



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of Shareholders of **FATEH INDUSTRIES LIMITED** will be held on Monday, 31<sup>st</sup> October, 2016 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 Annual General Meeting held on 31<sup>st</sup> October, 2015.
2. To receive, consider and adopt the Audited Accounts of the Company and the Directors' and Auditors' Reports thereon for the year ended 30<sup>th</sup> June, 2016.
3. To appoint Auditors for the year 2016-2017 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board  
for **FATEH INDUSTRIES LIMITED**

Hyderabad.  
3<sup>rd</sup> October, 2016

**Ghous Muhammad Khan**  
Company Secretary

### **NOTES :**

1. The share transfer books of the Company will remain closed for 7 days from 25<sup>th</sup> to 31<sup>st</sup> October, 2016 (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 by the Company at the Registered Office not later than 48 hours before the time of holding the meeting.
4. Shareholders are required to notify the change of their address if any, immediately.  
immediately
5. CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.



## **COMPANY PROFILE**

### **BOARD OF DIRECTORS**

#### **CHIEF EXECUTIVE**

Mr. Saeed Alam

#### **DIRECTORS**

Mr. Rauf Alam  
Mr. Aftab Alam  
Mr. Faraz Alam  
Mr. Ashhar Alam  
Mr. Jamal Alam  
Mr. Aneek Alam

#### **COMPANY SECRETARY**

Mr. Ghous Muhammad Khan

#### **CHIEF FINANCIAL OFFICER**

Mr. Muhammad Ishaque Essani

#### **AUDIT COMMITTEE**

Mr. Rauf Alam  
Mr. Aftab Alam  
Mr. Faraz Alam

#### **HR&R COMMITTEE**

Mr. Faraz Alam  
Mr. Ashhar Alam  
Mr. Jamal Alam

#### **AUDITORS**

M/s. Tanwir Arif & Co.  
Chartered Accountants

#### **SHARE REGISTRAR**

M/s. F.D. Registrar Services (SMC-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](mailto:fswl@fateh1.com)

Web: [www.fatehindustries.com](http://www.fatehindustries.com)



## **DIRECTORS' REPORT**

### **For the year ended June 30, 2016**

The Board of Directors present their report and financial statements of the Company alongwith Auditors' Report for the year ended June 30, 2016.

The Company has achieved sales of Rs. 113.70 million during the year as compared to Rs.77.67 million in the preceding year. The Gross Profit is realized at Rs.9.506 million whereas after Administration and Selling Expenses, Operating Loss is Rs.2.22 million. Company incurred loss in respect of exchange loss of Rs.4.48 million. Loss before taxation is Rs.7.77 million whereas Loss after taxation is Rs.8.90 million. Net Loss carried forward to balance sheet is Rs. 8.83 million. Loss per share is Rs. 4.45.

The accounts of the company are prepared on going concern basis as the management of the company is committed to continue its efforts for recovery of stuck up funds from the Russian Government. As per current development in this matter, Government of Pakistan has finalized the draft protocol to be signed by two Governments in the forthcoming months. The management also trying to make the business profitable within its limited resources.

#### **Compliance with the Code of Corporate Governance (CCG):**

The requirements of Code of Corporate Governance set out by Pakistan Stock Exchange Ltd. in their listing rules, relevant for the year ended June 30, 2016, have been duly complied with, except for those disclosed in statement of compliance with CCG. The Directors confirm the compliance of 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;

Description	2010	2011	2012	2013	2014	2015	2016
Sales	0	0	8,490	17,342	70,971	77,664	<b>113,700</b>
Gross Profit / (Loss)	0	0	1,171	2,531	2,085	1,361	<b>9,502</b>
Selling & Administration Expenses	35,475	3,653	3,624	5,088	7,175	9,618	<b>11,722</b>
Profit/(Loss) before Taxation	(31,499)	(3,314)	5,582	(111,848)	84,301	(4,657)	<b>(7,774)</b>
Profit/(Loss) after Taxation	(31,499)	(3,314)	5,497	(112,089)	82,698	(5,599)	<b>(8,897)</b>
Authorized Capital	100,000	100,000	100,000	100,000	100,000	100,000	<b>100,000</b>
Paid up Capital	20,000	20,000	20,000	20,000	20,000	20,000	<b>20,000</b>
Shareholder's equity	(194,463)	(197,776)	(192,270)	(304,171)	(221,206)	(226,675)	<b>(235,511)</b>
Fixed Assets	30,517	27,821	25,395	23,212	22,112	23,805	<b>21,556</b>
Total Assets	138,416	136,301	144,447	42,322	47,237	56,423	<b>53,412</b>

(Rs.000)

- 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 four (04) meetings of the Board of Directors were held. The attendance of each Director is as follows:

<b>S.NO.</b>	<b>NAME OF DIRECTOR</b>	<b>MEETING ATTENDED</b>
1.	Mr. Rauf Alam	
2.	Mr. Aftab Alam	04
3.	Mr. Saeed Alam	04
4.	Mr. Faraz Alam	03
5.	Mr. Ashhar Alam	04
6.	Mr. Jamal Alam	04
7.	Mr. Aneek Alam	04

- Pattern of Shareholding required under section 236 of the Companies Ordinance, 1984 is annexed;
- Outstanding taxes and levies are given in the relevant notes to the audited financial statements; and
- 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.

#### **Auditors' Observation**

1. The company has sent the letters for balance confirmation and subsequently reminders to its creditors/debtors, hence, no reply has been received from their end.
2. The company has not made provision for doubtful balances in other receivables amounting to 4.16 million. The Company will adjust the same immediately after receipt of stuck up funds.

