

# **Condensed Interim Financial Statements**

**For the period ended  
December 31, 2019**



**Fateh  
Sports Wear  
Limited**

Mirpurkhas Road, Hyderabad, Pakistan

# **Fateh Sports Wear Limited**

**442, Mirpurkhas Road, Hyderabad**

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

The Directors of your Company present before you the Quarterly Accounts (2<sup>nd</sup> Quarter) Un-Audited Balance Sheet and Profit & Loss Account alongwith the Cash Flow Statement for the period ended December 31, 2019.

During the period under review, there were no sale recorded due to non availability of the working capital. Company incurred Operating Loss in respect of Administration expenses of Rs.0.69 million. After Financial and other charges of Rs. 0.08 million, Company incurred loss after taxation of Rs.0.77 million. The accumulated losses stand at Rs. 349.14 million. Loss per share for the period is Rs.0.38.

The Board of directors would also like to inform the members of the Company that the directors have renovated the factory building from their own resources and intend to renting out the premises for banquette or community centre. Negotiations are being held with different parties in this regard and will be finalized in shortest possible time.

for and on behalf of the Board

**RAUF ALAM**

Chief Executive

**Hyderabad: February 24, 2020**

## **AUDITOR'S REVIEW REPORT TO THE MEMBERS**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Fateh Sports Wear Limited (the Company) as at December 31, 2019, the related condensed interim statement of profit or loss and statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss account and condensed interim statement of comprehensive income for the quarters period ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for six months period ended December 31, 2019.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

Without qualifying our opinion, we draw attention to note no. 3 to the interim financial information, which indicates that the Company has incurred loss after taxation of Rs. 0.77 million for the period. The accumulated losses amounts to Rs. 349.14 million and the Company's current liabilities exceed its current assets by Rs. 287.69 million. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's review report is **SAUD ANSARI**

**Clarkson Hyde Saud Ansari**  
**Chartered Accountants**

**Karachi: February 24, 2020**

**Engagement Partner - Saud Ansari**

## Condensed Interim Statement of Financial Position

As at December 31, 2019  
(Un-Audited)

	31-12-2019 RUPEES	30-06-2019 RUPEES
<b><u>Capital &amp; Liabilities</u></b>		
<b>Authorized Capital</b>		
5,000,000 ordinary shares of Rs. 10/- each	<b>50,000,000</b>	50,000,000
<b>Shareholders' Equity</b>		
Issued, subscribed and paid up share capital	<b>20,000,000</b>	20,000,000
General reserve	<b>53,500,000</b>	53,500,000
Accumulated loss	<b>(349,135,049)</b>	(348,369,883)
	<b>(275,635,049)</b>	<b>(274,869,883)</b>
 <b>Current Liabilities</b>		
Trade and other payables	<b>15,491,798</b>	15,452,188
Markup accrued on loans	<b>132,380,182</b>	132,380,182
Short term borrowings	<b>49,856,842</b>	49,856,842
Loan from directors	<b>97,123,489</b>	96,646,447
Provision for taxation	<b>113,391</b>	113,391
Contingencies and commitments	<b>0</b>	0
	<b>294,965,702</b>	<b>294,449,050</b>
<b>Total</b>	<b>19,330,653</b>	<b>19,579,167</b>
 <b><u>Property &amp; Assets</u></b>		
<b>Operating Fixed Assets</b>	<b>12,057,695</b>	12,291,946
<b>Current Assets</b>		
Store, spare parts and loose tools	<b>0</b>	0
Stock-in-trade	<b>6,134,237</b>	6,134,237
Trade debts	<b>0</b>	0
Advances, deposits and prepayments	<b>1,065,968</b>	1,065,968
Other receivables	<b>0</b>	0
Cash and bank balances	<b>72,753</b>	87,016
Contingent assets	<b>0</b>	0
	<b>7,272,958</b>	7,287,221
<b>Total</b>	<b>19,330,653</b>	<b>19,579,167</b>

**RAUF ALAM**  
Chief Executive

**AFTAB ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 24, 2020

# Condensed Interim Statement of Profit or Loss & Comprehensive Income

For the 2nd Quarter ended December 31, 2019

(Un-Audited)

