



Financial Statements

For the Half Year Ended

December 31, 2017

FRONTIER CERAMICS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|--------------------|------------------------------------|
| Mrs. Pervez Aslam | Independent Director & Chairperson |
| Mr. Omer Khalid | Non-Executive Director |
| Mr. Javid Khalid | Non-Executive Director |
| Mr. Zia Khalid | Executive Director |
| Ms. Numrah Khalid | Non-Executive Director |
| Mrs. Sana Khalid | Non-Executive Director |
| Mrs. Shazia Khalid | Non-Executive Director |

Audit Committee

| | |
|--------------------|-------------|
| Mrs. Sana Khalid | Chairperson |
| Ms. Numrah Khalid | Member |
| Mrs. Shazia Khalid | Member |

Human Resource & Remuneration Committee

| | |
|------------------|-------------|
| Mr. Omer Khalid | Chairperson |
| Mr. Zia Khalid | Member |
| Mr. Javid Khalid | Member |

Chief Executive Officer

Mr. Nadeem Khalid

Chief Financial Officer

Mr. Muhammad Ali
muhammad.ali@forte.com.pk

Company Secretary

Mr. Azhar Mehmood
azhar.mehmood@forte.com.pk (Appointed on September 11, 2017)

Head of Internal Audit

Mr. Wasif Naeem
wasif.naeem@forte.com.pk

Bankers

Conventional Banks

Allied Bank Limited
Bank Al Habib Limited
Bank Alflah Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Silk Bank Limited
Standard Chartered Bank Limited
United Bank Limited

Islamic Banks

Bank Al Habib Islamic Limited
Bank Alflah Islamic Limited
Silk Emaan Islamic Bank Limited
UBL Ameen 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

or scan QR code



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; and
- The Group will assert efforts towards the social

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, 2017

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. 320.43m Higher by 79.41% vs. previous Rs. 178.60m
- Gross Profit at Rs. 68.44m Higher by 335.15% vs. previous Gross Profit Rs. 15.727m
- Operating profit at Rs. 54.93m Higher by Rs 1274.60% vs. previous operating profit Rs. 3.995m
- Profit per Share Increase to Rs. 1.24 vs. previous Profit per share 0.03

During the period, Company sold 884,970 Sqm tiles vs. 468,281 Sqm tiles, of corresponding period which attributed towards the increase in sales by 88.98%.

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, 2017 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.



Nadeem Khalid
Chief Executive Officer

Dated: February 28, 2018
Peshawar:

On behalf of the Board



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, 2017 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 Standards 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 enquiries, 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. 27.124 million as at December 31, 2017.

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, 2017 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, 2017 and December 31, 2016 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, 2018

Bdo Iffat Hussain & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Iffat Hussain

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2017

| | | December 31, 2017 Rupees Un-audited | June 30, 2017 Rupees Audited |
|--|-------------|--|---|
| | Note | | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 6 | 710,444,496 | 733,648,082 |
| Capital work in progress | | 147,311,229 | 107,682,003 |
| Investment property | | 719,162 | 737,602 |
| | | <u>858,474,887</u> | <u>842,067,687</u> |
| Long term deposits | | 2,378,450 | 2,378,450 |
| Long term advances | | 6,233,919 | 6,857,655 |
| | | <u>867,087,256</u> | <u>851,303,792</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 47,010,730 | 46,221,888 |
| Stock in trade | | 89,955,554 | 87,990,223 |
| Advances | | 49,697,325 | 53,163,774 |
| Tax refunds due from Government | | 47,725,755 | 35,321,429 |
| Taxation - net | | 970,716 | 12,074,405 |
| Cash and bank balances | 7 | 10,587,493 | 3,317,034 |
| | | <u>245,947,573</u> | <u>238,088,753</u> |
| TOTAL ASSETS | | <u><u>1,113,034,829</u></u> | <u><u>1,089,392,545</u></u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 8 | 378,738,210 | 378,738,210 |
| Discount on issue of right shares | 9 | (180,795,726) | (180,795,726) |
| Unappropriated profit | | 104,964,934 | 45,634,430 |
| | | <u>302,907,418</u> | <u>243,576,914</u> |
| SURPLUS ON REVALUATION OF FIXED ASSETS | | 403,171,797 | 411,880,404 |
| NON CURRENT LIABILITIES | | | |
| Long term financing | 10 | 20,125,000 | 38,280,707 |
| Deferred taxation | | 73,609,650 | 80,745,186 |
| Deferred income | | 473,083 | 946,139 |
| Liability against assets subject to finance lease | 11 | 2,749,069 | 4,101,702 |
| | | <u>96,956,802</u> | <u>124,073,734</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 257,477,507 | 270,324,978 |
| Mark up accrued | | 10,782,168 | 10,458,742 |
| Short term borrowings | 12 | 17,029,216 | 2,644,716 |
| Current portion of deferred income | | 315,379 | - |
| Current portion of liability against assets subject to finance lease | 11 | 2,738,836 | 2,558,057 |
| Current portion of long term financing | 10 | 21,655,707 | 23,875,000 |
| | | <u>309,998,813</u> | <u>309,861,493</u> |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| TOTAL EQUITY AND LIABILITIES | | <u><u>1,113,034,829</u></u> | <u><u>1,089,392,545</u></u> |

