transactions are carried out within the parameters of these defined policies and principles.

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. 5,538 (m) [2011: Rs. 6,576 (m)]. The financial assets which are subject to credit risk amount to Rs. 4,801 (m). [2011: Rs. 5,850 (m)]

The company is exposed to credit risk from its operating activities (primarily for trade debts, loans and advances and other receivables) and from its investing activities, including deposits with banks. The bankers of the company are positively rated by the credit rating agencies.

Banks	Rating Agency	Rating Short Term
National Bank of Pakistan	JCR - VIS	A-1+
Allied Bank Ltd	PACRA	A1+
Askari Bank Ltd	PACRA	A1+
United Bank Ltd	PACRA	A-1+
MCB Bank Ltd	PACRA	A1+
Bank al-Falah Ltd	PACRA	A1+
Soneri Bank Ltd	PACRA	A1+
Habib Bank Ltd	JCR - VIS	A-1+
Standard Chartered Bank Ltd	PACRA	A1+

34.1.1 Credit Risks related to receivables

The company adopted policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. The

2012
Rupees

2011
Rupees

company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties. Credit exposure is controlled by counterparty limites that are reviewed and approved by the management on time to time basis.

34.1.2 Credit risk, impairment and past due debts

The movement in allowance for impairment in respect of trade debts during the year is reflected under Note 20.

The company believe that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debt are essentially due from local and foreign companies. The company is actively pursuing for the recovery of the debt and not expect these companies will fail to meet their obligations. Aging of trade debts is under:

	Rupees in Million	
upto 1 year & above	1,954.08	2,485.28
upto 2 years & above	680.63	676.92
upto 3 years & above	360.31	488.63
upto 4 years & above	323.57	1,448.26
upto 5 years & above	1,472.44	740.36
	4,791.03	5,839.45

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 Rs. 5,032 billion (2011: Rs. 5,080 billion) which includes Short Term Running Finance, Export Refinance, Cash Finance, Demand Finance and Lease Financing which are based on 3 to 6 months KIBOR. Since, the impact on interest rate exposure is significant to the company, management analyses its interest rate exposure on a regular basis. Applicable interest rates for financial assets and liabilities are disclosed in respective notes."

34.3 **Fair value of Financial Instruments**

Fair value is the amount for which an asset 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 shares of Allied Bank Ltd which is stated at cost, market value of which, however, is fairly high on balance sheet date.



34.4 Market Risk

34.4.1 Currency Risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises from commercial transactions or receivables and payables that exists due to transactions in foreign currencies.

The company is exposed to currency risk arising primarily with respect to the US Dollar and Euro. Currently, the currency risk exposure is restricted to the amounts receivables from foreign debtors.

34.4.2 Price Risk

This represents the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The company is not exposed to commodity price risk.

34.5 Financial Assets & Liabilities as on 30th June, 2012.

	Rate of interest	Interest Bearing			Non Interest Bearing	2012 Total Rupees	2011 Total Rupees
		Maturity Upto One Year	Maturity After One Year	Sub Total			
Financial Assets							
Investment	0	0	0	0	526,413,819	526,413,819	526,526,968
Trade Debtor's	0	0	0	0	4,801,692,095	4,801,692,095	5,850,126,066
Advances, deposits and prepayments	0	0	0	0	23,988,479	23,988,479	27,094,805
Other receivable	0	0	0	0	169,742,510	169,742,510	148,223,622
Cash and bank	0	0	0	0	16,698,196	16,698,196	24,317,285
	0	0	0	0	5,538,535,099	5,538,535,099	6,576,288,746
Financial Liabilities							
Liabilities against assets subject to finance lease	7.5% to 12.5%	8,176,915	2,352,000	10,528,915	0	10,528,915	25,932,260
Long term loans	3 months (ask) KIBOR + 2.5%	3,504,000	2,311,588,800	2,315,092,800	0	2,315,092,800	4,216,344,450
Short term bank Borrowings	3 months (ask) KIBOR + 2.5%	30,884,563	0	30,884,563	0	30,884,563	649,978,148
Trade & Other Payables		0	0	0	341,308,650	341,308,650	376,275,415
Mark up on secured		0	0	0	1,969,019,940	1,969,019,940	2,374,494,347
		42,565,478	2,313,940,800	2,356,506,278	2,310,328,590	4,666,834,868	7,643,024,620



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 and by keeping committed credit limits in the circumstances in which the Company for the being continues.(Ref. 34.5)

34.7 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 returns 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		Executives Rupees	Total 2012 Rupees	Total 2011 Rupees
		Executive	Non-Executive			
Meeting fees	0	0	1,000	0	1,000	1,500
Remunerations	690,000	1,276,500	0	0	1,966,500	1,837,700
House rent allowance	310,000	573,500	0	0	883,500	639,633
Utilities	345,200	645,500	0	0	990,700	766,100
Reimbursable expenses	95,400	215,500	40,000	0	350,900	286,850
Rupees	1,440,600	2,711,000	41,000	0	4,192,600	3,531,783

Number of persons

2012	1	1	1	0	3
2011	1	2	1	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.

