



**Condensed  
Interim  
Financial**

**For the period ended  
December 31, 2022**

**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 Condensed Statement of Financial Position, Profit or Loss Account alongwith the Cash Flow Statement for the period ended December 31, 2022.

The Company has achieved sales of Rs.7.77 million whereas earned Gross Profit of Rs.0.43 million in the half year under review. After Administration expenses of Rs.0.57 million, Other Income of Rs. 0.49 million and Foreign Exchange Loss of Rs.1.90 million, Company incurred Operating Loss of Rs.1.55 million. After Financial & other charges of Rs.0.08 million, Company incurred loss before taxation is Rs. 1.62 million. The accumulated losses stand at Rs. 105.56 million. Loss per share for the half year ended is Rs.0.81.

for and on behalf of the Board

**SAEED ALAM**  
Chief Executive

Hyderabad: February 23, 2023

## Condensed Interim Statement of Financial Position

As at December 31, 2022  
(Un-Audited)

	Dec 31, 2022 Un-Audited	June 30, 2022 Audited
<b>Rupees</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipments	12,272,041	12,754,323
Investments	537,757	579,741
	<b>12,809,797</b>	13,334,064
<b>Current Assets</b>		
Inventories	21,086,799	19,285,014
Trade Receivables	29,523,638	24,711,333
Advances, Deposits and Prepayments	3,039,135	2,698,948
Cash and bank balances	917,535	573,535
	<b>54,567,107</b>	47,268,830
	<b>67,376,904</b>	60,602,894
<b>Share Capital and Reserves</b>		
Share Capital	20,000,000	20,000,000
<b>Capital Reserve</b>		
Investment revaluation reserve	520,190	562,174
<b>Revenue Reserve</b>		
Accumulated Loss	(105,564,164)	(103,940,601)
	<b>(85,043,974)</b>	(83,378,427)
<b>Non-Current Liabilities</b>		
Security Deposit from tenant	630,000	630,000
<b>Current Liabilities</b>		
Trade and Others Payables	124,301,739	121,612,182
Loan from Directors	27,489,139	21,739,139
Provision for Taxation	-	0
	<b>151,790,878</b>	143,351,321
<b>Contingencies and Commitments - Note No. 3</b>		
Total	<b>67,376,904</b>	60,602,894

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

**SAEED ALAM**  
Chief Executive  
Hyderabad: February 23, 2023

**RAUF ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

## Condensed Interim Statement of Profit or Loss

For the 2nd Quarter ended December 31, 2022  
(Un-Audited)

	<b>OCT-DEC 2022 RUPEES</b>	<b>JUL-DEC 2022 RUPEES</b>	<b>OCT-DEC 2021 RUPEES</b>	<b>JUL-DEC 2021 RUPEES</b>
Sales	3,395,650	7,771,200	2,731,150	4,758,080
Less: Cost of sales	3,607,007	7,344,691	2,533,356	4,504,562
<b>Gross (Loss) / Profit</b>	<b>(211,357)</b>	<b>426,510</b>	<b>197,794</b>	<b>253,518</b>
Less: Administration Expense	267,430	568,063	238,188	576,680
	<b>(478,787)</b>	<b>(141,554)</b>	<b>(40,394)</b>	<b>(323,162)</b>
Add: Other Income	313,800	493,800	250,600	543,100
Foreign Exchange Loss	(920,855)	(1,899,239)	(375,611)	(1,265,017)
Operating Loss	<b>(1,085,842)</b>	<b>(1,546,993)</b>	<b>(165,405)</b>	<b>(1,045,079)</b>
Less: Financial expenses	813	1,570	6,427	6,896
Other Charges	75,000	75,000	75,000	75,000
	<b>75,813</b>	<b>76,570</b>	<b>81,427</b>	<b>81,896</b>
<b>Loss before Taxation</b>	<b>(1,161,655)</b>	<b>(1,623,563)</b>	<b>(246,832)</b>	<b>(1,126,975)</b>
Taxation	0	0	0	0
<b>Net Loss after Taxation</b>	<b>(1,161,655)</b>	<b>(1,623,563)</b>	<b>(246,832)</b>	<b>(1,126,975)</b>

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

**SAEED ALAM**  
Chief Executive  
Hyderabad: February 23, 2023

**RAUF ALAM**  
Director

**MUHAMMAD ISMAIL**  
Chief Financial Officer

## Condensed Interim Statement of Comprehensive Income

For the 2nd Quarter ended December 31, 2022  
(Un-Audited)

	<b>OCT-DEC 2022 RUPEES</b>	<b>JUL-DEC 2022 RUPEES</b>	OCT-DEC 2021 RUPEES	JUL-DEC 2021 RUPEES
Net Loss after taxation	<b>(1,161,655)</b>	<b>(1,623,563)</b>	(246,832)	(1,126,975)
<b>Other comprehensive income</b>				
Unrealized (loss)/ gain on revaluation of investment - available for sale	<b>(31,918)</b>	<b>(41,984)</b>	76,373	5,907
<b>Total Comprehensive Loss for the Period</b>	<b><u>(1,193,573)</u></b>	<b><u>(1,665,547)</u></b>	<b><u>(170,459)</u></b>	<b><u>(1,121,068)</u></b>
Loss per share - Basic and diluted	(0.58)	(0.81)	(0.12)	(0.56)