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR DECEMBER 31, 2017

| | Note | Half Year Ended December 31, | | Quarter Ended December 31, | |
|---|------|---------------------------------|---------------|-------------------------------|--------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Sales - net | | 320,429,308 | 178,603,127 | 172,056,282 | 90,235,412 |
| Cost of sales | 14 | (251,993,382) | (162,876,043) | (128,208,451) | (79,425,977) |
| Gross profit | | 68,435,926 | 15,727,084 | 43,847,831 | 10,809,435 |
| Distribution cost | | (2,643,119) | (2,063,356) | (1,391,805) | (1,097,278) |
| Administrative expenses | | (9,757,724) | (8,228,598) | (5,969,702) | (4,577,905) |
| Other operating expenses | | (1,107,412) | (1,439,232) | (399,200) | (571,007) |
| Operating profit | | 54,927,671 | 3,995,898 | 36,087,124 | 4,563,245 |
| Other income | | 883,437 | 1,608,721 | 883,437 | (64,483) |
| Finance cost | | (2,847,164) | (3,676,554) | (1,367,878) | (2,597,079) |
| Profit before taxation | | 52,963,944 | 1,928,065 | 35,602,683 | 1,901,683 |
| Taxation: | | | | | |
| Current | | (9,849,172) | (1,793,289) | (2,290,744) | (909,612) |
| Prior year | | 371,589 | - | - | - |
| Deferred | | 3,403,276 | 1,160,524 | - | (914,238) |
| | | (6,074,307) | (632,765) | (2,290,744) | (1,823,850) |
| Profit after taxation | | 46,889,637 | 1,295,300 | 33,311,939 | 77,833 |
| Earnings per share - basic and diluted | 15 | 1.24 | 0.03 | 0.88 | 0.002 |

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR DECEMBER 31, 2017

| Half Year Ended December 31, | | Quarter ended December 31, | |
|---------------------------------|------|-------------------------------|------|
| 2017 | 2016 | 2017 | 2016 |
| ----- Rupees ----- | | | |

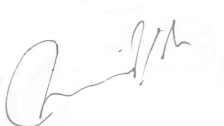
| | | | | |
|---|-------------------|------------------|-------------------|---------------|
| Profit after taxation | 46,889,637 | 1,295,300 | 33,311,939 | 77,833 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | <u>46,889,637</u> | <u>1,295,300</u> | <u>33,311,939</u> | <u>77,833</u> |

