

Contents

Notice of Annual General Meeting	2
Company Profile	3
Chairman's Review Report	4
Directors' Report to the Members - English	5-6
Directors' Report to the Members - Urdu	7-8
Statement of Compliance - Code of Corporate Governance	9-10
Review Report to the Members	11
Independent Auditors' Report to the Members	12-15
Statement of Financial Position	16
Statement of Profit or Loss	17
Statement of Comprehensive Income	18
Statement of Cash Flows	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21-35
Pattern of Shareholdings	36
Details of Pattern of Shareholdings	37
Proxy Form	39
Replacement of physical shares with book entry form	40

Notice of Annual General Meeting

Notice is hereby given to the Members that the 38th Annual General Meeting of **FATEH INDUSTRIES LIMITED** will be held on **Monday November 27, 2023 at 9:30 a.m.** at the Registered Office of the Company at Mirpurkhas Road, Hyderabad to transact the following business:-

1. To confirm the minutes of the last Extraordinary General Meeting held on 26th June, 2023.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2023, together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2024.
4. To transact any other business with the permission of the Chair.

By order of the Board
for Fateh Industries Limited

Hyderabad:
November 6, 2023

Ghous Muhammad Khan
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from 21st to 27th November, 2023 (both days inclusive).
2. Any member of the Company who is entitled to attend and vote may appoint any other member of the Company as his/her Proxy to attend and vote in his/her stead.
3. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
4. The shareholders who are interested to attend AGM through video conference, are hereby requested to get themselves registered with the Company's Head Office by providing their CNIC Number, Folio/CDC Account Number, Cell number and email ID for identification at the earliest but not later than 24 hours before the timing of AGM.
5. Members who wish to receive annual accounts via email are requested to submit the consent form available at Company's website duly filled in alongwith copy of her/his CNIC and any change in their address by writing to Registrar of the Company.
6. CDC account holders will further have to follow the guideline as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

Company Profile

BOARD OF DIRECTORS

CHAIRMAN

Mr. Aftab Alam

CHIEF EXECUTIVE OFFICER

Mr. Saeed Alam

DIRECTORS

Mr. Rauf Alam

Mr. Aftab Alam

Mr. Faraz Alam

Mr. Ashhar Alam

Mr. Jamal Alam

Mrs. Seema Rauf

COMPANY SECRETARY

Mr. Ghous Muhammad Khan

CHIEF FINANCIAL OFFICER

Mr. Muhammad Ismail

AUDIT COMMITTEE

Mr. Aftab Alam

Mr. Ashhar Alam

Mr. Faraz Alam

HR&R COMMITTEE

Mr. Faraz Alam

Mr. Ashhar Alam

Mr. Jamal Alam

AUDITORS

M/s. Hafizullah & Co.,
Chartered Accountants

SHARE REGISTRAR

M/s. F.D. Registrar Services (Pvt) Ltd.
Saima Trade Tower-A, Karachi.

BANKERS

Askari Bank Limited
Bank AL-Habib Limited
Habib Bank Limited

REGISTERED OFFICE / PLANT

442-Mirpurkhas Road,
Hyderabad.

Tel: (92-22) 3886263-67

Fax: (92-22) 3886268

Email: fswl@fateh1.com

Web: www.fatehindustries.com

Chairman's Review Report

On Board's overall performance u/s 192 of the Companies Act-2017

I have to give a review report on the Board of Directors' performance during the year ended June 30, 2023.

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation of the Board of Directors of **Fateh Industries Limited** is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed and implemented.

The Board of Directors of the Company has submitted application to Pakistan Stock Exchange for delisting of the Company. The matter is under consideration by the Exchange and the Management is very hopeful that it will be finalized soon.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. All the directors (executive/non-executive) are equally involved in important decisions.

The Board shall continue to play a vital role in setting the direction of the Company and promoting its success. I would like to assure our valued shareholders that the Board will make every possible Endeavour to improve the performance of the Company and to achieve greater success while upholding the principles of good corporate governance. I would like to thank the management and the esteemed shareholders for reposing confidence in the Company and its Board of Directors.

AFTAB ALAM

Chairman

Hyderabad: November 2, 2023

Directors' Report to the Members

For the year ended June 30, 2023

The Board of Directors presents their report and financial statements of the Company alongwith Auditors' Report for the year ended June 30, 2023.

During the year Pakistan faced various economic and political challenges. Despite the great efforts of the directors, no export order received during the year. However, Company has achieved local sales of Rs. 16.49 million during the year as compared to Rs.14.18 million in the preceding year. The Gross Profit is realized at Rs.0.54 million whereas after Administration Expenses of Rs.1.24 million, Operating Loss is Rs.0.70 million. Company earned profit of Rs.3.06 million on account of rental and dividend income whereas Company incurred loss of Rs.7.09 in respect of Exchange loss. After Financial and other charges of Rs.0.71 million, Loss before taxation is Rs.5.44 million. Net Loss after Taxation carried forward to balance sheet is Rs. 5.65 million. Company incurred total comprehensive loss of Rs.5.80 million. Loss per share is Rs. 2.82. The Management of the Company has submitted de-listing application to Pakistan Stock Exchange and the matter is under consideration and hopefully will be resolved soon.

Dividend:

Considering the cash flow situation and accumulated losses, directors have not recommended any dividend for the year.

Future Outlook:

The economic landscape presented new challenges including slowdown of economic activities resulting high inflation rate in local market where the price of essential items are rising on daily basis. Despite of unsustainable market condition and political instability, the Board will continue its efforts to continue the business activities. Given all these challenges your Company remains focused on minimizing the negative impacts.

Principal Risks and Uncertainty :

The Company is exposed to certain inherent risks and uncertainties. However, we consider and work with internal and external stakeholders to mitigate the impacts of risk.

Material Changes affecting Financial Position:

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of directors' report.

Corporate Social Responsibility :

The Management of the Company is well known of it's corporate and social responsibility and will encourage social welfare project in future.

Compliance with Listed Companies (Code of Corporate Governance) Regulations-2019:

The requirements of Listed Companies (Code of Corporate Governance) Regulations-2019, relevant for the year ended **June 30, 2023** have been duly complied with, except for those disclosed in statement of compliance with Listed Companies (CCG) Regulations. The Directors confirm the compliance of Regulations for Corporate Governance, statement to this effect is annexed.

Statement on Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Company, presents fairly its state of affairs, cash flows and changes in equity;
- Proper books of accounts have been maintained by the Company;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- The System on internal control is sound in design;

- There are no significant doubts upon the company’s ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

Operating and financial data for the last six years is as under;

Rs.(000)

	2017	2018	2019	2020	2021	2022	2023
Sales	73,226	39,706	30,812	27,400	13,563	14,184	16,494
Gross Profit / (Loss)	5,392	3,136	2,057	1,982	1,382	696	542
Selling & Administration Expenses	5,822	5,018	4,505	5,902	4,660	1,358	1,243
Profit/(Loss) before Taxation	(225)	(3,441)	(10,140)	177,835	(4,019)	(3,913)	(5,439)
Profit/(Loss) after Taxation	(795)	(3,743)	(10,525)	175,710	(4,223)	(4,090)	5,646
Authorized Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Paid up Capital	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Shareholder’s equity	(236,359)	(240,412)	(251,045)	(75,246)	(79,262)	(83,378)	(89,170)
Fixed Assets	19,761	17,998	16,440	15,061	13,839	12,754	11,789
Total Assets	49,997	56,424	46,914	57,082	53,520	60,603	70,587

No trading of shares have been carried out by the Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children;

During the year five (05) meetings of the Board of Directors were held. The attendance of each Director is as follows:

S.NO.	NAME OF DIRECTOR	MEETING ATTENDED
1.	Mr. Rauf Alam	05
2.	Mr. Aftab Alam	05
3.	Mr. Saeed Alam	05
4.	Mr. Faraz Alam	04
5.	Mr. Ashhar Alam	05
6.	Mr. Jamal Alam	05
7.	Mrs. Seema Aftab	01

Pattern of Shareholding required under section 227 of the Companies Act-2017 is annexed;

Outstanding taxes and levies are given in the relevant notes to the audited financial statements; and

Auditors’ Observation:

The company has sent the letters for balance confirmation and subsequently reminders to its trade creditors, hence, some replies has been received from their end. Bank confirmation letter were sent directly by the Auditors to the Bank duly authorized by us.

