

FRONTIER CERAMICS LIMITED



Condensed Interim Financial Statements

For the Half Yearly Ended December 31, 2019

(UN-AUDITED)

CONTENTS

VISION & MISSION STATEMENT	02
COMPANY INFORMATION	03
DIRECTORS' REPORT	04
AUDITORS' REVIEW REPORT	07
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	09
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS	10
CONDENSED INTERIM STATEMENT COMPREHENSIVE INCOME	11
CONDENSED INTERIM STATEMENT CASH FLOW	12
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT	14

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; and
- The Group will assert efforts towards the social development of society and be instrumental in the industrial growth of Pakistan.

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. Rehman Khan Sherwani
rehman.khan@forte.com.pk

Head of Internal Audit

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

Bankers

Conventional Banks

Allied Bank Limited
Bank Al Habib Limited
Bank Alfiah 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 Alfiah 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





DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE SECOND QUARTER & HALF YEAR ENDED DECEMBER 31, 2019

The Directors of your Company have the pleasure in presenting to you the financial results of your Company, duly reviewed by the auditors, for the half year ended December 31, 2019.

Financial performance

The Financial performance of the half year is summarized below:

(Rupees in Millions)		
Particulars	Dec 31, 2019	Dec 31, 2018
Sales-Net	421.89	443.77
Gross Profit	57.03	45.78
Operating Profit	36.02	26.36
Profit before Tax	18.19	10.07
Profit after Tax	19.86	1.06
Earning per Share (Rs./ share)	0.52	0.03

During the period company sold 1,006,003 Sqm tiles vs 1,069,434 Sqm tiles, of corresponding period. To overcome the hampered growth of industry, the Company continued its focus on reducing production cost and overcome production losses.

Simplified fixed taxation scheme for the builders & developers is expected to give the required boost to the construction industry, hence improving the tile demand in the domestic market.

Efforts are being made to curtail the costs wherever possible and create a price efficient sales mix to maximize profitability, mitigate market risks, meet future challenges and maintain business growth.

Your Company is striving hard to sustain the first half performance and continue on the progressive path with the momentum established, for which it is necessary that Government policies are improved such to encourage local industry. We take this opportunity to thank all stakeholders for their continued support. On behalf of the Board of Directors.

As Regard auditor's qualification about staff retirement benefits, the Company in latest board meeting has opted provident fund and working have already been initiated.

Nadeem Khalid
Chief Executive Officer

Numrah Khalid
Director

Peshawar:

Dated: March 24, 2020

فرنٹیئر سرامکس لمیٹڈ

حصص یافتگان کے لئے ڈائریکٹرز رپورٹ

برائے دوسری سہ ماہی اور ششماہی مختتمہ 31 دسمبر 2019

کمپنی کے ڈائریکٹران کمپنی کے آڈیٹران کی طرف سے باضابطہ جائزہ لئے گئے دوسری سہ ماہی اور ششماہی مختتمہ 31 دسمبر 2019 کے مالیاتی نتائج پیش کرتے ہوئے اظہارِ مسرت کرتے ہیں۔ مالیاتی کارکردگی

ششماہی کی مختصراً مالیاتی کارکردگی درجہ ذیل ہے۔		
تفصیلات	31 دسمبر 2018	31 دسمبر 2019
خالص فروخت	443.77	421.89
مجموعی منافع	45.78	57.03
کاروباری منافع	26.36	36.02
منافع قبل از ٹیکس	10.07	18.19
منافع بعد از ٹیکس	1.06	19.86
فی حصص آمدن (حصص / روپے)	0.03	0.52

اس عرصے کے دوران کمپنی نے 1,006,003 مربع میٹر ٹائلوں کی فروخت کی اور پچھلے عرصے میں یہ فروخت 1,069,434 مربع میٹر تھی۔ صنعت کی متاثرہ ترقی پر قابو پانے، پیداواری لاگت کو کم کرنے اور پیداواری نقصانات پر قابو پانے پر اپنی توجہ جاری رکھی۔

