



## **Financial Statements**

For the Half Year Ended

December 31, 2015

**FRONTIER CERAMICS LIMITED**



# FRONTIER CERAMICS LIMITED

Financial statements for the Half year ended December 31, 2015

## CONTENTS

- COMPANY INFORMATION
- VISION AND MISSION STATEMENT
- DIRECTORS' REPORT
- AUDITORS' REPORT TO THE MEMBERS
- BALANCE SHEET
- PROFIT AND LOSS ACCOUNT
- STATEMENT OF COMPREHENSIVE INCOME
- CASH FLOW STATEMENT
- STATEMENT OF CHANGES IN EQUITY
- NOTES TO THE ACCOUNTS

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mrs. Pervez Aslam	Chairperson
Mr. Omer Khalid	Director
Mr. Javaid Khalid	Director
Mr. Zia Khalid	Director
Ms. Numrah Khalid	Director
Ms. Sana Khalid	Director
Mrs. Shazia Khalid	Director

### Audit Committee

Ms. Sana khalid	Chairperson
Ms. Numrah Khalid	Member
Mrs. Shazia Khalid	Member

### Human Resource & Remuneration Committee

Mr. Omer Khalid	Chairman
Mr. Zia Khalid	Member
Mr. Javaid Khalid	Member

### Chief Executive Officer

Mr. Nadeem Khalid

### Chief Financial Officer

Mr. Muhammad Ali

### Company Secretary

Mr. Rehman Khan Sherwani

### Head of Internal Audit

Mr. Wasif Naeem

### Bankers

Bank Alfah Limited  
Bank Alfah Islamic Limited  
Standard Chartered Bank Limited  
Silk Bank Limited  
Faysal Bank Limited  
Allied Bank Limited

### Auditors

M/S BDO Ebrahim & Co Chartered Accountants  
4th Floor, Saeed Plaza, 22 East, Jinnah Avenue,  
Blue Area, Islamabad.

### Legal Advisor

Mr. Ishtiaq Ahmed (Advocate & Legal Consultant)  
Flat No.42, Block C, 2nd Floor, Cantonment Plaza,  
Saddar Road, Peshawar Cantt.

### Registrar and Share Transfer Office

Central Depository Company of Pakistan Ltd  
CDC House, 99-B, Block B, S.M.C.H.S,  
Main Sharah-e-Faisal, Karachi. Ph: 021-111-111-500

### Head Office/Registered Office

29-Industrial Estate, Jamrud Road, Peshawar  
Ph: 091-5891470-79, Fax: 091-5830290

### Lahore Sales Office

VIP Estate, Pearl Plaza, Shahjamaal Morh,  
174-Ferozpur Road, Lahore, Ph. 042-37525277

### Website

[www.forte.com.pk](http://www.forte.com.pk)

## **VISION AND MISSION STATEMENT**

### **VISION STATEMENT**

To become industry leader by instilling ethical and moral values, honest practices according to the Principles of Islam, offering the best innovative, competitive and quality products, ensuring direct benefit for all stake holders.

### **MISSION STATEMENT**

- Deliver un-parallel value to customers by continuous striving and to exceed their expectations.
- Under the guiding principles of Islam, to inculcate the culture of honest practices, ethical and moral values in our employees.
- Special emphasis on workforce, health, safety, environment. Constant motivation of employees by fair benevolence.
- To ensure reasonable growth and profits of the Group, to the shareholders on their investment.
- The Group will assert efforts towards the social development of society and be instrumental in the industrial growth of Pakistan

**FRONTIER CERAMICS LIMITED**  
**DIRECTORS' REPORT TO THE SHAREHOLDERS**

**Dear Shareholders:**

The Board of Directors is pleased to present the un-audited financial statements duly reviewed by our external auditors for the half year ended December 31, 2015

A brief review of the company's performance for the period with the corresponding period of the last year is as under:

- Sales - Net at Rs. 200.196m Higher by 17% vs. previous Rs. 170.791m
- Gross Profit at Rs. 16.824m Lower by 33% vs. previous Gross Profit Rs. 25.281m
- Operating profit at Rs. 6.101m Lower by Rs 51% vs. previous operating profit Rs. 12.435m
- Profit per Share Decrease to Rs. 0.12 vs. previous Profit per share .26

During the period, Company sold 578,438 Sqm vs. 478,147 Sqm, of corresponding period which attributed towards the increase in sales by 17%.

