



**FINANCIAL STATEMENT
FOR THE HALF YEAR ENDED
DECEMBER 31, 2015
(UN-AUDITED)**

THE CLIMAX ENGINEERING COMPANY LIMITED

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THE CLIMAX ENGINEERING COMPANY LIMITED

DIRECTOR'S REVIEW

Dear Shareholders,

On behalf of the Board of Directors, the under signed takes pleasure to present before you the Balance Sheet and Profit and Loss of the Company for the Half Year ended 31-12-2015 are presented to the Members in Pursuance of Section 245 of the Companies Ordinance 1984.

During the Half Year ended on 31-12-2015, the Company has achieved Sale of Rs. 18.371million as compared to Rs. 34.291 million for the corresponding period of the last year.

Company's before tax Loss is amounting to Rs. 8.6 million as compared to last year's Rs. 8.624 million.

Main reason of loss is due to lesser sales orders because of recession in the market and also non industrialization due to energy shortage in the country.

The financial and economic condition of the Country is still quite volatile and Electricity and Gas load shedding is also going on. However, we are trying our best to overcome the problems as far as possible under present circumstances prevailing in the country.

The accounting policies, significant judgment made in the application of accounting policies, key sources of estimation, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management policy are the same as those applied in the preparation of the financial statements for the year ended June 30, 2015 except accounting policy of measurement after recognition of certain classes of Property, plant and equipment i.e. land, factory building, residential quaters and plant and machinery. These are now stated on historical cost basis instead of revaluation model with effect from 1st July 2015. Management has changed the accounting policy to avoid non compliance and cost of periodic revaluation. The change in accounting policy has been accounted for retrospectively

We would like to take this opportunity to express our appreciation and gratitude to our valued customers.

For and behalf of the Board

Ch. M.A. Qayyum

Chief Executive



AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of **THE CLIMAX ENGINEERING COMPANY LIMITED** as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this 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. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2015.

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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

EMPHASIS OF MATTER

We draw attention to:

- I. Note # 2.2 to the annexed interim financial information which elaborates the factors due to which the Company is in enormous operating and financial difficulties. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter;
- ii. Note # 6 (ii) to the annexed interim financial information which elaborates the outstanding of an investigation order initiated by the Securities and Exchange Commission of Pakistan (SECP). Our opinion is not qualified in respect of this matter; and
- iii. Note # 3 to the annexed interim financial information which elaborates the changes in accounting policy of measurement after recognition of certain classes of Property, plant and equipment i.e. Land, factory building, residential quarters and plant and machinery and its retrospective application. Our opinion is not qualified in respect of this matter.



THE CLIMAX ENGINEERING COMPANY LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2015

Note	Un-audited	Re-stated	
	December	Audited June	Audited June
	31, 2015	30, 2015	30, 2014
Rupees			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 5,000,000 (June 30, 2015: 5,000,000) ordinary shares of Rs.10/- each	50,000,000	50,000,000	50,000,000
Issued, subscribed and paid up capital 3,312,000 (June 30, 2015: 3,312,000) ordinary shares of Rs.10/- each	33,120,000	33,120,000	33,120,000
Accumulated Profit /(loss)	27,631,542	36,319,559	(14,210,913)
	60,751,542	69,439,559	18,909,087
Surplus on revaluation of fixed assets	4	-	-
NON-CURRENT LIABILITIES			
Due to related parties	62,482,754	62,358,794	62,110,874
Deferred liabilities	18,397,927	20,562,229	29,689,041
	80,880,681	82,921,023	91,799,915
CURRENT LIABILITIES			
Trade and other payables	207,663,581	206,227,562	272,618,522
Provision for taxation	-	-	-
Unclaimed dividend	13,535	13,535	13,535
	207,677,116	206,241,097	272,632,057
CONTINGENCIES AND COMMITMENTS	6	-	-
	349,309,339	358,601,678	383,341,059

The annexed notes form an integral part of this condensed interim financial information.