بلڈروں اور ڈویلپروں کے لیے آسان فکسڈ ٹیکس اسکیم سے تعمیراتی صنعت کو مطلوبہ فروغ دینے کی توقع کی جارہی ہے لہذا گھریلو مارکیٹ میں ٹائل کی طلب بڑھے گی۔

زیادہ سے زیادہ منافع بنانے، مارکیٹ کے خطرات کو کم کرنے، مستقبل کے چیلنجز کا مقابلہ کرنے اور کاروباری شرح نمو کو برقرار رکھنے کے لیے جہاں بھی ممکن ہوا اخراجات کو کم

کرنے اور قیمتوں میں موثر سیلز مکس تیار کرنے کی کوشش کی جا رہی ہے۔

آپ کی کمپنی پہلی ششماہی کی کارکردگی کو برقرار رکھنے کے لیے سخت جدوجہد کر رہی ہے اور تسلسل کے ساتھ متحرک راستے پر گامزن ہے جس کے لئے ضروری ہے کہ حکومت اپنی پالیسیوں میں اس طرح کی بہتریاں لائے جن سے مقامی صنعت کی حوصلہ افزائی ہو۔ اس موقع پر ہم تمام مستفیدان کے مسلسل تعاون کے مشکور ہیں۔

آڈیٹران کی انعامیہ کے بارے میں رپورٹ تقیہ کو مد نظر رکھتے ہوئے بورڈ نے اپنے حالیہ میٹنگ میں سٹاف ریٹائرمنٹ فوائد کے لیے پراویڈنٹ فنڈ کو چنا ہے اور اس کے لیے باقائدہ کام شروع کر دیا گیا ہے۔



نمرہ خالد

ڈائریکٹر

برائے و منجانب ڈائریکٹران



ندیم خالد

چیف ایگزیکٹو آفیسر

پشاور : 24 مارچ 2020

INDEPENDENT AUDITORS REVIEW REPORT TO THE MEMBERS OF FRONTIER CERAMICS LIMITED**Report on Review of Interim Financial Statements****Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Frontier Ceramics Limited ("the Company") as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the interim financial statements for the six month period then ended (herein after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements 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 statements 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. 47 million as at December 31, 2019.

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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and financial reporting standards as applicable in Pakistan for interim financial reporting.



Other Matter

The figures for the quarter ended December 31, 2019 and December 31, 2018 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review audit resulting in this independent auditors review report is Abdul Qadeer.

ISLAMABAD

DATED: March 24, 2020

BDO Ebrahim & Co.

BDO EBRAHIM & CO.

CHARTERED ACCOUNTANTS

AK

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2019

		December 31, 2019 Rupees Un-audited	June 30, 2019 Rupees Audited
	Note		
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	1,522,271,730	1,580,069,122
Capital work in progress	6	33,792,952	-
Investment property		649,045	665,686
		<u>1,556,713,727</u>	<u>1,580,734,808</u>
Long term deposits		1,513,450	2,378,450
Long term advances		8,647,614	6,909,923
		<u>1,566,874,791</u>	<u>1,590,023,181</u>
CURRENT ASSETS			
Stores, spares and loose tools		79,280,161	53,408,954
Stock in trade		201,624,803	173,719,049
Trade debts		6,161,612	481,511
Advances		43,289,554	51,491,690
Tax refunds due from Government		63,962,052	40,736,013
Taxation - net		10,524,758	23,226,037
Cash and bank balances	7	7,983,750	1,499,912
		<u>412,826,690</u>	<u>344,563,166</u>
TOTAL ASSETS		<u><u>1,979,701,482</u></u>	<u><u>1,934,586,347</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)
Revaluation surplus on property, plant and equipment		891,804,044	898,965,921
Unappropriated profit		57,179,121	30,155,888
		<u>1,146,925,649</u>	<u>1,127,064,293</u>
NON CURRENT LIABILITIES			
Long term financing	10	195,884,119	209,578,209
Deferred taxation		223,236,219	226,653,562
Deferred income		-	48,522
		<u>419,120,338</u>	<u>436,280,293</u>
CURRENT LIABILITIES			
Trade and other payables		280,762,362	246,953,515
Unclaimed dividend		3,189,224	3,189,224
Mark up accrued		66,665,245	50,116,609
Short term borrowings	11	62,279,867	63,479,867
Current portion of long term financing	10	758,797	4,455,708
Current portion of finance lease liability		-	1,772,525
Temporary bank overdraft		-	1,274,313
		<u>413,655,495</u>	<u>371,241,761</u>
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		<u><u>1,979,701,482</u></u>	<u><u>1,934,586,347</u></u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE HALF YEAR DECEMBER 31, 2019

