



# **QUARTERLY REPORT**

**December 31, 2016**

**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, 2016.

The Company has achieved sales of Rs.47.50 million whereas earned Gross Profit of Rs.4.10 million in the half year under review. After Administration and Selling expenses of Rs.3.31 million, Company earned Operating Profit of Rs.0.79 million. After exchange gain of Rs. 1.27 million, Financial and Other charges of Rs.0.31 million, Company earned profit before taxation of Rs. 1.77 million. The accumulated losses are stand at Rs. 254.50 million. Earning per share is Rs.0.89.

The Board as part of its periodic reviews of the matter of contingent assets of the Company with regard to stuck up funds from Russian Federation against Sea Freight Compensation that are disclosed in note 16 in the financial statements for the year ended June 30, 2016 has decided to derecognize the same from its books of account in view of the uncertainty of the recovery thereof that appears to loom for a unforeseeable future period and expressed apprehension from the way it has come to a stands till that this may be realized as it has no control over the sovereign state that has to pay this amount and there is no way in its control with which it can break the stalemate.

The Board unanimously decided to derecognize the same.

for and on behalf of the Board



**SAEED ALAM**  
Chief Executive

Hyderabad: February 23, 2017

## 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, 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim changes in equity and notes to the accounts for the six-months' period then ended (here-in-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, 2016 and quarter ended December 31, 2015 have not been reviewed as we are required to review only the cumulative figures for six months period ended December 31, 2016.

### 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 Adverse Conclusion

1) As discussed in note 2 to the interim financial information, the Company has earned profit at Rs. 1.77 million. The accumulated loss upto December 31, 2016 is at Rs. 254.50 million, which has resulted in net capital deficiency of Rs. 233.61 million. The current liabilities exceeded current assets by Rs. 255.28 million thereby leaving an adverse current ratio of 0.10:1.00. The major part of operations of the company are closed since 2000. These factors indicate the existence of material uncertainty, cast significant doubt about the company's ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. In spite of these factors the financial statements have been prepared on going concern assumption although adjustments relating to recoverability and reclassification of recorded assets and liabilities appear to be necessary.

2) The company has not made provision for doubtful balances in other receivables amounting to Rs. 3.55 million. Had this provision been made, the Company would have incurred loss of Rs. 1.78 million instead of profit of Rs.1.77 million, thereby the accumulated loss would be further increased by the same amount.

### Adverse Conclusion

Our review indicates that, because of the effects of the matters as described in para 1 and 2 above, this interim financial information does not give a true and fair view of the financial position of the entity as at December 31, 2016 and of its financial performance and its cash flows for the half year then ended in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

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

Engagement Partner - Tanwir Arif

Hyderabad: February 23, 2017

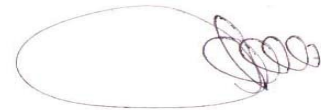
# BALANCE SHEET

As at December 31, 2016  
(Un-Audited)

	<u>31-12-2016</u> <u>RUPEES</u>	<u>30-06-2016</u> <u>RUPEES</u>
<b><u>Capital &amp; Liabilities</u></b>		
<b>Authorized Capital</b>		
10,000,000 ordinary shares of Rs. 10/- each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Shareholders' Equity</b>		
Issued, subscribed and paid up share capital	<u>20,000,000</u>	<u>20,000,000</u>
Investment revaluation reserve	<u>889,114</u>	<u>763,023</u>
Accumulated loss	<u>(254,500,529)</u>	<u>(256,274,130)</u>
	<u>(233,611,415)</u>	<u>(235,511,107)</u>
<b>Current Liabilities</b>		
Trade and others payables	<u>110,823,276</u>	<u>115,846,247</u>
Short term running finances	<u>172,407,981</u>	<u>173,013,981</u>
Provision for taxation	<u>62,820</u>	<u>62,820</u>
Contingencies and commitments	<u>0</u>	<u>0</u>
	<u>283,294,077</u>	<u>288,923,048</u>
Total	<u>49,682,662</u>	<u>53,411,941</u>
<b><u>Property &amp; Assets</u></b>		
<b>Operating Fixed Assets</b>	<b>20,760,381</b>	<b>21,556,072</b>
<b>Long Term Investments</b>	<b>906,681</b>	<b>780,590</b>
<b>Current Assets</b>		
Stores, spare parts and loose tools	<u>0</u>	<u>0</u>
Stock-in-trade	<u>1,072,084</u>	<u>11,945,148</u>
Trade debts	<u>18,231,412</u>	<u>5,730,597</u>
Advances, deposits and prepayments	<u>2,100,763</u>	<u>7,724,110</u>
Other receivables	<u>3,555,778</u>	<u>4,161,818</u>
Cash and bank balances	<u>3,055,563</u>	<u>1,513,606</u>
Contingent assets	<u>0</u>	<u>0</u>
	<u>28,015,600</u>	<u>31,075,279</u>
	<u>49,682,662</u>	<u>53,411,941</u>



