

# **Condensed Interim Financial Statements**

**For the period ended  
December 31, 2021**



**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 (2nd Quarter) Un-Audited Condensed Statement of Financial Position, Profit or Loss Account alongwith the Cash Flow Statement for the period ended December 31, 2021.

During the period under review, there were no sale recorded due to non availability of export orders. Company incurred Loss in respect of Administration expenses of Rs.0.72 million. Company earned income of Rs.39.91 million in respect of exchange gain and other income. After Financial and other charges of Rs. 0.08 million, Company earned profit before taxation of Rs.39.12 million. The accumulated profit remained at Balance Sheet is Rs.300.08 million. Earning per share for the half year ended is Rs.19.56.

for and on behalf of the Board

**RAUF ALAM**

Chief Executive

**Hyderabad: February 24, 2022**

## **INDEPENDENT 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, 2021**, the related condensed interim statement of profit or loss and statement of other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the condensed interim financial statements for the half year 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.

### **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.

### **Basis for Qualified Conclusion**

We have qualified our audit opinion on the financial statements for the year ended June 30, 2021, because balance confirmations from some banks could not be received. We verified the balances with original bank statements, but could not ensure that there are no undisclosed liabilities or contingent liabilities with these banks. Therefore our conclusion on the condensed interim financial statements is also qualified because of the effect of this matter on the comparability of the interim statement of financial position and the corresponding statement of financial position.

### **Qualified Conclusion**

*Except for the adjustments to the condensed interim financial statements, that we might have become aware of, had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.*

### **Material Uncertainty relating to Going Concern**

We draw attention to Note 2.4 to the condensed interim financial statements, which states that these financial statements have been prepared on going concern basis, yet there are conditions which indicate the existence of a material uncertainty which cast significant doubt about the company's ability to continue as a going concern. Management's plans and other mitigating factors to this matter have been discussed in Note 2.4 to the financial statements. Our conclusion is not modified in respect of this matter.

### **Other Matter**

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2020 and 2021 have not been reviewed as we were required to review only the cumulative figures for the half year ended December 31, 2021.

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

**Clarkson Hyde Saud Ansari**  
Chartered Accountants  
Karachi.

Dated: February 24, 2022

UDIN: AR202110149Hu4pkqAxN

# Condensed Interim Statement of Financial Position

As at December 31, 2021

	Dec 31, 2021 Un-Audited	Jun 30, 2021 Audited
	<b>Rupees</b>	
<b>Non Current Assets</b>		
Property, Plant and Equipments	11,212,707	11,402,146
Capital work in Progress	29,844,042	28,328,342
	41,056,749	39,730,488
<b>Current Assets</b>		
Trade Receivables	354,900,000	315,087,400
Advances, Deposits and Prepayments	1,299,184	1,260,967
Cash and Bank Balances	1,792,022	4,016,278
	357,991,206	320,364,645
<b>Total</b>	<b>399,047,955</b>	<b>360,095,133</b>
<b>Share Capital &amp; Reserves</b>		
Share Capital	20,000,000	20,000,000
<b>Revenue Reserves</b>		
General reserve	53,500,000	53,500,000
Accumulated profit	300,083,696	260,968,055
	353,583,696	314,468,055
	373,583,696	334,468,055
<b>Current Liabilities</b>		
Trade and Other Payables	4,603,954	4,911,773
Loan from Directors	20,746,914	20,601,914
Provision for Taxation	113,391	113,391
	25,464,259	25,627,078
<b>CONTINGENCIES AND COMMITMENTS - Note No.3</b>		
<b>Total</b>	<b>399,047,955</b>	<b>360,095,133</b>

The annexed notes form an integral part of these condensed financial statements

**RAUF ALAM**  
Chief Executive

**SAEED ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 24, 2022

# Condensed Interim Statement of Profit or Loss & Comprehensive Income

For the Half Year Ended December 31, 2021

(Un-Audited)