	Note	Half Year Ended December 31,		Quarter Ended December 31,	
		2019	2018	2019	2018
Sales - net	13	421,893,402	443,766,930	250,914,864	270,552,500
Cost of sales	14	(364,864,184)	(397,983,758)	(221,591,503)	(236,488,202)
Gross profit		57,029,218	45,783,172	29,323,361	34,064,297
Distribution cost		(6,640,442)	(6,501,347)	(3,407,317)	(3,745,159)
Administrative expenses		(13,287,110)	(11,912,761)	(6,727,676)	(6,775,261)
Other operating expenses		(1,078,081)	(1,011,025)	(111,220)	(390,810)
Operating profit		36,023,585	26,358,039	19,077,148	23,153,067
Other income		1,899,064	830,891	791,340	362,880
Finance cost		(19,734,194)	(17,120,066)	(10,344,966)	(16,105,859)
Profit before taxation		18,188,455	10,068,864	9,523,522	7,410,088
Taxation:					
Current		(1,744,444)	(5,547,087)	392,788	(3,381,907)
Prior year		-	(8,188,677)	-	-
Deferred		3,417,344	4,722,307	6,631,009	-
		1,672,900	(9,013,457)	7,023,797	(3,381,907)
Profit after taxation		19,861,356	1,055,407	16,547,320	4,028,181
Earnings per share-basic and diluted	15	0.52	0.03	0.44	0.11

The annexed notes from 1 to 22 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, 2019

Half Year Ended December 31,		Quarter ended December 31,	
2019	2018	2019	2018
----- Rupees -----			

Profit after taxation	19,861,356	1,055,407	16,547,320	4,028,181
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>19,861,356</u>	<u>1,055,407</u>	<u>16,547,320</u>	<u>4,028,181</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information. 



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Half Year Ended December 31,	
2019	2018
----- Rupees -----	

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	18,188,455	10,068,864
Adjustment for:		
Depreciation	57,814,032	26,239,995
Finance cost	19,734,194	17,120,066
Amortization of deferred income	(48,522)	(105,131)
Loss on disposal	-	280,214
Liabilities written back	(321,598)	-
Profit before working capital changes	95,366,561	53,604,008
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(25,871,207)	(17,253,872)
Stock in trade	(27,905,754)	(30,648,527)
Trade debts	(5,680,101)	(1,740,935)
Advances	8,202,136	(34,761,129)
	(51,254,926)	(84,404,463)
(Decrease) / increase in current liabilities		
Trade and other payables	33,808,847	21,644,492
Short term borrowings	(1,200,000)	6,015,644
Temporary bank overdraft	(1,274,313)	-
	31,334,534	27,660,136
Cash (used in) / generated from operations	75,446,169	(3,140,319)
Taxes paid / adjustment	(12,269,202)	(10,672,548)
Finance cost paid	(3,185,558)	(1,662,315)
Net cash generated from/ (used in) operating activities	59,991,409	(15,475,182)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of operating fixed assets	-	(1,931,357)
Addition to capital work in progress	(33,792,952)	-
Increase in long term advances	(1,737,691)	1,256,656
Net cash used in investing activities	(35,530,643)	(674,701)

CASH FLOWS FROM FINANCING ACTIVITIES

Long term financing - net	(17,391,001)	19,709,844
Sales and lease back - Ijarah	-	8,395,000
Lease rental paid	(585,927)	(1,352,632)
Net cash (used in) / generated from financing activities	(17,976,928)	26,752,212
Net increase in cash and cash equivalents	6,483,838	10,602,329
Cash and cash equivalents at the beginning of the period	1,499,912	4,119,880
Cash and cash equivalents at the end of the period	7,983,750	14,722,209