**SAEED ALAM**  
Chief Executive



**RAUF ALAM**  
Director

Hyderabad: February 23, 2017

# PROFIT AND LOSS ACCOUNT

For the 2nd Quarter ended December 31, 2016

(Un-Audited)

	OCT-DEC 2016 RUPEES	JUL-DEC 2016 RUPEES	OCT-DEC 2015 RUPEES	JUL-DEC 2015 RUPEES
Sales	21,442,896	47,498,856	35,857,234	56,707,914
Cost of sales	18,393,115	43,393,575	33,677,447	53,902,911
<b>Gross Profit</b>	<b>3,049,781</b>	<b>4,105,281</b>	2,179,787	2,805,003
Administration expense	649,100	1,656,309	2,351,087	5,392,672
Selling Expenses	626,707	1,655,967	932,044	1,988,803
	<b>1,275,807</b>	<b>3,312,276</b>	3,283,131	7,381,475
<b>Operating Profit/(Loss)</b>	<b>1,773,974</b>	<b>793,005</b>	(1,103,344)	(4,576,472)
Other Income	11,003	11,003	8,726	8,726
Exchange Gain / (Loss)	503,521	1,275,594	320,704	(671,086)
	<b>2,288,498</b>	<b>2,079,602</b>	(773,914)	(5,238,832)
Financial expenses	81,831	246,001	150,211	264,394
Other Charges	60,000	60,000	60,000	60,000
	<b>141,831</b>	<b>306,001</b>	210,211	324,394
<b>Profit/(Loss) before Taxation</b>	<b>2,146,667</b>	<b>1,773,601</b>	(984,125)	(5,563,226)
Taxation	0	0	0	0
<b>Profit/(Loss) after Taxation</b>	<b>2,146,667</b>	<b>1,773,601</b>	(984,125)	(5,563,226)
Other comprehensive income				
Unrealized gain/(Loss) on revaluation of investment - available for sale	49,322	126,091	29,033	(73,527)
<b>Total Comprehensive Income/(Loss) for the Period</b>	<b>2,195,989</b>	<b>1,899,692</b>	(955,092)	(5,636,753)
Earning/(Loss) per share	1.07	0.89	(0.49)	(2.78)

**Notes:**

1. **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.
2. These financial statements have been prepared on going concern basis in spite of the uncertainties given hereunder:
  - The operations of the Company were closed since the year 2000. In 2011 the company has started trading activities and from the year 2013 manufacturing activities partially undertaken and supplying goods to foreign as well as local customers with an aim to secure further orders but due to stuck up funds with Russian Federation desired results could not be achieved;
  - There are accumulated losses amounting to Rs. 254.50 million, resulting into net capital deficiency of Rs. 233.61 million and adverse financial ratios;
  - The current liabilities exceed its current assets by Rs. 255.28 million; and

The Board as part of its periodic reviews of the matter of contingent assets of the Company with regard to stuck up funds from Russian Federation against Sea Freight Compensation that are disclosed in note 17 in the financial statements for the year ended June 30, 2016 has decided to derecognize the same from its books of account in view of the uncertainty of the recovery thereof that appears to loom for a unforeseeable future period and expressed apprehension from the way it has come to a standstill that this may be realized as it has no control over the sovereign state that has to pay this amount and there is no way in its control with which it can break the stalemate.

These uncertainties cause significant doubt about the company's ability to continue as a concern.

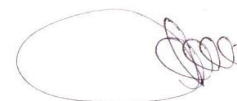
The reasons for preparing the interim financial information on going concern basis are:

- The management of the company has no plan and do not see circumstances forcing it to liquidate its assets other than under normal course of business; and
- continued financial support from directors/related parties.