2012
Rupees

2011
Rupees

36 OPERATING SEGMENTS INFORMATION

The company has following reportable business segments.

- a) Spinning: Production of different qualities of yarn using natural fibers during the year sales amounts to Rs. 451 million.
- b) Processing: Manufacture of home textile products i.e., bed sheets, comforters, bath robe, processing etc. During the sales amounts to Rs. 1,942.755 M
- c) Power Division: A Captiv Power Plant of gas fired electricity generation. Supply electricity to HESCO and self consumption. During the year sales to HESCO amounts to Rs. 56.88 million and 101 million to inter company.
- d) Auto Parts: The company is producing autoparts for tractors and motor cycles, mainly for its associated concerns. During the year sales of auto parts amounts to Rs. 154 million.

37 PRODUCTION CAPACITY

Spinning Plant capacity of yarn after conversion into 20 counts	9,400,000	9,400,000
Actual production of yarn after conversion into 20 counts	1,187,992	0
Number of spindles	30,720	30,720
Number of shifts worked per day	3	0

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

- 37.1 Spinning units were temporarily closed due to various commercial reasons, however, resumed production in December, 2011 at minimum scales.

38 RELATED PARTY TRANSACTIONS

Related parties comprise associated companies, major shareholders, directors, companies with common directorship. Transactions of the company with related party and balances outstanding at the year end are as follows.



	2012 Rupees	2011 Rupees
Associated Companies		
Fateh Group Limited		
Sale of goods & services	12,687,642	0
Receivables as at 30 June	0	0
Fateh Motors Limited		
Sale of automobile parts	154,857,940	231,891,760
Receivables as at 30 June	0	0
Fateh Mills Limited		
Sale of goods & services	9,725,184	0
Receivables as at 30 June	0	0
39 NUMBER OF EMPLOYEES AT YEAR END	279	202

40 GENERAL

Figures have been rounded off to the nearest rupee.

41 DATE OF AUTHORIZATION FOR ISSUE

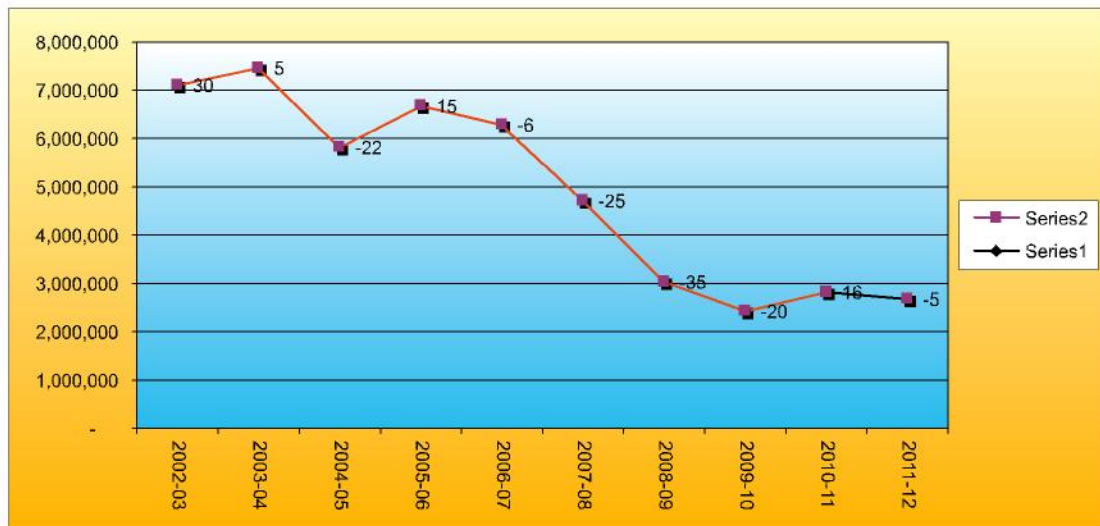
These financial statements were authorized for issue on 24th October, 2012 by the Board of Directors of the Company.

