



**QUARTERLY  
REPORT**

**December 31, 2018**

**Fateh Industries Limited**

442 Mirpurkhas Road, Hyderabad Pakistan

# Fateh Industries Limited

442, Mirpurkhas Road, Hyderabad

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

The Directors of your Company present before you the Quarterly Accounts (2<sup>nd</sup> Quarter) Un-Audited Balance Sheet and Profit & Loss Account alongwith the Cash Flow Statement for the period ended December 31, 2018.

The Company has achieved sales of Rs.9.14 million whereas earned Gross Profit of Rs.0.88 million in the half year under review. After Administration and Selling expenses of Rs.1.13 million, Company incurred Operating Loss of Rs.0.25 million. After exchange loss of Rs. 1.28 million and Financial charges of Rs.0.09 million, whereas Company incurred total comprehensive loss of Rs. 1.67 million. The accumulated losses are stand at Rs. 262.42 million. Loss per share for the period ended is Rs.0.80.

for and on behalf of the Board

**SAEED ALAM**

Chief Executive

Hyderabad: February 25, 2019

# AUDITOR'S REVIEW REPORT TO THE MEMBERS

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Fateh Industries Limited** (the Company) as at December 31, 2018, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss account and condensed interim statement of comprehensive income for the three months period ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for six months period ended December 31, 2018.

## Scope of Review

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

## Conclusion

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

Without qualifying our opinion, we draw attention to note no. 3 to the interim financial information, which indicates that the Company has incurred total comprehensive loss of Rs. 1.67 million for the period. The accumulated losses amounts to Rs. 262.42 million and the Company's current liabilities exceed its current assets by Rs. 259.65 million. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**TANWIR ARIF & CO.,  
CHARTERED ACCOUNTANTS**

Engagement Partner - Tanwir Arif

Hyderabad: February 25, 2019

# Statement of Financial Position

As at December 31, 2018  
(Un-Audited)

	<b>31-12-2018</b> <b>RUPEES</b>	30-06-2018 RUPEES
<b><u>Capital &amp; Liabilities</u></b>		
<b>Authorized Capital</b>		
10,000,000 ordinary shares of Rs. 10/- each	<b>100,000,000</b>	100,000,000
<b>Shareholders' Equity</b>		
Issued, subscribed and paid up share capital	<b>20,000,000</b>	20,000,000
Investment revaluation reserve	<b>336,283</b>	400,256
Accumulated loss	<b>(262,418,525)</b>	(260,812,411)
	<b>(242,082,242)</b>	(240,412,155)
<b>Current Liabilities</b>		
Trade and others payables	<b>195,616,759</b>	195,942,975
Short term running finances	<b>108,285,071</b>	100,622,190
Provision for taxation	<b>270,942</b>	270,942
Contingencies and commitments	<b>0</b>	0
	<b>304,172,772</b>	296,836,107
Total	<b>62,090,530</b>	<b>56,423,952</b>
<b><u>Property &amp; Assets</u></b>		
<b>Operating Fixed Assets</b>	<b>17,218,818</b>	17,997,639
<b>Long Term Investments</b>	<b>353,850</b>	417,823
<b>Current Assets</b>		
Stores, spare parts and loose tools	<b>0</b>	0
Stock-in-trade	<b>11,240,696</b>	10,964,339
Trade debts	<b>27,032,793</b>	20,509,601
Advances, deposits and prepayments	<b>2,524,806</b>	2,024,674
Other receivables	<b>3,555,524</b>	3,555,524
Cash and bank balances	<b>164,043</b>	954,352
Contingent assets	<b>0</b>	0
	<b>44,517,862</b>	38,008,490
	<b>62,090,530</b>	<b>56,423,952</b>

**SAEED ALAM**

Chief Executive

**RAUF ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

Hyderabad: February 25, 2019

# Statement of Profit or Loss

For the 2nd Quarter ended December 31, 2018

(Un-Audited)