	OCT-DEC 2021 Rupees	JUL-DEC 2021 Rupees	OCT-DEC 2020 Rupees	JUL-DEC 2020 Rupees
Sales	0	0	0	0
Less: Cost of sales	0	0	0	0
<b>Gross Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Less: Administration expense	409,816	722,671	384,042	935,930
	(409,816)	(722,671)	(384,042)	(935,930)
Add: Other Income	102,040	102,040	0	0
Exchange Gain/(Loss)	14,010,200	39,812,600	(7,880,000)	(15,900,000)
<b>Operating Profit / (Loss)</b>	<b>13,702,424</b>	<b>39,191,969</b>	<b>(8,264,042)</b>	<b>(16,835,930)</b>
Less: Financial expenses	503	1,328	596	1,312
Other charges	75,000	75,000	75,000	75,000
	75,503	76,328	75,596	76,312
<b>Profit/(Loss) before Taxation</b>	<b>13,626,921</b>	<b>39,115,641</b>	<b>(8,339,638)</b>	<b>(16,912,242)</b>
Taxation	0	0	0	0
<b>Net Profit/(Loss) after Taxation</b>	<b>13,626,921</b>	<b>39,115,641</b>	<b>(8,339,638)</b>	<b>(16,912,242)</b>
Other comprehensive income	0	0	0	0
<b>Total Comprehensive Income/ (Loss) for the Period</b>	<b>13,626,921</b>	<b>39,115,641</b>	<b>(8,339,638)</b>	<b>(16,912,242)</b>
Earning / (Loss) per share - Basic and Diluted	6.81	19.56	(4.17)	(8.46)

The annexed notes form an integral part of these condensed financial statements.

**RAUF ALAM**

Chief Executive

**SAEED ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

Hyderabad: February 24, 2022

# Notes to the condensed Interim Financial Statements:

For the Half Year ended December 31, 2021

## 1. CORPORATE AND GENERAL INFORMATION

The company was incorporated on May 20, 1984, as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017), and is listed on Pakistan Stock Exchange Limited. The business of company is to manufacture ready-made garments for selling them locally as well as exporting. The Registered office is situated at 442, Mirpurkhas Road, Hyderabad.

The manufacturing activities had remained suspended since 2003. The manufacturing activities were commenced during the year 2013 for supplying goods to local and foreign customers, but due to scarce financial resources the operations were not viable, hence operations were closed in March 2015. The core reason for non-production is blockage of funds with Russia at time when the Russian Central Bank defaulted on its debts due to disintegration of U.S.S.R., that rendered the Company in to the financial distress. The manufacturing activities could not be profitably carried out with scarce financial resources, hence to mitigate the operational and administrative costs, operations had remained closed. The Company has planned to operate banquet hall, and has incurred a capital expenditure to the tune of Rs.29.3 million, and the work is still in progress.

## 2. BASIS FOR PRESENTATION

### 2.1 Purpose of Issuance

These condensed interim financial statements have been issued to the shareholders to comply with Section 237 of the Companies Act, 2017 are un-audited but subject to limited scope review by the external auditors as required by the Companies Act, 2017 and Code of Corporate Governance.

### 2.2 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 – “Interim Financial Reporting” and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. These condensed interim financial statements do not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2021. These condensed interim financial statements are unaudited.

### 2.3 Comparative Financial Information

The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2020.

### 2.4 Basis of Measurement

These condensed interim financial statements have been prepared under the historical cost convention.

#### ***Going Concern Assumption***

These financial statements have been prepared on going concern basis, yet there are factors which effect the Company's ability to continue as a going concern, for instance the operations of the Company have been closed since the year 2015, due to the reasons as stated in Note No.1.

#### ***Mitigating Factors to the Uncertainty relating to the use of Going Concern***

Foreign debtors with Russia were blocked due to delinkage of the same with Russian Federation. The management of the Company had filed an 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, 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 measures against the appellant till further direction of the Appellate Board. Further during the year 2019 the Company had filed a constitutional petition before the Honorable High Court of Sindh.

The Government of Pakistan and the Russian Federation have been discussing the matter for settlement of claims by the Pakistani exporters. The Government of Pakistan has frozen the account of the Russian Federation Government maintained with NBP, till the settlement of the claims of the Pakistani exporters, in accordance, with the order of the Honorable High Court of sindh. Consequent to the negotiations for recovery of stuck up funds from Russian the Federation, an amount of USD 3,200,000 was placed at the disposal of the Company, out of which an amount of USD 1,200,000 (Rs.190,560,000) including sea freight compensation has been received during the year ended June 30, 2020.

## Notes to the condensed Interim Financial Statements:

For the Half Year ended December 31, 2021

Thus the Company has been able to generate net positive cash flows from operations and provision for expected credit losses has been reversed. The unappropriated profit as on the closing date stands at Rs.300 million in contrast to accumulated loss and adverse current ratio two years back. The management is to restart the operations viably a new. The Company has planned to operate banquet hall, and has incurred a capital expenditure to the tune of Rs.29.8 million, and the work is still in progress, to cover fixed costs. The management has no plans to liquidate its assets other than in the normal course of business. Moreover continued financial support is available from the directors and other related parties.