The annexed notes from 1 to 22 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, 2019

	Share capital		Reserves		Total
	Issued, subscribed and paid up capital	Discount on issue of shares	Capital	Revenue	
			Revaluation surplus on property, plant and equipment	Unappropriated profit	
	----- Rupees -----				
Balance as at July 01, 2018	378,738,210	(180,795,726)	396,468,306	102,723,976	697,134,766
Total comprehensive income for the period	-	-	-	1,055,407	1,055,407
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	-	-	(11,201,593)	11,201,593	-
Balance as at December 31, 2018	378,738,210	(180,795,726)	385,266,713	114,980,977	698,190,173
Balance as at July 01, 2019	378,738,210	(180,795,726)	898,965,921	30,155,888	1,127,064,293
Total comprehensive income for the period	-	-	-	19,861,356	19,861,356
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	-	-	(7,161,877)	7,161,877	-
Balance as at December 31, 2019	378,738,210	(180,795,726)	891,804,044	57,179,121	1,146,925,649

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information. *AK*



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, 2019

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 principal activities of the Company are manufacturing of ceramic tiles, sanitary wares and related ceramic products.

The registered office and manufacturing unit of the Company is situated at 29-Industrial Estate, Jamrud Road, Peshawar Pakistan.

Sale offices of the Company are located at situated at 29-Industrial Estate, Jamrud Road, Peshawar, Pearl Plaza, 174 Main Ferozpur Road Lahore and Toyota Rawal Motors Building near Sawan Camp, GT road Rawalpindi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is unaudited and being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 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, 2019, 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 Company's financial position and performance since the last declared financial statements.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019, whereas the comparative condensed interim profit and loss



accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended December 31, 2019.

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 these interim financial statements are same as those applied in the preparation of financial statements for the year ended June 30, 2019.

3.2 The preparation of these interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2019.

3.4 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2018. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant effect on these interim financial statements.

3.5 Ijarah

The Company accounts for assets under ijarah arrangements in accordance with Islamic Financial Accounting Standard (IFAS) 2 - Ijarah whereby rental payments due under these arrangements are recognized as an expense in the statement of profit or loss on a straight line basis over the ijarah (lease) term.

4 TAXATION

The provision for taxation for the half year and quarter ended December 31, 2019 has been made using the estimated effective tax rate applicable to expected total annual earnings. 

		December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
5	OPERATING FIXED ASSETS		
	Opening written down value (WDV)	1,580,069,122	724,871,199
	Add:		
	Additions	5.1 -	25,096,668
	Transferred from CWIP	-	249,993,269
	Revaluation surplus	-	643,554,757
		<u>1,580,069,122</u>	<u>1,643,515,893</u>
	Less:		
	Disposals	-	(8,675,214)
	Depreciation charge	(57,797,392)	(54,771,557)
	Closing written down value (WDV)	<u>1,522,271,730</u>	<u>1,580,069,122</u>

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

Computer accessories	-	72,390
Plant and machinery - imported	-	1,858,967
Vehicles	-	8,974,359
	<u>-</u>	<u>10,905,716</u>

6	CAPITAL WORK IN PROGRESS	6.1	<u>33,792,952</u>	<u>-</u>
----------	---------------------------------	-----	-------------------	----------

6.1 It represents capital work in progress in respect of plant and machinery which is being installed in Peshawar. The current amount represents different set of dryers which have been imported from China.

		December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
7	CASH AND BANK BALANCES		
	Cash in hand	755,020	64,760
	Cash at bank - current accounts	7,228,730	1,435,152
		<u>7,983,750</u>	<u>1,499,912</u>

8 SHARE CAPITAL

8.1 Authorized share capital

Number of shares			
Dec, 2019	Jun, 2019		
<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>

			December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
8.2	Issued, subscribed and paid up capital			
	Number of shares			
	Dec, 2019	Jun, 2019		
			Ordinary shares of Rs. 10 each fully paid in cash	
	<u>37,873,821</u>	<u>37,873,821</u>	<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 were completed by the Company before issuance of the right shares.

