



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

ORDER	
Name of Company	M/s. Fateh Industries Limited
Show Cause Notice No. & Date:	No. CSD/ARN/458/2017-655 dated July 18, 2025
Name(s) of Noticee(s):	(i) Mr. Aftab Alam, Chairman/Director; (ii) Mr. Saeed Alam, Chief Executive Officer /Director; (iii) Mr. Rauf Alam, Director; (iv) Mr. Faraz Alam, Director; (v) Mr. Ashhar Alam, Director; (vi) Mr. Jamal Alam, Director; (vii) Mrs. Seema Rauf, Director; (viii) Mr. Muhammad Ismail, Chief Financial Officer; and (ix) M/s. Fateh Industries Limited
Date(s) of Hearing(s):	August 19, 2025
Case represented by:	Mr. Saeed Alam, CEO/Director; (As Authorized Representative)
Provision of law involved:	Section 510 of the Companies Act, 2017 read with SRO 633(I)/2014 dated July 10, 2014
Date of Order:	September 05, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “**Commission**”) through the Show Cause Notice No. CSD/ARN/458/2017-655 dated July 18, 2025 (“**SCN**”) against M/s. Fateh Industries Limited (the “**Company**”) and its Board of Directors (“**BoD**”), including the Chief Executive Officer (“**CEO**”), hereinafter collectively referred to as the “**Noticee(s)**”, issued under Section 510 of the Companies Act, 2017 (the “**Act**”) read with SRO 633(I)/2014 dated July 10, 2014.

2. The Securities and Exchange Commission of Pakistan (the “**Commission**”), vide SRO 633(I)/2014 dated July 10, 2014 (the “**SRO**”), directed listed companies to follow the International Accounting Standards (the “**IAS**”) and International Financial Reporting Standards (the “**IFRS**”) issued by the International Accounting Standards Board for the preparation of the balance sheet and profit and loss account or income and expenditure account. IAS 36, ‘*Impairment of Assets*’, sets out the procedure that companies must follow to ensure that their assets are not carried at more than their recoverable amount. Furthermore, para 9 of IAS 36 requires companies to assess at the end of reporting date whether there is any indication of impairment. Furthermore, para 30 of IAS 16, ‘*Property, Plant and Equipment*’, (PPE) also requires that after recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

3. The brief facts of the case are that as per the review of Annual Report/Annual Audited Financial Statements for the year ended June 30, 2024 of the Company (the “**Accounts**”), it was revealed that the statutory auditors M/s. Clarkson Hyde Saud Ansari., Chartered Accountants raised the following basis for their qualified audit report:

*“The carrying value of property plant and equipment as of the reporting date is Rs 10,931,187. As stated in Note no. 1 of the financial statements, the operations of the company have been closed since the year 2000 therefore there is an indication that items of property plant and equipment may have been impaired. The company has not carried out an exercise to assess their fair value, we are therefore unable to obtain sufficient appropriate evidence about the*

*Handwritten signature and date: 05-09-2025*

carrying amount of property plant and equipment, and to determine if impairment loss, if any is to be recognized.”

4. In order to probe the matter, the Commission vide letter dated January 07, 2025 sought clarification/explanation from the Company with regards to the aforementioned auditor's qualification on the Accounts. The Company in its response vide letter dated February 01, 2025 *inter alia*, stated that:

*“We acknowledge the observation made by the auditor regarding the impairment of the company's Property Plant & Equipment due to the company's operations have been closed since 2000. We understand that, as per IAS 36 and IAS 16, there is a requirement to assess impairment at the end of each reporting period, regardless of whether the assets are carried under the cost or fair value model. In this regard we inform you that the company's machinery is approximately four decades old, and depreciation has also been charged. Management is responsible as custodian for safeguarding the assets and assessed the conditions of all fixed assets on each reporting date. According to management's assessment there was no impairment loss arrived on the basis of physical conditions of the assets, foreign exchange rates and determined the present values of the assets was higher than its book value. In response to your request for supporting evidence, we will initiate a more formal review process to assess any impairment and ensure full compliance with IAS 36 and IAS 16 in future.”*

5. The aforementioned reply of the Company was not found cogent as the recording of the carrying value of the assets in the instant matter is, *prima facie*, contrary to the requirements of IAS 36 and IAS 16 which attracts penal action in terms of sub-section (2) of Section 510 of the Act which provides that any person, who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars or notifications, given under this section shall be liable to a penalty of level 3 on the standard scale.