The accounts of the Company are prepared on going concern basis as the Management of the Company is committed to continue its financial support whenever needed.

Auditors:

The present Auditors M/s. Hafizullah & Co., Chartered Accountants will retire at the conclusion of the Annual General Meeting. The Audit Committee and subsequently Board of Directors recommended the appointment of M/s. Clarkson Hyde Saud Ansari & Co., Chartered Accountants as External Auditors of the Company for the year ending June 30, 2024.

Place: Hyderabad
Dated: November 2, 2023

SAEED ALAM
Chief Executive

RAUF ALAM
Director

ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون 2023

محکمہ سٹریٹجی

کمپنی کے بورڈ آف ڈائریکٹرز آپ کے سامنے 30 جون 2023 کو اختتام ہونے والے مالی سال کے لیے آڈٹ شدہ حسابات بشمول آڈیٹرز رپورٹ پیش کر رہے ہیں۔ دوران سال پاکستان کو مختلف اقتصادی اور سیاسی چیلنجز کا سامنا کرنا پڑا جبکہ انتظامیہ کی بھرپور کوششوں کے باوجود کوئی ایکسپورٹ آرڈر نہیں ملا۔ کمپنی نے 16.49 ملین کی مقامی فروخت ریکارڈ کی گئی ہے جبکہ سابقہ سال میں یہ فروخت 14.18 ملین روپے ریکارڈ کی گئی تھی۔ خام منافع 0.54 ملین روپے ریکارڈ کیا گیا جبکہ انتظامی اخراجات کی مد میں 1.24 ملین روپے خرچ کئے گئے۔ اس طرح ابتدائی نقصانات 0.70 ملین روپے رہے۔ دوران سال کمپنی کو کرائے کی مد میں 3.06 ملین روپے وصول ہوئے جبکہ کرنی تباد لے کی مد میں 7.09 ملین روپوں کا نقصان ہوا۔ مالیاتی اور دوسرے اخراجات کی مد میں 0.71 ملین روپے کے اخراجات ریکارڈ کرنے کے بعد قبل از ٹیکس نقصان 5.44 ملین روپے جبکہ بعد از ٹیکس نقصان 5.65 ملین روپے بیلنس شیٹ پر ریکارڈ کئے گئے۔ مکمل وسیع نقصان 5.80 ملین روپے رہا جبکہ بنیادی نقصان فی شیئر 2.82 روپے ریکارڈ کیا گیا۔ کمپنی کی انتظامیہ نے پہلے ہی پاکستان اسٹاک ایکسچینج میں کمپنی کو ڈی۔ لسٹ کروانے کے لئے درخواست دے رکھی ہے اور یہ معاملہ اسٹاک ایکسچینج کے زیر غور ہے اور امید ہے جلد از جلد حل ہو جائے گا۔

ڈیویڈنڈ:

کیش فنڈ کی صورتحال اور جمع شدہ نقصانات کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے اس مالی سال کے لئے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔ مستقبل کا آؤٹ لک: معاشی منظر نامے نے نئے چیلنجز پیش کئے جن میں معاشی سرگرمیوں کی سست روی کے نتیجے میں مقامی مارکیٹ میں مہنگائی کی بلند شرح جہاں ضروری اشیاء کی قیمتیں روزانہ کی بنیاد پر بڑھ رہی ہیں۔ مارکیٹ کی غیر مستحکم صورتحال اور سیاسی عدم استحکام کے باوجود بورڈ کاروباری سرگرمیاں جاری رکھنے کے لیے اپنی کوششیں جاری رکھے گا۔ ان تمام چیلنجز کے پیش نظر آپ کی کمپنی کی توجہ انکے منفی اثرات کو کم کرنے پر مرکوز رہتی ہے۔ بنیادی خطرات اور غیر یقینی صورتحال: کمپنی بعض موردی خطرات اور غیر یقینی صورتحال سے دوچار ہے۔ تاہم، ہم خطرے کے اثرات کو کم کرنے کے لئے اندرونی اور بیرونی اسٹیک ہولڈرز پر غور کرتے ہیں اور انکے ساتھ کام کرتے ہیں۔ مالیاتی پوزیشن کو متاثر کرنے والی مادی تبدیلیاں: مالی سال کے اختتام جس سے یہ مالیاتی بیانات متعلقہ ہیں اور ڈائریکٹرز کی رپورٹ کی تاریخ کے درمیان کمپنی کی مالی پوزیشن کو متاثر کرنے والی کوئی مادی تبدیلی اور وعدے نہیں ہوئے ہیں۔

کارپوریٹ سماجی ذمہ داری: کمپنی کی انتظامیہ اپنی کارپوریٹ اور سماجی ذمہ داری سے اچھی طرح واقف ہے اور مستقبل میں سماجی بہبود کے منصوبے کی حوصلہ افزائی کرے گی۔

نظم و ضبط کا اسٹیٹمنٹ اور مالیاتی رپورٹنگ کا فریم ورک 2019:

اختتامی سال جون 2023 کے لئے لسٹڈ کمپنیز کے کوڈ آف کارپوریٹ گورننس ریگولیشن 2019 پر عملدرآمد کیا ہے سوائے ان شقوں کے جو کہ اسٹیٹمنٹ آف کمپلائنس میں ظاہر کر دی گئی ہیں۔ ڈائریکٹرز کی جانب سے اسٹیٹمنٹ آف کمپلائنس کی تصدیق اس رپورٹ کے ساتھ منسلک ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کے اصول درج ذیل ہیں۔

کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے کمپنی کے حالات، اس کے کاروباری نتائج، نقد رقم کی ترسیل اور حصص میں ردوبدل کی شفاف عکاسی کرتے ہیں۔ کمپنی کے کھاتے مناسب طریقے سے تیار کئے جاتے ہیں۔

مناسب محاسبی پالیسی کے تسلسل کو مالیاتی گوشوارے کی تیاری میں لاگو کیا گیا ہے۔ محاسبی کے اندازے ماہرانہ اور محتاط فیصلوں پر مبنی ہوتے ہیں۔

مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات، جو کہ پاکستان میں نافذ العمل ہیں، ان کی پیروی کی گئی ہے۔

اندرونی کنٹرول کے نظام منظم ہیں اور اسکے موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

آنے والے سالوں میں کمپنی کے کاروباری تسلسل پر کسی قسم کے شکوک و شبہات نہیں ہیں۔
 نظم و ضبط کے حوالے سے کوئی بھی مواد قانون کے خلاف نہیں ہے جس کی تفصیلات لسٹ میں دی گئی ہے۔
 گزشتہ چھ سالوں کے لئے کمپنی کے اہم امور اور مالیاتی تفصیلات منسلک ہیں۔
 کسی بھی ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری، ان کی بیگمات و بچوں نے اس سال کے دوران کمپنی کے شیئرز میں کوئی تجارت نہیں کی ہے جس کا اندراج شیئرز ہولڈنگ کے طریقہ کار میں پہلے ہی درج کر دیا گیا ہے۔
 دوران سال بورڈ آف ڈائریکٹرز کی پانچ میٹنگز منعقد ہو چکی ہیں۔ ان میٹنگز میں درج ذیل ڈائریکٹرز نے شرکت کی ہے۔

