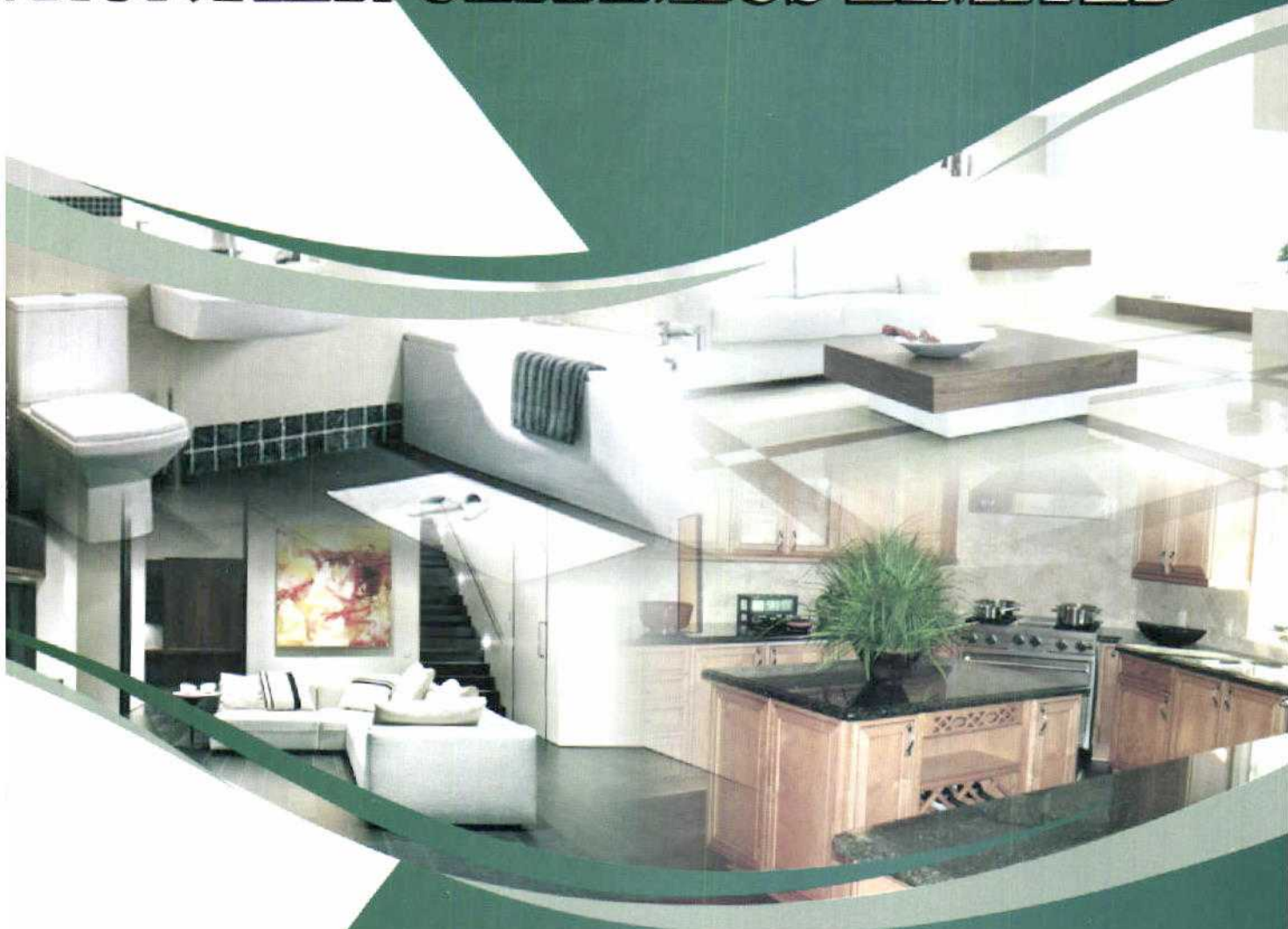




FORTE

FRONTIER CERAMICS LIMITED



ANNUAL REPORT  
2014

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**32nd ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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## **FRONTIER CERAMICS LIMITED**

### **VISION & MISSION STATEMENT**

#### **VISION STATEMENT**

To become an industry leader through our FORTE Brand by offering the best innovative and quality products at competitive prices.