Gross Profit & Operating profit decrease as compared with corresponding period due to massive load shedding of gas and electricity and ultimately consumption of LPG Gas and Coal was increased.

As regards auditor's qualification regarding gratuity, company working are at final stage and implemented in current year.

Also please refer to the Directors' Report for the year ended June 30, 2015 which provides a detailed review of the Company's operations and future strategy.

**Peshawar:**  
**Dated: 03 March, 2016**

  
**Chairperson**



## **INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of **FRONTIER CERAMICS LIMITED** (“the Company”) as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred as the “condensed interim financial information”). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information performed by the Independent Auditor 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 accounted for any provision against staff retirement benefits in terms of gratuity or provident fund or both as per the requirement of sub clause (6) of clause (12) of Schedule to The Industrial & Commercial Employment (Standing Orders) Ordinance, 1968. The estimated value of the liability in term of gratuity amounts to Rs. 23 million as at December 31, 2015.

### **Qualified Conclusion**

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of financial position of the Company as at December 31, 2015 and of its financial performance and its cash flows for the six months period then ended in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



#### **Other matter**

The figures for the quarter ended December 31, 2015 and December 31, 2014 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

#### **Emphasis of matters**

Without further qualifying our conclusion, we draw attention to the following matters:

- a) Note 1.2 to the condensed interim financial information which indicates that the Company's current liabilities exceeded its current assets by Rs. 21.670 million as at December 31, 2015. Moreover, its accumulated loss amounted to Rs. 1.888 million upto June 30, 2015. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.
- b) Note 7 to the condensed interim financial information, which provides details regarding balances due from a related party. Provisions of section 208 of the Companies Ordinance, 1984 have not been complied with in respect of this transaction as of the date of issuance of these condensed interim financial statements.

**ISLAMABAD**

**DATED:** March 03, 2016

*BDO Ebrahim & Co.*  
**BDO EBRAHIM & CO**  
**CHARTERED ACCOUNTANTS**  
Engagement Partner: Iffat Hussain



FRONTIER CERAMICS LIMITED  
CONDENSED INTERIM BALANCE SHEET  
(UN-AUDITED) AS AT DECEMBER 31, 2015

		December 31, 2015 Rupees Un-audited	June 30, 2015 Rupees Audited
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	764,887,658	782,068,942
Capital work in progress		57,241,859	44,499,963
		822,129,517	826,568,905
Long term deposits		1,513,450	1,513,450
		823,642,967	828,082,355
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		56,282,430	39,916,302
Stock in trade		94,997,646	83,846,683
Trade debts		2,019,195	-
Other receivables	7	44,601,611	-
Advances		29,726,948	45,730,864
Tax refunds due from government		17,642,975	2,533,348
Taxation - net		10,543,704	15,208,177
Cash and bank balances		2,707,914	1,352,457
		258,522,423	188,587,831
<b>TOTAL ASSETS</b>		<b>1,082,165,390</b>	<b>1,016,670,186</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	8	378,738,210	378,738,210
Discount on issue of right shares	9	(180,795,726)	(180,795,726)
Accumulated profit / (loss)		13,230,262	(1,887,898)
		211,172,746	196,054,586
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		435,777,324	446,217,112
<b>NON CURRENT LIABILITIES</b>			
Long term financing	10	62,670,707	54,172,707
Deferred taxation		92,351,697	95,796,152
		155,022,404	149,968,859
<b>CURRENT LIABILITIES</b>			
Trade and other payables		269,403,690	218,408,225
Mark up accrued		6,320,107	3,376,688
Short term borrowings	11	4,469,119	2,644,716
		280,192,916	224,429,629
<b>CONTINGENCIES AND COMMITMENTS</b>	12	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,082,165,390</b>	<b>1,016,670,186</b>

The annexed notes from 1 to 17 form an integral part of these financial statements

Statement under section 241(2) of the Companies Ordinance, 1984 :