ڈائریکٹرز کے نام	میٹنگز میں شرکت کرنے کی تعداد
جناب رؤف عالم	5
جناب آفتاب عالم	5
جناب سعید عالم	5
جناب فراز عالم	4
جناب اشہر عالم	5
جناب جمال عالم	5
محترمہ سیمارؤف	1

کمپنی کے شیئرز ہولڈنگ کا طریقہ کار 30 جون 2023 کی رپورٹ کے ساتھ منسلک ہے۔
 مالیاتی اسٹیٹمنٹ میں درج کئے گئے ٹیکس کے علاوہ کمپنی پر اور کوئی ٹیکس واجب الادا نہیں ہے۔
 اس رپورٹ کی تشریح تک ایسی کوئی تبدیلی واقع نہیں ہوئی جو کہ اس رپورٹ کی مالیاتی حیثیت کو تبدیل کر دے۔

آڈیٹرز کا مشاہدہ :

کمپنی کی طرف سے تمام مقروض و قرض دہندگان کو بقایا جات کی تصدیق کے لئے خطوط ارسال کئے گئے ہیں بعد ازاں یاد دہانی کے خطوط بھی ارسال کئے گئے ہیں تاہم کچھ جوابات کے علاوہ کسی کی جانب سے تصدیقی جواب موصول نہیں ہوا۔ بینکوں کی توثیق کیلئے خطوط براہ راست آڈیٹرز کے ذریعے بھیج دئے گئے تھے۔

اس سال کے اکاؤنٹ بھی گونینگ کنسرنڈ میں پر تیار کئے گئے ہیں کیونکہ انتظامیہ اپنے پچھلے موقف پر قائم ہے کہ جب کبھی بھی ضرورت پڑی انتظامیہ کمپنی کے مالی اخراجات کے لئے بریکنگ مالی مدد جاری رکھے گی۔

آڈیٹرز کی تقرری:

موجودہ آڈیٹرز میسرز حنیف اللہ اینڈ کو، چارٹرڈ اکاؤنٹنٹس سالانہ اجلاس عام کے اختتام کے فوری بعد سبکدوش ہو جائیں گے۔ آڈٹ کمیٹی اور بعد ازاں بورڈ آف ڈائریکٹرز نے میسرز کلارکسن ہائیڈروسود انصاری چارٹرڈ اکاؤنٹنٹس کو 30 جون 2024 کو ختم ہونے والے مالی سال کے لئے تقرری کی سفارش کی ہے۔

رؤف عالم
ڈائریکٹر

سعید عالم
چیف ایگزیکٹو

حیدرآباد، 2 نومبر 2023

**Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2019**

Name of Company: **Fateh Industries Limited**
 Year ending: **30th June, 2023**

The Company has complied with the requirements of with Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner:

1. The Total number of directors are seven (07) as per the following:

- a) Male: 06
- b) Female: 01

2. The composition of board is as follows:

	Categories	Quantity	Name
a)	Independent Directors	-	
b)	Other Non-executive Directors	05	Mr. Aftab Alam, Mr. Faraz Alam, Mr. Ashhar Alam, Mr. Jamal Alam & Mrs. Seema Rauf.
c)	Executive Directors	02	Mr. Rauf Alam & Mr. Saeed Alam

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. 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.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chief Executive and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. In accordance with the criteria specified in Regulations, three directors of the company are exempted from the requirement of director's training program and rest of the directors to be trained within specified time.

10. The board had already approved and assigned the additional responsibilities of CFO and Company Secretary of Finishers Limited in Group Companies including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has already constituted the Audit Committee comprising of members given below:

- a) Audit Committee: Mr. Aftab Alam, Mr. Faraz Alam and Mr. Ashhar Alam.
- b) HR & Remuneration Committee: Mr. Faraz Alam, Mr. Ashhar Alam and Mr. Jamal Alam.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee: 05 Meetings
 - a) HR & Remuneration Committee: 01 Meeting
15. 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.
16. 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, and registered with Audit Oversight Board of Pakistan 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 and that they and the partners of the firm involved in the audit are not a close relative(spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit , company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of Regulations 3,7,8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanation for non-compliance with Regulation other than regulations 3, 7, 8, 27, 32, 33 and 36 are below:

S.No.	Requirement	Explanation
1	Independent Director Independent Director should be at least two or one third members of the Board.	The Management of the Company has applied for delisting of the Company from Pakistan Stock Exchange and the matter is under consideration of the Exchange.
2	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee
3	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and senior officers of the Company perform the requisite functions and apprise the Board accordingly.

Dated: November 2, 2023

SAEED ALAM
Chief Executive

RAUF ALAM
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of: FATEH INDUSTRIES LIMITED

**Review Report on the Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **FATEH INDUSTRIES LIMITED** (the Company) for the year ended **June 30, 2023** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Following instance(s) of non-compliance with the requirements of the Regulations was / were observed which is/are not stated in the Statement of Compliance:

Independent Directors – As per Regulation No. 6 of the Regulations, the independent directors should not be less than two or one third of the total number of the board of directors, whichever is higher. The Company has not appointed any independent director.

Based on our review, except for the above instance of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

Hafizullah & Co.,

Chartered Accountants

Engagement Partner – Badrur Rahman

Karachi

Dated: November 2, 2023

UDIN: CR202310294QLS01cn72

INDEPENDENT AUDITOR'S REPORT

To the members of: **FATEH INDUSTRIES LIMITED**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **FATEH INDUSTRIES LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2023**, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report the statement of financial position, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows, together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

We have been unable to receive confirmations for balances of trade receivables and trade creditors amounting to Rs. 31,706,323 and Rs. 12,089,303 under the head trade and other payables Note 13 to the financial statements, respectively hence these balances remained unverified.

Balance confirmations from some of the banks could not be received. We verified the bank balances with original bank statements, but could not ensure that there are no undisclosed liabilities or contingent liabilities.

The audit opinion on the financial statements for the prior year was qualified due to non-receipt of confirmations for balances of trade creditors as on June 30, 2022 amounting to Rs. 10,242,908. Our opinion on the current year's financial statements is also qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our ethical responsibilities in accordance with the Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going concern

We draw attention to Note 2.4 to the financial statements, which states that these financial statements have been prepared on going concern basis, yet there are factors which affect the Company's ability to continue as a going concern, for instance the operations of the Company have been closed since the year 2000, due to the reasons as stated in Note No.1. There is negative equity amounting to Rs.

89,170.819 million and the current liabilities exceeds current assets by Rs. 100.76 million. The aforesaid conditions 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 opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, together with notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements for the year ended June 30, 2022 were audited by another firm of Chartered Accountants who had expressed a qualified opinion.

The engagement partner on the audit resulting in this independent auditor's report is **Badrur Rahman**.