On the issue of going concern, the management of the Company is committed to continue its efforts for recovery of stuck up funds receivable from Russian Federation. The Government of Pakistan and Russia are discussing the matter for settlement of the claims of the Pakistani exporters toward sea freight compensation operation. The Government of Pakistan has also frozen the account of the Russian Government maintained with National Bank of Pakistan (NBP) Karachi till the settlement of the claims of the Pakistani exporters in accordance with the order of Honorable High Court of Sindh. The Company has also filed suit before the Honorable High Court of Sindh against the Pakistani and Russian Government for recovery of stuck-up funds and the Court, vide garnishee order dated 12.07.2006 has ordered NBP not to release amount to the extent of the amount claimed by the Company.

In the light of current development for recovery of stuck up funds from Russian Government, the Government of Pakistan has met with the Pakistani exporters and finalized the draft protocol to be signed in the forthcoming months.

#### **Auditors**

The retiring Auditors M/s. Tanwir Arif & Co., Chartered Accountants, being eligible offer themselves for re-appointment for the financial year 2017. Based on the recommendation of the Audit Committee, the Directors have also proposed the re-appointment of M/s. Tanwir Arif & Co., Chartered Accountants as statutory Auditors for the year ending June 30, 2017.

For and on behalf of the Board

Place: Hyderabad

Dated: 26th September, 2016

**SAEED ALAM**  
Chief Executive



## **STATEMENT OF COMPLIANCE**

**For the year ended June 30, 2016**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

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

<b>Category</b>	<b>Name</b>
Independent Directors	Nil
Executive Directors	M/s. Rauf Alam and Saeed Alam
Non-Executive Directors	M/s. Aftab Alam, Faraz Alam, Ashhar Alam, Jamal Alam and Aneek Alam

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board till **June 30, 2016**.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chief Executive Officer and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, 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 assigned the additional responsibilities of CFO and Company Secretary of Finishers Limited in Group Companies including terms and conditions of employment.



11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 03 members at present two of whom are non executive directors and Chairman is an executive director. The condition of clause i (b) of the CCG in relation to independent director will be applicable after election of next board of directors of the company.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three member all non-executive directors and the chairman of the Committee is also a non-executive director.
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Dated: 26th September, 2016

**SAEED ALAM**

Chief Executive



**AUDITORS' REPORT**  
**For the year ended June 30, 2016**

We have audited the annexed Balance Sheet of Fateh Industries Limited as at 30th June, 2016 and the related Profit and Loss account, Cash Flow Statement and Statement of Changes in Equity together with notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. We have not received confirmations for balance appearing in trade creditors and trade debts under note no. 4 and 12 respectively to the accounts. Hence, their balances remained unverified in spite of reminders.
2. the company has not made provision for doubtful balances in other receivables amounting to Rs. 4.16 million. Had this provision been made, loss for the year would have increased by the said amount.
  - a) in our opinion, except for the effect of the matters referred to in paras 1 and 2 above, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
  - b) in our opinion, except for the effect of the matters referred to in paras 1 and 2 above:
    - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
    - ii) the expenditure incurred during the year was for the purpose of the company's business; and



- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
  
- c) Except for paragraphs 1 and 2 above, in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, its cash flows and changes in equity for the year then ended; and
  
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII) of 1980.

Without further qualifying our opinion, we draw attention to note no. 1.2 to the financial statements. As stated in the note as at June 30, 2016 the Company has accumulated losses of Rs. 256.27 million resulting in net negative equity of Rs. 235.51 million. Further, current liabilities of the Company exceed its current assets by Rs. 257.85 million. These conditions, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**TANWIR ARIF & CO.**  
Chartered Accountants  
Engagement Partner: Tanwir Arif





**AUDITORS' REVIEW REPORT**  
**For the year ended June 30, 2016**

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE  
WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of M/s. Fateh Industries Limited („the Company") for the year ended **June 30, 2016** to comply with the requirements of listing regulation of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and to 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of the approval of related party transaction by the board of directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended **June 30, 2016**.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the note where it is stated in the statement of compliance:

<u>Note/paragraph</u> reference	<u>Description</u>
i. Note No. 1	Independent Director.

Hyderabad: 26th September, 2016

**TANWIR ARIF & CO.,**  
Chartered Accountants  
Engagement Partner: Tanwir Arif



## BALANCE SHEET AS AT 30-JUNE-2016

	NOTE NO	<u>30-06-2016</u> RUPEES	<u>30-06-2015</u> RUPEES
<b><u>CAPITAL AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital 10,000,000 ordinary shares of Rs. 10/- each		<b>100,000,000</b>	100,000,000
Issued, subscribed and paid up share capital	3	<b>20,000,000</b>	20,000,000
Investment revaluation reserve		<b>763,023</b>	702,363
Accumulated loss		<b>(256,274,130)</b>	(247,377,547)
		<b>(235,511,107)</b>	(226,675,184)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	<b>115,846,247</b>	110,084,121
Short term borrowings	5	<b>173,013,981</b>	173,013,981
Provision for taxation	6	<b>62,820</b>	0
Contingencies and Commitments	7	<b>0</b>	0
		<b>288,923,048</b>	283,098,102
		<b>53,411,941</b>	56,422,918
<b>PROPERTY AND ASSETS</b>			
<b>TANGIBLE FIXED ASSETS</b>			
Property, plant and equipment	8	<b>21,556,072</b>	23,805,474
<b>LONG TERM INVESTMENTS</b>	9	<b>780,590</b>	719,929
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	10	<b>0</b>	0
Stock-in-trade	11	<b>11,945,148</b>	15,159,486
Trade debts	12	<b>5,730,597</b>	809,699
Advances, deposits and prepayments	13	<b>7,724,110</b>	5,977,108
Other receivables	14	<b>4,161,818</b>	4,161,818
Cash and bank balances	15	<b>1,513,606</b>	5,789,404
Contingent assets	16	<b>0</b>	0
		<b>31,075,279</b>	31,897,515
		<b>53,411,941</b>	56,422,918