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



DIRECTOR



DIRECTOR

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER, 2015**

	Half Year Ended December 31,		Quarter Ended December 31,	
	2015	2014	2015	2014
Sales - net	200,196,747	170,791,584	102,120,833	91,991,401
Cost of sales	(183,372,136)	(145,510,263)	(106,790,815)	(78,770,445)
Gross profit/(loss)	16,824,611	25,281,321	(4,669,982)	13,220,956
Distribution cost	(1,836,641)	(2,623,341)	(1,008,767)	(1,630,707)
Administrative expenses	(7,812,388)	(9,818,674)	(4,073,920)	(5,570,905)
Other operating expenses	(1,073,920)	(403,407)	(282,072)	(69,378)
Operating profit/(loss)	6,101,662	12,435,899	(10,034,741)	5,949,966
Other income	725,760	-	362,880	-
Finance cost	(3,307,193)	(1,511,968)	(1,668,333)	(621,372)
Profit/(Loss) before taxation	3,520,229	10,923,931	(11,340,194)	5,328,594
Taxation:				
Current	(2,187,762)	(1,857,068)	423,110	(803,965)
Prior	(98,550)	-	(98,550)	-
Deffered	3,444,455	926,618	(1,108,086)	(98,562)
	1,158,143	(930,450)	(783,526)	(902,527)
Profit/(Loss) after taxation	4,678,372	9,993,481	(12,123,720)	4,426,067
Earnings/ (Loss) per share - basic and diluted	13	0.12	0.26	(0.32)
				0.12

The annexed notes from 1 to 17 form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER, 2015**

Half Year Ended December 31,		Quarter ended December 31,	
2015	2014	2015	2014
----- Rupees -----			

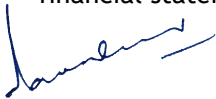
Profit / (loss) after taxation	4,678,372	9,993,481	(12,123,720)	4,426,067
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	4,678,372	9,993,481	(12,123,720)	4,426,067

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in the separate account below equity.

The annexed notes from 1 to 17 form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER, 2015**

Half Year Ended December 31,	
2015	2014
----- Rupees -----	

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	3,520,229	10,923,931
Adjustment for:		
Depreciation	27,161,604	21,139,713
Profit before working capital changes	30,681,833	32,063,644
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(16,366,128)	(12,786,620)
Stock in trade	(11,150,963)	(32,329,027)
Trade debts	(2,019,195)	(685,782)
Other receivables	(44,601,611)	(5,435,553)
Advances	6,023,596	(9,189,160)
	(68,114,301)	(60,426,142)
(Decrease) / increase in current liabilities		
Trade and other payables	50,995,465	(6,416,823)
Short term borrowings	1,824,403	
Accrued markup	2,943,419	250,057
	55,763,287	(6,166,766)
Cash generated from / (used in) operations	18,330,819	(34,529,264)
Taxes paid / adjustment	(12,731,466)	(6,408,596)
Net cash generated from / (used in) operating activities	5,599,353	(40,937,860)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of operating fixed assets	-	(178,906)
Addition to capital work in progress	(12,741,896)	(1,097,947)
Net cash used in investing activities	(12,741,896)	(1,276,853)

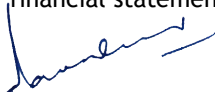
**CASH FLOWS FROM FINANCING ACTIVITIES**

Long term financing - net	8,498,000	9,990,500
Net inflow against right share subscription	-	31,073,822
Net cash generated from financing activities	8,498,000	41,064,322
Net increase / (decrease) in cash and cash equivalents	1,355,457	(1,150,391)
Cash and cash equivalents at the beginning of the period	1,352,457	7,785,780
Cash and cash equivalents at the end of the period	2,707,914	6,635,389

The annexed notes from 1 to 17 form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER, 2015**

