

		<b>2011</b>	<b>2010</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>7</b>	<b>CAPITAL WORK IN PROGRESS</b>		
	Opening balance	51,871,997	-
	Additions during the year	49,400,645	51,871,997
	Closing balance - Plant and machinery	<u>101,272,642</u>	<u>51,871,997</u>

**7.1** This represents import of new plant and machinery for production of floor and wall tiles.

		<b>2011</b>	<b>2010</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>8</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	2,793,319	5,575,461
	Spare parts and loose tools	4,347,114	4,267,579
		<u>7,140,433</u>	<u>9,843,040</u>

**9 STOCK IN TRADE**

Raw material		19,786,286	12,246,146
Work in process		2,302,237	671,557
Finished goods		51,667,632	60,457,237
		<u>73,756,155</u>	<u>73,374,940</u>
Less: Allowance for write down of inventory	9.1	<u>(27,083,637)</u>	-
		<u>46,672,518</u>	<u>73,374,940</u>

**9.1** This represents write down of finished goods inventory to its Net Realizeable Value.

		<b>2011</b>	<b>2010</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>10</b>	<b>TRADE DEBTS</b>		
	Unsecured;		
	Considered good	404,607	6,426,859
	Considered doubtful	1,500,000	1,500,000
		<u>1,904,607</u>	<u>7,926,859</u>
	Less: Provision for doubtful debts	<u>(1,500,000)</u>	<u>(1,500,000)</u>
		<u>404,607</u>	<u>6,426,859</u>

**10.1** Trade debts include an amount of Rs.78,044 (2010 : Rs. 4,078,044) due from Toyota Rawal Motors (Private) Limited, an associated company.

	Note	2011 Rupees	2010 Rupees
<b>11</b>	<b>ADVANCES</b>		
	Unsecured considered good		
	Advances		
	- to suppliers	11.1 2,175,773	4,328,848
	- against expenses	20,276	27,171
	- against salaries	1,178,436	416,493
	- against sales tax liability	-	4,760,039
	- against letter of credit and guarantee	4,159,376	1,266,950
		<u>7,533,861</u>	<u>10,799,501</u>
<b>11.1</b>	<b>Advance to suppliers</b>		
	Considered good	2,175,773	4,328,848
	Considered doubtful	-	389,358
		<u>2,175,773</u>	<u>4,718,206</u>
	Less : Provision for doubtful advances	-	(389,358)
		<u>2,175,773</u>	<u>4,328,848</u>
<b>12</b>	<b>TAXATION - NET</b>		
	Opening balance	2,329,977	1,370,512
	Provision for the year	(3,569,497)	(844,632)
		<u>(1,239,520)</u>	<u>525,880</u>
	Less : Payment / adjustment	2,752,805	1,804,097
		<u>1,513,285</u>	<u>2,329,977</u>
<b>13</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	35,682	625,758
	Cash at banks - current account	3,571,706	797,983
		<u>3,607,388</u>	<u>1,423,741</u>
<b>14</b>	<b>SHARE CAPITAL</b>		
	<b>Issued, subscribed and paid up capital:</b>		
	7,741,200 (2010 : 7,741,200) ordinary shares of Rs.10/- each fully paid in cash	<u>77,412,000</u>	<u>77,412,000</u>

**Authorized share capital:**

This represents 8,000,000 (2010 : 8,000,000) ordinary shares of Rs. 10 each amounting to Rs.80,000,000 (2010 : 80,000,000).

	<b>2011 Rupees</b>	<b>Restated 2010 Rupees</b>
<b>15 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS</b>		
Opening balance - as previously reported	-	205,843,175
Effect of restatement	-	(1,000,580)
Opening balance - restated	550,054,468	204,842,595
 Add: Revaluation during the year	 -	 353,104,564
	550,054,468	557,947,159
Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)	16,046,835	5,130,249
Related deferred tax liability during the year transferred to profit and loss account	8,640,604	2,762,442
	24,687,439	7,892,691
	525,367,029	550,054,468
 Less: Related deferred tax effect :		
Opening balance - as previously reported	152,590,449	-
Effect of restatement	-	65,723,294
Revaluation during the year	-	89,629,597
Less: Incremental depreciation charged during the year transferred to profit and loss account	(8,640,604)	(2,762,442)
	143,949,845	152,590,449
	381,417,184	397,464,019

**15.1** The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2010 by independent valuer M/s Mughal Associates, Valuers & Consulting Engineers on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 353,104,564.

**15.2** Previously freehold land and building was revalued on June 08, 2004 by M/S. M/s Industrial Consultants and Machinery Linkers, independent firm of industrial valuation consultants. The revaluation was based on prevailing market price for free hold land and replacement value for building. At that date, the revaluation resulted in a surplus of Rs. 66,359,632 of these assets.

- 15.3** Previously plant and machinery was revalued on August 25, 1996 by M/S. M/s Global Engineers (Private) Limited, independent firm of industrial valuation consultants. The revaluation was based on depreciated replacement value. At that date, the revaluation resulted in a surplus of Rs. 283,925,776 of these assets.
- 15.4** Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.
- 15.5** Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	<b>2011 Rupees</b>	<b>2010 Rupees</b>
Free hold land	3,518,245	3,518,245
Factory building	41,059,597	43,753,150
Plant and machinery		
Imported	85,948,341	90,878,500
Local	4,315,107	4,910,506
Electrification	5,034,448	5,296,805
Casting benches	159,509	176,864
Laboratory ware	21,794	26,990
Generators	159,509	176,864
	<u>95,638,708</u>	<u>101,466,529</u>
	<u>140,216,550</u>	<u>148,737,924</u>

	<b>Note</b>	<b>2011 Rupees</b>	<b>Restated 2010 Rupees</b>
<b>16 LONG TERM FINANCING</b>			
From financial institutions - secured	16.1	-	150,314,639
From associated person - unsecured	16.2	98,285,130	100,615,130
		<u>98,285,130</u>	<u>250,929,769</u>

	<b>2011</b>	<b>Restated</b>
	<b>Rupees</b>	<b>2010</b>
		<b>Rupees</b>
<b>16.1 Financial institutions - secured</b>		
National Bank of Pakistan	106,041,804	132,859,704
Banker's Equity Limited (U/L)	9,503,263	13,586,743
Habib Bank Limited	1,958,796	3,106,020
National Bank of Pakistan (BEL Syndicate)	1,137,503	2,654,195
Allied Bank Limited	520,810	1,215,238
MCB Bank Limited	646,177	1,507,765
United Bank Limited	1,292,533	2,189,005
Orix Investment Bank Pakistan Limited	7,849,088	10,981,412
NIB Bank Limited	11,100,113	18,264,869
Bank of Khyber	10,264,552	16,616,416
	<u>150,314,639</u>	<u>202,981,367</u>
Less : Current portion	<u>(150,314,639)</u>	<u>(52,666,728)</u>
	<u><u>-</u></u>	<u><u>150,314,639</u></u>

**16.1.1** This represents interest free loan received from 10 financial institutions under settlement agreement and is repayable in 36 equal monthly instalments starting from March 2009. In 2006, the Company approached The State Bank of Pakistan's Committee for Revival of Sick Industrial Units (CRSIU) for restructuring of outstanding liabilities. CRSIU arranged the meeting of all the participant financial institutions in which CRSIU directed all the financial institutions to reduce their respective loans proportionally to the forced sale value of the project of Rs. 168 million, and a settlement agreement was signed on March 05, 2009 between the parties.

**16.1.2** As per agreement in case the Company fails to pay any three consecutive monthly instalment amount, the write off/ waiver to be granted by the financial institutions in accordance with the decision of CRSIU dated August 19, 2006 and under the settlement agreement of certain portions of their principal outstanding amount and whole of the mark up shall become ineffective and stand revoked with Company being liable to immediately pay the total outstanding amount to the financial institutions along with all mark up, profits, compensation, charges, cost and other amounts in the same manner as it would have been if this agreement had not been entered into and a fresh cause of action shall become available to the financial institutions to recover their outstanding amounts along with all mark up etc by exercising, judicial and other legal remedies available to them.

During the year June 30, 2010, the Company has delayed three consecutive installments as per payment terms prescribed in their settlement agreement with financial institutions and continued the payment of the loan installments during the year. As no correspondence has been received by the Company from the financial institutions regarding initiation of any legal proceedings against the Company, the effect of delayed payment has not been incorporated in these financial statements.

**16.1.3** As per agreement the waiver was allowed on complete repayment of outstanding liabilities, however, the amount of waiver was erroneously recognised as income in the financial year ended 2009. This error has been corrected by restating comparative information, the details of which are mentioned in Note 40. Refer to note 22.1.1 which provides details on contingent liability.

**16.1.4** The Company has provided from time to time following securities in favour of the financial institutions to secure its repayment of loans;

**National Bank of Pakistan**

- First charge on project assets ranking Pari Passu with NIB Bank Limited.
- First charge on stocks , book debts and other current assets.
- Hypothecation of stocks
- Pledge of stocks
- Personal guarantees of sponsors

**ORIX Investment Bank Pakistan Limited**

Hypothecation charge on plant, machinery, equipment and other moveable assets of the Company.

**NIB Bank Limited**

- First charge on all the moveable and immovable assets of the Company ranking pari passu with the securities offered to NDFC and BEL Consortium.
- Personal guarantees of directors.

**Bank of Khyber**

Hypothecation of stocks, stores and spares of the Company.

**Other financial institutions**

- Joint charge on the assets of the Company pari passu
- Hypothecation of moveable / receivable
- Personal guarantees of the sponsors

However, in the case of ambiguity / dispute regarding securities / charges against loans / finances, the loan documents already executed in this regard between the parties shall prevail.

**16.1.5** As per settlement agreement for long term financing, it is expressly agreed between the parties that the sponsor shares of the Company totalling Rs. 2,323,965 held by BEL under its pledge shall be released to and transferred by BEL to the new investors after the receipt of payment of total settlement amount to BEL and its consortium members by the Company in accordance with the agreement.

- 16.2** This represents interest free unsecured loan received from a shareholder of the Company, to meet the working capital requirements of the Company. The loan is not repayable before June 30, 2012.

**17 DEFERRED TAXATION**

Deferred tax liabilities/(assets) arising due to taxable temporary differences are as follows:

	<b>2011</b>	<b>Restated</b>
	<b>Rupees</b>	<b>2010</b>
		<b>Rupees</b>
Accelerated depreciation	(20,313,179)	(27,892,318)
Surplus on revaluation of fixed assets	143,949,846	152,590,450
Provision for doubtful debts	-	(525,000)
Provision for doubtful advances	-	(136,275)
	<u>123,636,667</u>	<u>124,036,857</u>
Tax rate used	<u>35%</u>	<u>35%</u>

Deferred tax asset of Rs. 131.346 million (2010 : Rs. 113.788 million) due to turnover tax, brought forward losses and provision for doubtful debts has not been recognised in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount.

	<b>Note</b>	<b>2011</b>	<b>Restated</b>
		<b>Rupees</b>	<b>2010</b>
			<b>Rupees</b>
<b>18 TRADE AND OTHER PAYABLES</b>			
Trade creditors		42,688,607	36,201,673
Accrued liabilities		22,168,878	10,596,727
Advances from customers		76,733,879	87,660,844
Advance rental income		-	144,000
Unclaimed dividend		3,189,224	3,189,224
Old labour dues		5,932,991	-
Sales tax payable		4,379,125	1,299,329
Special excise duty		-	401,315
Withholding tax payable		1,261,046	3,170,845
Payable to provident fund		1,353,600	-
Workers' profit participation fund	18.1	4,011,912	2,603,236
Workers welfare fund		440,139	440,139
Other payables		50,000	877,406
		<u>162,209,401</u>	<u>146,584,738</u>

	<b>2011 Rupees</b>	<b>Restated 2010 Rupees</b>
<b>18.1 Workers profit participation fund</b>		
Opening balance - as previously reported	2,603,236	5,737,908
Effect of restatement	-	(5,027,906)
Opening balance - restated	<u>2,603,236</u>	<u>710,002</u>
Provision for the year	979,142	975,169
Interest for the year	429,534	918,065
	<u><u>4,011,912</u></u>	<u><u>2,603,236</u></u>

	<b>Note</b>	<b>2011 Rupees</b>	<b>2010 Rupees</b>
<b>19 MARK UP ACCRUED</b>			
Mark up on short term borrowing from			
Financial institution		945,932	659,431
Related party		581,294	302,614
		<u>1,527,226</u>	<u>962,045</u>

**20 SHORT TERM BORROWINGS**

Financial institutions - secured	20.1	1,910,000	1,910,000
Related parties - unsecured			
Due to associated company	20.2	<u>1,770,521</u>	<u>1,770,521</u>
		<u><u>3,680,521</u></u>	<u><u>3,680,521</u></u>

**20.1** This represents interest bearing loan received from Innovative Investment Bank Limited (formerly First Crescent Modaraba) for working capital on musharika sharing basis in 2003. The loan carries mark up @ 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.

**20.2** This represents interest bearing unsecured loan received from Toyota Rawal Motors for working capital of the Company. The loan carries mark up @ one year KIBOR plus 2 % per annum.



	Note	2011 Rupees	2010 Rupees
<b>21</b>			
<b>CURRENT PORTION OF LONG TERM FINANCING</b>			
Current portion	16	150,314,639	52,666,728
Over due instalment		21,241,279	19,452,634
		<u>171,555,918</u>	<u>72,119,362</u>

## **22 CONTINGENCIES AND COMMITMENTS**

### **22.1 CONTINGENCIES**

**22.1.1** As per settlement agreement with the creditor banks, no interest has been accounted for subsequent to the settlement agreement relating to long term financing, however, in case of default in repayment of three consecutive instalments the interest may become payable, for which there shall be no entitlement for any remission or waiver. As no event of default has been communicated to the Company the amount is not accurately quantifiable.

**22.1.2** 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 District court. The District Judge dismissed their claim of 20 million and partially allowed the interest. The matter is still pending before the trail 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.

**22.1.3** Mohammad Iqbal vs FCL:

This is also a recovery suit against the company before Civil Judge for Rs.1,711,817. The case is fixed for Company's evidence. The management is of the view that the case will be settled in Company's favour hence no provision has been incorporated in these financial statements.

- 22.1.4** - Imtiaz Pervaiz vs FCL for Rs.18,500  
- Hayat Khan vs FCL for Rs. 195,022  
- Rasool Khan vs FCL for Rs.206,700

These cases are pending before the Wages Authority. The management is of the view that these will be settled in favour of Company on meritorious grounds.

**22.1.5** 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. 11.167 million (2010: Rs. 4.467 million).

## 22.2 COMMITMENTS

The Company has commitments of Rs. 23.164 million ( June 30, 2010 : Nil) and Rs.6.678 million (June 30, 2010 : Rs. 7,047 million) against import of plant & machinery and raw material respectively, in respect of outstanding letter of credits.

	Note	2011 Rupees	2010 Rupees
<b>23 SALES</b>			
Gross sales		361,572,149	190,379,697
Less : Sales tax		28,325,929	21,453,361
		<u>333,246,220</u>	<u>168,926,336</u>
<b>24 COST OF SALES</b>			
Raw material consumed		62,849,275	54,648,337
Stores, spares and loose tools consumed		46,869,421	15,199,400
Gas and electricity		71,288,790	52,242,748
Salaries , wages and other benefits		20,899,852	16,136,500
Travelling and conveyance		1,178,270	1,120,200
Repairs and maintenance		311,188	1,207,267
Depreciation	6.1	32,109,651	13,689,326
Generator rent		887,500	-
Miscellaneous		101,682	-
		<u>236,495,629</u>	<u>154,243,778</u>
Work in process			
Opening		671,557	419,661
Closing		(2,302,237)	(671,557)
		<u>(1,630,680)</u>	<u>(251,896)</u>
Finished goods			
Opening		60,457,237	51,836,187
Closing		(51,667,632)	(60,457,237)
		<u>8,789,605</u>	<u>(8,621,050)</u>
		<u>243,654,554</u>	<u>145,370,832</u>
<b>24.1 Raw material consumed</b>			
Opening balance		12,246,146	15,405,737
Add : Purchases		70,389,415	51,488,746
Less : Closing stock		(19,786,286)	(12,246,146)
		<u>62,849,275</u>	<u>54,648,337</u>

	Note	2011 Rupees	2010 Rupees
<b>24.2</b>			
<b>Stores, spares and loose tools consumed</b>			
Opening balance		9,843,040	3,890,296
Add : Purchases		44,166,814	21,152,144
		<u>54,009,854</u>	<u>25,042,440</u>
Less : Closing stock		(7,140,433)	(9,843,040)
		<u>46,869,421</u>	<u>15,199,400</u>
<b>25</b>			
<b>DISTRIBUTION COST</b>			
Salaries, allowances and benefits		3,269,202	3,125,853
Traveling and conveyance		5,838	44,993
Depreciation	6.1	123,989	124,448
Rent expense		155,230	156,250
Miscellaneous		3,900	-
		<u>3,558,159</u>	<u>3,451,544</u>
<b>26</b>			
<b>ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		2,034,000	2,205,000
Salaries, allowances and benefits		6,314,211	4,932,282
Rent, rates and taxes		453,818	200,015
Utilities		120,000	-
Printing and stationery		317,167	221,204
Communication		278,673	229,849
Fee and subscription		210,185	169,280
Travelling and conveyance		76,933	277,956
Repair and maintenance		179,255	114,476
Vehicle running and maintenance		35,438	7,264
Charity and donation		-	38,850
Vehicle rental		795,783	-
Additional sales tax	26.1	18,092,404	-
Depreciation	6.1	123,989	124,448
Old labour dues	26.2	6,900,650	-
Entertainment		806,104	-
Miscellaneous		52,334	451,780
		<u>36,790,944</u>	<u>8,972,404</u>

**26.1** This represents provision recorded against sales tax short paid in year 1996-97. The case was decided against the Company by Inland Revenue Appellate Tribunal and a provision has been accounted for in current year.

**26.2** This represents labor dues of old employees which relates to years prior to acquisition by current management of the Company. The dues are recorded in current year due to claims lodged against Company by workmen and on receipt of notification from SECP.

	Note	2011 Rupees	2010 Rupees
<b>27 OTHER OPERATING EXPENSES</b>			
Workers profit participation fund		979,142	975,169
Workers welfare fund		-	362,775
Legal and professional charges		866,750	728,238
Auditors' remuneration	27.1	351,000	375,000
Allowance for write down of inventory	9.1	27,083,637	-
		<u>29,280,529</u>	<u>2,441,182</u>

**27.1 Auditors' remuneration**

Audit fee		250,000	250,000
Review of half year financial statements		75,000	75,000
Out of pocket expenses		26,000	50,000
		<u>351,000</u>	<u>375,000</u>

**28 FINANCIAL COST**

Mark up/interest on:

Short term borrowings			
- From financial institutions		286,501	286,501
- From related party		278,680	12,993
Workers' profit participation fund		429,534	918,065
Short term running finance	28.1	69,298	-
Bank charges		358,641	205,389
		<u>1,422,654</u>	<u>1,422,948</u>

**28.1** During the year, Company obtained running finance facility amounting to Rs. 45 million to meet the working capital requirements from Silk Bank Limited. Company availed the facility partially and amount was totally repaid to the bank during the year. The facility was valid up to March 31, 2011 and was not renewed by the parties. At the year end the Company has no running finance facility. The mark up was charged @ 2.5% over the highest deposit rate, serviced on quarterly basis.

	Note	2011 Rupees	2010 Rupees
<b>29 OTHER OPERATING INCOME</b>			
Rental income		-	1,262,400
Balances written off	29.1	-	9,246,141
		-	10,508,541

**29.1 Balances written off**

**Credit balances written off**

Payables	-	8,395,048
Security deposits	-	1,400,000
Provision for doubtful debts	-	1,500,000
	-	11,295,048

**Debit balances written off**

Advances	-	543,940
Long term security deposits	-	70,000
Provision for advances	-	389,358
Others	-	1,045,609
	-	2,048,907
	-	9,246,141

**29.1.1** As the management acquired the Company as sick industrial unit, most of the details of the outstanding balances remained untraceable after acquisition and therefore these balances were written off in the year 2010. Provision for the doubtful debts have been reversed by the management due to reduction in outstanding balance of debtors at year end.

	Note	2011 Rupees	Restated 2010 Rupees
<b>30 TAXATION</b>			
Provision for taxation			
Current	30.1	3,478,257	844,632
Prior year		91,240	-
		3,569,497	844,632
Deferred		(400,190)	8,604,987
		3,169,307	9,449,619

**30.1** In view of tax loss for the year, provision for current year represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

**30.2** Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared as the Company was subject to minimum tax in the current and prior year.

	<b>2011</b>	<b>Restated</b>
	<b>Rupees</b>	<b>2010</b>
		<b>Rupees</b>

**31 EARNINGS PER SHARE - BASIC AND DILUTED**

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

Profit after taxation	<u>15,370,072</u>	<u>8,326,348</u>
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**Number of shares**

Weighted average number of ordinary shares	<u>7,741,200</u>	<u>7,741,200</u>
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**Rupees**

Earnings per share - basic and diluted	<u>1.99</u>	<u>1.08</u>
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