	OCT-DEC 2019 RUPEES	JUL-DEC 2019 RUPEES	OCT-DEC 2018 RUPEES	JUL-DEC 2018 RUPEES
Sales	0	0	0	0
Cost of sales	0	0	0	0
<b>Gross Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Administration expense	342,999	688,803	206,121	566,496
Selling Expenses	0	0	0	0
	<b>342,999</b>	<b>688,803</b>	206,121	566,496
<b>Operating Loss</b>	<b>(342,999)</b>	<b>(688,803)</b>	(206,121)	(566,496)
Other Income	0	0	0	0
Exchange Gain	0	0	0	0
	<b>(342,999)</b>	<b>(688,803)</b>	(206,121)	(566,496)
Financial expenses	1,363	1,363	158	158
Other charges	75,000	75,000	60,000	60,000
	<b>76,363</b>	<b>76,363</b>	60,158	60,158
<b>Loss before Taxation</b>	<b>(419,362)</b>	<b>(765,166)</b>	(266,279)	(626,654)
Taxation	0	0	0	0
<b>Loss after Taxation</b>	<b>(419,362)</b>	<b>(765,166)</b>	(266,279)	(626,654)
Other comprehensive income	0	0	0	0
<b>Total Comprehensive Loss for the Period</b>	<b>(419,362)</b>	<b>(765,166)</b>	<b>(266,279)</b>	<b>(626,654)</b>
Loss per share	(0.21)	(0.38)	(0.13)	(0.31)

**RAUF ALAM**  
Chief Executive

**AFTAB ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 24, 2020

## **Notes to the condensed Interim Financial Statements:**

**For the 2nd Quarter ended December 31, 2019**

### **1. STATUS AND NATURE OF BUSINESS**

Fateh Sports Wear Limited is incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited. The Company is engaged mainly in the manufacturing and export of ready-made garments. The registered office of the company is situated 442-Mirpurkhas Road, Hyderabad.

### **2. BASIS FOR PREPARATION OF ACCOUNTS**

**2.1** This condensed interim financial statements is un-audited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act") and is un-audited but subject to limited scope review by external auditors as required by the Act and Code of Corporate Governance.

\* This condensed interim financial statements comprises the condensed interim financial position of the Company as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity together with the notes forming part thereof.

\* This condensed interim financial statements of the Company for the six month period ended December 31, 2019. This condensed interim financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2019.

**2.2** Comparative financial position numbers are extracted from the annual financial statement of the Company from the year ended June 30, 2019, whereas comparative statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity are stated from un-audited Condensed interim financial statements of the Company for the six months period ended December 31, 2018.

**2.3** The company's financial risk objectives and policies are consistent with those disclosed in the preceding annual financial statements for the year ended June 30, 2019.

### **3. GOING CONCERN**

These financial statements have been prepared on going concern basis, inspite of the uncertainties given here under that may cast significant doubt about the company ability to continue as a going concern, for the reasons discussed below:

- **the operations of the company were closed since the year 2003.** In the year 2011 the company had started producing and supplying goods to foreign as well as local customers with an aim to secure further orders for commencing the production activities in full swing viably anew. But due to scarce financial resources the operations were not viable hence the operation are closed from March, 2015. The core reason for discontinuation and incurring losses was due to funds blocked with Russia that rendered the Company in the financial distress. The manufacturing activities could not be profitably carried out with scarce financial resources, hence to mitigate the operational cost and administration expenses, operations were closed.

- **there are accumulated losses amounting to Rs. 349.14 million with negative equity of Rs. 275.64 million and current liabilities of the company exceed its current assets by Rs. 287.69 million.** It is stated that the sum due to related parties amounts to Rs. 99.14 million. Further, old foreign debts were fully provided in the year 2013 consequent to delinkage of the same from Company's claims from Russia. The management has filed appeal before the Honorable Foreign Exchange Regulation Appellate Board, Karachi against the order of Honorable Foreign Exchange Adjudication Court, State Bank of Pakistan, Banking Services Corporation in July, 2014. Foreign Exchange Regulation Appellate Board, Karachi vide order dated 24.04.2017 has annulled and set aside the said order and directed the adjudication officer to pass afresh speaking and final order on all legal and factual grounds and further directed to not to take any coercive measure against the appellant till further direction of this Appellate Board.