	Issued, subscribed and paid up capital	Accumulated losses	Discount on issue of shares	Total
----- Rupees -----				
Balance as at July 01, 2014	77,412,000	(40,887,672)	-	36,524,328
Total comprehensive income for the half year ended December 31, 2014	-	9,993,481	-	9,993,481
Right issue of 30,132,621 Ordinary share of Rs. 10 each at a discount of Rs. 6 per share fully paid in cash	301,326,210	-	(180,795,726)	120,530,484
Transfer from surplus on revaluation of operating fixed assets in respect of incremental depreciation - net of deferred tax	-	10,259,394	-	10,259,394
Balance as at December 31, 2014 (un- audited)	<u>378,738,210</u>	<u>(20,634,797)</u>	<u>(180,795,726)</u>	<u>177,307,687</u>
Balance as at July 01, 2015	378,738,210	(1,887,898)	(180,795,726)	196,054,586
Total comprehensive income for the half year ended December 31, 2015	-	4,678,372	-	4,678,372
Transfer from surplus on revaluation of operating fixed assets in respect of incremental depreciation - net of deferred tax	-	10,439,788	-	10,439,788
Balance as at December 31, 2015 (un- audited)	<u>378,738,210</u>	<u>13,230,262</u>	<u>(180,795,726)</u>	<u>211,172,746</u>

The annexed notes from 1 to 17 form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**

## **FRONTIER CERAMICS LIMITED**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

#### **(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER, 2015**

#### **1 STATUS AND NATURE OF BUSINESS**

- 1.1 Frontier Ceramics Limited ("the Company") was incorporated in July 1982 as a Public Company with its shares quoted on Karachi and Lahore Stock Exchanges of Pakistan. The registered office of the Company is situated in 29-Industrial Estate, Jamrud Road, Peshawar. The principal activities of the company are manufacturing of ceramic tiles, sanitary wares and related ceramic products.
  
- 1.2 The Company's current liabilities exceeded its current assets by Rs. 21.670 million as at December 31,2015.Morover,its accumulated loss amounted to Rs. 1.888 million upto June 30, 2015. Further, the Company is unable to improve its gross profit margin during the current period. These conditions indicate the existence of material uncertainty which casts doubt about the Company's ability to continue as a going concern.

These condensed interim financial statements have been prepared on going concern basis without any adjustments to assets and liabilities. Moreover, the management have plans to increase profitability by introducing new designs and sizes of wall tiles. Further the installation of new plant and its production from December, 2015, the Company is capable of producing different sizes of printed wall tiles as well as the floor tiles. In the opinion of the management future profits shall wipe out the accumulated loss and restore the equity of the Company. Accordingly, the management is confident that they will succeed in their efforts to continue the Company as a going concern.

#### **2 BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

These condensed interim financial statements are unaudited but subject to the limited scope review by auditors and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

This condensed interim financial report of the Company for the six month period ended December 31, 2015 has 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 Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2015.

The comparative balance sheet presented in this condensed interim financial statements has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2015, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity are extracted from the unaudited interim financial statements for the half year ended December 31, 2014.

## **2.2 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount.

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow information.

## **2.3 Functional and presentation currency**

These condensed interim financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## **3 ACCOUNTING POLICIES**

3.1 The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2015.

3.2 The other standards, amendments and interpretations of approved accounting standards that became effective during the period do not have a significant impact on the Company's condensed interim financial information, other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

## **4 TAXATION**

The provision for taxation for the half year and quarter ended December 31, 2015 has been made using the estimated effective tax rate applicable to expected total annual earnings.

## **5 ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2015.

		December 31, 2015 Rupees Unaudited	June 30, 2015 Rupees Audited
<b>6 OPERATING FIXED ASSETS</b>			
Opening written down value (WDV)		782,068,942	540,030,537
Add: Addition during the period (at cost)	6.1	9,980,320	178,906
Add: Transfer from capital work in progress (at cost)	6.2	-	162,962,610
Add: Revaluation surplus		-	128,039,030
		<u>792,049,262</u>	<u>831,211,083</u>
Less: Depreciation charged during the period		(27,161,604)	(49,142,141)
Closing written down value (WDV)		<u>764,887,658</u>	<u>782,068,942</u>
<b>6.1</b>	Detail of additions (at cost) during the period / year are as follows:		
	Plant and machinery - imported	<u>9,980,320</u>	<u>178,906</u>
<b>6.2</b>	Detail of transfer from capital work in progress (at cost) during the period / year are as follows:		
	Building - factory	-	11,321,940
	Plant and machinery - imported	-	149,898,053
	Plant and machinery - local	-	1,742,617
		<u>-</u>	<u>162,962,610</u>
<b>7 OTHER RECEIVABLES</b>			

This represents receivable against fixed assets imported by the Company on behalf of a related party, Rawal Industries (Private) Limited. However, provisions of section 208 of the Companies Ordinance, 1984 have not been complied with in respect of this transaction as of the date of issuance of these condensed interim financial statements.