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

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| | Half Year Ended December 31, | |
|--|---------------------------------|--------------|
| | 2017 | 2016 |
| | ----- Rupees ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 52,963,944 | 1,928,065 |
| Adjustment for: | | |
| Depreciation | 24,804,415 | 26,213,949 |
| Finance cost | 2,847,164 | - |
| Gain on sale of fixed asset | - | (1,309,931) |
| Profit before working capital changes | 80,615,523 | 26,832,083 |
| Changes in working capital: | | |
| (Increase) / decrease in current assets | | |
| Stores, spares and loose tools | (788,842) | (4,414,025) |
| Stock in trade | (1,965,331) | (7,280,834) |
| Advances | 3,466,449 | 11,197,191 |
| Due from associate undertaking | - | (8,876,993) |
| | 712,276 | (9,374,661) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (12,847,471) | 19,426,960 |
| Short term borrowings | 14,384,500 | (4,055,530) |
| Accrued markup | 219,081 | 901,266 |
| | 1,756,110 | 16,272,696 |
| Cash generated from operations | 83,083,908 | 33,730,118 |
| Taxes paid / adjustment | (10,819,888) | (7,685,774) |
| Finance cost paid | (2,701,151) | - |
| Net cash generated from operating activities | 69,562,869 | 26,044,344 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of operating fixed assets | (1,582,389) | (39,224,938) |
| Addition to capital work in progress | (39,629,226) | (9,959,730) |
| Sales proceed from sales of fixed asset | - | 8,650,000 |
| Increase in long term advances | 623,736 | (384,199) |
| Increase in long term deposits | - | (865,000) |
| Net cash used in investing activities | (40,587,879) | (41,783,867) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term financing - net | (20,375,000) | 9,000,000 |
| Increase in deferred income | (157,677) | 1,186,606 |
| Lease rental paid | (1,171,854) | 7,868,765 |
| Net cash (used in) / generated from financing activities | (21,704,531) | 18,055,371 |
| Net increase in cash and cash equivalents | 7,270,459 | 2,315,848 |
| Cash and cash equivalents at the beginning of the period | 3,317,034 | 1,966,035 |
| Cash and cash equivalents at the end of the period | 10,587,493 | 4,281,883 |

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| Issued, subscribed and paid up capital | Discount on issue of shares | Unappropriated profit | Total |
|---|--------------------------------|--------------------------|-------|
| ----- Rupees ----- | | | |

| | | | | |
|---------------------------------------|-------------|---------------|------------|-------------|
| Balance as at July 01, 2016 (audited) | 378,738,210 | (180,795,726) | 21,854,704 | 219,797,188 |
|---------------------------------------|-------------|---------------|------------|-------------|

| | | | | |
|--|---|---|-----------|-----------|
| Total comprehensive income for the half year ended December 31, 2016 | - | - | 1,295,300 | 1,295,300 |
|--|---|---|-----------|-----------|

| | | | | |
|---|---|---|-----------|-----------|
| Transfer from surplus on revaluation of operating fixed assets in respect of incremental depreciation | - | - | 4,518,218 | 4,518,218 |
|---|---|---|-----------|-----------|

| | | | | |
|--|--------------------|----------------------|-------------------|--------------------|
| Balance as at December 31, 2016 (un-audited) | <u>378,738,210</u> | <u>(180,795,726)</u> | <u>27,668,222</u> | <u>225,610,706</u> |
|--|--------------------|----------------------|-------------------|--------------------|

| | | | | |
|---------------------------------------|-------------|---------------|------------|-------------|
| Balance as at July 01, 2017 (audited) | 378,738,210 | (180,795,726) | 45,634,430 | 243,576,914 |
|---------------------------------------|-------------|---------------|------------|-------------|

| | | | | |
|--|---|---|------------|------------|
| Total comprehensive income for the half year ended December 31, 2017 | - | - | 46,889,637 | 46,889,637 |
|--|---|---|------------|------------|

| | | | | |
|---|---|---|------------|------------|
| Transfer from surplus on revaluation of operating fixed assets in respect of incremental depreciation | | | | |
| - net of deferred tax | - | - | 12,440,867 | 12,440,867 |

| | | | | |
|--|--------------------|----------------------|--------------------|--------------------|
| Balance as at December 31, 2017 (un-audited) | <u>378,738,210</u> | <u>(180,795,726)</u> | <u>104,964,934</u> | <u>302,907,418</u> |
|--|--------------------|----------------------|--------------------|--------------------|

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER CERAMICS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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 . 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 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

This condensed interim financial information of the Company for the half year ended December 31, 2017 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

This condensed interim financial information of the Company have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of Securities and Exchange Commission of Pakistan (SECP) issued vide Circular No. 23 dated October 04, 2017 and subsequently clarified by Institute of Chartered Accountants of Pakistan through their Circular No. 17 dated October 6, 2017.