**SAEED ALAM**

Chief Executive

Hyderabad: February 23, 2023

**RAUF ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

**Condensed Interim Statement of Cash Flows**  
**For the 2nd Quarter ended December 31, 2022**  
**(Un-Audited)**

	<b>31-12-2022</b> <b>RUPEES</b>	31-12-2021 RUPEES
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,623,563)	(1,126,975)
<b>Adjustment for:</b>		
Depreciation	482,283	542,493
Other Income/Dividend	(28,800)	(13,600)
Foreign Exchange Loss	1,899,239	1,265,017
Operating profit before working capital changes	<u>729,159</u>	<u>666,935</u>
<b>(Increase) / decrease in Operating Assets</b>		
Inventories	(1,801,785)	(1,588,259)
Trade Receivables	(4,812,305)	(1,249,438)
Advances, deposits and pre-payments	(208,187)	8,503
	<u>(6,093,118)</u>	<u>(2,162,259)</u>
<b>Increase/(Decrease) in Operating Liabilities</b>		
Trade and other payables	2,689,557	748,982
Cash used in operations	<u>(3,403,561)</u>	<u>(1,413,277)</u>
Tax deducted at source/paid	(132,000)	(188,506)
Foreign Exchange Loss	(1,899,239)	(1,265,017)
	<u>(2,031,239)</u>	<u>(1,453,523)</u>
<b>Net cash from / (used in) Operating Activities</b>	<u>(5,434,800)</u>	<u>(2,866,800)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Other Income - Dividend	28,800	13,600
<b>Net cash from / (used in) Investing Activities</b>	<u>28,800</u>	<u>13,600</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Loan from Directors	5,750,000	3,143,500
<b>Net cash from / (used in) Financing Activities</b>	<u>5,750,000</u>	<u>3,143,500</u>
Net Increased/(Decrease) in cash and cash equivalents	344,000	290,300
Cash and equivalent at the beginning of the period	<u>573,535</u>	<u>406,136</u>
<b>Cash and equivalent at the end of the period</b>	<u>917,535</u>	<u>696,436</u>

**SAEED ALAM**

Chief Executive

**RAUF ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

Hyderabad: February 23, 2023

**Condensed Interim Statement of Changes in Equity**  
**For the 2nd Quarter ended December 31, 2022**

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, 2021</b>	<b>20,000,000</b>	<b>588,160</b>	<b>(99,850,152)</b>	<b>(79,261,992)</b>
Loss for the period	0	0	(1,126,975)	(1,126,975)
Other Comprehensive income for the period				
Unrealized gain on revaluation of investment	0	5,907	0	5,907
	0	5,907	(1,126,975)	(1,121,068)
<b>Balance as on December 31, 2021</b>	<b>20,000,000</b>	<b>594,067</b>	<b>(100,977,127)</b>	<b>(80,383,060)</b>
<b>Balance as on July 1, 2022</b>	<b>20,000,000</b>	<b>562,174</b>	<b>(103,940,601)</b>	<b>(83,378,427)</b>
Loss for the period	0	0	(1,623,563)	(1,623,563)
Other Comprehensive income for the period				
Unrealized gain on revaluation of investment	0	(41,984)	0	(41,984)
	0	(41,984)	(1,623,563)	(1,665,547)
<b>Balance as on December 31, 2022</b>	<b>20,000,000</b>	<b>520,190</b>	<b>(105,564,164)</b>	<b>(85,043,974)</b>

**SAEED ALAM**

Chief Executive

Hyderabad: February 23, 2023

**RAUF ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

# Notes to the condensed Interim Financial Statements:

For the 2nd Quarter ended December 31, 2022

## 1. CORPORATE AND GENERAL INFORMATION

The company was incorporated on May 18, 1986, as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017), and is listed on Pakistan Stock Exchange Limited. The business of company is to manufacture and sale of footwear of all kinds. The Registered office is situated at 442, Mirpurkhas Road, Hyderabad.

The manufacturing activities had remained suspended since 1999-2000. The company had also started business of wastage wool as alternative business from 2011. The manufacturing activities were partially commenced during the year 2013. The core reason for non-production is blockage of funds with Russia at the time when the Russian Central Bank defaulted on its debts due to disintegration of U.S.S.R., that rendered the Company in to the financial distress. The manufacturing activities could not be profitably carried out with scarce financial resources, hence to mitigate the operational and administrative costs, operations had remained closed in 2011.

## 2. BASIS OF PRESENTATION

### 2.1 Purpose of Issuance

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

### 2.2 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 – "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. These condensed interim financial statements do not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2022. These condensed interim financial statements are unaudited.

### 2.3 Comparative Financial Information

The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2022, whereas the comparative condensed interim profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2021.

### 2.4 Basis of Measurement

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

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

These financial statements have been prepared on going concern basis, yet there are factors which effect the Company's ability to continue as a going concern, for instance the operations of the Company have been closed since the year 2000, due to the reasons as stated in Note No.1. There are accumulated losses amounting to Rs.105.56 million and the current liabilities exceeds current assets.