## 8 SHARE CAPITAL

### 8.1 Authorized share capital

Number of shares				
Dec, 2015	Jun, 2015			
<u>75,000,000</u>	<u>75,000,000</u>	Ordinary shares of Rs. 10 each	<u>750,000,000</u>	<u>750,000,000</u>

### 8.2 Issued, subscribed and paid up capital

Number of shares				
Dec, 2015	Jun, 2015			
<u>37,873,821</u>	<u>37,873,821</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>378,738,210</u>	<u>378,738,210</u>



## 9 DISCOUNT ON ISSUE OF RIGHT SHARES

This represents discount on issue of right shares upon exercising the option given to members in board of directors meeting held on February 18, 2014 to subscribe for the right shares issue which has allotted on August 08, 2014 at a discount of Rs. 6 per share with the entitlement of 389.25% shares against SECP approval vide letter No. EMD/233/584/02 dated February 07, 2014 for the total right issue of 30.133 million shares at Rs. 4 per share (discount of Rs. 6 per share) by way of right issue. All the relevant legal formalities required by the Ordinance has been completed by the Company before issuance of the right shares.

		December 31, 2015 Rupees Unaudited	June 30, 2015 Rupees Audited
	Note		
<b>10 LONG TERM FINANCING</b>			
From associated person - unsecured	10.1	62,670,707	54,172,707

10.1 This represents interest bearing unsecured loan received from Director for working capital of the company. The loan carries mark up at the rate at KIBOR plus 2% per annum.

		December 31, 2015 Rupees Unaudited	June 30, 2015 Rupees Audited
	Note		
<b>11 SHORT TERM BORROWINGS</b>			
Financial institution - secured	11.1	1,910,000	1,910,000
Related parties - unsecured			
- Due to associated company		1,824,403	-
- Due to associated person		734,716	734,716
		<u>4,469,119</u>	<u>2,644,716</u>

11.1 This represents interest bearing loan received from Innovative Investment Bank Limited for working capital on musharika sharing basis in 2003. The loan carries mark up at the rate of 15% per annum.

Loan is secured by way of demand promissory note, registered mortgage on residential property, registered charge on current and fixed assets of the Company.

However, the bank is under liquidation due to its default as per Lahore High Court order of winding up dated May 12, 2013 and two joint liquidators have been appointed for the purpose.

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 CONTINGENCIES

- 12.1.1 Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would be Rs. 519,171.

- 12.1.2 Noman Ghani vs. FCL & others:

This is the recovery suit against the Company. In this suit original claim was of Rs. 1,248,172. Later on, the petitioner submitted another application for amendment of plaint for recovery of Rs. 20 million plus 18% being current bank interest. The application was dismissed and they filled an appeal against the order in the Honourable High Court, Peshawar. The case was remanded back by the High Court to District Civil Judge, Peshawar which dismissed the case on June 03, 2014 and provided the partial relief to Noman Ghani. Now Noman Ghani has again filed an appeal with High Court against the decision of Civil Judge pending receipt / issue of the summon from High Court. The Company has not incorporated the contingency as the management is of the view that the case will be settled in favour of the Company.

- 12.1.3 Mohammad Iqbal vs. FCL:

This is also recovery suit against FCL. Total claim of this suit is Rs. 1.711 million. This suit is also decided in favour of FCL and plaintiff filed appeal before the hon,ble High Court which is pending.

- 12.1.4 Noor Mohammad and two other vs. FCL:

A suit was filed against the unit in the labour court by the above three persons. Total amount involved in the suit is around round about Rs. 4 million.

