



Financial Statements

For the Half Year Ended

December 31, 2016

FRONTIER CERAMICS LIMITED

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 Alfiah Limited
Bank Alfiah 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, Shahjamal Morh,
174-Ferozpur Road, Lahore, Ph. 042-37525277

Website

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-paralleled 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, 2016

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. 178.603m Lower by 12.09% vs. previous Rs. 200.196m
- Gross Profit at Rs. 15.727m Lower by 6.98% vs. previous Gross Profit Rs. 16.824m
- Operating profit at Rs. 3.995m Lower by Rs 52.70% vs. previous operating profit Rs. 6.102m
- Profit per Share Decrease to Rs. 0.03 vs. previous Profit per share .12

During the period, Company sold 468,281 Sqm vs. 578,438 Sqm, of corresponding period which attributed towards the decrease in sales by 12.09%.

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

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

Also please refer to the Directors' Report for the year ended June 30, 2016 which provides a detailed review of the Company's operations and future strategy.

The Board of Directors recognizes the contribution of all the staff members in achieving the company's objectives. We also appreciate the continuous support of our valued dealers, customers, banks and stakeholders.

On behalf of the Board



Chairperson

Peshawar:

Dated: February 28, 2017



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, 2016 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. 26.159 million as at December 31, 2016.

Qualified Conclusion

Based on our review, with the exception of the matter 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, 2016 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, 2016 and December 31, 2015 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.

ISLAMABAD

DATED: February 28, 2017

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, 2016

		December 31, 2016 Rupees Un-audited	June 30, 2016 Rupees Audited
	Note		
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	753,041,740	747,351,409
Capital work in progress		107,171,430	97,211,699
Investment property		757,012	776,423
		<u>860,970,182</u>	<u>845,339,531</u>
Long term deposits		2,378,450	1,513,450
Long term advances		<u>6,647,653</u>	<u>6,263,454</u>
		869,996,285	853,116,435
CURRENT ASSETS			
Stores, spares and loose tools		57,491,945	53,077,920
Stock in trade		117,303,228	110,022,394
Advances		32,522,942	43,720,133
Tax refunds due from Government		35,321,429	17,507,681
Other receivables	7	8,876,993	-
Taxation - net		5,892,485	17,813,748
Cash and bank balances	8	<u>4,281,883</u>	<u>1,966,035</u>
		<u>261,690,905</u>	<u>244,107,911</u>
TOTAL ASSETS		<u><u>1,131,687,190</u></u>	<u><u>1,097,224,346</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	9	378,738,210	378,738,210
Discount on issue of right shares	10	(180,795,726)	(180,795,726)
Unappropriated profit		<u>27,668,222</u>	<u>21,854,704</u>
		225,610,706	219,797,188
SURPLUS ON REVALUATION OF FIXED ASSETS		423,626,021	428,144,239
NON CURRENT LIABILITIES			
Long term financing	11	<u>37,500,000</u>	<u>25,625,000</u>
Deferred taxation		86,336,580	87,497,103
Deferred income	12	741,629	-
Liability against assets subject to finance lease	13	<u>5,404,656</u>	<u>-</u>
		129,982,865	113,122,103
CURRENT LIABILITIES			
Trade and other payables		<u>309,027,933</u>	<u>289,600,973</u>
Mark up accrued		9,580,753	8,679,487
Short term borrowings	14	4,469,119	8,524,649
Current portion of deferred income	12	444,977	-
Current portion of liability against assets subject to finance lease		2,464,109	-
Current portion of long term financing	11	<u>26,480,707</u>	<u>29,355,707</u>
		352,467,598	336,160,816
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		<u><u>1,131,687,190</u></u>	<u><u>1,097,224,346</u></u>

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half Year Ended December 31,		Quarter Ended December 31,		
	2016	2015	2016	2015	
Sales - net	178,603,127	200,196,747	90,235,412	102,120,833	
Cost of sales	(162,876,043)	(183,372,136)	(79,425,977)	(106,790,815)	
Gross profit/(loss)	15,727,084	16,824,611	10,809,435	(4,669,982)	
Distribution cost	(2,063,356)	(1,836,641)	(1,097,278)	(1,008,767)	
Administrative expenses	(8,228,598)	(7,812,388)	(4,577,905)	(4,073,920)	
Other operating expenses	(1,439,232)	(1,073,920)	(571,007)	(282,072)	
Operating profit/(loss)	3,995,898	6,101,662	4,563,245	(10,034,741)	
Other income	1,608,721	725,760	(64,483)	362,880	
Finance cost	(3,676,554)	(3,307,193)	(2,597,079)	(1,668,333)	
Profit/(loss) before taxation	1,928,065	3,520,229	1,901,683	(11,340,194)	
Taxation:					
Current	(1,793,289)	(2,286,312)	(909,612)	324,560	
Deffered	1,160,524	3,444,455	(914,238)	(1,108,086)	
	(632,765)	1,158,143	(1,823,850)	(783,526)	
Profit/(loss) after taxation	1,295,300	4,678,372	77,833	(12,123,720)	
Earnings/(loss) per share - basic and diluted	16	0.03	0.12	0.00	(0.32)