Hafizullah & Co.
Chartered Accountants

Karachi:
Date: November 2, 2023
UDIN:AR2023102949Utv6SJIQ

Statement of Financial Position as at June 30, 2023

	NOTE NO.	30-06-2023 Rupees	30-06-2022 Rupees
NON CURRENT ASSETS			
Property, Plant and Equipment	4	11,789,758	12,754,323
Investments	5	433,514	579,741
		12,223,272	13,334,064
CURRENT ASSETS			
Stores, Spare and Loose Tools	6	0	0
Inventories	7	23,139,701	19,285,014
Trade Receivables	8	31,053,512	24,711,333
Advances, Deposits and Prepayments	9	3,707,813	2,698,948
Other Receivables	10	0	0
Cash and Bank Balances	11	463,358	573,535
		58,364,384	47,268,830
		70,587,656	60,602,894
SHARE CAPITAL AND RESERVES			
Share Capital	12	20,000,000	20,000,000
Capital Reserve			
Investment Re-measurement Reserve		415,947	562,174
Revenue Reserve			
Accumulated Loss		(109,586,766)	(103,940,601)
		(89,170,819)	(83,378,427)
NON-CURRENT LIABILITIES			
Security Deposits from Tenant		630,000	630,000
CURRENT LIABILITIES			
Trade and Other Payables	13	130,069,336	121,612,182
Loan from Directors	14	29,059,139	21,739,139
Provision for Taxation	15	-	-
		159,128,475	143,351,321
CONTINGENCIES AND COMMITMENTS			
	16	70,587,656	60,602,894

The annexed notes form an integral part of these financial statements

Dated: November 2, 2023

SAEED ALAM
Chief Executive

RAUF ALAM
Director

MUHAMMAD ISMAIL
Chief Financial Officer

Statement of Profit or Loss
For the year ended June 30, 2023

	NOTE NO.	30-06-2023 Rupees	30-06-2022 Rupees
Sales	17	16,494,802	14,183,850
Less: Cost of Sales	18	15,952,785	13,488,191
Gross Profit		542,017	695,659
Less: Administration Expenses	19	1,243,037	1,358,308
Operating Loss		(701,020)	(662,649)
Other Income	22	3,062,220	1,191,730
Foreign Exchange (Loss)		(7,095,587)	(2,435,484)
		(4,734,387)	(1,906,403)
Financial Expenses - Bank Charges		(4,549)	(8,749)
Other Charges	23	(701,044)	(1,997,999)
(Loss) Before Taxation		(5,439,980)	(3,913,151)
Taxation	24	206,185	177,298
(Loss) For the Year		(5,646,165)	(4,090,449)
(Loss) per share	25	(2.82)	(2.05)

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

SAEED ALAM
Chief Executive

RAUF ALAM
Director

MUHAMMAD ISMAIL
Chief Financial Officer

Dated: November 2, 2023

Statement of Comprehensive Income

For the year ended June 30, 2023

	30-06-2023	30-06-2022
	Rupees	Rupees
(LOSS) FOR THE YEAR	(5,646,165)	(4,090,449)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Unrealized (Loss) Gain on Re-measurement of Investment	(146,227)	(25,986)
Total Comprehensive (Loss) for the year	(5,792,392)	(4,116,435)

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

Dated: November 2, 2023

SAEED ALAM
Chief Executive

RAUF ALAM
Director

MUHAMMAD ISMAIL
Chief Financial Officer

Statement of Cash Flows

For the year ended June 30, 2023

	30-06-2023	30-06-2022
	Rupees	Rupees
Cash flow from Operating Activities		
(Loss) before Taxation	(5,439,980)	(3,913,151)
Adjustment for:		
Depreciation	964,565	1,084,985
Other Income - Dividends	(31,620)	(20,230)
Provision for Inventory Obsolescence	0	1,575,965
Provision for bad and doubtful other receivable	226,044	0
Advances written off	0	47,034
Foreign Exchange Loss	7,095,587	2,435,484
Operating Profit before working capital changes	2,814,596	1,210,087
(Increase) / Decrease in Operating Assets		
Stock in Trade	(3,854,687)	(3,492,644)
Trade Receivables	(6,568,223)	(6,292,582)
Advances, Deposits and Prepayments	(709,904)	(255,500)
Other Receivables	0	0
	(8,318,218)	(8,830,639)
Increase / (Decrease) in Operating Liabilities		
Trade and Other Payables	1,361,567	942,048
Cash generated from/(used in) operations	(6,956,651)	(7,888,591)
Income Taxes Paid	(505,146)	(404,660)
Net Cash (used in) Operating Activities	(7,461,797)	(8,293,251)
Cash From Investing Activities		
Receipt of Deposit from Tenant	0	0
Dividend Received	31,620	20,230
Net Cash from Investing Activities	31,620	20,230
Cash From Financing Activities		
Loan from Directors	7,320,000	8,440,420
Net Cash from Financing Activities	7,320,000	8,440,420
Net Increase / (Decrease) in cash and cash equivalents	(110,177)	167,399
Cash and Cash equivalents at the beginning of the year	573,535	406,136
Cash and cash equivalents at the end of the year	463,358	573,535

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

Dated: November 2, 2023

SAEED ALAM
Chief Executive

RAUF ALAM
Director

MUHAMMAD ISMAIL
Chief Financial Officer

Statement of Changes in Equity

For the year ended June 30, 2023

	Issued Subscribed & Paid up Capital	Investment Remeasurement Reserve	Accumulated Loss	Total
	-----Rupees-----			
Balance as at July 1, 2021	20,000,000	588,160	(99,850,152)	(79,261,992)
Net Loss for the Year	0	0	(4,090,449)	(4,090,449)
Other Comprehensive Loss for the year	0	(25,986)	0	(25,986)
Balance as at June 30, 2022	20,000,000	562,174	(103,940,601)	(83,378,427)
Net Loss for the Year	0	0	(5,646,165)	(5,646,165)
Other Comprehensive Loss for the year	0	(146,227)	0	(146,227)
Balance as at June 30, 2023	20,000,000	415,947	(109,586,766)	(89,170,819)

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

SAEED ALAM
Chief Executive

RAUF ALAM
Director

MUHAMMAD ISMAIL
Chief Financial Officer

Dated: November 2, 2023

Notes to the Financial Statements

For the year ended June 30, 2023

FATEH INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1 CORPORATE AND GENERAL INFORMATION

The Company was incorporated on May 18, 1986, 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 was to manufacture and sale of footwear of all kinds.

During the previous year the Company applied for delisting to the Pakistan Stock Exchange Limited, for which formal application was submitted to the Exchange in March, 2021. The application is still under process with Exchange.

The manufacturing activities had remained suspended since 1999-2000. The company had also started business of wastage wool as alternative business since 2011. The manufacturing activities were partially commenced during the year 2013. The core reason for non-production was blockage of funds with Russia at the 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. Although the blocked funds have been received two years back, yet the plant for production of shoes manufacturing activities could not be resumed due to various constraints.

The geographical locations and addresses of Company's premises are as under:

- The Registered office is situated at 442, Mirpurkhas Road, Hyderabad.
- Factory is also situated at 442, Mirpurkhas Road, Hyderabad.

2 BASIS OF PRESENTATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and financial reporting standards as applicable in Pakistan. The accounting and financial reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 New standards, interpretations and amendments to published approved accounting standards that are effective in the current year but are not relevant to the Company

There are amendments to published standards that are mandatory for the current accounting period but are considered not to be relevant the Company's financial statements and are therefore not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are neither yet effective nor early adopted but relevant to the Company

The following standards, amendments to IFRSs and improvements to accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, amendments or improvements. and would be relevant to the Company:

IAS 1 Classification of liabilities as current or non current Effective date: January 1, 2023

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendments, the requirement for a right to be unconditional has been removed and instead, the amendments requires that a right to defer settlement must have substance and exist at the end of the reporting period.

IAS 1 Disclosure of accounting policies
Effective date: January 1, 2023

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

IAS 8 Definition of accounting estimates
Effective date: January 1, 2023

The International Accounting Standards Board (the Board) has issued these amendments to end diversity in treatment of accounting estimates and clarified how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. Developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

IAS 12 Deferred Tax
Effective date: January 1, 2023

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

IAS 37 Onerous Contracts
Effective date: January 1, 2022

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

IAS 16 Proceeds before an asset's intended use
Effective date: January 1, 2022

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use n or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

2.4 Basis of Measurement

These financial statements have been prepared under the historical cost convention, as modified by the remeasurement of investments to their fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for under the accrual basis of accounting.

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 2000, due to the reasons as stated in Note No.1. There is negative equity Rs.89.171 million and the current liabilities exceeds current assets by Rs. 100.764 million.