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, 2017 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the companies financial position and performance since the last annual last financial statements.

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, 2017, 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 condensed interim financial information for the half year ended December 31, 2016.

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, 2017.

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, 2017. 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, 2017 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, 2017.

| | | December 31, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|---|-------------|---|---|
| | Note | | |
| 6 OPERATING FIXED ASSETS | | | |
| Opening written down value (WDV) | | 733,648,082 | 747,351,409 |
| Add: Addition during the period / year (at cost) | 6.1 | 1,582,389 | 47,268,634 |
| | | <u>735,230,471</u> | <u>794,620,043</u> |
| Less: Deletion during the period / year | | - | (7,340,069) |
| Less: Depreciation charged during the period / year | | <u>(24,785,975)</u> | <u>(53,631,892)</u> |
| Closing written down value (WDV) | | <u><u>710,444,496</u></u> | <u><u>733,648,082</u></u> |

| | | December 31, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|-----|--|---|---|
| 6.1 | Detail of additions (at cost) during the period / year are as follows: | | |
| | Computer accessories | 19,250 | 11,500 |
| | Plant and machinery - imported | 1,563,139 | 33,698,134 |
| | Plant and machinery - local | - | 3,909,000 |
| | Generators | - | 2,000,000 |
| | Plant and machinery - leased | - | 7,650,000 |
| | | <u>1,582,389</u> | <u>47,268,634</u> |

7 CASH AND BANK BALANCES

| | | | | |
|--|---------------------------------|-----|-------------------|------------------|
| | Cash in hand | | 146,802 | 120,069 |
| | Cash at bank - current accounts | 7.1 | <u>10,440,691</u> | <u>3,196,965</u> |
| | | | <u>10,587,493</u> | <u>3,317,034</u> |

- 7.1 This includes temporary credit balance of Rs. Nil (June 30, 2017: Rs. 361,763) 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 |
|---|---------------|---|---|
| 8 | SHARE CAPITAL | | |

8.1 Authorized share capital

| Number of shares | | | |
|-------------------|-------------------|-----------------------------------|---------------------------------------|
| Dec, 2017 | Jun, 2017 | | |
| <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, 2017 | Jun, 2017 | | |
| <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, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|---|------|---|---------------------------------------|
| | Note | | |
| 10 LONG TERM FINANCING | | | |
| From associated person - unsecured | 10.1 | 6,280,707 | 15,280,707 |
| From Musharaka finance facility-secured | 10.2 | 35,500,000 | 46,875,000 |
| | | 41,780,707 | 62,155,707 |
| Less: Current portion | | (21,655,707) | (23,875,000) |
| | | <u>20,125,000</u> | <u>38,280,707</u> |

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. The maximum aggregate amount due to director at the end of any month during the period was Rs. 15,280,707 (June 30, 2017: Rs. 15,280,707). It is repayable on demand.

10.2 This represents Diminishing Musharaka facility obtained up to a limit of Rs. 50 million from Silk Bank Limited during the year. 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 May 2016.

11 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | Half year ended Dec 31, 2017 | | Year ended June 30, 2017 | |
|---|------------------------------|---------------|--------------------------|---------------|
| | Minimum lease payments | Present value | Minimum lease payments | Present value |
| | ----- Rupees ----- | | | |
| Within one year | 2,971,176 | 2,738,836 | 2,971,176 | 2,558,057 |
| Later than one year but not later than five years | 2,929,032 | 2,749,070 | 4,331,372 | 4,101,702 |
| | 5,900,208 | 5,487,906 | 7,302,548 | 6,659,759 |
| Less: | | | | |
| Finance charges not yet due | (412,303) | - | (642,789) | - |
| | 5,487,905 | 5,487,906 | 6,659,759 | 6,659,759 |
| Current maturity | (2,738,836) | (2,738,836) | (2,558,057) | (2,558,057) |
| | 2,749,069 | 2,749,069 | 4,101,702 | 4,101,702 |

- 11.1 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, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|---------------------------------|-------------|---|---|
| | Note | | |
| 12 SHORT TERM BORROWINGS | | | |
| Financial institution - secured | 12.1 | 1,910,000 | 1,910,000 |
| Related parties - unsecured | | | |
| - Due to associated companies | 12.2 | 14,384,500 | - |
| - Due to associated person | | 734,716 | 734,716 |
| | | <u>17,029,216</u> | <u>2,644,716</u> |

- 12.1 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.

- 12.2 This represents non-interest bearing unsecured finance received from associated undertakings for working capital of the Company. The maximum aggregate amount due at the end of any month during the period was Rs. 14,384,500 (June 30, 2017: Rs. Nil). The loan is repayable on demand.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 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.

13.1.2 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.

13.1.3 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.

13.1.4 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.

13.1.5 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.

13.1.6 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, 2017: Rs. 37.148 million).

13.1.7 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 Decemeber 31, 2017 is Rs. 93.128 million (June 30, 2017: Rs. 77.297 million)

13.1.8 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. 27.124 million as at December 31, 2017. The Company may be liable to any penal action for non compliance of the above statutory requirements till date.

| | December 31, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|---|---|---|
| 13.2 COMMITMENTS | | |
| The Company has following commitments: | | |
| - in respect of letter of credit | | |
| - against import of raw materials | 89,357 | 18,272,268 |
| - against import of stores and spares | 457,001 | 581,515 |
| - against import of plant and machinery | 9,179,200 | 108,695,035 |
| | <u>9,725,558</u> | <u>127,548,818</u> |
| - in respect of leased asset | - | 5,794,758 |
| | <u>9,725,558</u> | <u>133,343,576</u> |

14 COST OF SALES

| | Note | Half year ended December 31, | | Quarter ended December 31, | |
|---|------|---------------------------------|---------------------|-------------------------------|---------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | Rupees Unaudited | Rupees Unaudited | Rupees Unaudited | Rupees Unaudited |
| Raw material consumed | 14.1 | 54,944,092 | 22,992,890 | 26,465,026 | 14,733,813 |
| Stores, spares and loose tools consumed | 14.2 | 50,386,085 | 25,386,168 | 23,309,942 | 13,371,051 |
| Gas and electricity | | 76,149,402 | 67,887,173 | 32,381,953 | 29,160,054 |
| Depreciation | | 24,628,956 | 26,061,549 | 13,638,963 | 13,880,342 |
| Salaries , wages and other benefits | | 24,073,692 | 16,895,874 | 12,473,049 | 9,412,975 |
| Rent | | 1,472,000 | 956,293 | 736,000 | 220,293 |
| Travelling and conveyance | | 117,887 | 10,550 | 88,753 | 5,100 |
| Repairs and maintenance | | 50,850 | 13,840 | 30,550 | 2,550 |
| Miscellaneous | | 1,213,530 | 101,208 | 516,456 | 45,354 |
| | | <u>233,036,495</u> | <u>160,305,545</u> | <u>109,640,692</u> | <u>80,831,532</u> |
| Work in process | | | | | |
| Opening | | 27,897,141 | 19,917,099 | 13,487,351 | 23,879,948 |
| Closing | | (16,460,968) | (23,093,640) | (6,389,063) | (23,093,640) |
| | | <u>11,436,173</u> | <u>(3,176,541)</u> | <u>7,098,288</u> | <u>786,308</u> |
| Finished goods | | | | | |
| Opening | | 69,948,821 | 87,011,571 | 73,465,934 | 79,072,669 |
| Closing | | (62,428,107) | (81,264,532) | (61,996,463) | (81,264,532) |
| | | <u>7,520,714</u> | <u>5,747,039</u> | <u>11,469,471</u> | <u>(2,191,863)</u> |
| | | <u>251,993,382</u> | <u>162,876,043</u> | <u>128,208,451</u> | <u>79,425,977</u> |
| 14.1 Raw material consumed | | | | | |
| Opening stock | | 29,872,844 | 42,822,306 | 44,167,869 | 50,196,382 |
| Add: Purchases | | 75,866,310 | 32,844,221 | 33,092,219 | 17,211,069 |
| Less: Closing stock | | (50,795,062) | (52,673,637) | (50,795,062) | (52,673,638) |
| | | <u>54,944,092</u> | <u>22,992,890</u> | <u>26,465,026</u> | <u>14,733,813</u> |
| 14.2 Stores, spares and loose tools consumed | | | | | |
| Opening stock | | 45,573,305 | 52,429,337 | 40,200,902 | 56,887,393 |
| Add: Purchases | | 51,144,297 | 29,800,193 | 29,440,544 | 13,327,020 |
| Less: Closing stock | | (46,331,517) | (56,843,362) | (46,331,504) | (56,843,362) |
| | | <u>50,386,085</u> | <u>25,386,168</u> | <u>23,309,942</u> | <u>13,371,051</u> |

15 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 - *(Rupees)*

Weighted average number of ordinary shares - *(Number)*

Earning per share - basic and diluted *(Rupees)*

| Half Year Ended December 31, | | Quarter Ended December 31, | |
|---------------------------------|------------|-------------------------------|------------|
| 2017 | 2016 | 2017 | 2016 |
| 46,889,637 | 1,295,300 | 33,311,939 | 77,833 |
| 37,873,821 | 37,873,821 | 37,873,821 | 37,873,821 |
| 1.24 | 0.03 | 0.88 | 0.002 |

16 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, | |
| | | 2017 | 2016 | 2017 | 2016 |
| | | (Rupees) | | | |
| Associated companies: | | | | | |
| Toyota Rawal Motors (Private) Limited | Short term borrowing-closing balance | - | 1,824,403 | - | 1,824,403 |
| | Interest on short term borrowings | - | 77,043 | - | 38,338 |
| | Rental for building | - | 318,882 | - | 159,441 |
| | Short term borrowing received | 12,183,000 | - | 8,220,000 | - |
| | Short term borrowing repaid | 6,023,500 | - | 3,800,000 | - |
| | Utilities | 60,000 | 60,000 | | 30,000 |
| Rawal Industrial Equipment (Private) | Other receivable | - | 8,876,993 | - | 8,876,993 |
| | Short term borrowing received | 12,800,000 | - | - | |
| | Interest on short term borrowings | - | 108,021 | - | 40,598 |
| | Short term loan repaid | 8,375,000 | 4,055,530 | 4,575,000 | 2,018,060 |
| | Payment of markup | - | 204,947 | - | 204,947 |
| | Short term advances | - | 8,876,993 | - | 8,876,993 |
| Associated person | Long term financing - Loan repaid | 9,000,000 | - | - | - |
| | Markup on long term loan | 220,885 | 590,398 | - | 297,418 |
| Key management personnel | Remuneration and other benefits | 6,011,785 | 2,604,742 | 3,005,893 | 1,686,962 |

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

17 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, 2017.

18 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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : Inputs other than quoted prices included within level 1 that are observable for the asset, either directly that is, derived from prices
- Level 3 : Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs

The management assessed that the carrying value of deposits, advances, cash and bank 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, 2017, 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, 2017 and June 30, 2017 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 M/s Mughal Associates on the basis of market values of similar properties. The fair value of free hold land and buildings is a level 2 and of plant and 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, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|---|---|---|
| Opening balance (level 3 recurring fair values) | 394,626,773 | 405,440,050 |
| Additions - Cost | 1,563,139 | 37,607,134 |
| Disposal | - | (6,340,069) |
| Depreciation charge | <u>(19,615,076)</u> | <u>(42,080,342)</u> |
| Closing balance (level 3 recurring fair values) | <u><u>376,574,836</u></u> | <u><u>394,626,773</u></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, 2017 Rupees Unaudited | June 30, 2017 Rupees Audited |
|---------------------|---|---|
| Free hold land | 3,518,245 | 3,518,245 |
| Factory building | 11,935,930 | 12,564,137 |
| Plant and machinery | <u>175,386,889</u> | <u>182,994,064</u> |
| | <u><u>190,841,064</u></u> | <u><u>199,076,446</u></u> |

19 DATE OF AUTHORIZATION

These condensed interim financial information were authorized for issue on February 28, 2018 by the Board of Directors of the Company.

20 GENERAL

Figures have been rounded off to the nearest rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR



PRINTED MATTER

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