THE CLIMAX ENGINEERING COMPANY LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2015

Note	Un-audited December 31, 2015	Re-stated		
		Audited June 30, 2015	Audited June 30, 2014	
		Rupees		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	45,066,467	45,228,879	4,622,978
Capital work in progress		4,857,115	4,857,115	4,857,115
Long term security deposits		1,123,500	420,000	420,000
		51,047,082	50,505,994	9,900,093
CURRENT ASSETS				
Stores, spare parts and loose tools		1,502,974	1,500,430	1,532,410
Stocks in trade		139,924,393	142,681,868	148,444,172
Trade debts		113,137,734	119,446,679	177,887,926
Due from related parties		649,154	649,154	649,154
Loans and advances-unsecured		15,246,329	14,306,436	13,636,288
Trade deposits and short term prepayments		74,444	74,444	74,444
Other receivables		23,895,052	23,636,054	24,600,526
Cash and bank balances		3,832,177	5,800,621	6,616,046
		298,262,257	308,095,685	373,440,966
		349,309,339	358,601,679	383,341,059

The annexed notes form an integral part of this condensed interim financial information.



THE CLIMAX ENGINEERING COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

Note	Quarter Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
	Rupees			
		Re-stated		Re-stated
SALES	9,683,384	11,389,457	18,371,536	34,291,301
COST OF GOODS SOLD	<u>(12,120,315)</u>	<u>(11,464,889)</u>	<u>(23,216,027)</u>	<u>(37,287,214)</u>
GROSS PROFIT / (LOSS)	(2,436,931)	(75,432)	(4,844,491)	(2,995,913)
OPERATING EXPENSES				
Administrative and general	(1,421,260)	(2,696,223)	(3,733,928)	(5,512,964)
Distribution and selling cost	(39,500)	(59,000)	(92,500)	(91,500)
	<u>(1,460,760)</u>	<u>(2,755,223)</u>	<u>(3,826,428)</u>	<u>(5,604,464)</u>
OPERATING LOSS	(3,897,692)	(2,830,655)	(8,670,920)	(8,600,377)
FINANCE COST	(7,571)	(9,857)	(17,098)	(24,267)
	<u>(3,905,262)</u>	<u>(2,840,512)</u>	<u>(8,688,017)</u>	<u>(8,624,644)</u>
OTHER INCOME	-	-	-	-
LOSS BEFORE TAXATION	(3,905,262)	(2,840,512)	(8,688,017)	(8,624,644)
TAXATION	-	229,018	-	-
LOSS FOR THE PERIOD	(3,905,262)	<u>(2,611,494)</u>	(8,688,017)	<u>(8,624,644)</u>
LOSS PER SHARE BASIC (IN RUPEES)	(1.18)	(0.79)	(2.62)	(2.60)

The annexed notes form an integral part of this condensed interim financial information.



THE CLIMAX ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Quarter Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	Rupees		Rupees	
		Re-stated		Re-stated
LOSS FOR THE PERIOD	(3,905,262)	(2,611,494)	(8,688,017)	(8,624,644)
OTHER COMPREHENSIVE INCOME				
Remeasurement of defined benefit plans - net of tax	-	-	-	-
Other comprehensive loss for the period - net of tax the period	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(3,905,262)</u>	<u>(2,611,494)</u>	<u>(8,688,017)</u>	<u>(8,624,644)</u>

The annexed notes form an integral part of this condensed interim financial information.