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

Foreign debtors with Russia were blocked due to delink age 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 a fresh speaking and final order on all legal and factual grounds and further directed 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 Federation, an amount of Rs.182,620,000 (USD 1,150,000) including sea freight compensation has been received three years back.

The management is considering to restart the operations viably a new. Although the plant is shut down, the Company has managed to produce shoes through hand labour and selling the same. Export of wool is also being carried out as an alternative business activity, the Company has received advance for export amounting to Rs.15 million in previous years. 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.

Hence 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 realise 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 Functional and Presentation Currency

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

2.6 Use of Estimates and Judgements

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and judgements that have a significant effect on the financial statements, are as follows:-

Depreciable amount and useful lives of Property, Plant and Equipment

In accordance with the accounting policy, the management carries out an annual assessment of depreciation amount and useful lives of assets. 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.

Stores, Spares and Loose Tools and wherever required

The Company reviews the net realisable value and impairment of stores, spares and loose tools to assess any diminution in the respective carrying value and wherever required provision for impairment is made. The calculation of provision involves the use of estimates with regard to future estimated use and past consumption of stores and spares along with holding period.

Inventories and wherever required

Net realizable value of stock-in-trade is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Provision for Expected Credit Losses

The allowance for expected credit losses assessment, requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on days overdue. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows, in determining the level of provision.

Income Taxes

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.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, Plant and Equipment

These are stated at cost less depreciation and impairment loss, if any. Depreciation is charged on pro-rata basis by applying the reducing balance method, whereby the cost of an asset is written off over its useful life, at the rates specified in note. 4 to the financial statements. The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are taken to the profit and loss.

3.2 Stores, Spares and Loose Tools

These are carried at lower of moving average cost or net realisable value, except items in transit which are stated at cost accumulated up to the date of the financial statements.

3.3 Stock-in-Trade

These are carried at lower of cost or net realisable value. Cost is calculated on the following basis:

- Raw materials at moving average cost
- Goods in Transit at cost accumulated up to the closing date
- Goods in Process at manufacturing cost
- Finished Goods at average manufacturing cost

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessarily to be incurred in order to make the sales.

3.4 Financial Instruments

The Company follows IFRS 9 “Financial Instruments”. The standard prescribes classification and measurement models for financial assets. A financial asset shall be measured at mortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt instrument shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). Hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. Impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Recognition of Financial Instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Initial Measurement of Financial Instruments

At initial recognition a financial asset or financial liability, except trade receivables, is initially measured at fair value, plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of financial asset or financial liability.

3.4.1 Equity Investments

The management determines an appropriate classification for investments in accordance with the requirements of the International Financial Reporting Standard -9. The Company subsequently measures all equity investments at fair value. For financial instruments quoted on Stock Exchange, the fair value corresponds to the stock exchange market price (level 1 inputs, unadjusted quoted prices in active markets). The Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, thus there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

3.4.2 Trade Receivables

Trade debts are carried at original invoice amount less an estimated amount for expected credit loss, if any. Balances considered bad and irrecoverable are written off when identified. A contract asset or trade receivable is impaired if the credit risk on that financial asset has increased significantly since the initial recognition. For trade receivables, a simplified approach under IFRS 9 to measure expected credit losses using a lifetime expected credit losses amount is used.

3.4.3 Trade and Other Payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost. Subsequently they are measured at mortised cost.

3.4.4 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

3.4.5 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the nancial statements only when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously

3.5 Foreign Currencies Translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupee at exchange rates prevailing at the date of transaction or the date when fair values are determined. The Company charges all exchange differences to profit and loss account.

3.6 Taxation

The tax expense for the year comprises current and deferred tax, if any. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

Current taxation is based on the taxable income for the year determined in accordance with the prevailing income tax law. The charge for current taxation is calculated using the tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current taxation also includes adjustments where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.7 Revenue from contracts with customers

The Company follows IFRS 15 for recognition of revenue from contracts with customers. The Standard provides a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. If the consideration promised in a contract includes a variable amount such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events, such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability. Credit risk is presented separately as an expense rather than adjusted against revenue. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.

3.7.1 Sale of Goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery to the customer in the case of domestic sales and shipment of goods in the case of exports.

4. PROPERTY, PLANT AND EQUIPMENT
for the year ended June 30, 2023

PARTICULARS	COST / REVALUATION				DEPRECIATION			W.D.V As At 30-06-23
	As At 01-07-22	Addition/ (Deletion)	As At 30-06-2023	Rate (%)	As At 01-07-22	For the Year	As At 30-06-23	
	Rupees		Rupees		Rupees	Rupees	Rupees	Rupees
Land - free hold	3,585,601	-	3,585,601	-	-	-	-	3,585,601
Factory Building - (on free hold)	30,908,554	-	30,908,554	10	29,759,537	114,902	29,874,439	1,034,115
Other Building - (on lease hold)	1,943,657	-	1,943,657	10	1,839,201	10,446	1,849,647	94,010
Plant & Machinery	107,376,913	-	107,376,913	10	102,551,857	482,506	103,034,363	4,342,550
Pressing & Other Machine	2,043,528	-	2,043,528	10	1,154,856	88,867	1,243,723	799,805
Air Conditioning Plant	2,237,634	-	2,237,634	10	2,038,719	19,892	2,058,611	179,023
Tools & Equipments	14,952,529	-	14,952,529	10	13,947,898	100,463	14,048,361	904,168
Furniture & Fixture	3,885,509	-	3,885,509	10	3,695,522	18,999	3,714,521	170,988
Office Equipment & Computers	1,616,825	-	1,616,825	10	1,531,402	8,542	1,539,944	76,881
Electric Fittings	5,028,629	-	5,028,629	10	4,787,929	24,070	4,811,999	216,630
Vehicles	3,830,250	-	3,830,250	20	3,353,328	95,384	3,448,712	381,538
Arms	143,550	-	143,550	10	138,607	494	139,101	4,449
	177,553,179	-	177,553,179		164,798,856	964,565	165,763,421	11,789,758

for the year ended June 30, 2022

PARTICULARS	COST / REVALUATION				DEPRECIATION			W.D.V As At 30-Jun-22
	As At 01-07-21	Addition/ (Deletion)	As At 30-06-2022	Rate (%)	As At 01-07-21	For the Year	As At 30-06-22	
	Rupees		Rupees		Rupees	Rupees	Rupees	Rupees
Land - free hold	3,585,601	-	3,585,601	-	-	-	-	3,585,601
Factory Building - (on free hold)	30,908,554	-	30,908,554	10	29,631,868	127,669	29,759,537	1,149,017
Other Building - (on lease hold)	1,943,657	-	1,943,657	10	1,827,595	11,606	1,839,201	104,456
Plant & Machinery	107,376,913	-	107,376,913	10	102,015,740	536,117	102,551,857	4,825,056
Pressing & Other Machine	2,043,528	-	2,043,528	10	1,056,115	98,741	1,154,856	888,672
Air Conditioning Plant	2,237,634	-	2,237,634	10	2,016,617	22,102	2,038,719	198,915
Tools & Equipments	14,952,529	-	14,952,529	10	13,836,272	111,626	13,947,898	1,004,631
Furniture & Fixture	3,885,509	-	3,885,509	10	3,674,412	21,110	3,695,522	189,987
Office Equipment & Computers	1,616,825	-	1,616,825	10	1,521,911	9,491	1,531,402	85,423
Electric Fittings	5,028,629	-	5,028,629	10	4,761,185	26,744	4,787,929	240,700
Vehicles	3,830,250	-	3,830,250	20	3,234,098	119,230	3,353,328	476,922
Arms	143,550	-	143,550	10	138,058	549	138,607	4,943
	177,553,179	-	177,553,179		163,713,871	1,084,985	164,798,856	12,754,323

Piece of land measuring 5 acres and two houses grouped under other building were to be transferred in settlement of loan from others as disclosed in Note No. 13.2. In view of the violation by the petitioners as stated in the aforesaid Note No. 13.2, the management is of the opinion that settlement agreement is no more valid and has been revoked.

Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

<u>Location</u>	<u>Usage</u>	<u>Area</u>
Plot Survey Nos. 19, 18, 20, 291, 294, and 442, Deh Nareja, Tapo Laidu, Taluka Hyderabad, Sindh.	Head Office / Plant / Production facility	10.22 Acres
Plot 9, 10, Unit No. 8, Latifabad, Autobhan, Hyderabad, Sindh.	2 Bungalows	1200 sq. yards 600 sq yards each

Allocation of Depreciation:

Cost of Sales
Administrative Expenses

2023	2022
Rupees	Rupees
215,365	239,295
749,200	845,690
964,565	1,084,985

	30-06-2023	30-06-2022
	Rupees	Rupees
5. INVESTMENTS		
<i>At Fair Value through Other Comprehensive Income</i>		
Shares in Bata Pakistan Limited	285,475	380,790
Shares in Service Industries Limited	148,039	198,951
	433,514	579,741
<p>The above are fully paid ordinary shares of Rs.10 each. The reason for using at fair value through FVTOCI is to keep the related gains and losses separate from other profit and loss items, as they being unrealised gains and losses, thus to avoid tax complications.</p>		
6. STORES, SPARES AND LOOSE TOOLS		
Stores	465,584	465,584
Spares and Loose Tools	7,692,546	7,692,546
	8,158,130	8,158,130
Less: Provision for Obsolescence	(8,158,130)	(8,158,130)
	0	0
7. INVENTORIES		
Raw and Packing Material	26,291,631	22,436,944
Less: Provision for Obsolescence	(3,151,930)	(3,151,930)
	23,139,701	19,285,014
8. TRADE RECEIVABLES		
Foreign Debtors (Note No.8.2)	318,183	318,183
Domestic Debtors		
Related Party	30,809,461	24,241,238
Others	896,862	896,862
	31,706,323	25,138,100
	32,024,506	25,456,283
Less: Provisions for Expected Credit Losses (Note No.8.3)	(970,994)	(744,950)
	31,053,512	24,711,333
8.1	This represents Company's unconditional right to receive consideration for the supply of goods under contract with customers.	
8.2	This is due from a defaulting customer, namely Baccani E Vannucchi SPA, Italy. The customer is not related to the Company. Amount due is EUR 2,454.58.	
8.3	The aging of trade receivables is as under:	
	31,053,512	24,711,333
upto 1 year and above	970,994	744,950
upto 5 year and above	32,024,506	25,456,283
8.4	Provision for Expected Credit Losses	
Opening Balance	744,950	744,950
Less: Provided during the year	226,044	0
	970,994	744,950
9. ADVANCES, DEPOSITS AND PREPAYMENTS		
Income Tax	2,540,309	2,241,348
Sales Tax	445,904	0
Rent Receivable	721,600	457,600
Other Advances	123,062	123,062
	3,830,875	2,822,010
Less: Provision for Expected Credit Losses	(123,062)	(123,062)
	3,707,813	2,698,948

	30-06-2023	30-06-2022
	Rupees	Rupees
10. OTHER RECEIVABLES		
Export Rebate Receivable	3,555,524	3,555,524
Less: Provision for Expected Credit Losses (Note No. 10.1)	(3,555,524)	(3,555,524)
	0	0
10.1 Provision for Expected Credit Losses		
Opening Balance	3,555,524	3,555,524
Add/(Less): Movement during the year	0	0
	3,555,524	3,555,524
11. CASH AND BANK BALANCES		
Cash in hand	16,079	3,114
Cash at Bank	447,279	570,421
	463,358	573,535
12. SHARE CAPITAL		
Authorized		
10,000,000 (2021: 10,000,000) Shares of Rs. 10 each	100,000,000	100,000,000
Issued, Subscribed and Paid up		
2,000,000 (2022 : 2,000,000) Ordinary shares of Rs. 10 each issued as fully paid in cash	20,000,000	20,000,000
Capital Management		
The main objective of the company, when managing capital is to maintain optimal capital structure to ensure ample availability of finance for its existing operations, to safeguard the company's ability to continue as a going concern and to provide returns for the shareholders.		
13. TRADE AND OTHER PAYABLES		
Trade Creditors	12,087,303	10,242,908
Accrued Expenses	1,436,729	1,919,557
Advances from Customers (Note No.13.1)	24,437,488	17,341,901
Due to Associated Undertakings	4,603,831	4,603,831
Workers' Welfare Fund	153,629	153,629
Other Payable	4,662,249	4,662,249
Payable to Others - Unsecured (Note No.13.2)	82,688,107	82,688,107
	130,069,336	121,612,182

13.1 This represents Company's obligation to transfer goods under contract with customers, for which the Company has received consideration. This amount includes Rs. 23,181,361 (2022: Rs.16,085,774) received from foreign customers.

13.2 Consequent to the settlement agreement with petitioners who had filed petition for liquidation of the company under Section 305 of the Companies Ordinance,, 1984 in the Honorable High Court of Sindh which stands dismissed as withdrawn, the Company agreed to transfer two houses measuring 600 square yards each and agriculture land measuring 5 acres against their borrowings to the Company amounting to Rs.82.69 million.

Since the Petitioners have fraudulently and illegally without prior approval and knowledge of the Company, have got the said properties transferred in their names, which is the violation of the above said agreement. The management has therefore taken immediate action and transferred back the properties in the Company's name. In view of the said violation by the petitioners, the management is of the opinion that this agreement is no more valid and has been revoked.

	30-06-2023	30-06-2022
	Rupees	Rupees
14. LOAN FROM DIRECTORS	29,059,139	21,739,139
<p>This loan has been obtained from directors and their family members to meet routine expenditure and payment of liabilities including loans from banks. The loan is unsecured, interest free and repayable on demand.</p>		
15. PROVISION FOR TAXATION		
Opening Balance	0	618,531
Charge for the year	206,185	177,298
	206,185	795,829
Less: Advance Income Tax adjusted during the year	(206,185)	(795,829)
	0	0

16. CONTINGENCIES AND COMMITMENTS.

Family members of the ex members/directors of the Company, namely Farheen Alamgir and Snobar Arif have filed suit against the Company on December 30, 2019, in the High Court of Sindh, Karachi, seeking set-aside of the Compromise Order dated 04.10.2019, whereby the Company has managed to receive stuck up trade receivables as mentioned in Note No.1 along with sea freight compensation, amounting to USD 1,150,000 and claiming 33% share in the said amount. The management of Company is vigorously pursuing the case and confident that the outcome of the case will be in favour of the Company. Therefore no liability has been provided against this claim.

During the year Pakistan Stock Exchange Limited has issued invoice of Rs. 2,062,130/- including Annual Listing Fee of Rs. 1,896,393/- and SECP Supervisory Fee of Rs. 165,737/- for the years from 2014-15 to 2022-23. Company have made provision of Rs. 485,000/- against the said invoice including Rs. 50,000/- per annum for nine years and Rs. 5,000/- per annum for seven years towards Annual Listing Fee and SECP Supervisory Fee respectively. The management is of the opinion that the fee charged by the PSX is not payable hence no provision of Rs. 1,577,130/- is made.

SALES

Local Sales - Shoes	19,371,719	16,595,098
17. Less: Discount	0	0
Less: Sales Tax	(2,876,917)	(2,411,248)
	16,494,802	14,183,850

The above represents revenue from sale of goods under contract with customers.