Since operations have not yet been commenced, there is a material uncertainty which cast significant doubt about the Company's ability to continue as a going concern, therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts, and discharge and classification of liabilities, that may be necessary should the company be unable to continue as a going concern.

### 2.5 Accounting Policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements for the year ended June 30, 2021.

### 2.6 Accounting Estimates and Judgments

Estimates and judgments made by management in the preparation of these condensed interim financial statements are the same as those that were applied to the audited annual financial statements of the Company as at and for the year ended June 30, 2021.

### 2.7 Functional and Presentation Currency

These financial statements are presented in Pakistan Rupees, which is the company's functional and presentation currency.

## 3 CONTINGENCIES AND COMMITMENTS

Contingencies reported in the annual audited financial statements for the year ended June 30, 2021 remain unchanged.

## 4 TAXATION

No provision for current taxation has been made in these condensed interim financial statements.

## 5 RELATED PARTY TRANSACTIONS

Related parties comprise of group companies ( associates ), directors, major shareholders, their close family members and key management personnel. Transactions with related parties during the year, other than and including those which have been disclosed elsewhere in these financial statements, are given below:

<u>Name of Related Party</u>	<u>Nature of Transaction</u>	31-Dec-21	30-Jun-21
		<u>Rupees</u>	
Mr. Faraz Alam - Director	Loan repaid	-	(4,050,000)
Mr. Saeed Alam - Director	Loan received	145,000	

## 6. FIGURES

Figures in these condensed interim financial statements have been rounded off to the nearest thousand rupees.

## 7. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on February 24, 2022 by the Board of Directors of the Company.

**RAUF ALAM**  
Chief Executive  
Hyderabad: February 24, 2022

**SAEED ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

## Condensed Interim Statement of Cash Flows

For the Half Year Ended December 31, 2021

	31-12-2021 RUPEES	31-12-2020 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	39,115,641	(16,912,242)
<b>Adjustments for:</b>		
Depreciation	189,439	210,647
Operating profit/(loss) before working capital changes	39,305,080	(16,701,595)
<b>(Increase) / Decrease in current assets</b>		
Trade Receivables	(39,812,600)	15,900,000
Advances, deposits and prepayments	0	(54,300)
	(507,520)	(855,895)
<b>Increase / (Decrease) in current liabilities</b>		
Trade and other payables	(307,819)	(919,194)
Cash generated from / (used in) operations	(815,339)	(1,775,089)
Tax deducted at source / paid	(38,217)	0
<b>Net Cash from / used in operating activities</b>	(853,556)	(1,775,089)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to Capital work in progress	(1,515,700)	0
<b>Net Cash from / used in investing activities</b>	(1,515,700)	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase / (Decreases) in Loan from directors	145,000	(4,050,000)
<b>Net Cash from / used in financing activities</b>	145,000	(4,050,000)
Net (Decrease) in cash and cash equivalents	(2,224,256)	(5,825,089)
Cash and cash equivalent at the beginning of the period	4,016,278	30,034,565
<b>Cash and cash equivalent at the end of the period</b>	<b>1,792,022</b>	<b>24,209,476</b>

**RAUF ALAM**  
Chief Executive

**SAEED ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 24, 2022



# Condensed Interim Statement of Changes in Equity

For the Half Year Ended December 31, 2021

	Amount in Rupees		
	Share Capital	General Reserve	Accumulated Profit/(Loss)
			Total
<b>Balance as on July 1, 2020</b>	<b>20,000,000</b>	<b>53,500,000</b>	<b>284,915,031</b>
Loss for the period	0	0	(16,912,242)
Other Comprehensive income for the period	0	0	0
	<b>0</b>	<b>0</b>	<b>(16,912,242)</b>
<b>Balance as on December 31, 2020</b>	<b>20,000,000</b>	<b>53,500,000</b>	<b>268,002,789</b>

<b>Balance as on July 1, 2021</b>	<b>20,000,000</b>	<b>53,500,000</b>	<b>260,968,055</b>
Profit for the period	0	0	39,115,641
Other Comprehensive income for the period	0	0	0
	<b>0</b>	<b>0</b>	<b>39,115,641</b>
<b>Balance as on December 31, 2021</b>	<b>20,000,000</b>	<b>53,500,000</b>	<b>300,083,696</b>

**RAUF ALAM**  
Chief Executive

**SAEED ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 24, 2022