		December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
10	LONG TERM FINANCING		
	From associated person - unsecured	10.1 39,936,723	70,012,723
	From associated company- unsecured	10.2 156,706,193	140,896,193
	From Musharaka finance facility-secured	10.3 -	3,125,001
		196,642,916	214,033,917
	Less: Current portion associated person	(758,797)	(1,330,707)
	Less: Current portion associated company	-	-
	Less: Current portion Musharaka finance facility	-	(3,125,001)
		(758,797)	(4,455,708)
		<u>195,884,119</u>	<u>209,578,209</u>

- 10.1 This represents interest bearing unsecured loan received from Director of the Company for working capital of the Company. The loan carries mark up at the rate at KIBOR plus 2 % per annum.
- 10.2 This represents interest bearing unsecured loan received from Rawal Industrial Equipment (Private) Limited for working capital of the Company and acquisition of the equipment. The loan carries mark up at the rate at KIBOR plus 2 % per annum.
- 10.3 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 August 2017 and ending in August 2019. This facility has been fully repaid during the period.

		December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
11	SHORT TERM BORROWINGS		
	Financial institution - secured	11.1	1,910,000
	Related parties - unsecured		
	- Due to associated companies	11.2	60,369,867
		<u>62,279,867</u>	<u>61,569,867</u>
			<u>63,479,867</u>

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

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

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

- 11.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors (Private) Limited and Khalid & Khalid Holdings (Private) Limited for working capital of the Company and acquisition of the equipment.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Noman Ghani vs. FCL and 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.

12.1.2 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

Ph

which is pending.

12.1.3 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. The case was decided in the favour of the Company. However, opposite party filed appeal before High Court.

12.1.4 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.

12.1.5 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.

12.1.6 Bank Guarantees

Guarantee has been issued by Bank Al Habib on behalf of the Company in the normal course of business in favour of PARCO, Peral Gas Limited, PESCO and M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 59.340 million (June 30,2019: Rs. 59.340 million).

12.1.7 FCL and others vs. 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 declared the act illegal. Thus new act of 2018 also challenged. The total amount of arrears as at December 31, 2019 is Rs. 1.664 million.

12.1.8 FCL and others vs. FCL

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 declared the act illegal. Thus new act 2018 also challenged. The total amount of arrears as at June 30, 2019 is Rs. 186 million.

12.1.9 FCL vs Ali Rehman, Tallat Sher, Meenazar Gul

Suits were filed against the FCL in the labour court by the above three persons. All of them seek reinstatement of service. Total amount involved in the suit is around Rs. 1.559 million.

12.1.10 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, during last financial year 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 then, in that year, financial performance had also improved and the Company started gratuity working in full swing, for compliance with the Industrial & Commercial Employment (Standing Orders) Ordinance 1968 and removal of auditor's qualification. No further notice or order has been received from SECP in this regard.

The estimated value of this liability in term of gratuity not accounted for to date amounts to approximately Rs. 54 million as at December 31, 2019. The Company may be liable to any penal action for non compliance of the above statutory requirements till date.

		December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
12.2	COMMITMENTS		
	The Company has following commitments:		
	- in respect of letter of credit		
	- against import of raw materials	99,181,688	7,246,004
	- against import of stores and spares	73,881,394	8,779,859
	- against import of plant and machinery	20,881,691	17,844,842
		<u>193,944,773</u>	<u>33,870,705</u>
	- in respect of leased asset	-	1,772,525
		<u>193,944,773</u>	<u>35,643,230</u>
	Commitments for Ijarah arrangements		
	Not later than one year	3,421,656	3,421,656
	Later than one year and not later than five years	3,421,642	5,132,484
		<u>6,843,298</u>	<u>8,554,140</u>

12.2.1 This amount represents future letter of credit commitments which will be fulfilled in respect of import of raw material, stores and spares and plant and machinery. 