	<b>OCT-DEC 2018 RUPEES</b>	<b>JUL-DEC 2018 RUPEES</b>	OCT-DEC 2017 RUPEES	JUL-DEC 2017 RUPEES
Sales	<b>6,726,504</b>	<b>9,144,264</b>	7,019,486	19,779,989
Cost of sales	<b>6,022,232</b>	<b>8,263,354</b>	6,137,600	17,958,974
<b>Gross Profit</b>	<b>704,272</b>	<b>880,910</b>	881,886	1,821,015
Administration Expense	<b>454,055</b>	<b>1,054,453</b>	945,458	1,986,616
Selling Expenses	<b>71,131</b>	<b>79,272</b>	411,599	1,015,312
	<b>525,186</b>	<b>1,133,725</b>	1,357,057	3,001,928
<b>Operating Profit/(Loss)</b>	<b>179,086</b>	<b>(252,815)</b>	(475,171)	(1,180,913)
Other Income	<b>12,240</b>	<b>12,240</b>	12,112	12,112
Exchange Loss	<b>(1,047,241)</b>	<b>(1,276,839)</b>	(1,031,422)	(1,285,870)
	<b>(855,915)</b>	<b>(1,517,414)</b>	(1,494,481)	(2,454,671)
Financial expenses	<b>18,588</b>	<b>28,700</b>	27,834	64,433
Other Charges	<b>60,000</b>	<b>60,000</b>	60,000	60,000
	<b>78,588</b>	<b>88,700</b>	87,834	124,433
<b>Loss before Taxation</b>	<b>(934,503)</b>	<b>(1,606,114)</b>	(1,582,315)	(2,579,104)
Taxation	<b>0</b>	<b>0</b>	0	0
<b>Loss after Taxation</b>	<b>(934,503)</b>	<b>(1,606,114)</b>	(1,582,315)	(2,579,104)

**SAEED ALAM**

Chief Executive

Hyderabad: February 25, 2019

**RAUF ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

# Statement of Comprehensive Income

For the 2nd Quarter ended December 31, 2018  
(Un-Audited)

	<b>OCT-DEC 2018 RUPEES</b>	<b>JUL-DEC 2018 RUPEES</b>	OCT-DEC 2017 RUPEES	JUL-DEC 2017 RUPEES
Loss after taxation	<b>(934,503)</b>	<b>(1,606,114)</b>	(1,582,315)	(2,579,104)
<b>Other comprehensive income</b>				
Unrealized (loss) on revaluation of investment - available for sale	<b>(44,870)</b>	<b>(63,973)</b>	(226,842)	(350,557)
<b>Total Comprehensive (Loss) for the Period</b>	<b>(979,373)</b>	<b>(1,670,087)</b>	<b>(1,809,157)</b>	<b>(2,929,661)</b>
Loss per share	(0.47)	(0.80)	(0.79)	(1.29)

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 25, 2019

**Notes to the Condensed Interim Financial Statements:  
For the 2nd Quarter ended December 31, 2018**

**1. STATUS AND NATURE OF BUSINESS**

Fateh Industries Limited is incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited. The Company is engaged mainly in the manufacturing and sale of footwear of all kinds. The registered office of the company is situated 442-Mirpurkhas Road, Hyderabad.

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

**2. BASIS FOR PREPARATION OF ACCOUNTS**

**2.1** These condensed interim unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- \* International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- \* Provisions of and directives issued under the Companies Act, 2017.  
Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These interim financial statements have been prepared on the basis of historical cost convention.

**2.3** Comparative figures of statement of financial position are extracted from the annual financial statement of the Company for the year ended 30 June 2018, whereas comparative profit or loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity are stated from un-audited Condensed interim financial statements of the Company for the six months period ended 31 December 2017.

**2.4** The company's financial risk objectives and policies are consistent with those disclosed in the preceding annual financial statements for the year ended June 30, 2018.

**3. GOING CONCERN**

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

- the operations of the company were closed since the year 2000. The core reason for non-production and losses is due to funds blocked with Russia that rendered the Company in the financial distress. The manufacturing activities could not be profitably carried out with scarce financial resources, hence to mitigate the operational cost and administration expenses, operations were closed upto 2011;

- there are accumulated losses amounting to Rs. 262.42 million and current liabilities of the company exceed its current assets by Rs. 259.65 million. It is stated that the amount due to related parties are more than the negative equity. Further, old foreign debts were fully provided in the year 2013 due to delinkage of the same from Company's claims from Russia. The management has filed appeal before the Honorable Foreign Exchange Regulation Appellate Board, Karachi against the order of Honorable Foreign Exchange Adjudication Court, State Bank of Pakistan, Banking Services Corporation in July, 2014. Foreign Exchange Regulation Appellate Board, Karachi vide order dated 24.04.2017 has annuled and set aside the said order and directed the adjudication officer to pass afresh speaking and final order on all legal and factual grounds and further directed to not to take any coersive measure against the appellant till further direction of this Appellate Board. Further During the year 2018 the Company has filed constitutional petition before the Honourable High Court of Sindh at Karachi; and

**- the financial ratios are adverse.**

The Government of Pakistan and Russian Government are discussing the matter for settlement of the claims of the Pakistani exporters. The Government of Pakistan has frozen the account of the Russian Government maintained with NBP, Karachi till the settlement of the claims of the Pakistani exporters in accordance with the order of Honorable High Court of Sindh. Consequent to the negotiations for recovery of stuck up funds from Russian Government, the Russian Government has offered to the Government of Pakistan funds to the tune of USD 23.8 million. The company has executed settlement agreement on October 6, 2016 with Government of Pakistan whereby the Company has agreed to withdraw all pending cases from the court of law, against payment of USD 1.700 million approximately.