#### **MISSION STATEMENT**

##### **OUR MISSION IS:**

- Deliver unparalleled value to stakeholders and continually striving to exceed the customers' expectations by developing the innovative solutions
- Treat our employees fairly so that they feel as a family member in the company
- Earn reasonable return for profits and growth of the company in order to provide the shareholders reasonable return on their investments in the company
- Special emphasis on workforce, health , safety , environment and contribution to the national economic development



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Ms. Farhat	Chairperson	
Mr. Omer Khalid	Chief Executive Officer	
Ms. Numrah Khalid	Director	(Appointed on July 24, 2014)
Ms. Raja Ghazanfar	Director	(Resigned on July 24, 2014)
Ms. Sana Khalid	Director	
Mrs. Shazia Khalid	Director	
Mrs. Hameeda Khalid	Director	
Mrs. Pervez Aslam	Director	

### Audit Committee

Ms. Farhat	Chairperson
Mrs. Hameeda Khalid	Member
Mrs. Shazia Khalid	Member

### Human Resource & Remuneration Committee

Ms. Farhat	Chairperson
Mr. Omer Khalid	Member
Mrs. Pervez Aslam	Member

### Chief Operating Officer

Mr. Nadeem Khalid

### Chief Financial Officer & Company Secretary

Khawaja Mushtaq Ahmed FCA, FCIS

### Head of Internal Audit

Mr. Wasif Naeem

### Bankers

Bank Alfiah Limited  
Standard Chartered Bank Limited  
Silk Bank Limited  
Faysal Bank Limited  
Allied Bank Limited

### Auditors

M/S BDO Ebrahim & Co Chartered Accountants  
4th Floor, Saeed Plaza, 22 East, Jinnah Avenue,  
Blue Area, Islamabad.

### Legal Advisor

Mr. Tahir Sadiq Butt  
Advocate High Court  
3-E Rahim Medical Center, G.T Road, Peshawar

### 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 Mohr,  
174-Ferozpur Road, Lahore, Ph. 042-37525277

### Website

[www.forte.com.pk](http://www.forte.com.pk)

**FRONTIER CERAMICS LIMITED**  
**NOTICE OF THE 32<sup>nd</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that SECP has accorded its approval, and Thirty Second Annual General Meeting of Frontier Ceramics Limited will be held on Friday, October 31, 2014 at 10:00 a.m at Toyota Rawal Motors Building, Near Swan Camp, Main G.T Road, Rawalpindi to transact the following business:

1. To confirm the minutes of last Extra Ordinary General Meeting of the Company held on February 28, 2014.
2. To receive, consider and approve the Audited Annual Accounts of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2014.
3. To appoint Auditors of the Company for the year ending June 30, 2015 and to fix their remuneration. The present Auditors Messrs BDO Ebrahim & Co. Chartered Accountants, 4<sup>th</sup> Floor, Saeed Plaza, Jinnah Avenue, Islamabad retires and being eligible offer themselves for reappointment.  
In compliance of section (xxxix) of the Code of Corporate Governance as well as based on the proposal of Audit Committee, the Board of Directors recommended appointment of the retiring Auditors Messrs BDO Ebrahim & Co., Chartered Accountants, as auditors of the Company for the year ending June 30, 2015.
4. To transact any other business with the permission of the Chair.

**BY ORDER OF THE BOARD**

October 02, 2014.

(Company Secretary)

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from 24-10-2014 to 31-10-2014 (both days inclusive).
2. A member eligible to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxy Forms must reach the Company's Registered Office not less than 48 hours before the time of the meeting.
3. In case of the CDC Account holder and Sub-account holder individuals, whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

4. In case of individuals, are the Account holders and Sub-account holder of CDC, whose registration details are unloaded as per the regulations shall submit the proxy forms as follows:
  - a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - b) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - c) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
5. In case of Corporate Entity, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced unless it has been provided earlier at the time of the meeting.
6. Members are requested to notify the Company or Registrar of the Company, M/s Central Depository Company of Pakistan Ltd, CDC House, 99-B, Block B, S.M.C.H.S, Main Sharah-e-Faisal, Karachi for any change in their mailing addresses.