Further during the year 2018 the Company has filed constitutional petition before the Honorable High Court of Sindh at Karachi. Thus the amount provided towards foreign trade debtors would be reversed by Rs. 296.3 million making the negative equity to positive figure. Further with the reversal of provision for foreign trade debts, the working capital would become positive;

- **the financial ratios are adverse; and**

- **the company is unable to settle its outside debts.**

The Government of Pakistan and Russian Government are discussing the matter for settlement of the claims of the Pakistani exporters. The Government of Pakistan has frozen the account of the Russian Government maintained with NBP, Karachi till the settlement of the claims of the Pakistani exporters in accordance with the order of Honorable High Court of Sindh. Consequent to the negotiations for recovery of stuck up funds from Russian Government, the Russian Government has offered to the Government of Pakistan funds to the tune of USD 23.8 million. The company has executed settlement agreement on October 6, 2016 with Government of Pakistan whereby the Company has agreed to withdraw all pending cases from the court of law, against payment of USD 2.650 million approximately.

**Notes to the condensed Interim Financial Statements:**  
**For the 2nd Quarter ended December 31, 2019**

In these circumstances, the management is expecting recovery of stuck up funds and plans to restart its operations viably anew. This shows the genuineness of claims of the company and strong possibility of receipts of funds from abroad.

The management of the company has no plan to liquidate its assets other than under normal course of business. The ability of the company to continue as a going concern currently is based on the followings:

- i) Continued financial support from directors/related parties;
- ii) Revival of the operations after receipt of stuck up funds from Russia;
- iii) There is a need to keep the entity in existence when claims of the Company are expected to be materialized hopefully in next year under the present circumstances as explained herein above.

- 4. The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2019.
- 5. There is no significant change in Contingent liabilities and Contingent assets since last annual balance sheet date.
- 6. No provision for taxation is made in these interim accounts.
- 7. Figures in these accounts have been rounded off to the nearest rupee.
- 8. These interim accounts are authorized by the Board for issue on **24th February, 2020**.

**RAUF ALAM**

Chief Executive

**AFTAB ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

**Hyderabad: February 24, 2020**

# Condensed Interim Statement of Cash Flows

## For the 2nd Quarter ended December 31, 2019

	<b>31-12-2019</b> <b>RUPEES</b>	<b>31-12-2018</b> <b>RUPEES</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(765,166)	(626,654)
Depreciation	234,251	275,295
Operating loss before working capital changes	<u>(530,915)</u>	<u>(351,359)</u>
<b>(Increase) / Decrease in current assets</b>		
Trade debtors	0	0
Other receivables	0	0
<b>(Decrease) / Increase in current liabilities</b>		
Trade and other payables	39,610	(310,000)
	<u>39,610</u>	<u>(310,000)</u>
Cash (used in) from operations	(491,305)	(661,359)
Taxes paid	0	(6,850)
Net Cash used in operating activities	<u>(491,305)</u>	<u>(668,209)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditure	0	0
	<u>0</u>	<u>0</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from directors	477,042	668,451
	<u>477,042</u>	<u>668,451</u>
Net (Decrease)/Increase in cash and cash equivalents	(14,263)	242
Cash and cash equivalent at the beginning of the period	87,016	71,328
<b>Cash and cash equivalent at the end of the period</b>	<u><u>72,753</u></u>	<u><u>71,570</u></u>

**RAUF ALAM**

Chief Executive

**AFTAB ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

**Hyderabad: February 24, 2020**



## Condensed Interim Statement of Changes in Equity

### For the 2nd Quarter ended December 31, 2019

	<u>Amount in Rupees</u>			
	Share Capital	General Reserve	Accumulated (Loss)	Total
<b>Balance as on July 1, 2018</b>	20,000,000	53,500,000	(329,625,079)	(256,125,079)
Loss for the period	0	0	(626,654)	(626,654)
Other Comprehensive income for the period	0	0	0	0
	0	0	(626,654)	(626,654)
<b>Balance as on December 31, 2018</b>	20,000,000	53,500,000	(330,251,733)	(256,751,733)
<b>Balance as on July 1, 2019</b>	20,000,000	53,500,000	(348,369,883)	(274,869,883)
Loss for the period	0	0	(765,166)	(765,166)
Other Comprehensive income for the period	0	0	0	0
	0	0	(765,166)	(765,166)
<b>Balance as on December 31, 2019</b>	20,000,000	53,500,000	(349,135,049)	(275,635,049)

**RAUF ALAM**  
Chief Executive

**AFTAB ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

**Hyderabad: February 24, 2020**