6. Accordingly, SCN was served upon the Noticee(s), requiring them to show the cause as to why penal action may not be taken against them for the aforementioned contravention of the law. In response to the SCN, the Company submitted response vide letter dated July 30, 2025 which *inter alia* stated as follows:

*“The observation made by the auditor in respect of the impairment of the company's Property Plant & Equipment due to the company's operations have been closed since 2000, we understand that, as per IAS 36 and IAS 16, there is a requirement to assess impairment at the end of each reporting period, regardless of whether the assets are carried under the cost or fair value model.*

*In this regard we inform you that the company's machinery is approximately four decades old, and depreciation has also been charged. Management is responsible as custodian for safeguarding the assets and assessed the conditions of all fixed assets on each reporting date. According to management's assessment there was no impairment loss arrived on the basis of physical conditions of the assets, foreign exchange rates and determined the present values of the assets was higher than its book value.*

*We would like to notify you that we have revalued the assets of the Company in accordance with the aforementioned obligation, and this will be reflected in the company's upcoming annual accounts.”*

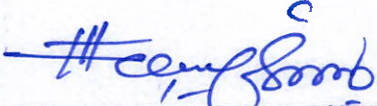
*#Accountant  
1-1-2025  
05-07-2025*

7. In order to provide an opportunity of being heard to the Noticee(s) and to meet the ends of justice, hearing in the instant matter was fixed for August 19, 2025; where Mr. Saeed Alam, CEO/Director, appeared in his personal capacity as well as on behalf of all remaining Noticee(s) as their *Authorized Representative* and reiterated the submissions made vide letter dated July 30, 2025. He further submitted that revaluation of assets as per prior commitment in response to earlier queries by the Commission have been completed and revaluation report dated June 30, 2025 is being submitted for consideration in this case. Moreover, owing to the complete shutdown of operations, management operating with a mere skeleton staff and application for de-listing in process, lenient view was requested. Furthermore, the revaluation has not resulted in any significant impact on the balance sheet and the same shall be represented in the forthcoming accounts for the year ended June 30, 2025. He further assured that the requirements of IAS 36 and IAS 16 will be ensured for compliance in future reporting periods.

8. Subsequent to the hearing, the Authorized Representative, vide email dated August 21, 2025 provided the Evaluation Report of the Company's Assets as a documentary evidence to support the submission made vide letter dated July 30, 2025 of having the assets revalued to be reflected in the Company's forthcoming annual financial statements for the year ended June 30, 2025.

9. I have gone through the relevant provisions of the law and considered the facts of the case along with the available record of the Company as well as written and verbal submissions of the Noticee(s) through their Authorized Representative. I have also perused the relevant paragraphs of IAS 16 and IAS 36 along with the provisions of Section 510(2) of the Act, which stipulates penal provisions for contravention of the afore-referred IASs. It is pertinent to note that the requirements under IAS 16 and IAS 36 are mandatory irrespective of the operational status of a company and must be duly complied with in the preparation of the financial statements to give a true and fair view to the stakeholders, especially the shareholders. Therefore, in exercise of powers conferred under Section 510 of the Companies Act, 2017 and after considering the commitment of the Company to incorporate the revaluation of its assets in the forthcoming annual accounts for the year ended June 30, 2025, I am inclined to conclude the instant proceedings with a WARNING.

10. Furthermore, the Noticee(s) are **advised** to ensure that the results of the revaluation of assets are duly incorporated in the annual accounts for the year ended June 30, 2025 and evidence of such compliance is furnished to the Commission. The Noticee(s) are also advised to remain careful in the future and ensure meticulous compliance with the provisions of law effectively and efficiently.

  
(Sohail Qadri) 05-09-2025  
Director/ Head of Department  
Adjudication Department-I

**Announced:**  
Dated: September 05, 2025  
Islamabad.