Notes :

1. The annexed notes form an integral part of these accounts.
2. Auditors' report is attached

Dated: 26th September, 2016

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director



**PROFIT & LOSS ACCOUNT**  
For the year ended June 30, 2016

	NOTE NO	30-06-2016 RUPEES	30-06-2015 RUPEES
Sales	17	113,699,507	77,663,823
Cost of Sale	18	104,197,331	76,302,526
<b>Gross Profit</b>		<b>9,502,176</b>	1,361,297
Administration expenses	19	7,501,294	6,532,153
Selling expenses	20	4,221,162	3,085,845
		<b>11,722,456</b>	9,617,998
<b>Operating Loss</b>		<b>(2,220,280)</b>	(8,256,701)
Dividend Income		18,198	6,201
Exchange (Loss)/Gain		(4,480,784)	4,179,771
		<b>(6,682,866)</b>	(4,070,729)
Financial Expenses - Bank Charges		781,375	276,438
Other Charges	21	310,000	310,000
		<b>1,091,375</b>	586,438
<b>Loss before Taxation</b>		<b>(7,774,241)</b>	(4,657,167)
<b>Taxation</b>			
- Current		1,122,342	942,117
- Prior		0	0
		<b>1,122,342</b>	942,117
<b>Loss after taxation</b>		<b>(8,896,583)</b>	(5,599,284)
Other comprehensive income for the year			
Unrealized gain on revaluation of investment - available for sale		60,660	130,394
<b>Total comprehensive Loss for the year</b>		<b>(8,835,923)</b>	(5,468,890)
Loss per share		(4.45)	(2.80)

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

Dated: 26th September, 2016

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director



**CASH FLOW STATEMENT**  
For the year ended June 30, 2016

	NOTE NO	30-06-2016 RUPEES	30-06-2015 RUPEES
<b>Cash flow from operating activities</b>			
Loss before taxation		(7,774,241)	(4,657,167)
Depreciation	8	2,249,402	1,946,217
Other income		(18,198)	(6,201)
Exchange (loss)/gain		4,480,784	(4,179,771)
		<b>6,711,988</b>	<b>(2,239,755)</b>
Operating loss before working capital changes		<b>(1,062,253)</b>	<b>(6,896,922)</b>
<b>(Increase) / Decrease in current assets</b>			
Stock in trade		3,214,338	1,878,834
Trade debtors		(4,920,898)	(674,561)
Advances, deposits and pre-payments		(1,251,254)	(5,058,191)
<b>(Decrease) / Increase in current liabilities</b>			
Trade and other payables		5,762,126	14,654,781
		<b>2,804,312</b>	<b>10,800,863</b>
Cash generated / (used in) from operations		<b>1,742,059</b>	<b>3,903,941</b>
Income tax paid		(1,555,271)	(1,180,452)
Exchange (loss)/gain		(4,480,784)	4,179,771
		<b>(6,036,055)</b>	<b>2,999,319</b>
Net cash flow from operating activities		<b>(4,293,996)</b>	<b>6,903,260</b>
<b>Cash flow from investing activities</b>			
Fixed Capital Expenditure	8	0	(3,639,528)
Dividend received		18,198	6,201
Net cash flow from investing activities		<b>18,198</b>	<b>(3,633,327)</b>
<b>Cash flow from financing activities</b>			
Short term borrowings		0	0
Net cash flow from financing activities		<b>0</b>	<b>0</b>
<b>Net Increase/(Decrease) cash and cash equivalents</b>		<b>(4,275,798)</b>	<b>3,269,933</b>
Cash and cash equivalents at the beginning of the year	15	<b>5,789,404</b>	<b>2,519,471</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>1,513,606</b>	<b>5,789,404</b>

Dated: 26th September, 2016

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director



**STATEMENT OF CHANGES IN EQUITY**  
For the year ended June 30, 2016

	<u>Share Capital</u>	<u>Surplus on Revaluation of Investment</u>	<u>Accumulated (Loss)</u>	<u>Total</u>
<b>Balance as at June 30, 2014</b>	20,000,000	571,969	(241,778,263)	(221,206,294)
Loss for the year	0	0	(5,599,284)	(5,599,284)
Unrealized gain on revaluation of investment	0	130,394	0	130,394
<b>Balance as at June 30, 2015</b>	<b>20,000,000</b>	<b>702,363</b>	<b>(247,377,547)</b>	<b>(226,675,184)</b>
Loss for the year	0	0	(8,896,583)	(8,896,583)
Unrealized gain on revaluation of investment	0	60,660	0	60,660
<b>Balance as at June 30, 2016</b>	<b>20,000,000</b>	<b>763,023</b>	<b>(256,274,130)</b>	<b>(235,511,107)</b>