- 12.1.5 Ali Gohar vs. FCL:

The claim application of Rs. 1.3 million has been filed by applicant in the wages Authority. Evidence from both sides has been completed and now on next date the case will be argued in the light of evidence.

#### 12.1.6 Ijaz Minhas vs. FCL:

This is also claim application and filed before the Wages Authority. The total claim is around Rs. 0.5 million. The Wages Authority condone the time limitation against that order we filed a writ petition which is pending before the High Court.

12.1.7 Guarantee has been issued by Silk Bank Limited on behalf of the Company in the normal course of business in favour of M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 23.166 million (2014: Rs. 20.671 million).

#### 12.1.8 FCL and others against SNGPL:

The Peshawar High Court issued an interim relief stay order on collection of arrear amounts after hearing petitions of the textile mills association and the industrial units which challenged the recovery of the GIDC arrears on gas bills. The cases were earlier referred to the Supreme Court in 2014 for the reversal of GIDC for which the Supreme court dismissed the appeals. The total amount of arrears as at December 31, 2015 is Rs. 60,678,297.

### 12.2 COMMITMENTS

The Company has following commitments:

- in respect of letter of credit		
- against import of raw materials	821,759	8,697,781
- against import of stores and spares	7,045,908	7,885,839
- against import of plant and machinery	214,199	153,063
	<u>8,081,866</u>	<u>16,736,683</u>

13 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

(loss) / Profit after taxation - (Rupees)

Weighted average number of ordinary shares - (Number)

(loss) / Earning per share - basic and diluted (Rupees)

Half Year Ended December 31,		Quarter Ended December 31,	
2015	2014	2015	2014
4,678,372	9,993,481	(12,123,720)	4,426,067
37,873,821	37,873,821	37,873,821	37,873,821
0.12	0.26	(0.32)	0.12

14 TRANSACTION WITH RELATED PARTIES

The related parties and associated undertakings of the Company comprise of group companies, other associate companies, directors and key management personnel. Transactions with related parties and associated undertakings during the period are as follows :

Relation with the Company	Nature of transaction	Half Year Ended December 31,		Quarter Ended December 31,	
		2014	2013	2014	2013
(Rupees)					
Associated company:					
Toyota Rawal Motors (Private) Limited	Sales	-	5,435,553	-	5,435,553
	Interest on short term borrowings	68,530	106,807	40,091	51,478
	Rental for building	289,892	263,538	144,946	161,769
	Utilities	60,000	60,000	30,000	30,000
Rawal Industrial (Private) Ltd	Other receivables	44,601,611	-	44,601,611	-
Associated person	Long term financing	8,498,000	9,990,500	-	9,990,500
Key management personnel:					
Chief Executive Officer	Remuneration and other	2,044,155	1,056,577	1,019,205	567,718
Director	benefits under the terms	347,160	279,974	238,560	115,316
Executive	of their employment	756,700	566,565	370,230	288,678
		3,148,015	1,903,116	1,627,995	971,712

## 15 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The management assessed that the carrying value of cash and short term deposits, trade debts, other receivables trade and other payables and other current liabilities approximate their fair values largely due to the short term maturities of these instruments. Fair value is determined on the basis of objective evidence at each reporting date.

As at December 31, 2015 and June 30, 2015 the Company did not hold any financial instruments carried at fair value except free hold land, buildings and plant and machinery.

The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2015 by independent valuer Empire Enterprises (Private) Limited on the basis of market values of similar properties. The fair value of free hold land, buildings and plant and machinery is a level 3 recurring fair value measurement.

Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	December 31, 2015 Rupees Unaudited	June 30, 2015 Rupees Audited
Free hold land	3,518,245	3,518,245
Factory building	96,844,002	101,941,054
Plant and machinery		
Imported	379,950,507	389,529,849
Local	3,739,705	4,155,227
Electrification	14,745,732	15,123,827
Casting benches	252,089	265,357
Laboratory ware	58,613	65,125
Generators	132,147	146,830
	398,878,792	409,286,215
	<u>499,241,038</u>	<u>514,745,514</u>

**16 DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue on March 03, 2016 by the Board of Directors of the Company.

**17 GENERAL**

Figures have been rounded off to the nearest rupee.

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**