THE CLIMAX ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Issued, subscribed and paid-up capital	Accumulated (Loss) / Profit	Total
	Rupees		
As at June 30, 2013 - - Re-stated	33,120,000	(79,964,487)	(46,844,487)
Total comprehensive (loss) for the period - - Re-stated	-	65,753,573	65,753,573
Transferred from revaluation surplus on disposal of land - Re-stated	-	0	0
Incremental depreciation on revalued assets - net of deferred tax - - Re-stated	-	0	0
As at June 30, 2014 - - Re-stated	33,120,000	(14,210,913)	18,909,087
Total comprehensive (loss) for the period - - Re-stated	-	(8,624,644)	(8,624,644)
Incremental depreciation on revalued assets - net of deferred tax - - Re-stated	-	(0)	(0)
Balance as at December 31, 2014 - - Re-stated	33,120,000	(22,835,557)	10,284,443
Balance as at January 1, 2015 - - Re-stated	33,120,000	(22,835,557)	10,284,443
Total comprehensive (loss) for the period - - Re-stated	-	59,155,116	59,155,116
Transferred from revaluation surplus on disposal of land and building - - Re-stated	-	-	-
Incremental depreciation on revalued assets - net of deferred tax - - Re-stated	-	(0)	(0)
Balance as at June, 30 2015 - - Re-stated	33,120,000	36,319,559	69,439,559
Total comprehensive (loss) for the period	-	(8,688,017)	(8,688,017)
Balance as at December 31, 2015	33,120,000	27,631,542	60,751,542

The annexed notes form an integral part of this condensed interim financial information.



THE CLIMAX ENGINEERING COMPANY LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	December 31, 2015	December 31, 2014
Note	Rupees	
		Re-stated
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(8,688,017)	(8,624,644)
Adjustment for:		
Depreciation	162,412	235,722
Gain on disposal of fixed assets	-	-
Finance cost	17,098	24,267
	<u>179,509</u>	<u>259,989</u>
Cash flows before working capital changes	(8,508,508)	(8,364,655)
(Increase)/decrease in current assets		
Stock in trade	2,757,475	671,619
Stores, spare parts and loose tools	(2,544)	
Trade debts	6,308,945	6,018,639
Loans and advances	(939,893)	(5,068,248)
Due from related parties	0	-
Other receivable	(258,999)	(392,235)
	<u>7,864,984</u>	<u>1,229,774</u>
Increase/(decrease) in current liabilities		
Trade and other payables	1,436,019	1,607,148
Cash flows from operations	792,495	(5,527,733)
Finance cost paid	(17,098)	(24,267)
Staff retirement gratuity paid	(2,164,302)	(505,084)
Income tax paid/adjusted	-	-
Net cash flows from operating activities	(1,388,905)	(6,057,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	-	-
Proceeds from disposal of property, plant and equipment	-	-
Long term security deposits	(703,500)	
Net cash flows from investing activities	(703,500)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings- net	-	-
Due to related parties	123,960	123,961
Net cash flows from financing activities	123,960	123,961
Net increase / (decrease) in cash and cash equivalents	(1,968,445)	(5,933,123)
Cash and cash equivalents at the beginning of the period	5,800,621	6,616,046
Cash and cash equivalents at the end of the period	3,832,176	682,923

The annexed notes form an integral part of this condensed interim financial information.



THE CLIMAX ENGINEERING COMPANY LIMITED

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

I LEGAL STATUS AND OPERATIONS

The Climax Engineering Company Limited ('the company'), which was established in 1940 as a partnership concern, was incorporated on May 02, 1958 under the Companies Act, 1913, (now the Companies Ordinance, 1984) as a Private Limited Company. It was converted into Public Limited Company in June, 1970. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacturing and sale of electric capital goods. The registered office of the Company is situated at Climaxabad, G.T.Road, Gujranwala.

2 STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial information is un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of International Accounting Standard No. 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2015.

- 2.2 Company's sales during the period decreased to Rs. 18,371,536/- which is 46% below as compared to last period. At this sales level, company incurred a gross loss of Rs. 4.8 million and a net loss of Rs. 8.7 million. The decrease in sales is due to lesser sales orders because the Company faces severe competition in transformer market.

Adverse operating results creates financial crisis for the Company. However, this situation is further aggravated by the following other circumstances;

From the last year, Company also faces difficulty in recovering outstanding balances from some of its local market customers.

Company's stocks stand at Rs. 140 million which were manufactured and maintained at this level in prior years due to expectation of future favourable market, remain in high ranking in the market and avoid downsizing of its experienced labour. During the last few years, Company could not materialize these stocks into cash and continuously incurring its handling costs. However, Company is actively locating reliable prospective buyers and hopeful to materialize these stocks into cash.