MUHAMMAD SALEEM
Chief Executive

MAQSOOD AHMED KHAN
Director

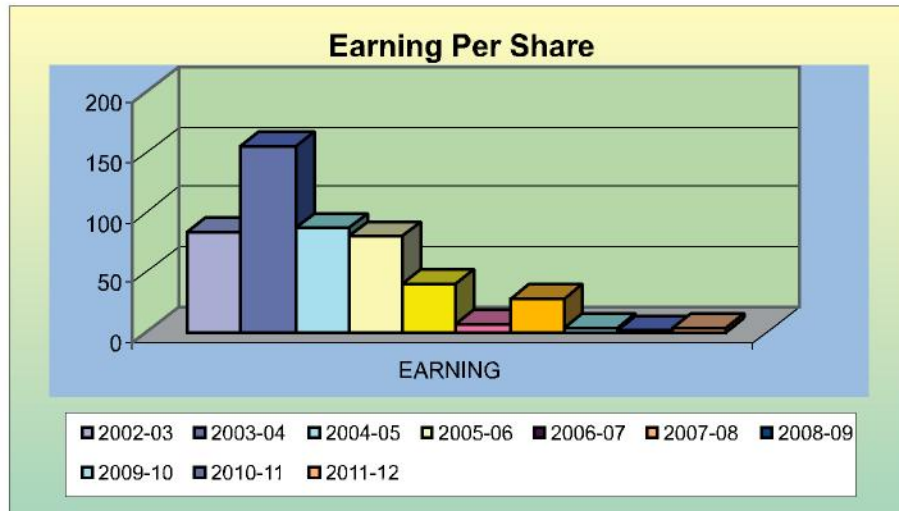
Turn Over

Year	Amount (000'Rupees)	Growth %age
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
2011-12	2,684,459	-5



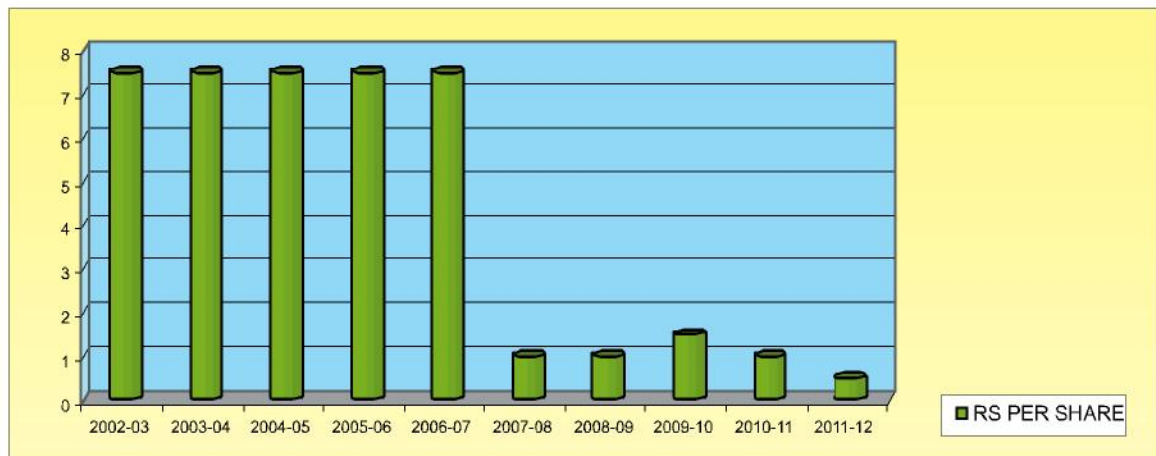


Year	Earning Per Share
2002-03	82.94
2003-04	155.5
2004-05	86.55
2005-06	80.56
2006-07	40.53
2007-08	6.45
2008-09	27.22
2009-10	3.7
2010-11	1.78
2011-12	3.3