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

Foreign debtors with Russia were blocked due to delink age of the same with Russian Federation. The management of the Company had filed an appeal before the Honorable Foreign Exchange Regulation Appellate Board, Karachi against the order of Honorable Foreign Exchange Adjudication Court, State Bank of Pakistan, Banking Services Corporation in July 2014. Foreign Exchange Regulation Appellate Board, vide order dated 24.04.2017 has annulled and set aside the said order and directed the adjudication officer to pass a fresh speaking and final order on all legal and factual grounds and further directed not to take any coercive measures against the appellant till further direction of the Appellate Board. Further during the year 2019 the Company had filed a constitutional petition before the Honorable High Court of Sindh.

The Government of Pakistan and the Russian Federation have been discussing the matter for settlement of claims by the Pakistani exporters. The Government of Pakistan has frozen the account of the Russian Federation Government maintained with NBP, till the settlement of the claims of the Pakistani exporters, in accordance, with the order of the Honorable High Court of Sindh. Consequent to the negotiations for recovery of stuck up funds from Russian Federation, an amount of Rs.182,620,000 (USD 1,150,000 ) including sea freight compensation has been received during the year ended June 30, 2020.



## Notes to the condensed Interim Financial Statements:

For the 2nd Quarter ended December 31, 2022

Thus the Company has been able to generate net negative cash flows of Rs.8,293,251 from operations and net loss of Rs.4,116,435 during the year ended June 30, 2022, which increased accumulated losses. The management is considering to restart the operations viably a new. Although the plant is shut down, the Company has managed to produce shoes through hand labour and selling the same. The management has no plans to liquidate its assets other than in the normal course of business. Moreover continued financial support is available from the directors and other related parties.

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

### 2.5 Accounting Policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements for the year ended June 30, 2022.

### 2.6 Accounting Estimates and Judgments

Estimates and judgments made by management in the preparation of these condensed interim financial statements are the same as those that were applied to the audited annual financial statements of the Company as at and for the year ended June 30, 2022.

### 2.7 Functional and Presentation Currency

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

## 3. CONTINGENCIES AND COMMITMENTS

Contingencies reported in the annual audited financial statements for the year ended June 30, 2022 remain-unchanged.

## 4. TAXATION

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

## 5. RELATED PARTY TRANSACTIONS

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

<u>Name of Related Party</u>	<u>Nature of Transaction</u>	31-Dec-22	31-Dec-21
		Rupees	
Arino - Under Common Management	Sale of Goods	7,771,200	4,758,080
Arino - Under Common Management	Rental Income	66,000	66,000
Branded Shop - Under Common Management	Rental Income	66,000	66,000
Mr. Rauf Alam - Director	Loan Received	2,872,000	80,000
Mr. Aftab Alam - Director	Loan Received	550,000	550,000
Mr. Saeed Alam - Director	Loan Received	28,000	2,513,500
Mr. Faraz Alam - Director	Loan Received	2,300,000	-

## 6. FIGURES

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

## 7. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on February 23, 2023 by the Board of Directors of the Company.

**SAEED ALAM**

Chief Executive

Hyderabad: February 23, 2023

**RAUF ALAM**

Director

**MUHAMMAD ISMAIL**

Chief Financial Officer

# Hafizullah & Co.

## CHARTERED ACCOUNTANTS

Nelsons Chamber, 1st Floor, I.I. Chundrigar Road, Karachi.  
Phone : 32629515 / 18, Fax : 32212373 E-mail: info@rahimjan.com

### INDEPENDENT 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, 2022**, the related condensed interim statement of profit or loss and statement of other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

#### Scope of Review

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

#### Basis for Qualified Conclusion

We have qualified our audit opinion on the financial statements for the half year ended December 31, 2022, because we had been unable to receive confirmations for:

(i) balances of trade receivables amounting to Rs.29,523,638/- and Rs. 124,301,739 under the head trade and other payables, have remained unverified.

(ii) Balance confirmations from some banks also could not be received. We verified the balances with original bank statements, but could not ensure that there are no undisclosed liabilities or contingent liabilities with these banks. Therefore our conclusion on the condensed interim financial statements is also qualified because of the effect of this matter on the comparability of the interim statement of financial position and the corresponding statement of financial position.

#### Qualified Conclusion

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

#### Material Uncertainty relating to Going Concern

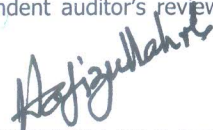
We draw attention to Note 2.4 to the condensed interim financial statements, which states that these financial statements have been prepared on going concern basis, yet there are conditions which indicate the existence of a material uncertainty which cast significant doubt about the company's ability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

#### Other Matter

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2021 and 2022 have not been reviewed as we were required to review only the cumulative figures for the half year ended December 31, 2022.

The engagement partner on the review resulting in this independent auditor's review report is BADAR-UR-RAHMAN.

Date:  
UDIN: RR202210294cPIQHCAVS

  
**HAFIZULLAH & CO.**  
Chartered Accountants  
Karachi.