Note	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited
13 Sales				
Gross sales	508,881,775	541,395,655	302,649,941	330,074,035
Less:				
Sales tax	(73,940,100)	(75,440,378)	(43,974,777)	(45,993,923)
Further tax	-	(13,313,008)	-	(8,116,575)
Extra tax	-	(8,875,339)	-	(5,411,037)
Dealer margin	13.1 (13,048,272)	-	(7,760,300)	-
	<u>421,893,402</u>	<u>443,766,930</u>	<u>250,914,864</u>	<u>270,552,500</u>

13.1 This amount represents dealers margin which is separately disclosed because of the applicability of sales in the Third Schedule of Finance Bill 2019 . Moreover, further tax and extra tax is waived off as it is not applicable in third schedule.

Note	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited
14 COST OF SALES				
Raw material consumed	14.1 67,774,903	107,468,752	43,203,960	53,695,825
Stores, spares and loose tools consumed	14.2 69,583,885	177,905,157	45,880,598	126,287,765
Gas and electricity	138,036,968	85,347,869	79,088,572	44,401,585
Depreciation	55,916,474	23,634,616	27,544,951	14,118,628
Salaries , wages and other benefits	40,423,977	30,333,649	23,418,403	15,036,459
Generator rent	3,500	984,000	-	248,000
Travelling and conveyance	95,874	197,133	55,304	49,079
Repairs and maintenance	166,074	57,270	87,030	17,520
Miscellaneous	623,490	3,220,510	86,464	579,368
	<u>372,625,145</u>	<u>429,148,956</u>	<u>219,365,282</u>	<u>254,434,229</u>
Work in process				
Opening	57,967,049	22,678,204	59,641,033	24,497,587
Closing	(64,667,272)	(34,187,864)	(64,667,272)	(34,187,864)
	<u>(6,700,223)</u>	<u>(11,509,660)</u>	<u>(5,026,239)</u>	<u>(9,690,277)</u>
Finished goods				
Opening	37,409,844	21,961,935	45,723,042	33,361,723
Closing	(38,470,582)	(41,617,473)	(38,470,582)	(41,617,473)
	<u>(1,060,738)</u>	<u>(19,655,538)</u>	<u>7,252,460</u>	<u>(8,255,750)</u>
	<u>364,864,184</u>	<u>397,983,758</u>	<u>221,591,503</u>	<u>236,488,202</u>
14.1 Raw material consumed				
Opening stock	78,342,156	45,246,201	73,002,998	38,302,354
Add: Purchases	87,919,696	106,952,081	69,336,493	60,123,001
Less: Closing stock	(98,486,949)	(44,729,530)	(99,135,531)	(44,729,531)
	<u>67,774,903</u>	<u>107,468,752</u>	<u>43,203,960</u>	<u>53,695,825</u>
14.2 Stores, spares and loose tools consumed				
Opening stock	53,408,954	44,591,466	58,591,439	88,859,055
Add: Purchases	95,455,092	195,159,029	61,261,550	99,274,049
Less: Closing stock	(79,280,161)	(61,845,338)	(73,972,391)	(61,845,339)
	<u>69,583,885</u>	<u>177,905,157</u>	<u>45,880,598</u>	<u>126,287,765</u>
15 EARNINGS PER SHARE - BASIC AND DILUTED				

	Half Year Ended December 31,		Quarter Ended December 31,	
	2019	2018	2019	2018
There is no dilutive effect on the basic earnings per share of the Company, which is based on:				
Profit after taxation - (<i>Rupees</i>)	19,861,356	1,055,407	16,547,320	4,028,181
Weighted average number of ordinary shares - (<i>Number</i>)	37,873,821	37,873,821	37,873,821	37,873,821
Earning per share - basic and diluted (<i>Rupees</i>)	0.52	0.03	0.44	0.11



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 :