In February 2012, Company through extra ordinary general meeting approved a restructuring plan by disposing off its extra land and set up a new factory. The realizations from these disposal were also delayed from Qasim and Company and on June 30, 2015 it is further extended for another one year to avoid any legal deadlocks. Delay in receipts from Qasim and company creates an obstacle in setting up new factory on time.



THE CLIMAX ENGINEERING COMPANY LIMITED

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

In view of the above operating and financial difficulties, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business, however, management is strongly committed to maintaining the going concern status of the Company. Management is confident that these financial and operating crisis are temporary and would reverse in the near future. However, these financial statements have been prepared on the assumption that the Company will continue as a going concern.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, significant judgment made in the application of accounting policies, key sources of estimation, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management policy are the same as those applied in the preparation of the financial statements for the year ended June 30, 2015 except accounting policy of measurement after recognition of certain classes of Property, plant and equipment i.e. land, factory building, residential quarters and plant and machinery. These are now stated on historical cost basis instead of revaluation model with effect from 1st July 2015. Management has changed the accounting policy to avoid non compliance and cost of periodic revaluation. The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated.

	Audited June 30, 2015	Audited June 30, 2014
Changes in Balance Sheet Items other than Equity		
Increase / (decrease) in written down value of property, plant and equipment	94,685,350	(316,469,760)
(Increase) / decrease in revaluation surplus	(68,040,480)	273,304,502
	26,644,870	(43,165,258)
Changes in Equity		
(Increase) / decrease in un-appropriated profit	(94,685,350)	(42,440,860)
Reversal of transfer from revaluation surplus to equity during the year	68,040,480	85,606,118
	(26,644,870)	43,165,258
	Un-audited December 31, 2015	Audited June 30, 2015
	Rupees	
		Re-stated
4 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	-	-
5 DEFERRED LIABILITIES		
Staff retirement benefits	18,397,927	20,562,229
Deferred taxation	-	-
	18,397,927	20,562,229



THE CLIMAX ENGINEERING COMPANY LIMITED

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

6 CONTINGENCIES AND COMMITMENTS

- (i) Custom Duty amounting to Rs.29.362 million for the year 1999 is disputed and case is pending in honorable Court. No decision has yet been made by the honorable Court. The management of the company is hopeful to get the decision made in favor of the company.
- (ii) Company received an order of investigation under section 263 of the Companies Ordinance 1984 from Enforcement Department of SECP regarding sale of its lands from 2004 to 2012 dated January 31, 2013. In order, the inspectors were authorized to conduct complete and effective investigation on all aspects of the company including sale processes of land measuring 354 kanals. However, till date company had not received any further order from SECP; and management is hopeful to receive the order in favour of the Company.
- (iii) There are no other significant contingencies and commitments as at balance sheet date.

	Un-audited December 31, 2015	Audited June 30, 2015
		Rupees
		Re-stated
Opening balance	45,228,879	4,622,978
Additions (at cost) during the period / year	7.1	42,230,400
	<u>45,228,879</u>	<u>46,853,378</u>
Less:		
Disposals (at WDV)	-	1,155,481
Depreciation charged during the period / year	<u>162,412</u>	<u>469,018</u>
	<u>45,066,467</u>	<u>45,228,879</u>
7.1 Additions (at cost) during the period / year		
Land-freehold	-	42,230,400
	-	<u>42,230,400</u>

8 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, directors and key management personnel. Amounts due to related parties are shown in the balance sheet as long term finance and are carried out at mutual agreed terms. During the period no transactions with regards to sale and purchase with related parties and associated undertaking were occurred:

9 DATE OF AUTHORIZATION

This condensed interim financial information was approved by the Board of Directors and authorized for circulation to the shareholders on February 29, 2016.

10 GENERAL

- Figures have been rounded off to the nearest thousand of rupees.
- Corresponding figures have been re-arranged where-ever necessary for the purpose of comparison.