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half Year Ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- Rupees -----			
Profit / (loss) after taxation	1,295,300	4,678,372	77,833	(12,123,720)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>1,295,300</u>	<u>4,678,372</u>	<u>77,833</u>	<u>(12,123,720)</u>

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 21 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half Year Ended December 31,	
	2016	2015
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,928,065	3,520,229
Adjustment for:		
Depreciation	26,213,949	27,161,604
Gain on sale of fixed asset	(1,309,931)	-
Profit before working capital changes	26,832,083	30,681,833
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(4,414,025)	(16,366,128)
Stock in trade	(7,280,834)	(11,150,963)
Trade debts	-	(2,019,195)
Other receivables	-	(44,601,611)
Advances	11,197,191	6,023,596
Due from associate undertaking	(8,876,993)	-
	(9,374,661)	(68,114,301)
Increase / (decrease) in current liabilities		
Trade and other payables	19,426,960	50,995,465
Short term borrowings	(4,055,530)	1,824,403
Accrued markup	901,266	2,943,419
	16,272,696	55,763,287
Cash generated from operations	33,730,118	18,330,819
Taxes paid / adjustment	(7,685,774)	(12,731,466)
Net cash generated from operating activities	26,044,344	5,599,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	(39,224,938)	-
Addition to capital work in progress	(9,959,730)	(12,741,896)
Sales proceed from sales of fixed asset	8,650,000	-
Increase in long term advances	(384,199)	-
Increase in long term deposits	(865,000)	-
Net cash used in investing activities	(41,783,867)	(12,741,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	9,000,000	8,498,000
Increase in deferred income	1,186,606	-
Liability against assets subject to finance lease	7,868,765	-
Net cash generated from financing activities	18,055,371	8,498,000
Net increase in cash and cash equivalents	2,315,848	1,355,457
Cash and cash equivalents at the beginning of the period	1,966,035	1,352,457
Cash and cash equivalents at the end of the period	4,281,883	2,707,914

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Issued, subscribed and paid up capital	Unappropri d profit/ (Accumulated losses)	Discount on issue of shares	Total
----- Rupees -----			

Balance as at July 01, 2015 (audited)	378,738,210	(1,887,898)	(180,795,726)	196,054,586
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Total comprehensive income for the half year ended December 31, 2015	-	4,678,372	-	4,678,372
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Transfer from surplus on revaluation of operating fixed assets in respect of incremental depreciation	-	10,439,788	-	10,439,788
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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>
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Balance as at July 01, 2016 (audited)	378,738,210	21,854,704	(180,795,726)	219,797,188
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Total comprehensive income for the half year ended December 31, 2016	-	1,295,300	-	1,295,300
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Transfer from surplus on revaluation of operating fixed assets in respect of incremental depreciation	-	4,518,218	-	4,518,218
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Balance as at December 31, 2016 (un-audited)	<u>378,738,210</u>	<u>27,668,222</u>	<u>(180,795,726)</u>	<u>225,610,706</u>
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The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

FRONTIER CERAMICS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

1 STATUS AND NATURE OF BUSINESS

Frontier Ceramics Limited (the Company) was incorporated in July 1982 as a Public Limited Company with its shares quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited in which Lahore and Islamabad Stock Exchanges have merged). 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is 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, 2016 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.

This condensed interim financial information does 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, 2016 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2016, 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, 2015.

2.2 Basis of measurement

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

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

This condensed interim financial information has 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, 2016.
- 3.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2016. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

4 TAXATION

The provision for taxation for the half year and quarter ended December 31, 2016 has been made using the estimated effective tax rate applicable to expected total annual earnings.

5 ESTIMATES

The preparation of condensed interim financial information 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, 2016.

		December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
	Note		
6 OPERATING FIXED ASSETS			
Opening written down value (WDV)		747,351,409	781,251,654
Add: Addition during the period / year (at cost)	6.1	39,224,938	53,877,858
Add: Transfer from capital work in progress	6.2	-	9,038,760
		<u>786,576,347</u>	<u>844,168,272</u>
Less: Deletion during the period / year		(7,340,069)	(41,179,558)
Less: Depreciation charged during the period / year		<u>(26,194,538)</u>	<u>(55,637,305)</u>
Closing written down value (WDV)		<u><u>753,041,740</u></u>	<u><u>747,351,409</u></u>

6.1 Detail of additions (at cost) during the period / year are as follows:

Plant and machinery - imported	<u>39,224,938</u>	<u>19,080,022</u>
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6.2 Detail of transfer from capital work in progress (at cost) during the period / year are as follows:

Plant and machinery - imported	<u>-</u>	<u>9,038,760</u>
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7 OTHER RECEIVABLES

This represents receivable against expenses incurred by the Company on behalf of a related party, Rawal Industrial Equipment (Private) Limited.

