

**CLIMAX**



**FINANCIAL STATEMENT  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2018  
(UN-AUDITED)**



# **THE CLIMAX**

**ENGINEERING COMPANY LIMITED**



## COMPANY INFORMATION

### BOARD OF DIRECTORS :

1. CH. IMTIAZ. A. HAMEED Chairman
2. CH. M. A. QAYYUM Chief Executive
3. CH. ABDUL SALAM
4. CH. MAHMOOD GHANI FAIZI
5. CH. USMAN GHANI FAIZI
6. CH. IQBAL NAZIR
7. CH. SHOAB HAMEED

### COMPANY SECRETARY :

SH. MUHAMMAD ASLAM

### AUDIT COMMITTEE :

- |                          |          |
|--------------------------|----------|
| 1. CH. USMAN GHANI FAIZI | Chairman |
| 2. CH. IQBAL NAZIR       | Member   |
| 3. CH. ABDUL SALAM       | Member   |

### HUMAN RESOURCE AND REMUNERATION COMMITTEE :

- |                        |          |
|------------------------|----------|
| 1. CH. SHOAB HAMEED    | Chairman |
| 2. CH. ABDUL SALAM     | Member   |
| 3. MAHMOOD GHANI FAIZI | Member   |

### CHIEF FINANCIAL OFFICER :

SH. JAMIL AHMAD

### AUDITORS:

M/s. QADEER & Co.  
Chartered Accountants

### LEGAL ADVISORS:

KHURRAM SAEED

REGISTERED OFFICE & WORKS : CLIMAXABAD, G.T. ROAD,  
GUJRANWALA,

### BANKERS :

THE BANK OF KHYBER LTD.  
HABIB BANK LTD.  
NATIONAL BANK OF PAKISTAN LTD.  
HABIB METRO POLITAN BANK LTD.

### SHARE REGISTRAR

M/S Corplink PVT. Ltd.  
Lahore.



**CHAIRMAN EXECUTIVE'S REVIEW**

**Dear Share Holders**

*Balance Sheet and Profit and Loss of the Company for the half year ended 31-12-2018 are presented to the Members in pursuance of Section 237 of the Companies Act 2017.*

*During the half year ended on 31-12-2018, the Company has achieved Sale of Rs. 3.961 million as compared to Rs. 15.423 million for the corresponding period of the last year.*

*Main reason for loss is due to lesser sale orders because of low economic activity and sever competition in the market. The political uncertainly is also affecting the business condition 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 the present circumstances prevailing in the country.*

*We further draw attention to Note # 8 to the annexed interim financial information which indicates that the company's request for voluntary delisting is approved by the Pakistan Stock Exchange on January 18, 2019 and accordingly the company is delisted on February 19, 2019.*

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



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

## INTRODUCTION

We have reviewed the accompanying condensed interim statement of financial position of THE CLIMAX ENGINEERING COMPANY LIMITED as at December 31, 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement 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 accounting and reporting 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, 2018 and 2017 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

## 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 of 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 the 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

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 going concern. Further, the company did not disclose the essence of the cost of acquisition and implementation of new plant and machinery to fulfill the new design requirements of current market of transformer. The non-availability of such plant is one of the most important factors in deriving the Company to its current results and conditions.

## QUALIFIED CONCLUSION

Based on our review, with the exception of the non-disclosure of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for six months period ended December 31, 2018 is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

## EMPHASIS OF MATTER

We draw attention to Note # 8 to the annexed interim financial information which indicates that the company's request for delisting is approved by the Pakistan Stock Exchange on January 18, 2019 and accordingly the company is delisted on February 19, 2019. Our opinion is no qualified in respect of this matter.

Further, we also draw attention to Note # 5(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.



# THE CLIMAX ENGINEERING COMPANY LIMITED

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

### AS AT DECEMBER 31, 2018

	Un-audited December 31, 2018	Audited June 30, 2018
	<b>Rupees</b>	
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized capital 5,000,000 (June 30, 2017: 5,000,000) ordinary shares of Rs. 10/- each	<b>50,000,000</b>	50,000,000
Issued, subscribed and paid up capital 3,312,000 (June 30, 2017: 3,312,000) ordinary shares of Rs. 10/- each	<b>33,120,000</b>	33,120,000
Accumulated Profit	<b>57,364,345</b>	61,864,097
	<b>90,484,345</b>	94,984,097
<b>NON-CURRENT LIABILITIES</b>		
Due to related parties	<b>34,898,509</b>	56,897,418
Deferred liabilities	<b>4,288,409</b>	4,443,409
	<b>39,186,918</b>	61,340,827
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>81,338,004</b>	92,170,772
Provision for taxation	<b>-</b>	349,249
Unclaimed dividend	<b>13,535</b>	13,535
	<b>81,351,539</b>	92,533,556
<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>-</b>	-
	<b>211,022,802</b>	248,858,480

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



# THE CLIMAX ENGINEERING COMPANY LIMITED

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

### AS AT DECEMBER 31, 2018

		Un-audited December 31, 2018	Audited June 30, 2018
Note		Rupees	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
	6	43,583,625	43,670,580
Property, plant and equipment			
Capital work in progress		30,474,515	30,474,515
Long term security deposits		1,123,500	1,123,500
		75,181,640	75,268,595
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		253,758	253,758
Stocks in trade		80,996,742	79,696,742
Trade debts		21,972,283	33,307,574
Loans and advances-unsecured		6,474,782	6,653,515
Other receivables		25,658,729	53,213,534
Cash and bank balances		484,868	464,762
		135,841,162	173,589,885
		211,022,802	248,858,480

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



# THE CLIMAX ENGINEERING COMPANY LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

### FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Note	Quarter Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Rupees				
SALES	997,580	6,905,501	3,961,447	15,423,089
COST OF GOODS SOLD	<u>(1,194,989)</u>	<u>(7,420,270)</u>	<u>(5,643,798)</u>	<u>(17,741,058)</u>
GROSS PROFIT / (LOSS)	(197,409)	(514,769)	(1,682,351)	(2,317,969)
OPERATING EXPENSES				
Administrative and general	<u>(1,524,309)</u>	<u>(1,876,718)</u>	<u>(2,730,809)</u>	<u>(3,540,854)</u>
Distribution and selling cost	<u>(80,100)</u>	<u>(43,000)</u>	<u>(80,100)</u>	<u>(43,000)</u>
	<u>(1,604,409)</u>	<u>(1,919,718)</u>	<u>(2,810,909)</u>	<u>(3,583,854)</u>
OPERATING LOSS	(1,801,817)	(2,434,487)	(4,493,259)	(5,901,823)
FINANCE COST	<u>(3,761)</u>	<u>(5,504)</u>	<u>(6,493)</u>	<u>(14,217)</u>
	<u>(1,805,578)</u>	<u>(2,439,991)</u>	<u>(4,499,752)</u>	<u>(5,916,040)</u>
OTHER INCOME	-	-	-	176,468
LOSS BEFORE TAXATION	<u>(1,805,578)</u>	<u>(2,439,991)</u>	<u>(4,499,752)</u>	<u>(5,739,572)</u>
TAXATION	-	-	-	-
LOSS FOR THE PERIOD	<u>(1,805,578)</u>	<u>(2,439,991)</u>	<u>(4,499,752)</u>	<u>(5,739,572)</u>
E BASIC AND DILUTED (IN RUPEES)	<u>(0.55)</u>	<u>(0.74)</u>	<u>(1.36)</u>	<u>(1.73)</u>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR





# THE CLIMAX ENGINEERING COMPANY LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Quarter Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
	Rupees		Rupees	
LOSS FOR THE PERIOD	(1,805,578)	(2,439,991)	(4,499,752)	(5,739,572)
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>(1,805,578)</u>	<u>(2,439,991)</u>	<u>(4,499,752)</u>	<u>(5,739,572)</u>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



# THE CLIMAX ENGINEERING COMPANY LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital	Accumulated (Loss) / Profit	Total
	Rupees		
<b>As at June 30, 2017</b>	33,120,000	71,102,516	104,222,516
Total comprehensive (loss) for the period	-	(5,739,572)	(5,739,572)
<b>Balance as at December 31, 2017</b>	33,120,000	65,362,944	98,482,944
<b>Balance as at January 1, 2018</b>	33,120,000	65,362,944	98,482,944
Total comprehensive (loss) for the period	-	(3,498,847)	(3,498,847)
<b>Balance as at June, 30 2018</b>	33,120,000	61,864,097	94,984,097
Total comprehensive (loss) for the period	-	(4,499,752)	(4,499,752)
<b>Balance as at December 31, 2018</b>	33,120,000	57,364,345	90,484,345

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



# THE CLIMAX ENGINEERING COMPANY LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

### FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	December 31, 2018	December 31, 2017
Note	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(4,499,752)	(5,739,572)
Adjustment for:		
Depreciation	86,955	100,330
Gain on disposal of fixed assets	-	(176,468)
Finance cost	6,493	14,217
	93,448	(61,921)
<b>Cash flows before working capital changes</b>	<b>(4,406,304)</b>	<b>(5,801,493)</b>
(Increase)/decrease in current assets		
Stock in trade	(1,300,000)	(1,904,231)
Stores, spare parts and loose tools	-	-
Trade debts	11,335,291	868,022
Loans and advances	178,733	(598,136)
Due from related parties	-	-
Other receivable	27,554,805	2,503,543
	37,768,829	869,197
Increase/(decrease) in current liabilities		
Trade and other payables	(10,832,768)	(716,885)
<b>Cash flows from operations</b>	<b>22,529,757</b>	<b>(5,649,180)</b>
Finance cost paid	(6,493)	(14,217)
Staff retirement gratuity paid	(155,000)	(2,247,621)
Income tax paid/adjusted	(349,249)	-
<b>Net cash flows from operating activities</b>	<b>22,019,015</b>	<b>(7,911,018)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	-	(36,000)
Increased in Capital work in progress	-	(3,042,100)
Proceeds from disposal of property, plant and equipment	-	200,000
Long term security deposits	-	-
<b>Net cash flows from investing activities</b>	-	(2,878,100)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings- net	-	-
Due to related parties	(21,998,909)	(1,361,837)
<b>Net cash flows from financing activities</b>	<b>(21,998,909)</b>	<b>(1,361,837)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>20,106</b>	<b>(12,150,956)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>464,762</b>	<b>15,281,948</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>484,868</b>	<b>3,130,992</b>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



# THE CLIMAX ENGINEERING COMPANY LIMITED

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## 1 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, (then the Companies Ordinance, 1984 and now the Companies Act, 2017) as a Private Limited Company. It was converted into Public Limited Company in June, 1970. Its shares are quoted on the Pakistan Stock Exchange. 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 financial information is prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017. Provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provision of or directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of Companies Act, 2017 and should be read in conjunction with audited annual financial statements of the Company for the year ended June 30, 2018.

- 2.2 Company's sales during the period decreased to Rs. 3.96/- million which is 74% below as compared to last period. At this sales level, company incurred a gross loss of Rs. 1.68 million and a net loss of Rs. 4.5 million. The decrease in sales is due to decrease in sales orders.

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. 81 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 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 of 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, 2018. Except for the adoption of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments". The revised accounting policy adopted by the management are as follows:



# THE CLIMAX ENGINEERING COMPANY LIMITED

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## IFRS 15 – Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with customers' supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

## IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" has replaced IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

	Un-audited December 31, 2018	Audited June 30, 2018
<b>Rupees</b>		
<b>4 DEFERRED LIABILITIES</b>		
Staff retirement benefits	4,288,409	4,443,409
Deferred taxation	-	-
	<b>4,288,409</b>	<b>4,443,409</b>

## 5 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 repealed Companies Ordinance 1984 (now Companies Act, 2017) 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 statement of financial position date.



# THE CLIMAX ENGINEERING COMPANY LIMITED

## SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Un-audited December 31, 2018	Audited June 30, 2018
Rupees		
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>		
Opening balance	43,670,580	43,858,772
Additions (at cost) during the period / year	6.1 -	36,000
	<u>43,670,580</u>	<u>43,894,772</u>
Less:		
Disposals (at WDV)	-	23,532
Depreciation charged during the period / year	86,955	200,660
	<u>43,583,625</u>	<u>43,670,580</u>
6.1 Additions (at cost) during the period / year		
Air conditioners	-	36,000
	<u>-</u>	<u>36,000</u>

### 7 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, directors and key management personnel. Amounts due to related parties are shown in the statement of financial position 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.

### 8 SUBSEQUENT EVENTS

The company received the notice from Pakistan Stock Exchange Limited (PSX) dated January 18, 2019 in which the PSX accepted the request of the company for its voluntary delisting and decided to delist it from February 19, 2019.

### 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 28, 2019.

### 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.



---

## **THE CLIMAX ENGINEERING COMPANY LIMITED**

---

**Head Office:**

**Climaxabad, G.T. Road, Gujranwala. Tel: 055-3253612~15**

**Fax: 055-3254222 E-mail: [info@theclimaxeng.com](mailto:info@theclimaxeng.com)**

---

**Karachi Office:**

**205 Sea Breeze Plaza, 2nd Floor, Shahar-e-Faisal, Karachi**

**Tel: 0213-2789220, Fax: 0213-2789219**