## Frontier Ceramics Limited

### KEY OPERATING & FINANCIAL DATA - FOR LAST 6 YEARS

(Rupees in Thousands)

	2014	2013	2012	2011	2010	2009
Sales - Net	278,788	302,938	329,253	333,246	168,926	124,238
Gross (Loss)/Profit	(31,235)	20,984	46,517	89,592	23,556	2,457
Expenses	(102,635)	31,361	20,559	71,052	5,780	(91,163)
Profit/(Loss) Before Taxation	71,400	(10,377)	25,958	18,540	17,776	93,620
Profit/(Loss) After Taxation	55,161	(2,236)	32,514	15,370	8,326	93,439
Dividend %	-	-	-	-	-	-

Earning/(Loss) Per Share (Rs.)	7.13	(0.29)	4.20	1.99	1.08	12.07
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## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the annual audited financial statements of the Company along with auditors' report thereon for the financial year ended June 30, 2014.

Operational results for the year under review are as follows:-

- Sales - Net at Rs. 302.93m lower by 7.97% vs. previous Rs. 302.93m.
- Gross (Loss)/ profit at Rs. (31.23)m lower by 248.85% vs. previous profit Rs. 20.98m.
- Administrative expenses 14.80m higher by 14.29% vs. previous Rs 12.95m.
- Operating Loss at Rs. 70.83m higher by 718.35% vs. previous Rs. 8.66m.
- Profit/ (Loss) after taxation at Rs. 55.16m higher by 2567.01% vs. previous Loss Rs. (2.24)m.

During the year, Company sold 925,144 Sqm vs. 1,007,471 Sqm, lower by 8.17 %, as compared to previous corresponding year. Further, average sale price of our products marginally increased during the year resultantly inflation impact could not be passed on to consumers due to intense market competition situation due to imported tiles.

Decrease in Gross Profit by 248.85% as compared to corresponding year is mainly due to less production ,gas shortage, tremendous inflation effects of raw materials prices, repair maintenance and increase in natural gas and electricity rates. Operating expenses increased due to settlement of a court case Sardar Asif vs FCL resolved amicably through out of court Settlement Agreement dated January 18, 2014 and on fulfillment of the terms and conditions of the said agreement, the case was dismissed and withdrawn in the court of Civil Judge Peshawar by Sardar Asif on March 06, 2014. This case created law and order situation at the Factory which also affected the operational performance of the Company till the resolution of the issue.

The Company has written off the wavier amount of Rs. 114,126,275 of long term financing upon the receiving NOCs from the banks as per terms and conditions of Settlement Agreement with the banks.

The right share 30.133 million nos of Shares of the Company were fully subscribed by the general public and the major sponsors/ directors of the company subsequent to balance sheet date. The call for the remaining unsubscribed shares of the right issue was made to the major sponsors/directors as per their undertaking and the subscription was received in full. The entire process of allotment of right shares was completed on August 08, 2014 and correspondingly all the loans/advances against future issue of shares received by the Company have been adjusted as subscription for exercise of right.

As regards auditors' qualification regarding the gratuity, your company is considering the option to introduce gratuity before year ending June 30, 2015 sine the company has now settled NOC issue with the banks.

### Dividend

Due to operational losses, future expansions and liquidity limitations, no dividend is recommended for the year ended June 30, 2014

### Earnings per Share

Earnings per share increased to Rs 7.13 per share from previous Rs (0.29) per share.



## Future Prospects

We are confident that by introducing the Floor tiles in future, Company will enhance its production and market share which will help in strengthening the operational performance of the Company.

## Corporate & Financial Reporting Frame Work

The Directors are pleased to state that your Company has complied with the provisions of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan. Following are the statements on corporate and financial reporting:

- (a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the Company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored; and
- (f) There are no significant doubts upon the Company's ability to continue as a going concern:
  - There has been no material departure from the best practice of corporate governance as detailed in the listing regulations.
  - A summary of key operating and financial data for the last six years is annexed with the report.
  - Information about the taxes and levies is given in the notes to the accounts.
  - During the year six meetings of the board of directors were held, which were attended by the directors as detailed below.

<u>Name of Directors</u>	<u>No. of Meetings attended</u>	
Mr. Omer Khalid	2	
Miss Sana Khalid	6	
Miss Farhat	6	
Mr. Raja Ghazanfar	6	(Resigned on July 24, 2014)
Mrs. Pervez Aslam	6	
Mrs. Shazia Khalid	6	
Mrs. Hameeda Khalid	6	
Mrs. Numrah Khalid		(Appointed on July 24, 2014)

#### **Audit Committee**

The audit committee comprises of three non executive directors. Four meetings were held during the year under review.

#### **Auditors**

As suggested by the Audit Committee, the present auditors M/S BDO Ebrahim & Co., Chartered Accountants, retired and being eligible offer themselves for reappointment.

#### **Pattern of Shareholding**

The pattern of shareholding as on 30<sup>th</sup> June, 2014 and its disclosure as required by the Code of the Corporate Governance is annexed with this report.

#### **Subsequent Events**

There have not been any material events that occurred subsequent to the date of the statement of financial position that require adjustment to the enclosed financial statements.

#### **Acknowledgement**

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

On behalf of the Board

Date: October 02, 2014  
Peshawar

Chairperson



**STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes:

Category	Names
Executive Directors	Mr. Omer Khalid Ms. Sana Khalid
Non-Executive Directors	Mrs. Hameeda Khalid Mrs. Shazia Khalid Mrs. Pervaiz Aslam Ms. Numrah Khalid
Independent Director	Ms. Farhat

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or an Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the Year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has not arranged any training programs for its Director during the year 2014.
10. The Board has approved the appointment, remuneration and terms and conditions of employment of Chief Financial Officer, Head of Internal Audit and the Company Secretary.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of three members, all of whom are non-Executive Directors including Chairperson.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of references of the committee have been formed and advised to the audit committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-Executive Directors and Chairperson of the committee is a non-Executive Director.
18. The Board has set up an internal audit function, which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.



19. The statutory auditors of the company have confirmed that they have been given satisfactory rating under quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for:
  - a. No Training program was conducted during the year for the Director as required by CCG.
  - b. Company Secretary position fell vacant on resignation of Company Secretary in April, 2013 and to fill the casual vacancy, CFO, who is a fellow member of the Institute of Chartered Accountants of Pakistan and the Institute of Corporate Secretaries of Pakistan, was appointed as Company Secretary till the appointment of suitable person.
  - c. (xiii) Head of Internal Audit was appointed last year, however qualification criteria as required by CCG was not complied with.

On behalf of the Board

Peshawar: October 02, 2014

Chairperson

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of **FRONTIER CERAMICS LIMITED** (the Company) to comply with the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

We draw your attention to clause 23 of the statement which mentions certain instances of non-compliance with the Code.

ISLAMABAD

DATED: October 02, 2014

CHARTERED ACCOUNTANTS

Engagement Partner: Iffat Hussain



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FRONTIER CERAMICS LIMITED ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we state that:

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 this liability in term of gratuity amounts to Rs. 18 million as at June 30, 2014.

Except for the adjustments in respect of matter stated above;

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) except for the adjustment in respect of matter stated above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without further qualifying our opinion, we draw attention to the following matters:

- a) Note 1.2 to the financial statements which indicates that the Company's accumulated loss amounted to Rs. 40.888 million as at June 30, 2014 and as at that date Company's current liabilities exceeded its current assets by Rs. 124.418 million. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.
- b) Note 21 and 30.1 to the financial statements which indicates that the management has written back the amount of long term financing waived off by the creditor banks on settlement of loans as per settlement agreement and upon receipt of no objection certificates (NOC).