**Notes to the condensed Interim Financial Statements:**  
**For the 2nd Quarter ended December 31, 2018**

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

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

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

4. The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018.
5. During the period company have sale to Rs. 2,872,542/- to Arino Hyderabad which is related party of Company.
6. There is no significant change in Contingent liabilities and Contingent assets since last annual balance sheet date.
7. No provision for taxation is made in these interim accounts.
8. Figures in these accounts have been rounded off to the nearest rupee.
9. These interim accounts are authorized by the Board for issue on 25th February, 2019.

**SAEED ALAM**  
Chief Executive

**RAUF ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

**Hyderabad: February 25, 2019**



# Statement of Cash Flows

For the 2nd Quarter ended December 31, 2018

(Un-Audited)

	<u>31-12-2018</u> <u>RUPEES</u>	<u>31-12-2017</u> <u>RUPEES</u>
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,606,114)	(2,579,104)
Depreciation	778,821	881,528
Other Income	(12,240)	(12,112)
Exchange Loss	1,276,839	1,285,870
	<u>2,043,420</u>	<u>2,155,286</u>
Operating Profit/ (Loss) before working capital changes	<u>437,306</u>	<u>(423,818)</u>
<b>(Increase) / decrease in current assets</b>		
Stock-in-trade	(276,357)	(2,363,220)
Trade debtors	(6,523,192)	(385,108)
Advances, deposits and pre-payments	(351,580)	(150,000)
Other receivables	0	0
<b>(Decrease) / Increase in current liabilities</b>		
Trade and other payables	(326,215)	4,040,717
	<u>(7,477,344)</u>	<u>1,142,388</u>
Cash (used in)/generated from operations	<u>(7,040,038)</u>	<u>718,570</u>
Taxes paid	(148,553)	(264,457)
Exchange Loss	(1,276,839)	(1,285,870)
	<u>(1,425,392)</u>	<u>(1,550,327)</u>
Net cash flow from Operating Activities	<u>(8,465,430)</u>	<u>(831,757)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	0	0
Dividend received	12,240	12,112
	<u>12,240</u>	<u>12,112</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term borrowings	7,662,881	100,000
Net (Decrease) / Increase in cash and cash equivalents	<u>(790,309)</u>	<u>(719,645)</u>
Cash and equivalent at the beginning of the period	<u>954,352</u>	<u>3,336,893</u>
<b>Cash and equivalent at the end of the period</b>	<u>164,043</u>	<u>2,617,248</u>

**SAEED ALAM**

**RAUF ALAM**

**MUHAMMAD ISMAIL**

Chief Executive

Director

Chief Financial Officer

Hyderabad: February 25, 2019

# Statement of Changes in Equity

For the 2nd Quarter ended December 31, 2018

Amount in Rupees.

	<u>Share Capital</u>	<u>Surplus on Revaluation of Investment</u>	<u>Accumulated (Loss)</u>	<u>Total</u>
<b>Balance as on July 1, 2017</b>	<b>20,000,000</b>	<b>710,388</b>	<b>(257,068,982)</b>	<b>(236,358,594)</b>
Loss for the period	0	0	(2,579,104)	(2,579,104)
Other Comprehensive income for the period				
Unrealized loss on revaluation of investment	0	(350,557)		(350,557)
	0	(350,557)	(2,579,104)	(2,929,661)
<b>Balance as on December 31, 2017</b>	<b>20,000,000</b>	<b>359,831</b>	<b>(259,648,086)</b>	<b>(239,288,255)</b>
<b>Balance as on July 1, 2018</b>	<b>20,000,000</b>	<b>400,256</b>	<b>(260,812,411)</b>	<b>(240,412,155)</b>
Loss for the period	0	0	(1,606,114)	(1,606,114)
Other Comprehensive income for the period				
Unrealized loss on revaluation of investment	0	(63,973)	0	(63,973)
	0	(63,973)	(1,606,114)	(1,670,087)
<b>Balance as on December 31, 2018</b>	<b>20,000,000</b>	<b>336,283</b>	<b>(262,418,525)</b>	<b>(242,082,242)</b>

**SAEED ALAM**  
Chief Executive

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**MUHAMMAD ISMAIL**  
Chief Financial Officer

Hyderabad: February 25, 2019