		December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
	Note		
8 CASH AND BANK BALANCES			
Cash in hand		357,390	103,921
Cash at bank - current accounts	8.1	<u>3,924,493</u>	<u>1,862,114</u>
		<u><u>4,281,883</u></u>	<u><u>1,966,035</u></u>

8.1 This includes temporary credit balance of Rs. 900 (June 30, 2016: Rs. 743) which occurred due to outstanding cheques at year end, issued in anticipation of deposits. Subsequent to the year end this amount has been fully adjusted.

			December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited						
9	SHARE CAPITAL	Note								
9.1	Authorized share capital									
	<table><tr><th colspan="2">Number of shares</th></tr><tr><th>Dec, 2016</th><th>Jun, 2016</th></tr><tr><td>75,000,000</td><td>75,000,000</td></tr></table>	Number of shares		Dec, 2016	Jun, 2016	75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000,000	750,000,000
Number of shares										
Dec, 2016	Jun, 2016									
75,000,000	75,000,000									

9.2 Issued, subscribed and paid up capital

Number of shares				
Dec, 2016	Jun, 2016			
37,873,821	37,873,821	Ordinary shares of Rs. 10 each fully paid in cash	378,738,210	378,738,210

10 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, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
11	LONG TERM FINANCING	Note	
	From associated person - unsecured	11.1	13,980,707
	From Musharaka finance facility-secured	11.1	50,000,000
			63,980,707
	Less: Current portion		(26,480,707)
			37,500,000
			25,625,000

- 11.1 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.

- 11.2 This represents Diminishing Musharaka facility obtained of Rs. 50 million (June 30, 2016: Rs. 41 million) from Silk Bank Limited. The facility carries mark up at the rate at three month KIBOR plus 3% per annum to be reset on quarterly basis. Repayment shall be made in eight equal quarterly installments commencing after the grace period of one year starting from August 2016.

12 DEFERRED INCOME

This represents gain on sale and lease back of plant and machinery. The gain will be amortized over the period of lease (3 years).

	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
13 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Secured - financial institutions		
Opening balance	-	-
Lease obtained during the period/year	8,650,000	-
Payments during the period/year	(781,235)	-
	<u>7,868,765</u>	<u>-</u>
Less: Current portion shown under current liabilities	(2,464,109)	-
	<u><u>5,404,656</u></u>	<u><u>-</u></u>

	Half year ended Dec 31, 2016		Year ended June 30, 2016	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	----- Rupees -----			
Within one year	2,971,175	2,464,109	-	-
Later than one year but not later than five years	5,816,960	5,404,656	-	-
	<u>8,788,135</u>	<u>7,868,765</u>	<u>-</u>	<u>-</u>
Less:				
Finance charges not yet due	(919,370)	-	-	-
	<u>7,868,765</u>	<u>7,868,765</u>	<u>-</u>	<u>-</u>
Current maturity	(2,464,109)			
	<u><u>5,404,656</u></u>	<u><u>7,868,765</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

- 13.1 This represents finance lease facility availed by the Company from M/s First Habib Modarba for acquisition of machinery, repayable in 36 equal monthly installments of Rs. 247,598 started from September 09, 2016. The leasing companies have not imposed any financial restrictions on the Company.

		December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
14	SHORT TERM BORROWINGS		
	Financial institution - secured	14.1 1,910,000	1,910,000
	Related parties - unsecured		
	- Due to associated company	1,824,403	5,879,933
	- Due to associated person	734,716	734,716
		<u>4,469,119</u>	<u>8,524,649</u>

- 14.1 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.

15 CONTINGENCIES AND COMMITMENTS

15.1 CONTINGENCIES

- 15.1.1 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. 555,491. During the period the Honourable Supreme Court has struck down the amendments as ultra vires the Constitution. Therefore, based on the decision, the management believes that the Company is not liable to any liability towards WWF.

15.1.2 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 recorded the liability as the management is of the view that the case will be settled in favour of the Company.

15.1.3 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 Honourable High Court which is pending.

15.1.4 Noor Mohammad, Muhammad Farhad and Muhammad A Khan 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. 2.762 million.

15.1.5 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.

15.1.6 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.

15.1.7 Bank Guarantees

Guarantee has been issued by Silk Bank Limited and Bank Al Habib on behalf of the Company in the normal course of business in favour of M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 37.148 million (June 30, 2016: Rs. 37.148 million).

15.1.8 FCL and others against SNGPL:

The Peshawar High Court issued an interim relief stay order on collection of arrears 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 Decmeber 31, 2016 is Rs. 93.128 million (June 30, 2016: Rs. 77.297 million)

15.1.9 Gratuity

The Securities and Exchange Commission of Pakistan vide letter No. EMD/233/584/2002-1846 dated June 9, 2015, required explanation from the Company for non-provisioning of gratuity.

Moreover, Securities and Exchange Commission of Pakistan vide letter No. EMD/233/584/2002-411 dated November 30, 2015, required the Company to remove auditor's qualification within 30 days of notice as per the provision of Section 472 of Companies Ordinance, 1984. The management in their response vide letter Ref. FCL/234/872/2016 dated December 30, 2015 replied that the redemption process was completed on 5th day of November 2015 and now the Company will start gratuity working for compliance with the Industrial & Commercial Employment (Standing Orders) Ordinance 1968 and removal of auditor's qualification.

The estimated value of this liability in term of gratuity not accounted for to date amounts to approximately Rs. 26.159 million as at December 31, 2016. The Company may be liable to any penal action for non compliance of the above statutory requirements till date.

	December 31, 2016 Rupees Note Unaudited	June 30, 2016 Rupees Audited
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15.2 COMMITMENTS

The Company has following commitments:

- in respect of letter of credit		
- against import of raw materials	301,770	8,008,939
- against import of stores and spares	6,715,551	7,175,010
- against import of plant and machinery	437,595	253,763
	<u>7,454,916</u>	<u>15,437,712</u>

16 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

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

	Half Year Ended December 31,		Quarter Ended December 31,	
	2016	2015	2016	2015
Profit/(loss) after taxation - <i>(Rupees)</i>	1,295,300	4,678,372	77,833	(12,123,720)
Weighted average number of ordinary shares - <i>(Number)</i>	37,873,821	37,873,821	37,873,821	37,873,821
Earning/(loss) per share - basic and diluted <i>(Rupees)</i>	0.03	0.12	0.00	(0.32)

17 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		Quarter Ended	
		December 31,		December 31,	
		2016	2015	2016	2015
		(Rupees)			
Associated companies:					
Toyota Rawal Motors (Private) Limited	Short term borrowing-closing balance	1,824,403	1,824,403	1,824,403	1,824,403
	Interest on short term borrowings	77,043	68,530	38,338	40,091
	Rental for building	318,882	289,842	159,441	144,946
	Utilities	60,000	60,000	30,000	30,000
Rawal Industrial Equipment (Private) Limited	Other receivables	8,876,993	44,601,611	8,876,993	44,601,611
	Interest on short term borrowings	108,021	-	40,598	-
	Short term loan repaid	4,055,530	-	2,018,060	-
	Payment of markup	204,947	-	204,947	-
	Short term advances	8,876,993	-	8,876,993	-
Associated person	Long term financing	-	8,498,000	-	-
	Markup on long term loan	590,398	-	297,418	-
Key management personnel: Remuneration and other benefits		2,604,742	3,148,015	1,686,962	1,627,995

17.1 Balance receivable/payable to related parties are disclosed in respective notes.

18 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2016.

19 FAIR VALUE MEASUREMENT

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- 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.

Transfers during the period

During the six month period to December 31, 2016, there were no transfers into or out of Level 3 fair value measurements. There were no transfers between levels 2 and 3 for recurring fair value measurements during the period.

As at December 31, 2016 and June 30, 2016 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 and buildings is a level 2 and plant and of machinery is a level 3 recurring fair value measurement, respectively.

Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
Opening balance (level 3 recurring fair values)	405,440,050	430,195,139
Additions - Cost	39,224,938	28,118,782
Disposal	(7,340,069)	(8,812,791)
Depreciation charge	(20,912,807)	(44,061,080)
Closing balance (level 3 recurring fair values)	<u>416,412,112</u>	<u>405,440,050</u>

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

	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
Free hold land	3,518,245	3,518,245
Factory building	87,159,602	91,746,949
Plant and machinery		
Imported	359,451,794	367,952,256
Local	2,991,764	3,324,182
Electrification	14,008,445	14,367,636
Casting benches	226,880	238,821
Laboratory ware	46,890	52,100
Generators	105,718	117,464
	<u>376,831,491</u>	<u>386,052,459</u>
	<u>467,509,338</u>	<u>481,317,653</u>

20 DATE OF AUTHORIZATION

These condensed interim financial information were authorised for issue on February 28, 2017 by the Board of Directors of the Company.

21 GENERAL

Figures have been rounded off to the nearest rupee.



CHIEF EXECUTIVE



DIRECTOR