Dated: 26th September, 2016

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director



## **NOTES TO THE ACCOUNTS**

**For the year ended June 30, 2016**

### **1. THE COMPANY AND ITS OPERATIONS**

#### **1.1. Fateh Industries Limited is incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange).**

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

#### **1.2 Going Concern**

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

- ◆ **the operations of the company were closed since the year 2000.** The core reason for non-production and losses is due to funds blocked with Russia that rendered the Company in the financial distress. The manufacturing activities could not be profitably carried out with scarce financial resources, hence ' to mitigate the operational cost and administration expenses, operations were closed upto 2011;
- ◆ there are accumulated losses amounting to Rs. 256.27 million and current liabilities of the company exceed its current assets by Rs. 257.85 million. It is stated that the amount due to related parties are more than the negative equity. Further, old foreign debts were fully provided in the year 2013 due to delinkage of the same from Company's claims from Russia. (Reference Note No. 12 read with Note No. 16). The management has filed appeal before the Honorable Foreign Exchange Appellate Board, Karachi against the order of Honorable Foreign Exchange Adjudication Court, State Bank of Pakistan, Banking Services Corporation in July, 2014 and is expecting favorable decision and Board has granted stay till the next hearing of the case; and
- ◆ - the financial ratios are adverse.

The Government of Pakistan and Russian Government are discussing the matter for settlement of the claims of the Pakistani exporters. The Government of Pakistan has frozen the account of the Russian Government maintained with NBP, Karachi till the settlement of the claims of the Pakistani exporters in accordance with the order of Honorable High Court of Sindh. In the light of current development for recovery of stuck up funds from Russian Government, the Russian Government offering to Government of Pakistan upto 20% to 25% of their total outstanding claims, for which negotiations are in process.

In these circumstances, the management is expecting recovery of stuck up funds and plans to restart its operations viably anew. This shows the genuineness of claims of the company and strong possibility of receipts of funds from abroad. Company has also filed suit before the Honorable High Court of Sindh against the Russian Government for recovery of stuck up funds of USD 40.98 million that includes interest of USD 21.60 million upto March 31, 2005.

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

- i) Continued financial support from directors/related parties;
- ii) Revival of the manufacturing activities after receipt of stuck up funds from Russia in full swing;

There is a need to keep the entity in existence when a huge claim of the Company is expected to be materialized hopefully in next year under the present circumstances where two Governments are negotiating the settlement of Pakistani exporters' receivables and the matter is subjudice before the Honorable High Court of Sindh.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting convention

These financial statements have been prepared under the "historical cost" convention except as otherwise disclosed in the accounting policies below.

### 2.2 Basis of Preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.3 Changes in accounting standards, interpretations and pronouncements

#### a) New and amended standards and interpretations that are effective in the current year and are not relevant

New standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2015 are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

#### b) Standards, Amendments to Approved Accounting Standards and Interpretations that are published and has been considered but not yet effective.

The following new standards and interpretations have been issued by International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

##### Standard or interpretation

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these financial statements, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended 30 June 2015.

### 2.5 Property, plant and equipment

These are stated at cost less depreciation. Depreciation is charged on pro-rata basis under reducing balance method at the rates mentioned in note no. 8. Normal repair and maintenance is charged to expense as and when incurred. However, major repair and improvements are capitalized. Gain or loss on disposal of operating fixed assets is recognized in current year's income.

### 2.6 Long Term Investment

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement' at the time of purchase and classify these investments as either available for sale or held for trading.



Investments are initially recorded at cost being the fair value of the consideration given. Investments other than Term Finance Certificates are accounted for on trade date basis, which is the date that an enterprise commits to purchase or sell an asset.

**Available for sale**

These are investments that do not fall under held for trading and are stated at fair value with, any resultant gain or loss recognized as separate component of equity until investments are sold, disposed off or until the investment is determined to be impaired, at which time the accumulated gain or loss previously reported in equity is included in profit and loss account.

**Held for trading**

Held for trading investments are those which are either acquired for generating a profit from short term fluctuation in prices or dealers margin. Subsequently held for trading investments are re-measured at fair value with any resultant gain or loss recognized in the profit and loss account.

**2.7 Stores, Spares and Loose Tools**

These are valued at lower of moving average cost or net realizable value except items in transit which are stated at cost accumulated up to the date of balance sheet.

**2.8 Stock in Trade**

These are valued at lower of cost and net realizable value, cost is calculated on the following basis:

Raw materials	At moving average cost.
Goods in transit	At cost accumulated upto balance sheet date.
Goods in process	At manufacturing cost.
Finished goods	At average manufacturing cost.

Net realizable value signifies the estimated selling price prevailing in the market less estimated selling expenses incidental to sales.

**2.9 Trade Debts**

Trade receivables are recognized and carried at original invoice amount. Bad debts are adjusted against provisions for doubtful debts or written off against the profit of the company during the year in which these are deemed to be irrecoverable. Provision is made for debts which are considered doubtful of recovery.

**2.10 Foreign Currency Transactions**

Transactions in foreign currencies are accounted for in Pak Rupee at exchange rate approximating those prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the rates of exchange which approximate those prevalent at the balance sheet date except for liabilities covered under forward exchange contract which are translated at the contracted rates. Exchange gain and losses are included in the income statement currently.

**2.11 Borrowing Cost**

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset. All other borrowing costs are charged to income.





**2.12 Provision for Gratuity**

The Company operates an unfunded gratuity scheme for its all eligible employees and provision is made annually to cover the obligations under the scheme. Provision for gratuity has not been made in the accounts as there was no staff employed in the company to whom gratuity is to be paid.

**2.13 Taxation**

Charge for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

The company records deferred tax liability and assets on all temporary differences. However, the management is of the opinion that timing difference relating to deferred tax will not be materially reverse in foreseeable future, as the company's income is covered under presumptive tax regime.

