



**Condensed Interim
Financial Statements**

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

Fateh Industries Limited

442 Mirpurkhas Road, Hyderabad Pakistan

Fateh Industries Limited

442, Mirpurkhas Road, Hyderabad

BOARD'S REVIEW TO THE SHAREHOLDERS

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

The Company has achieved sales of Rs.17.29 million whereas earned Gross Profit of Rs.0.48 million in the half year under review. After Administration and Selling expenses of Rs.3.28 million, Company incurred Operating Loss of Rs.2.79 million. After other income and exchange gain of Rs. 1.09 million and Financial & other charges of Rs.0.15 million, Company incurred loss before taxation is Rs. 1.85 million. The accumulated losses are stand at Rs. 273.19 million. Loss per share for the period ended is Rs.0.92.

for and on behalf of the Board

SAEED 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 Industries Limited (the Company) as at December 31, 2019, the related condensed interim statement of profit or loss, condensed interim 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 total comprehensive loss of Rs. 1.67 million for the period. The accumulated losses amounts to Rs. 273.19 million and the Company's current liabilities exceed its current assets by Rs. 268.96 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

Engagement Partner - Saud Ansari

Karachi: February 24, 2020

Condensed Interim Statement of Financial Position

As at December 31, 2019
(Un-Audited)

	31-12-2019 RUPEES	30-06-2019 RUPEES
<u>Capital & Liabilities</u>		
Authorized Capital		
10,000,000 ordinary shares of Rs. 10/- each	100,000,000	100,000,000
Shareholders' Equity		
Issued, subscribed and paid up share capital	20,000,000	20,000,000
Investment revaluation reserve	476,884	292,574
Accumulated loss	(273,187,336)	(271,337,645)
	(252,710,452)	(251,045,071)
Current Liabilities		
Trade and others payables	169,088,295	174,996,902
Short term running finances	130,612,522	122,547,522
Provision for taxation	414,283	414,283
Contingencies and commitments	0	0
	300,115,100	297,958,707
Total	47,404,648	46,913,636
<u>Property & Assets</u>		
Operating Fixed Assets	15,750,703	16,439,998
Long Term Investments	494,451	310,141
Current Assets		
Stores, spare parts and loose tools	0	0
Stock-in-trade	13,552,738	5,267,785
Trade debts	9,531,021	6,938,534
Advances, deposits and prepayments	6,474,215	15,283,527
Other receivables	0	0
Cash and bank balances	1,601,520	2,673,651
Contingent assets	0	0
	31,159,494	30,163,497
	47,404,648	46,913,636

SAEED ALAM

Chief Executive

RAUF ALAM

Director

MUHAMMAD ISMAIL

Chief Financial Officer

Hyderabad: February 24, 2020

Condensed Interim Statement of Profit or Loss

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	12,607,886	17,286,864	6,726,504	9,144,264
Cost of sales	10,668,988	16,802,225	6,022,232	8,263,354
Gross Profit	1,938,898	484,639	704,272	880,910
Administration Expense	695,892	2,211,799	454,055	1,054,453
Selling Expenses	503,705	1,064,115	71,131	79,272
	1,199,597	3,275,914	525,186	1,133,725
Operating Profit/(Loss)	739,301	(2,791,275)	179,086	(252,815)
Other Income	54,163	87,280	12,240	12,240
Exchange (Loss)/Profit	(217,420)	1,000,367	(1,047,241)	(1,276,839)
	576,044	(1,703,628)	(855,915)	(1,517,414)
Financial expenses	47,818	71,063	18,588	28,700
Other Charges	75,000	75,000	60,000	60,000
	122,818	146,063	78,588	88,700
Profit/(Loss) before Taxa	453,226	(1,849,691)	(934,503)	(1,606,114)
Taxation	0	0	0	0
Profit/(Loss) after Taxati	453,226	(1,849,691)	(934,503)	(1,606,114)

SAEED ALAM

Chief Executive

Hyderabad: February 24, 2020

RAUF ALAM

Director

MUHAMMAD ISMAIL

Chief Financial Officer

Condensed Interim Statement of 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
Profit/(Loss) after taxation	453,226	(1,849,691)	(934,503)	(1,606,114)
Other comprehensive income				
Unrealized Profit/(loss) on revaluation of investment - available for sale	224,376	184,310	(44,870)	(63,973)
Total Comprehensive Income/ (Loss) for the Period	<u>677,602</u>	<u>(1,665,381)</u>	<u>(979,373)</u>	<u>(1,670,087)</u>
Earning/(Loss) per share	0.23	(0.92)	(0.47)	(0.80)

SAEED ALAM

Chief Executive
Hyderabad: February 24, 2020

RAUF ALAM

Director

MUHAMMAD ISMAIL

Chief Financial Officer

Notes to the condensed Interim Financial Statements:

For the 2nd Quarter ended December 31, 2019

1. STATUS AND NATURE OF BUSINESS

Fateh Industries 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 sale of footwear of all kinds. The registered office of the company is situated 442-Mirpurkhas Road, Hyderabad.