18. COST OF SALES

Raw and Packing Material Consumed

Opening Stock	19,285,014	17,368,335
Purchases	10,129,922	7,032,311
Closing Stock	(23,139,701)	(19,285,014)
	6,275,235	5,115,632

Production Expenses

Salaries wages and benefits	5,060,439	4,850,273
Other manufacturing expenses	4,401,746	3,282,991
Depreciation	215,365	239,295
	9,677,550	8,372,559
	15,952,785	13,488,191

	30-06-2023 Rupees	30-06-2022 Rupees
19. ADMINISTRATIVE EXPENSES		
Traveling , Conveyance and Entertainment	0	98,470
Rent, rates and taxes	127,388	147,610
Fee and Subscription	135,000	55,000
Utilities	231,449	211,538
Depreciation	749,200	845,690
	1,243,037	1,358,308
20. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES		
Remuneration and meeting fees have been foregone by the directors and the chief executive and no remuneration and perquisites were paid to the directors, chief executive and other executives.		
21. OTHER INCOME		
Rental Income	3,030,600	1,171,500
Dividend Income	31,620	20,230
	3,062,220	1,191,730
OTHER CHARGES		
<i>Auditors' remuneration</i>		
22. Annual Audit Fee	400,000	300,000
Half Yearly Review	75,000	75,000
	475,000	375,000
Advances written off	0	47,034
Provision for bad and doubtful other receivable	226,044	0
Provision for Inventory Obsolescence	0	1,575,965
	701,044	1,997,999
23. TAXATION		
Current tax charge for the year	206,185	177,298
	206,185	177,298
23.1 Explanation of Difference in Current Tax Expense and Accounting Profit multiplied by applicable Tax Rate		
Loss Before Taxation	(5,439,980)	(3,913,151)
Tax at applicable rate of 29% (29% : 2021)	0	0
Tax Effect of Income subject to Minimum Tax Regime	206,185	177,298
	206,185	177,298

	30-06-2023		30-06-2022	
	Rupees		Rupees	
23.2 Deductible Temporary Differences, Unused Tax Loss and Tax credit for which no deferred Tax asset recognized.				
	2023	Expiry	2022	Expiry
	Rupees	Date	Rupees	Date
<u>Deductible Temporary Differences</u>				
<u>Unused Tax Losses</u>				
Trading Loss - 2016	-	30.06.2022	5,489,613	30.06.2022
Trading Loss - 2018	508,120	30.06.2024	508,120	30.06.2024
Trading Loss - 2019	1,250,605	30.06.2025	1,250,605	30.06.2025
Trading Loss - 2020	3,182,032	30.06.2026	3,182,032	30.06.2026
Trading Loss - 2021	1,483,410	30.06.2027	1,483,410	30.06.2027
Trading Loss - 2022	2,773,166	30.06.2028	-	-
Unabsorbed Depreciation	54,181,438	No Expiry	54,181,438	No Expiry
	63,378,771		66,095,218	

24. LOSS PER SHARE

Net (Loss) for the year	(5,646,165)	(4,090,449)
Number of shares outstanding during the year	2,000,000	2,000,000
Basic Earnings / (Loss) per share	(2.82)	(2.05)

There is no dilutive effect on the basis loss per share of the Company.

25. FINANCIAL INSTRUMENTS BY CATEGORY

	Amortized Cost	FVTOCI - Equity Instruments	Total
	-----Rupees-----		
<u>As at June 30, 2023</u>			
Financial Assets			
Investment	-	433,514	433,514
Trade Receivables	32,024,506	-	32,024,506
Advances	844,662	-	844,662
Other Receivables	3,555,524	-	3,555,524
Cash at Bank	447,279	-	447,279
	36,871,971	433,514	37,305,485
Financial Liabilities			
Security Deposit from Tenant	630,000	-	630,000
Trade and Other Payables	130,069,336	-	130,069,336
Loan from Directors	29,059,139	-	29,059,139
	159,758,475	-	159,758,475
<u>As at June 30, 2022</u>			
Financial Assets			
Investment	-	579,741	579,741
Trade Receivables	25,456,283	-	25,456,283
Advances	580,662	-	580,662
Other Receivables	3,555,524	-	3,555,524
Cash at Bank	570,421	-	570,421
	30,162,890	579,741	30,742,631
Financial Liabilities			
Security Deposit from Tenant	630,000	-	630,000
Trade and Other Payables	121,612,182	-	121,612,182
Loan from Directors	21,739,139	-	21,739,139
	143,981,321	-	143,981,321

30-06-2023
Rupees

30-06-2022
Rupees

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

26.1 Fair Value Hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the financial instruments are classified into the following three levels:

Level-1 fair value measurements are those inputs derived from unadjusted quoted prices in active markets for identical assets and liabilities.

Level-2 fair value measurements are those inputs determined using valuation techniques which maximise the use observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2. Examples are:

- * Adjusted quoted active market prices
- * Quoted price for a similar asset in an active market
- * There are no significant unobservable inputs

Level-3 fair value measurements are those inputs derived from valuation techniques that include inputs which are not based on observable market data. Examples are:

- * Discounted cash flows
- * Depreciated replacement cost

Financial assets and liabilities are not measured at fair value because the carrying value of all financial assets and liabilities approximate their fair value, except term investments which have been measured at fair value.

Valuation Approach used to determine Fair Value - Short Term Investments

In case of investment in shares unadjusted quoted stock exchange prices as at the closing date have been used (Level 1 inputs).

27. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

27.1 Credit Risk

Credit risk represents the accounting loss that would be recognized if counter parties fail completely to perform as contracted.

Exposure to Credit Risk

The company is exposed to credit risk on the following financial assets. The carrying amount of these financial assets represents the maximum credit exposure at the reporting date, which is detailed as follows:

Trade Receivables	32,024,506	25,456,283
Advances	844,662	580,662
Cash at Bank	447,279	570,421
	<u>33,316,447</u>	<u>26,607,366</u>

Concentration of Credit Risk

Concentration of credit risk arises from exposure to a single debtor, or when a number of counter parties are engaged in similar business activities or have similar economic features that would cause the ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The company is exposed to a concentration of credit risk on its trade receivables amounting to Rs. 32,024,506. (2022: Rs.25,456,283). The Company does not have any limits on its customers.

Quality of Financial Assets

Trade credit has been given to credit worthy customers and vendors. Cash at bank is with banks of repute enjoying

Credit Risk Management

The company attempts to control credit risk by monitoring credit exposures and continually assessing the credit worthiness of counter parties, reviewing clients' financial position, considering past experience and other factors.

27.2 Market Risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: price risk, interest rate risk and foreign currency risk.

27.2.1 Price Risk

Price risk represents changes in the fair value of a financial instrument due to fluctuation in the market prices (other than those from interest rate risk or currency risk), whether those fluctuations caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The company is exposed to equity price risk since it has investments in listed equity securities held for trading amounting to Rs 433,514 (2022: Rs.579,741) at the reporting date.

The carrying value of investments is subject to equity price risk based on listed market prices as of the reporting date. Market prices are subject to fluctuation and consequently amount realised in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity Analysis

The following information summarises the estimated effect of a hypothetical 5% increase and a 5% (2022: 5%) decrease in PSX Index. The selected hypothetical change does not reflect, what could be considered to be best or worst case scenarios. The analysis assumes that all other variables remain constant.

	Amount	
	5% Increase	5% Decrease
	Rupees	Rupees
As at June 30, 2023		
Changes in Fair Value of Investment	21,676	21,676
As at June 30, 2022		
Changes in Fair Value of Investment	28,987	28,987

27.2.2 Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in foreign exchange rate. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company's revenue streams include amounts in foreign currencies, hence it can experience adverse or beneficial effects arising from foreign exchange rate movements

The following shows sensitivity of financial liabilities and expenses to a reasonable possible change in the foreign

	Profit and (Loss)	
	1% Increase	1% Decrease
	Rupees	Rupees
As at June 30, 2023		
Cash Flow Sensitivity - Foreign Advances	231,813	231,813
As at June 30, 2022		
Cash Flow Sensitivity - Foreign Advances	160,857	160,857

27.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company believes that it is not exposed to any significant level of liquidity risk, as support is available from the directors and associated undertakings.