**2.14 Revenue Recognition**

Sales are recorded on dispatch of goods. Income other than sales are recorded on accrual basis.

**2.15 Sales**

Sales include rebates on export sales.

**2.16 Offsetting of Financial Assets and Financial Liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has the legal enforceable right to set off the transaction and also tends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.17 Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that an asset has been impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and is recognized as an expense in the income statement.

**2.18 Cash and its Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement it comprises cash in hand and demand deposits, short term highly liquid investments that are readily convertible to known amount of cash and which are not subject of significant change in value.

**2.19 Related Party Transactions**

Transactions between the company and related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to seller.

**2.20 Financial Assets and Liabilities**

All financial assets and liabilities are initially recognized at cost which is fair value for the consideration received or given. These financial assets and liabilities are subsequently measured at fair value.

**2.21 Provisions**

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.



	<u>30-06-2016</u>	30-06-2015
	<u>RUPEES</u>	RUPEES
<b>3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>		
2,000,000 (2015:2,000,000) fully paid		
Ordinary shares of Rs. 10 each issued for cash	<u>20,000,000</u>	<u>20,000,000</u>
<b>4. TRADE AND OTHER PAYABLES</b>		
Creditors	<b>3,125,540</b>	909,682
Accrued expenses	<b>1,506,384</b>	1,425,118
Advances from customers	<b>42,768,370</b>	35,244,118
Due to associated undertakings	<b>63,783,704</b>	66,450,704
Others	<b>4,662,249</b>	6,054,499
	<u><b>115,846,247</b></u>	<u>110,084,121</u>
<b>5. SHORT TERM BORROWINGS</b>		
From Directors and their family members (unsecured)	<b>90,325,874</b>	90,325,874
From Others (unsecured)	5.1 <b>82,688,107</b>	82,688,107
	<u><b>173,013,981</b></u>	<u>173,013,981</u>
<p>Rs. 82.69 million is reclassified and grouped under Short term borrowings from others during the year, last year same was appearing as from directors and their family members.</p> <p>5.1 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, the company agreed to transfer two houses measuring 600 sq. yd. each and agriculture land measuring 5 acres against their borrowings to company amounting to Rs. 82.69 million. Reference note No. 8.1).</p> <p>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 settlement 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.</p>		
<b>6. PROVISION FOR TAXATION</b>		
Opening Balance	<b>0</b>	0
Provided during the year	<b>1,122,342</b>	942,117
<b>Less:</b> Advance Income Tax paid during the year and adjusted	<u><b>(1,059,522)</b></u>	<u>(942,117)</u>
	<u><b>62,820</b></u>	<u>0</u>
<b>7. CONTINGENCIES AND COMMITMENTS</b>		

In the year 2014, orders were issued by the honourable Foreign Exchange Adjudication Court, State Bank of Pakistan, Banking Services Corporation for realization of export proceeds to the tune of US \$ 799,190. In case the export proceeds are not realized penalty equivalent to five times of the outstanding E-forms will be imposed. The amount of penalty amounts to US \$ 3,995,950. The management of the company has filed appeal before the F.E. Appellate Board, Karachi on 9th July, 2014 against the said orders. The F.E. Appellate Board has granted stay against the order in favor of the Company till the next hearing of the case. However, during the last year US \$ 755,702 were realized.



## 8. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST			Accumulated depreciation as at 01-Jul-15	DEPRECIATION		Accumulated depreciation as at 30-Jun-16	Book Value as at 30-Jun-16
	As on 01-Jul-15	Addition/ (Deletion)	As on 30-Jun-16		Charged for the year	Rate (%)		
	1	2	3		5	6		
Land on free hold	3,585,601	-	3,585,601	-	-	--	-	3,585,601
Factory Building on free hold	30,908,554	-	30,908,554	28,506,244	240,231	10	28,746,475	2,162,079
Other Building on lease hold	1,943,657	-	1,943,657	1,725,265	21,839	10	1,747,104	196,553
Plant & Machinery	107,376,913	-	107,376,913	97,288,920	1,008,799	10	98,297,719	9,079,194
Pressing & Other Machine	2,043,528	-	2,043,528	185,534	185,799	10	371,333	1,672,195
Air Conditioning Plant	2,033,634	-	2,033,634	1,844,418	18,922	10	1,863,340	170,294
Tools & Equipments	14,952,529	-	14,952,529	12,852,093	210,044	10	13,062,137	1,890,392
Furniture & Fixture	3,885,509	-	3,885,509	3,488,294	39,722	10	3,528,016	357,493
Office Equipment & Computers	1,616,825	-	1,616,825	1,438,226	17,860	10	1,456,086	160,739
Electric Fittings	5,028,629	-	5,028,629	4,525,384	50,325	10	4,575,709	452,920
Vehicles	3,830,250	-	3,830,250	1,556,110	454,828	20	2,010,938	1,819,312
Arms	143,550	-	143,550	133,217	1,033	10	134,250	9,300
<b>30-06-2016</b>	<b>177,349,179</b>	<b>-</b>	<b>177,349,179</b>	<b>153,543,705</b>	<b>2,249,402</b>		<b>155,793,107</b>	<b>21,556,072</b>
30-06-2015	173,709,651	3,639,528	177,349,179	151,597,488	1,946,217		153,543,705	