Name of the related party	Relationship	Transactions during the period	Half Year Ended		Quarter Ended	
			December 31,		December 31,	
			2019	2018	2019	2018
(Rupees)						
Toyota Rawal Motors (Private) Limited	Associated company by virtue of common directorship	Interest on short term borrowings	4,823,922	2,186,202	2,343,397	2,186,202
		Rental for building	424,433	385,848	212,216	385,848
		Short term borrowing received	2,300,000	5,000,000	2,300,000	3,500,000
		Short term borrowing repaid	-	1,749,640		249,640
		Utilities	60,000	60,000	30,000	60,000
Rawal Industrial Equipment (Private) Limited	Associated company by virtue of common directorship	Purchase of fixed assets	-	8,974,359	-	8,974,359
		Short term borrowing received	18,200,000	58,085,900	18,100,000	18,610,641
		Interest on short term borrowings	11,693,868	8,351,660	-	8,351,660
		Short term loan repaid	2,390,000	27,080,641	390,000	21,197,000
		Payment against purchases	500,000	34,399,359	-	33,399,359
Mr. Nadem Khalid	Chief Executive	Long term financing - Loan repaid	28,745,293	4,450,000	16,176,500	3,255,000
		Long term financing - Received	-	4,919,868	-	2,500,000
		Mark-up on long term loan	-	4,905,612	-	4,905,612
Khalid & Khalid Holdings	Associated company by virtue of common directorship	Short term borrowing received	8,975,000	3,500,000	8,975,000	3,500,000
		Interest on short term borrowings	33,446	14,277	32,909	14,277
		Short term loan repaid	16,345,000	-	12,030,000	-
Chief Executive, Directors, Executives	Key management personnel	Remuneration and other	8,206,782	8,079,482	4,103,391	4,039,741

16.1 Balances 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, 2019.

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, 2019, 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, 2019 and June 30, 2019 the Company did not hold any financial instruments carried at fair value except free hold land, buildings, plant and machinery.

The Company has revalued its freehold land, buildings on June 30, 2019 and plant and machinery on June 30, 2015. Fair value of freehold land, buildings are based on the valuation carried out by an independent valuer M/s K.G Traders (Private) Limited and property plant and equipment are based on the valuations carried out by an independent valuer M/s Mughal Associates on the basis of market value.

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, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
Opening balance (level 3 recurring fair values)	591,900,432	363,249,650
Additions - Cost	-	266,043,188
Disposal	-	-
Depreciation charge	(29,644,922)	(37,392,406)
Closing balance (level 3 recurring fair values)	<u>562,255,510</u>	<u>591,900,432</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, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
Free hold land	3,518,245	3,518,245
Factory building	10,176,951	10,176,951
Plant and machinery		
Imported	143,733,761	143,733,761
Local	1,343,647	1,343,647
Electrification	3,241,518	3,241,518
Casting benches	65,937	65,937
Laboratory ware	2,821	2,821
Generators	32,024	32,024
	<u>148,419,708</u>	<u>148,419,708</u>
	<u>162,114,904</u>	<u>162,114,904</u>

19 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to "All Shares Islamic Index".

		December 31, 2019 Rupees Unaudited	June 30, 2019 Rupees Audited
Description	Explanation		
Loans	Placed under interest arrangement	257,012,783	131,582,590
	Placed under Shariah permissible arrangements	1,910,000	5,035,001
Finance Lease	Placed under interest arrangement		
	Placed under Shariah permissible arrangements	-	1,772,525
Long term deposits	Non-interest bearing	1,513,450	2,378,450
Segment revenue	The Company has only one segment	-	-
Bank balances as at	Placed under interest arrangement	-	-
December 31,	Placed under Shariah permissible	-	-
Loss on sale of vehicle		-	280,214
All sources of other income		1,899,064	2,040,434

The Company has working relation with First Habib Modaraba and Silk Emaan Islamic Bank under Islamic windows.

There is no other bank balance / investments which carry any interest or mark-up arrangements.

20 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the period.

21 DATE OF AUTHORIZATION

These condensed interim financial information were authorized for issue on March 24, 2020 by the Board of Directors of the Company.

22 GENERAL

Figures have been rounded off to the nearest rupee. 



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR