



QUARTERLY REPORT

December 31, 2017

Fateh Industries Limited

442 Mirpurkhas Road, Hyderabad Pakistan

Fateh Industries Limited

442, Mirpurkhas Road, Hyderabad

BOARD'S REVIEW TO THE SHAREHOLDERS

The Directors of your Company present before you the Quarterly Accounts (2nd Quarter) Un-Audited Balance Sheet and Profit & Loss Account alongwith the Cash Flow Statement for the period ended December 31, 2017.

The Company has achieved sales of Rs.19.78 million whereas earned Gross Profit of Rs.1.82 million in the half year under review. After Administration and Selling expenses of Rs.3.00 million, Company incurred Operating Loss of Rs.1.18 million. After exchange loss of Rs. 1.28 million and Financial charges of Rs.0.12 million, Company incurred loss before taxation is Rs. 2.58 million. The accumulated losses are stand at Rs. 259.65 million. Loss per share is Rs.1.29.

for and on behalf of the Board



SAEED ALAM

Chief Executive

Hyderabad: February 22, 2018

AUDITOR'S REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of M/s. Fateh Industries Limited (the Company) as at December 31, 2017 and the related condensed interim profit and loss account, statement of interim cash flows, statement of interim changes in equity and notes to the accounts for the six-months' period then ended (herein-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standard as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended December 31, 2017 and quarter ended December 31, 2016 have not been reviewed as we are required to review only the cumulative figures for six months period ended December 31, 2017.

Scope of Review

Except as explained in the following paragraph, 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The company has not made provision for doubtful balances in other receivables amounting to Rs. 3.56 million. Had this provision been made, loss for the period would have increased by the said amount.

Qualified Conclusion

Based on our review, except for the effects of the matter described in preceding paragraph, 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 approved accounting standards as applicable in Pakistan for interim financial reporting.

Without further qualifying our opinion, we draw attention to note no. 3 to the interim financial information, the Company has accumulated losses of Rs. 259.65 million resulting in net negative equity of Rs. 239.29 million. Further, current liabilities of the Company exceed its current assets by Rs. 258.54 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

Hyderabad: February 22, 2018

BALANCE SHEET

As at December 31, 2017
(Un-Audited)

	<u>31-12-2017</u> <u>RUPEES</u>	<u>30-06-2017</u> <u>RUPEES</u>
<u>Capital & Liabilities</u>		
Authorized Capital		
10,000,000 ordinary shares of Rs. 10/- each	100,000,000	100,000,000
Shareholders' Equity		
Issued, subscribed and paid up share capital	20,000,000	20,000,000
Investment revaluation reserve	359,831	710,388
Accumulated loss	(259,648,086)	(257,068,982)
	(239,288,255)	(236,358,594)
Current Liabilities		
Trade and others payables	107,314,658	103,273,941
Short term running finances	183,007,981	182,907,981
Provision for taxation	174,120	174,120
Contingencies and commitments	0	0
	290,496,759	286,356,042
Total	51,208,504	49,997,448
<u>Property & Assets</u>		
Operating Fixed Assets	18,879,167	19,760,695
Long Term Investments	377,398	727,955
Current Assets		
Stores, spare parts and loose tools	0	0
Stock-in-trade	5,748,050	3,384,830
Trade debts	17,827,245	17,442,137
Advances, deposits and prepayments	2,203,872	1,789,414
Other receivables	3,555,524	3,555,524
Cash and bank balances	2,617,248	3,336,893
Contingent assets	0	0
	31,951,939	29,508,798
	51,208,504	49,997,448



SAEED ALAM

Chief Executive



RAUF ALAM

Director



MUHAMMAD ISMAIL

Chief Financial Officer

Hyderabad: February 22, 2018

PROFIT AND LOSS ACCOUNT

For the 2nd Quarter ended December 31, 2017

(Un-Audited)

	OCT-DEC 2017 RUPEES	JUL-DEC 2017 RUPEES	OCT-DEC 2016 RUPEES	JUL-DEC 2016 RUPEES
Sales	7,019,486	19,779,989	21,442,896	47,498,856
Cost of sales	6,137,600	17,958,974	18,393,115	43,393,575
Gross Profit	881,886	1,821,015	3,049,781	4,105,281
Administration Expense	945,458	1,986,616	649,100	1,656,309
Selling Expenses	411,599	1,015,312	626,707	1,655,967
	1,357,057	3,001,928	1,275,807	3,312,276
Operating (Loss)/Profit	(475,171)	(1,180,913)	1,773,974	793,005
Other Income	12,112	12,112	11,003	11,003
Exchange (Loss) / Gain	(1,031,422)	(1,285,870)	503,521	1,275,594
	(1,494,481)	(2,454,671)	2,288,498	2,079,602
Financial expenses	27,834	64,433	81,831	246,001
Other Charges	60,000	60,000	60,000	60,000
	87,834	124,433	141,831	306,001
(Loss)/Profit before Taxation	(1,582,315)	(2,579,104)	2,146,667	1,773,601
Taxation	0	0	0	0
(Loss)/Profit after Taxation	(1,582,315)	(2,579,104)	2,146,667	1,773,601
Other comprehensive income				
Unrealized (loss)/gain on revaluation of investment - available for sale	(226,842)	(350,557)	49,322	126,091
Total Comprehensive (Loss)/Income for the Period	(1,809,157)	(2,929,661)	2,195,989	1,899,692
(Loss)/Earning per share	(0.79)	(1.29)	1.07	0.89

Notes:

- 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.
- This condensed interim financial information is unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act") and is un-audited but subject to limited scope review by external auditors as required by the Act and Code of Corporate Governance.

During the previous year, the Companies Act 2017 ("the Act") was enacted on 30 May 2017 and replaced and repealed the Companies Ordinance, 1984 ("the repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan vide its Circular No. 17 and Circular No. 23 dated 20 July 2017 and 04 October 2017 respectively and Institute of Chartered Accountants of Pakistan vide its Circular No. 17 dated 06 October 2017, have advised and clarified that the Annual Financial Statements of the Companies whose financial year closes on or before 31 December 2017 and interim financial statements of the Companies for the period ended on or before 31 December 2017, shall be prepared in accordance with the repealed Ordinance.

This condensed interim financial information comprises the condensed interim balance sheet of the Company as at 31 December 2017 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.

This condensed interim financial information of the Company for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 30 June 2017.

Comparative balance sheet numbers are extracted from the annual audited financial statements of the Company for the year ended 30 June 2017, whereas comparative profit and loss account, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information of the Company for the six months period ended 31 December 2016.



SAEED ALAM

Chief Executive

Hyderabad: February 22, 2018



RAUF ALAM

Director



MUHAMMAD ISMAIL

Chief Financial Officer

NOTES TO THE ACCOUNTS

3. 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's 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. 259.65 million and current liabilities of the company exceed its current assets by Rs. 258.54 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 not to take any coersive measure against the appellatnt till further direction of this Appellate Board; 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.

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 report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2017.
5. No provision for taxation is made in these interim accounts.
6. Figures in these accounts have been rounded off to the nearest rupee.
7. These interim accounts are authorized by the Board for issue on 22nd February, 2018.



SAEED ALAM
Chief Executive



RAUF ALAM
Director



MUHAMMAD ISMAIL
Chief Financial Officer

Hyderabad: February 22, 2018

CASH FLOW STATEMENT

For the 2nd Quarter ended December 31, 2017

	31-12-2017	31-12-2016
	RUPEES	RUPEES
A. CASH FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(2,579,104)	1,773,601
Depreciation	881,528	999,691
Other Income	(12,112)	(11,003)
Exchange (Loss) / Gain	1,285,870	(1,275,594)
	2,155,286	(286,906)
Operating (Loss)/Profit before working capital	(423,818)	1,486,695
(Increase) / decrease in current assets		
Stock-in-trade	(2,363,220)	10,873,064
Trade debtors	(385,108)	(12,500,815)
Advances, deposits and pre-payments	(150,000)	5,985,911
Other receivables	0	606,040
(Decrease) / Increase in current liabilities		
Trade and other payables	4,040,717	(5,022,971)
	1,142,388	(58,771)
Cash generated / (used in) from operations	718,570	1,427,924
Taxes paid	(264,457)	(362,564)
Exchange (Loss) / Gain	(1,285,870)	1,275,594
	(1,550,327)	913,030
Net cash flow from Operating Activities	(831,757)	2,340,954
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(204,000)
Dividend received	12,112	11,003
	12,112	(192,997)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings	100,000	(606,000)
Net (Decrease) / Increase in cash and cash equivalents	(719,645)	1,541,957
Cash and equivalent at the beginning of the period	3,336,893	1,513,606
Cash and equivalent at the end of the period	2,617,248	3,055,563



SAEED ALAM

Chief Executive



RAUF ALAM

Director



MUHAMMAD ISMAIL

Chief Financial Officer

Hyderabad: February 22, 2018

Statement of Changes in Equity

For the 2nd Quarter ended December 31, 2017

Amount in Rupees.

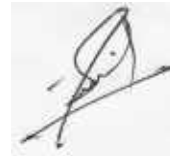
	Share Capital	Surplus on Revaluation of Investment	Accumulated (Loss)	Total
Balance as on July 1, 2016	20,000,000	763,023	(256,274,130)	(235,511,107)
Profit for the half year ended December 31, 2016	0	0	1,773,601	1,773,601
Unrealized gain on revaluation of investment	0	126,091	0	126,091
Balance as on December 31, 2016	20,000,000	889,114	(254,500,529)	(233,611,415)
Balance as on July 1, 2017	20,000,000	710,388	(257,068,982)	(236,358,594)
Loss for the half year ended December 31, 2017	0	0	(2,579,104)	(2,579,104)
Unrealized loss on revaluation of investment	0	(350,557)	0	(350,557)
Balance as on December 31, 2017	20,000,000	359,831	(259,648,086)	(239,288,255)



SAEED ALAM
Chief Executive



RAUF ALAM
Director



MUHAMMAD ISMAIL
Chief Financial Officer

Hyderabad: February 22, 2018