PARTICULARS	COST			Accumulated depreciation as at 01-Jul-14	DEPRECIATION		Accumulated depreciation as at 30-Jun-15	Book Value as at 30-Jun-15
	As on 01-Jul-14	Addition/ (Deletion)	As on 30-Jun-15		Charged for the year	Rate (%)		
	1	2	3		5	6		
Land on free hold	3,585,601	-	3,585,601	-	-	--	-	3,585,601
Factory Building on free hold	30,908,554	-	30,908,554	28,239,321	266,923	10	28,506,244	2,402,310
Other Building on lease hold	1,943,657	-	1,943,657	1,700,999	24,266	10	1,725,265	218,392
Plant & Machinery	107,376,913	-	107,376,913	96,168,032	1,120,888	10	97,288,920	10,087,993
Pressing & Other Machine	710,000	1,333,528	2,043,528	71,000	114,534	10	185,534	1,857,994
Air Conditioning Plant	2,033,634	-	2,033,634	1,823,394	21,024	10	1,844,418	189,216
Tools & Equipments	14,952,529	-	14,952,529	12,618,711	233,382	10	12,852,093	2,100,436
Furniture & Fixture	3,885,509	-	3,885,509	3,444,159	44,135	10	3,488,294	397,215
Office Equipment & Computers	1,616,825	-	1,616,825	1,418,382	19,844	10	1,438,226	178,599
Electric Fittings	5,028,629	-	5,028,629	4,469,468	55,916	10	4,525,384	503,245
Vehicles	1,524,250	2,306,000	3,830,250	1,511,953	44,157	20	1,556,110	2,274,140
Arms	143,550	-	143,550	132,069	1,148	10	133,217	10,333
<b>30-06-2015</b>	<b>173,709,651</b>	<b>3,639,528</b>	<b>177,349,179</b>	<b>151,597,488</b>	<b>1,946,217</b>		<b>153,543,705</b>	<b>23,805,474</b>
30-06-2014	172,749,651	960,000	173,709,651	149,537,274	2,060,214		151,597,488	

### NOTE:

8.1 Piece of land measuring 5 acres and two houses grouped under other building are to be transferred in settlement of short term borrowings from directors and family members as disclosed in note no. 5.1.

8.2 Depreciation for the year is allocated as under:

(a)	Cost of Sales	<u>636,074</u>	<u>614,839</u>
(b)	Administration Expenses	<u>1,613,328</u>	<u>1,331,378</u>
		<u>2,249,402</u>	<u>1,946,217</u>



		<b>30-06-2016</b>	30-06-2015
		<b>RUPEES</b>	RUPEES
<b>9. LONG TERM INVESTMENTS</b>			
Available for sales	9.1	<u>780,590</u>	<u>719,929</u>
9.1 These are fully paid ordinary shares of Rs. 10/- each.			
		<b>2016</b>	<b>2015</b>
	No. of shares		Market/fair value
		<b>LEATHER AND TANNERIES</b>	
	160	160	Bata Pakistan Ltd. <b>652,373</b>
	145	145	Service Industries Ltd. <b>128,217</b>
		<u><b>780,590</b></u>	<u>719,929</u>
<b>10. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		<b>465,584</b>	465,584
Spare parts and loose tools.		<b>7,692,546</b>	7,692,546
		<b>8,158,130</b>	8,158,130
Less: Provision for obsolesce		<b>8,158,130</b>	8,158,130
		<u><b>0</b></u>	<u>0</u>
<b>11. STOCK-IN-TRADE</b>			
Raw and packing material		<b>1,064,658</b>	154,770
Finished goods		<b>10,880,490</b>	15,004,716
		<u><b>11,945,148</b></u>	<u>15,159,486</u>
<b>12. TRADE DEBTS - Unsecured</b>			
Export debts		<b>3,657,709</b>	124,337
Local Debts		<b>2,072,888</b>	685,362
Total considered goods		<b>5,730,597</b>	809,699
Considered doubtful	12.1	<b>26,047,729</b>	26,047,729
	12.2	<b>31,778,326</b>	26,857,428
Less: Provision for bad and doubtful debts			
-Opening balance		<b>(26,047,729)</b>	(26,047,729)
- Provided during the year	21	<b>0</b>	0
- Reversal of provision against doubtful debts	21	<b>0</b>	0
		<u><b>(26,047,729)</b></u>	<u>(26,047,729)</u>
		<u><b>5,730,597</b></u>	<u>809,699</u>
<b>12.1(a)</b>	Export trade debts were considered good since the Foreign Exchange Adjudication Court, Karachi vide its Judgment Order dated 31.03.2011 had linked the settlement of E forms with the realization of Export proceeds and claims of Pakistani Exporters from the Russian Federation Accounts in the name of Vnesheconombank with NBP. During the year 2013 the cases of realization of export proceeds were reopened and orders were issued by the honourable Foreign Exchange Adjudication Court, State Bank of Pakistan, Banking Services Corporation for realization of export proceeds. The export debtors were, therefore, considered doubtful of recovery and according provided for. During the year 2014 Rs. 87.812 million were realized and adjusted from advance from customers.		
<b>12.2 The aging of trade debts is under:</b>			
upto 1 year and above		<b>5,647,046</b>	1,003,545
upto 5 years and above		<b>26,131,280</b>	25,853,883
		<u><b>31,778,326</b></u>	<u>26,857,428</u>
<b>13. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Considered good		<b>7,724,110</b>	5,977,108
Considered doubtful		<b>123,062</b>	123,062
		<b>7,847,172</b>	6,100,170
Less: Provision of bad and doubtful		<b>(123,062)</b>	(123,062)
		<u><b>7,724,110</b></u>	<u>5,977,108</u>



	<b>30-06-2016</b>	<b>30-06-2015</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>14. OTHER RECEIVABLES</b>		
Export rebate - considered goods	<b>4,161,818</b>	4,161,818
<b>15. CASH AND BANK BALANCES</b>		
Cash in hand	<b>1,061,448</b>	328
With Banks on current account	<b>452,158</b>	5,789,076
	<b>1,513,606</b>	5,789,404
<b>16. CONTINGENT ASSETS</b>		
<p>The Government of Pakistan and Russian Government are discussing the matter for settlement of the claims of the Pakistani exporters toward sea freight compensation operation. The Government of Pakistan has frozen the account of the Russian Government maintained with NBP, Karachi till the settlement of the claims of the Pakistani exporters in accordance with the order of Honorable High Court of Sindh.</p> <p>The Company has also filed suit before the Honorable High Court of Sindh against the Pakistan Government and Russian Government for recovery of stuckup funds for sea freight compensation of USD 19,377,337.34 plus USD 21,599,457.00 (towards interest from 01.01.1992 to 31.03.2005) as confirmed and agreed by Russian Federation to be paid with further interest at the time of payment. The Court vide garnishee order dated 12.07.2006 to National Bank of Pakistan has ordered NBP not to release amount to the extent of the amount claimed by the Company.</p> <p>In the light of current development for recovery of stuck up funds from Russian Government, the Russian Government offering to Government of Pakistan upto 20% to 25% of their total outstanding claims, for which negotiations are in process.</p>		
<b>17. SALES</b>		
Exports Sales	<b>107,417,587</b>	74,177,281
Local Sales	<b>6,606,970</b>	3,663,031
Less: Export sales Commission	<b>0</b>	0
Less: Sales Tax	<b>(325,050)</b>	(176,489)
	<b>113,699,507</b>	77,663,823
<b>18. COST OF SALES</b>		
Raw and packing material consumed	<b>88,154,788</b>	67,297,842
Store, spare parts consumed	<b>957,336</b>	740,367
Finishing charges	<b>9,459,396</b>	5,272,398
Other manufacturing expenses	<b>4,989,737</b>	2,377,080
Depreciation	<b>636,074</b>	614,839
	<b>104,197,331</b>	76,302,526
<b>18.1 RAW AND PACKING MATERIAL CONSUMED</b>		
Opening inventory	<b>15,159,486</b>	17,038,320
Add: Purchases	<b>84,940,450</b>	65,419,008
	<b>100,099,936</b>	82,457,328
Less: Closing Inventory	<b>11,945,148</b>	15,159,486
	<b>88,154,788</b>	67,297,842
<b>19. ADMINISTRATION EXPENSES</b>		
Traveling, conveyance and entertainment	<b>4,232,841</b>	4,018,974
Rent, rates, taxes and fee	<b>382,887</b>	188,010
Insurance	<b>0</b>	127,000
Printing and stationery	<b>39,581</b>	13,885
Utility expenses	<b>454,759</b>	156,006
Other charges	<b>742,672</b>	696,900
Balances Written Off	<b>35,226</b>	0
Depreciation	<b>1,613,328</b>	1,331,378
	<b>7,501,294</b>	6,532,153
<b>19.1 BALANCES WRITTEN OFF</b>		
National Bank of Pakistan A/c # 56687-4 Karachi	<b>10,850</b>	0
Habib Bank Limited A/c # 0786790119403 Karachi	<b>24,376</b>	0
	<b>35,226</b>	0



	<b>30-06-2016</b>	30-06-2015
	<b>RUPEES</b>	RUPEES
<b>20. SELLING EXPENSES</b>		
Freight on export	<b>2,013,230</b>	1,487,527
Clearing and forwarding charges	<b>1,896,204</b>	1,354,409
Export development surcharge	<b>311,728</b>	243,909
	<b>4,221,162</b>	3,085,845
<b>21. OTHER CHARGES</b>		
Auditors' remuneration		
Audit fee	<b>250,000</b>	250,000
Half yearly review	<b>60,000</b>	60,000
	<b>310,000</b>	310,000
<b>22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES</b>		

Remuneration and meeting fees were forgone by the Directors and Chief Executive as such no remuneration and perquisites were paid to them during the year.

There were no loans or advances granted to the Directors during the year.

**23. AGGREGATE OF TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

i) Purchase of goods & services	<b>0</b>	0
ii) Sale of goods & services	<b>0</b>	0
iii) Brokerage, discount and commission	<b>0</b>	0
iv) Interest on loans		
a) charged to associated companies	<b>0</b>	0
b) charged by associated companies	<b>0</b>	0
v) Loan and advances		
a) advances provided	<b>0</b>	0
b) advances received from		
M/s. Finishers Limited	<b>(2,667,000)</b>	(896,440)
vi) Any other transaction	<b>0</b>	0

**24. Related Parties Disclosure.**

Name of Directors	Also Director in the following Associated Companies		
Mr. Rauf Alam	Fateh Sports Wear Ltd.	Finishers Limited	Trends Limited
Mr. Aftab Alam	Fateh Sports Wear Ltd.	Finishers Limited	--
Mr. Saeed Alam	Fateh Sports Wear Ltd.	Finishers Limited	Trends Limited
Mr. Faraz Alam	Fateh Sports Wear Ltd.	Finishers Limited	--
Mr. Ashhar Alam	Fateh Sports Wear Ltd.	Finishers Limited	--
Mr. Aneek Alam	Fateh Sports Wear Ltd.	Finishers Limited	--
Mr. Jamal Alam	Fateh Sports Wear Ltd.	Finishers Limited	--



## 25. Financial Instruments and Related Disclosures

**2016**

### 25.1 Financial Assets and Liabilities

Effective yield Markup rate	Interest / Markup bearing			Non-Interest / Markup bearing		
	Maturity upto one year	Maturity after one year	Total Rupees	Maturity upto one year	Maturity after one year	Total Rupees
<b>Financial Assets</b>						
Trade debts	0	0	0	5,730,597	0	5,730,597
Other receivables	0	0	0	11,885,928	0	11,885,928
Cash & Bank Balances	0	0	0	1,513,606	0	1,513,606
	0	0	0	19,130,131	0	19,130,131
<b>Financial Liabilities</b>						
Short term borrowings	0	0	0	173,013,981	0	173,013,981
Trade and other payables	0	0	0	115,846,247	0	115,846,247
	0	0	0	288,860,228	0	288,860,228

**2015**

### Financial Assets and Liabilities

Effective yield Markup rate	Interest / Markup bearing			Non-Interest / Markup bearing		
	Maturity upto one year	Maturity after one year	Total Rupees	Maturity upto one year	Maturity after one year	Total Rupees
<b>Financial Assets</b>						
Trade debts	0	0	0	809,699	0	809,699
Other receivables	0	0	0	10,138,926	0	10,138,926
Cash & Bank Balances	0	0	0	5,789,404	0	5,789,404
	0	0	0	16,738,029	0	16,738,029
<b>Financial Liabilities</b>						
Short term borrowings	0	0	0	173,013,981	0	173,013,981
Trade and other payables	0	0	0	110,084,121	0	110,084,121
	0	0	0	283,098,102	0	283,098,102

### 25.2 Risk Management

Overall, risks arising from the Company's financial assets and liabilities are limited.

#### a) Interest rate risk management.

The following rate liabilities comprise short term finance.

#### b) Foreign Exchange rate management.

No foreign currency loan is repayable except advances from the customers amounting to Rs.42,768,370/-

#### c) Credit Risk Management.

The company is exposed to a concentration of credit risk on its trade debts amounting to Rs. 29,282,329/- by virtue of all of its customers being foreigners and only Rs. 2,499,655/- trade debts related to business in Pakistan. The company do not have any limits on its customers.

### 25.3 Fair value of Financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.



**26. Production Capacity**

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

**27. Earning / (Loss) per Share**

There is no dilutive effect on the basic earning per share of the Company, which is based on .:

		<b>2016</b>	2015
Loss after tax for the year	Rs.	<u><b>(8,896,583)</b></u>	(5,599,284)
Number of Ordinary Shares		<u><b>2,000,000</b></u>	2,000,000
Loss per share	Rs.	<b>(4.45)</b>	(2.80)

**28. Number of Employees**

Total number of employees at the end of the year were 10 (June 30, 2015 - 10)

Average number of employees during the year were 06 (June 30, 2015 - 06)

**29. Date of Authorization of Issue**

These financial statements were authorized for issue on **26th September, 2016** by the Board of Directors of the Company.

**30. Figures**

Figures have been rounded off to the nearest rupee.

Dated: 26th September, 2016

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director





**Pattern of holding of the shares held  
by the shareholders of Fateh Industries Limited  
as at 30th June, 2016**

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
52	From	1	To	100	2,527
24	From	101	To	500	6,652
8	From	501	To	1,000	5,856
9	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
<b>108</b>			<b>TOTAL</b>		<b>2,000,000</b>

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
1.	Individuals	96	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%
	<b>TOTAL</b>	<b>108</b>	<b>2,000,000</b>	<b>100.00%</b>



## Categories of Shareholders

S.No.	Name	No. of Shares	%
<b>1.</b>	<b>Associated Companies</b>		
	Fateh Sports Wear Limited	518	
	<b>Total &gt;</b>	<b>518</b>	0.03%
<b>2.</b>	<b>NIT / ICP (Name wise details)</b>		
	Investment Corporation of Pakistan	346	
	CDC Trustee - National Investment (Unit) Trust	23,118	
	<b>Total &gt;</b>	<b>23,464</b>	1.17%
<b>3.</b>	<b>Directors, CEO and their spouse and minor children</b>		
	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	
	<b>Total &gt;</b>	<b>1,638,671</b>	81.93%
<b>4.</b>	<b>Executive</b>	Nil	
<b>5.</b>	<b>Public Sector Companies &amp; Corporation</b>	Nil	
<b>6.</b>	<b>Banks, DFIs, NBFIs, Modarbas, Insurance Companies Mutual Funds &amp; Others</b>		
	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	
	<b>Total &gt;</b>	<b>24,976</b>	1.11%



## PROXY FORM

Folio No. \_\_\_\_\_ No of Shares held \_\_\_\_\_ I/we

\_\_\_\_\_ of \_\_\_\_\_ being a

member(s) of **Fateh Industries Limited**, Hyderabad, entitled to Vote(s) hereby appoint

\_\_\_\_\_ o

f \_\_\_\_\_ as my / our proxy to vote for me/us and on my/our

behalf at the 31<sup>st</sup> Annual General Meeting of the Company to be held on Monday 31<sup>st</sup> October, 2016 at

09:30 a.m. at the registered office of the Company at Mirpurkhas Road, Hyderabad, and at any

adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Signature:

Witness:

Revenue Stamp

Signature:

Address:

N.B. The Proxy Form duly stamped, signed and witnessed should reach the Company's Registered Office atleast 48 hours before the time of the meeting. Signature must be as per specimen signature registered with the Company.