30-06-2023

30-06-2022

Rupees

Rupees

Following are the contractual maturities of financial liabilities:

Remaining Contractual Maturities			
Payable on Demand	Payable within a year	Payable after one year	Total

----- Rupees -----

Non-Derivative Financial Liabilities as at June 30, 2023

Security Deposit from Tenant	-	-	630,000	630,000
Trade and Other Payables	82,841,736	47,227,600	-	130,069,336
Loan from Directors	29,059,139	-	-	29,059,139
	<u>111,900,875</u>	<u>47,227,600</u>	<u>630,000</u>	<u>159,758,475</u>

Non-Derivative Financial Liabilities as at June 30, 2022

Security Deposit from Tenant	-	-	630,000	630,000
Trade and Other Payables	82,841,736	38,770,446	-	121,612,182
Loan from Directors	21,739,139	-	-	21,739,139
	<u>104,580,875</u>	<u>38,770,446</u>	<u>630,000</u>	<u>143,981,321</u>

28. 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>		
Arino - Under Common Management	Sale of goods	19,203,239	16,595,098
Arino - Under Common Management	Rental Income	132,000	132,000
Branded Shop - Under Common Management	Rental Income	132,000	132,000
Rauf Alam - Director	Loan received / (Repaid)	4,812,000	1,240,000
Aftab Alam - Director	Loan received / (Repaid)	1,715,000	1,060,000
Saeed Alam - Director	Loan received / (Repaid)	793,000	3,140,000
Faraz Alam - Director	Loan received / (Repaid)	-	3,000,000

29. FIGURES

Figures have been rounded off to the nearest rupee.

30. NUMBER OF EMPLOYEES

Total employees of the Company at year end	20	20
Average employees of the Company during the year	20	20

31. PLANT CAPACITY AND PRODUCTION

Due to the nature of Company's business, production capacity of the plant is not determinable.

The reason for non-production is blockage of funds with Russia that rendered the Company in to the financial distress, as explained in Note No. 1

32. DATE OF AUTHORIZATION

These financial statements were authorized for issue on **November 2, 2023** by the Board of Directors of the Company.

SAEED ALAM

Chief Executive

RAUF ALAM

Director

MUHAMMAD ISMAIL

Chief Financial Officer

Dated: November 2, 2023

**Pattern of holding of the shares held
by the shareholders of Fateh Industries Limited
as at 30th June, 2023**

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
51	From	1	To	100	2,527
24	From	101	To	500	6,652
6	From	501	To	1,000	5,856
10	From	1,001	To	5,000	20,164
1	From	10,001	To	15,000	11,712
4	From	15,001	To	20,000	67,828
1	From	20,001	To	25,000	23,118
1	From	30,001	To	35,000	32,437
1	From	120,001	To	125,000	121,967
1	From	165,001	To	170,000	169,333
1	From	170,001	To	175,000	172,803
1	From	210,001	To	215,000	214,811
1	From	235,001	To	240,000	236,025
1	From	260,001	To	265,000	264,000
1	From	290,001	To	295,000	294,406
1	From	355,001	To	360,000	356,361
106			TOTAL		2,000,000

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
1.	Individuals	94	1,951,042	97.55%
2.	Mutual Funds	1	23,118	1.16%
3.	Investment Companies	3	4,781	0.24%
4.	Joint Stock Companies	5	4,359	0.22%
5.	Financial Institutions	3	16,700	0.84%
TOTAL		106	2,000,000	100.00%

Categories of Shareholders

S.No.	Name	No. of Shares	%
1.	Associated Companies		
	Fateh Sports Wear Limited	518	
	Total >	518	0.03%
2.	NIT / ICP (Name wise details)		
	Investment Corporation of Pakistan	346	
	CDC Trustee - National Investment (Unit) Trust	23,118	
	Total >	23,464	1.17%
3.	Directors, CEO and their spouse and minor children		
	Mr. Rauf Alam	264,000	
	Mr. Aftab Alam	294,406	
	Mr. Saeed Alam	356,361	
	Mr. Faraz Alam	32,437	
	Mr. Ashhar Alam	15,422	
	Mr. Aneek Alam	18,392	
	Mr. Jamal Alam	15,372	
	Mr. Anhar Alam	18,642	
	Mrs. Seema Rauf	214,811	
	Mrs. Shabana Aftab	236,025	
	Mrs. Rana Saeed	172,803	
	Total >	1,638,671	81.93%
4.	Executive	Nil	
5.	Public Sector Companies & Corporation	Nil	
6.	Banks, DFIs, NBFIs, Modarbas, Insurance Companies		
	Mutual Funds & Others		
	National Bank of Pakistan	14,535	
	The Bank of Punjab	4,900	
	Fateh Mohammad Akber	2,774	
	Pakistan Industrial Credit & Investment Corporation	1,700	
	Fateh Textile Mills Limited	1,023	
	Abandoned Properties	43	
	Maple Leaf Capital Limited	1	
	Total >	24,976	1.25%

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Form of Proxy

I/We _____ of _____
 being a member(s) of **Fateh Industries Limited** and holder of _____ Ordinary Shares
 hereby appoint Mr. / Mrs. / Miss _____ of _____ or failing him
 / her _____ of _____ as my / our proxy in my / our absence to
 attend and vote for me / us on my / our behalf at the 38th Annual General Meeting to be held on
Monday November 27, 2023 at 09:30 a.m. and / or at any adjournment thereof.

In witness thereof I/We have signed and set my / our hands seal thereon this _____ day of
 _____ 2023 in presence of _____

Signed this _____ day of _____ 2023

Folio No.	CDC Account No.	
	Participatne I.D.	Account No.

Signature on
Revenue Stamp

The Signature should
agree with the
specimen registered
with the Company

Important:

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.
2. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account holders / Corporate Entities

In addition to the above the following requirements have to be met:

- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- In case of corporate entity, the Board of Directors’ resolution / power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

Replacement of physical shares with book-entry form

Respected Shareholder,

We would like to inform you that as per the requirement of Section 72 of the Companies Act, 2017 ("**the Act**"), companies are required to convert shares issued in physical form with the shares in book-entry form (electronic form or CDC), within a period not exceeding four years from the date of the promulgation of the Act. The four-year period ended on 31st May 2021. The Securities & Exchange Commission of Pakistan ("**SECP**") vide its letter dated 26th March 2021, has advised all listed companies, having physical shares to pursue with their such shareholders who still hold shares in physical form, requiring conversion of their shares in the book-entry form.

It may be noted that maintaining shares in book-entry form has many advantages, including safe custody of shares with the CDC, unlike physical share certificates there is no risk of loss, instant credit of bonus/right shares. Whereas, the physical share certificates are not saleable through stock exchange and cannot be pledged, if required.

Accordingly, all shareholders who held their shares in physical form are hereby requested to proceed with the conversion of their physical share certificates into scrip less book-entry form at their earliest.

The scrip less book-entry shares are kept in electronic accounts maintained by the Central Depository Company Limited ("**CDC**"). The CDS Account can be opened and maintained by any CDC Participant (i.e. Stock Brokers) or by CDC Investor Account Services ("**CDC-IAS**"). You may contact any Stock Broker or CDC-IAS (Toll Free Tel. 0800-23275, email: info@cdcpak.com) in this regard. If you have any query or require any guidance, you may also contact the Company's Share Registrar M/s. F.D. Registrar Services (Pvt.) Ltd. (Room No. 1705, 17th Floor, Saima Trade Tower "A", I.I. Chundrigar Road, Karachi-74000 Phone: (92-21) 32271905-6, email: fdregistrar@yahoo.com.

Regards,

Company Secretary