Dividend Pay Out

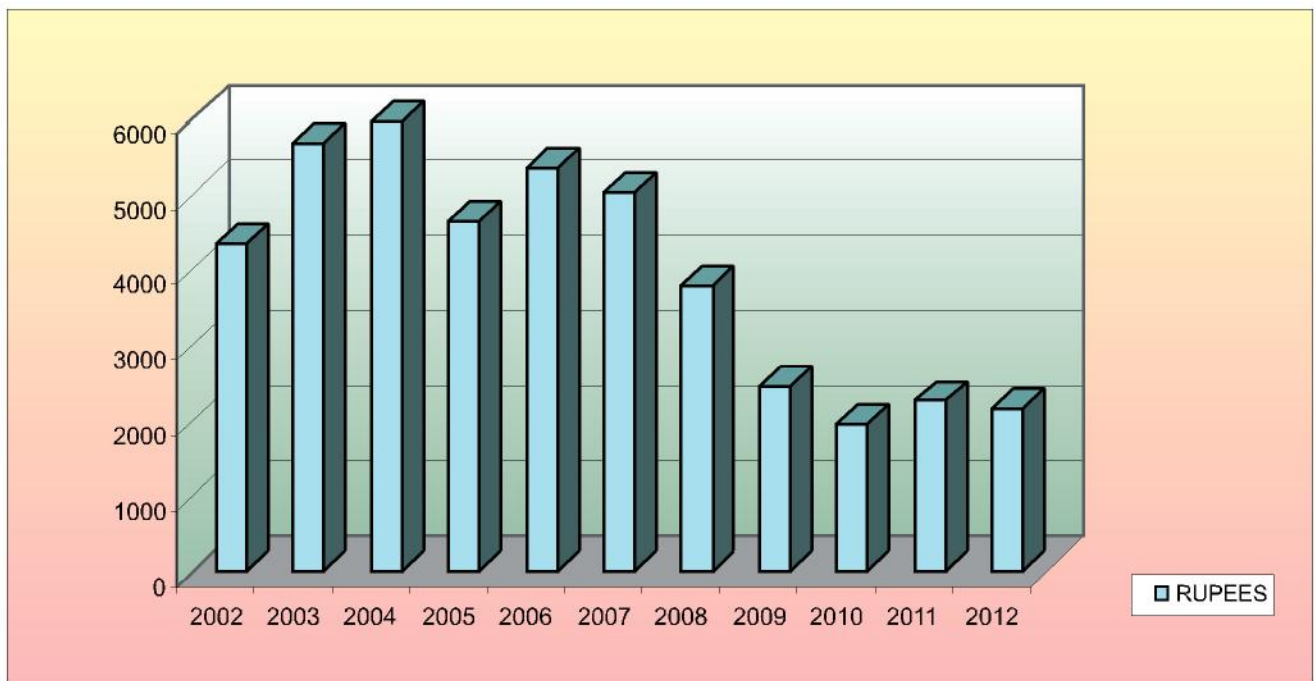
Year	Rupees Per Share
2002-03	7.50
2003-04	7.50
2004-05	7.50
2005-06	7.50
2006-07	7.50
2007-08	1.00
2008-09	1.00
2009-10	1.50
2010-11	1.00
2011-12	0.50



Revenue Realised Per Share



Year	Rupees
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
2012	2147.57



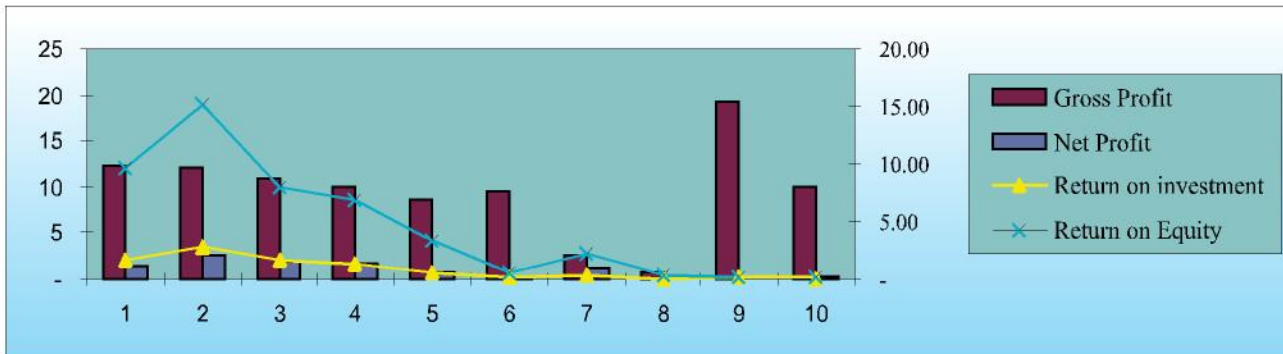
Profitability Brief

(Rs. '000)

DATA	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Sales	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	2,684,459
Gross Profit	871,952	898,426	634,715	666,899	544,195	443,780	79,140	18,568	543,264	278,921
Profit After Tax	103,673	194,376	108,190	100,705	50,667	8,056	34,026	4,622	2,229	4,125
Total Assets	5,995,619	6,883,214	6,834,795	7,730,657	7,920,856	8,893,613	9,619,590	10,077,220	1,543,049	9,568,632
Equity	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	1,545,811

PROFITABILITY

Gross Profit	12.29	12.03	10.93	9.97	8.65	9.41	2.59	0.76	19.22	10.00
Net Profit	1.46	2.60	1.86	1.51	0.81	0.17	1.12	0.19	0.08	0.15
Return on Investment	1.73	2.82	1.58	1.30	63.00	0.10	0.35	0.05	0.14	0.04
Return on Equity	9.60	15.25	7.88	6.87	3.36	0.53	2.21	0.30	0.14	0.27





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 60th Annual General Meeting of the Company to be held on Friday 30th November, 2012 and or any adjournment thereof.

1) Witness: _____ Signed by me this _____ day of _____ 2012.

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.