3. The condensed interim financial report of the company for the six months period ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
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, 2016.
5. No provision for taxation is made in these accounts. However, the tax liability will be calculated at the end of the year after consideration of assessment completed and the available tax credits.
6. Figures in these accounts have been rounded off to the nearest rupee.
7. These accounts are authorized by the Board for issue on 23rd February, 2017.



**SAEED ALAM**  
Chief Executive



**RAUF ALAM**  
Director

Hyderabad: February 23, 2017

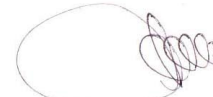
**CASH FLOW STATEMENT**  
For the 2nd Quarter ended December 31, 2016

	<b>31-12-2016</b> <b>RUPEES</b>	31-12-2015 RUPEES
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	<b>1,773,601</b>	(5,563,226)
Depreciation	<b>999,691</b>	1,124,701
Other Income	<b>(11,003)</b>	(8,726)
Exchange Gain / (Loss)	<b>(1,275,594)</b>	671,086
	<b>(286,906)</b>	1,787,061
Operating Profit/(Loss) before working capital	<b>1,486,695</b>	(3,776,165)
<b>(Increase) / decrease in current assets</b>		
Stock-in-trade	<b>10,873,064</b>	(5,074,179)
Trade debtors	<b>(12,500,815)</b>	(4,698,175)
Advances, deposits and pre-payments	<b>5,985,911</b>	(29,999)
Other receivables	<b>606,040</b>	0
<b>(Decrease) / Increase in current liabilities</b>		
Trade and other payables	<b>(5,022,971)</b>	10,466,728
	<b>(58,771)</b>	664,375
Cash (used in) /generated from operations	<b>1,427,924</b>	(3,111,790)
Taxes paid	<b>(362,564)</b>	(968,947)
Exchange Gain / (loss)	<b>1,275,594</b>	(671,086)
	<b>913,030</b>	(1,640,033)
Net cash flow from Operating Activities	<b>2,340,954</b>	(4,751,823)
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	<b>(204,000)</b>	0
Dividend received	<b>11,003</b>	8,726
	<b>(192,997)</b>	8,726
<b>C. CASH FROM FINANCING ACTIVITIES</b>		
Short term borrowings	<b>(606,000)</b>	0
Net Increase/(Decrease) cash and cash equivalents	<b>1,541,957</b>	(4,743,097)
Cash and equivalent at the beginning of the period	<b>1,513,606</b>	5,789,404
<b>Cash and equivalent at the end of the period</b>	<b>3,055,563</b>	1,046,307



**SAEED ALAM**

Chief Executive



**RAUF ALAM**

Director

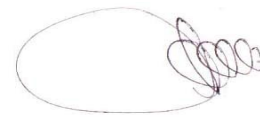
Hyderabad: February 23, 2017

**Statement of Changes in Equity  
For the 2nd Quarter ended December 31, 2016**

	<u>Amount in Rupees.</u>			
	<u>Share Capital</u>	<u>Surplus on Revaluation of Investment</u>	<u>Accumulated (Loss)</u>	<u>Total</u>
<b>Balance as on July 1, 2015</b>	<b>20,000,000</b>	<b>702,363</b>	<b>(247,377,547)</b>	<b>(226,675,184)</b>
Loss for the half year ended December 31, 2015	0	0	(5,563,226)	(5,563,226)
Unrealized gain on revaluation of investment	0	(73,527)	0	(73,527)
<b>Balance as on December 31, 2015</b>	<b>20,000,000</b>	<b>628,836</b>	<b>(252,940,773)</b>	<b>(232,311,937)</b>
<b>Balance as on July 1, 2016</b>	<b>20,000,000</b>	<b>763,023</b>	<b>(256,274,130)</b>	<b>(235,511,107)</b>
Profit for the half year ended December 31, 2016	0	0	1,773,601	1,773,601
Unrealized loss on revaluation of investment	0	126,091	0	126,091
<b>Balance as on December 31, 2016</b>	<b>20,000,000</b>	<b>889,114</b>	<b>(254,500,529)</b>	<b>(233,611,415)</b>



**SAEED ALAM**  
Chief Executive



**RAUF ALAM**  
Director

**Hyderabad: February 23, 2017**