The Company is engaged mainly in the manufacturing and sale of footwear of all kinds, however, manufacturing was suspended since 1999-2000. The Company had started trading of wool waste from 2011. During the year 2013, manufacturing activities were started partially.

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 2000. The core reason for non-production and losses is 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 upto 2011;

there are accumulated losses amounting to Rs. 273.19 million and current liabilities of the company exceed its current assets by Rs. 268.96 million. It is stated that the amount due to related parties are more than the negative equity. Further, old foreign debts were fully provided in the year 2013 due 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 annuled 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 coersive measure against the appellant till further direction of this Appellate Board. Further During the year 2018 the Company has filed constitutional petition before the Honourable High Court of Sindh at Karachi; and

- the financial ratios are adverse.

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 1.700 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 manufacturing activities after receipt of stuck up funds from Russia in full swing; and
- 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 information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2019.
- 5. During the period company have sale to Rs. 4,140,944/- to Arino Hyderabad which is related party of Company.
- 6. There is no significant change in Contingent liabilities and Contingent assets since last annual balance sheet date.
- 7. No provision for taxation is made in these interim accounts.
- 8. Figures in these accounts have been rounded off to the nearest rupee.
- 9. These interim accounts are authorized by the Board for issue on **24th February, 2020**.

SAEED ALAM
Chief Executive

RAUF 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
(Un-Audited)

	31-12-2019	31-12-2018
	RUPEES	RUPEES
A. CASH FROM OPERATING ACTIVITIES		
Loss before taxation	(1,849,691)	(1,606,114)
Depreciation	689,295	778,821
Other Income	(87,280)	(12,240)
Exchange Gain	(1,000,367)	1,276,839
	<u>(398,352)</u>	<u>2,043,420</u>
Operating Profit/ (Loss) before working capital changes	<u>(2,248,043)</u>	<u>437,306</u>
(Increase) / decrease in current assets		
Stock-in-trade	(8,284,953)	(276,357)
Trade debtors	(2,592,487)	(6,523,192)
Advances, deposits and pre-payments	9,305,200	(351,580)
Other receivables	0	0
(Decrease) / Increase in current liabilities		
Trade and other payables	(5,908,607)	(326,215)
	<u>(7,480,847)</u>	<u>(7,477,344)</u>
Cash (used in)/generated from operations	<u>(9,728,890)</u>	<u>(7,040,038)</u>
Taxes paid	(495,888)	(148,553)
Exchange Gain	1,000,367	(1,276,839)
	<u>504,479</u>	<u>(1,425,392)</u>
Net cash flow from Operating Activities	<u>(9,224,411)</u>	<u>(8,465,430)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	0	0
Dividend received	87,280	12,240
	<u>87,280</u>	<u>12,240</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings	8,065,000	7,662,881
Net (Decrease) / Increase in cash and cash equivalents	<u>(1,072,131)</u>	<u>(790,309)</u>
Cash and equivalent at the beginning of the period	<u>2,673,651</u>	<u>954,352</u>
Cash and equivalent at the end of the period	<u>1,601,520</u>	<u>164,043</u>

SAEED ALAM

Chief Executive

Hyderabad: February 24, 2020

RAUF ALAM

Director

MUHAMMAD ISMAIL

Chief Financial Officer

Condensed Interim Statement of Changes in Equity
For the 2nd Quarter ended December 31, 2019

Amount in Rupees.

	<u>Share Capital</u>	<u>Surplus on Revaluation of Investment</u>	<u>Accumulated (Loss)</u>	<u>Total</u>
Balance as on July 1, 2018	20,000,000	400,256	(260,812,411)	(240,412,155)
Loss for the period	0	0	(1,606,114)	(1,606,114)
Other Comprehensive income for the period				
Unrealized loss on revaluation of investment	0	(63,973)	0	(63,973)
	0	(63,973)	(1,606,114)	(1,670,087)
Balance as on December 31, 2019	20,000,000	336,283	(262,418,525)	(242,082,242)
Balance as on July 1, 2019	20,000,000	292,574	(271,337,645)	(251,045,071)
Loss for the period	0	0	(1,849,691)	(1,849,691)
Other Comprehensive income for the period				
Unrealized loss on revaluation of investment	0	184,310	0	184,310
	0	184,310	(1,849,691)	(1,665,381)
Balance as on December 31, 2019	20,000,000	476,884	(273,187,336)	(252,710,452)

SAEED ALAM
Chief Executive

RAUF ALAM
Director

MUHAMMAD ISMAIL
Chief Financial Officer

Hyderabad: February 24, 2020