

QUARTERLY REPORT

December 31, 2017



**Fateh
Sports Wear
Limited**

Mirpurkhas Road, Hyderabad, Pakistan

Fateh Sports Wear 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.

During the period under review, Company has no sales due to non availability of the orders. Company incurred Gross Loss only in respect of Administration expenses of Rs.0.38 million. Company earned profit in respect of exchange gain of Rs. 0.10 million and incurred loss before taxation is Rs.0.34 million. The accumulated losses stand at Rs. 326.81 million. Loss per share is Rs.0.17.

for and on behalf of the Board



RAUF 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 Sports Wear 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 (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, 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. 17.027 million. Had this provision been made, loss for the year 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. 326.81 million resulting in net negative equity of Rs. 253.31 million. Further, current liabilities of the Company exceed its current assets by Rs. 266.72 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>
Capital & Liabilities		
Authorized Capital		
5,000,000 ordinary shares of Rs. 10/- each	50,000,000	50,000,000
Shareholders' Equity		
Issued, subscribed and paid up share capital	20,000,000	20,000,000
General reserve	53,500,000	53,500,000
Accumulated loss	(326,809,708)	(326,466,445)
	(253,309,708)	(252,966,445)
Current Liabilities		
Trade and other payables	15,520,427	15,468,954
Markup accrued on loans	132,380,182	132,380,182
Short term borrowings	145,019,172	144,928,860
Provision for taxation	113,391	113,391
Contingencies and commitments	0	
	293,033,172	292,891,387
Total	39,723,464	39,924,942

Property & Assets

Operating Fixed Assets	13,414,401	13,720,598
Current Assets		
Store, spare parts and loose tools	0	0
Stock-in-trade	6,134,237	6,134,237
Trade debts	2,035,912	1,934,393
Advances, deposits and prepayments	1,039,123	1,035,923
Other receivables	17,027,195	17,027,195
Cash and bank balances	72,596	72,596
Contingent assets	0	0
	26,309,063	26,204,344
Total	39,723,464	39,924,942



RAUF ALAM

Chief Executive



AFTAB 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	0	0	0	0
Cost of sales	0	0	0	0
Gross Profit	0	0	0	0
Administration expense	231,683	384,782	170,305	340,610
Selling Expenses	0	0	0	0
	231,683	384,782	170,305	340,610
Operating Loss	(231,683)	(384,782)	(170,305)	(340,610)
Other Income	0	0	0	0
Exchange Gain	93,213	101,519	923	1,845
	(138,470)	(283,263)	(169,382)	(338,765)
Financial expenses	0	0	459	538
Other charges	60,000	60,000	60,000	60,000
	60,000	60,000	60,459	60,538
Loss before Taxation	(198,470)	(343,263)	(229,841)	(399,303)
Taxation	0	0	0	0
Loss after Taxation	(198,470)	(343,263)	(229,841)	(399,303)
Other comprehensive income	0	0	0	0
Total Comprehensive Loss for the Period	(198,470)	(343,263)	(229,841)	(399,303)
Loss per share	(0.10)	(0.17)	(0.11)	(0.20)

Notes:

- Fateh Sports Wear 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 export of ready-made garments. 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.



RAUF ALAM
Chief Executive



AFTAB ALAM
Director



MUHAMMAD ISMAIL
Chief Financial Officer

Hyderabad: February 22, 2018

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 2003. In the year 2011 the company had started producing and supplying goods to foreign as well as local customers with an aim to secure further orders for commencing the production activities in full swing viably anew. But due to scarce financial resourses the operations were not viable hence the operation are closed from March, 2015. The core reason for discontinuation and incurring losses was 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.

there are accumulated losses amounting to Rs. 326.81 million with negative equity of Rs. 253.31 million and current liabilities of the company exceed its current assets by Rs. 266.72 million. It is stated that the sum due to related parties amounts to Rs. 97.18 million. Further, old foreign debts were fully provided in the year 2013 consequent 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 appellant till further direction of this Appellate Board. Thus the amount provided towards foreign trade debtors would be reversed by Rs. 294.3 million making the negative equity to positive figure. Further with the reversal of provision for foreign trade debts, the working capital would become positive;

the financial ratios are advers and.

'the company is unable to settle its outside debts.

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 2.650 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 operations after receipt of stuck up funds from Russia;
- 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.



RAUF ALAM
Chief Executive



AFTAB 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		
Loss before taxation	(343,263)	(399,303)
Depreciation	306,197	340,610
Exchange gain	(101,519)	(1,845)
	204,678	338,765
Operating loss before working capital changes	(138,585)	(60,538)
(Increase) / Decrease in current assets		
Trade debtors	(101,519)	(1,845)
Other receivables	0	0
(Decrease) / Increase in current liabilities		
Trade and other payables	51,473	(747,314)
	(50,046)	(749,159)
Cash (used in) from operations	(188,631)	(809,697)
Taxes paid	(3,200)	(300)
Exchange gain	101,519	1,845
	98,319	1,545
Net Cash flow from Operating activities	(90,312)	(808,152)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	0	0
	0	0
C. CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings	90,312	811,000
	90,312	811,000
Net Increase/(Decrease) in cash and cash equivalents	0	2,848
Cash and cash equivalent at the beginning of the period	72,596	211,173
Cash and cash equivalent at the end of the period	72,596	214,021



RAUF ALAM

Chief Executive



AFTAB 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	General Reserve	Accumulated (Loss)	Total
Balance as on July 1, 2016	20,000,000	53,500,000	(325,219,384)	(251,719,384)
Loss for the half year ended December 31, 2016	0	0	(399,303)	(399,303)
Balance as on December 31, 2016	20,000,000	53,500,000	(325,618,687)	(252,118,687)
Balance as on July 1, 2017	20,000,000	53,500,000	(326,466,445)	(252,966,445)
Loss for the half year ended December 31, 2017	0	0	(343,263)	(343,263)
Balance as on December 31, 2017	20,000,000	53,500,000	(326,809,708)	(253,309,708)



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Chief Financial Officer

Hyderabad: February 22, 2018