ISLAMABAD

DATED: October 02, 2014

CHARTERED ACCOUNTANTS

Engagement Partner: Iffat Hussain



**FRONTIER CERAMICS LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	5	540,030,537	583,820,764
Capital work in progress	6	161,864,663	148,113,883
		<u>701,895,200</u>	<u>731,934,647</u>
Long term deposits		1,513,450	1,513,450
		<u>703,408,650</u>	<u>733,448,097</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	22,877,813	16,685,254
Stock in trade	8	41,768,081	39,348,852
Trade debts	9	2,827,464	2,710,094
Advances	10	25,941,999	14,319,442
Tax refunds due from government	11	7,496,815	4,076,626
Taxation - net	22	-	3,420,187
Cash and bank balances	12	7,785,780	3,513,392
		<u>108,697,952</u>	<u>84,073,847</u>
<b>TOTAL ASSETS</b>		<u><u>812,106,602</u></u>	<u><u>817,521,944</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	13	77,412,000	77,412,000
Accumulated loss		<u>(40,887,672)</u>	<u>(118,847,169)</u>
		36,524,328	(41,435,169)
Advance against subscription	14	89,456,662	-
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	15	345,865,596	365,215,416
<b>NON CURRENT LIABILITIES</b>			
Long term financing	16	-	89,180,130
Deferred taxation	17	107,143,840	106,491,813
		<u>107,143,840</u>	<u>195,671,943</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	220,640,944	176,938,467
Mark up accrued	19	3,096,528	2,589,775
Short term borrowings	20	4,415,237	4,415,237
Current portion of long term financing	21	-	114,126,275
Taxation - net	22	4,963,467	-
		<u>233,116,176</u>	<u>298,069,754</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>812,106,602</u></u>	<u><u>817,521,944</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
Sales - net	24	278,787,784	302,937,997
Cost of sales	25	310,023,227	281,953,656
Gross (loss) / profit		(31,235,443)	20,984,341
Distribution cost	26	3,301,447	3,830,275
Administrative expenses	27	14,804,742	12,952,902
Other operating expenses	28	21,490,323	12,856,613
Operating loss		(70,831,955)	(8,655,449)
Other income	29	145,999,502	168,300
Finance cost	30	3,767,906	1,889,941
Profit / (loss) before taxation		71,399,641	(10,377,090)
Taxation	31	(16,238,657)	8,141,146
Profit / (loss) for the year		55,160,984	(2,235,944)
Earning / (loss) per share - basic and diluted	32	7.13	(0.29)

The annexed notes from 1 to 42 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**



**FRONTIER CERAMICS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
Profit / (loss) for the year	55,160,984	(2,235,944)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>55,160,984</u>	<u>(2,235,944)</u>

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

The annexed notes from 1 to 42 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**

**FRONTIER CEREMICS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

		Issued, subscribed and paid up capital	Accumulated loss	Total
	Note	Rupees		
Balance as at July 01, 2012		77,412,000	(141,190,921)	(63,778,921)
Total comprehensive loss for the year ended June 30, 2013		-	(2,235,944)	(2,235,944)
Transfer from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	15	-	24,579,696	24,579,696
Balance as at June 30, 2013		77,412,000	(118,847,169)	(41,435,169)
Total comprehensive income for the year ended June 30, 2014		-	55,160,984	55,160,984
Transfer from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	15	-	22,798,513	22,798,513
Balance as at June 30, 2014		77,412,000	(40,887,672)	36,524,328

The annexed notes from 1 to 42 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**

**FRONTIER CEREMICS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		71,399,641	(10,377,090)
Adjustment for non cash items:			
Depreciation		43,986,250	48,964,873
Finance cost		3,767,906	1,889,941
Provision for obsolescence in inventory		2,000,000	9,996,363
Liabilities written back		(145,999,502)	-
		(96,245,346)	60,851,177
Profit before working capital changes		(24,845,705)	50,474,087
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(6,192,559)	(4,172,807)
Stock in trade		(4,419,229)	2,322,562
Trade debts		(117,370)	112,739
Advances		(11,622,557)	(1,029,495)
Short term prepayments		-	102,020
Increase / (decrease) in current liabilities			
Trade and other payables		74,414,642	(28,166,443)
		52,062,927	(30,831,424)
Cash generated from operations		27,217,222	19,642,663
Finance cost paid		(2,100,090)	(1,401,425)
Taxes paid		(7,174,473)	(4,934,877)
		(9,274,563)	(6,336,302)
Net cash generated from operating activities		17,942,659	13,306,361
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition to property, plant and equipment		(196,023)	-
Addition to capital work in progress		(13,750,780)	(12,110,497)
Net cash used in investing activities		(13,946,803)	(12,110,497)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received as advance against subscription		276,532	-
Net cash generated from operating activities		276,532	-
Net increase / (decrease) in cash and cash equivalents		4,272,388	1,195,864
Cash and cash equivalents at the beginning of the year		3,513,392	2,317,528
Cash and cash equivalents at the end of the year	12	7,785,780	3,513,392

The annexed notes from 1 to 42 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**



**FRONTIER CERAMICS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1 STATUS AND NATURE OF BUSINESS**

- 1.1 Frontier Ceramics Limited ( "the Company" ) was incorporated in July 1982 as a Public Limited Company with its shares quoted on Karachi and Lahore Stock Exchanges of Pakistan. 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.
- 1.2 The Company has accumulated loss of Rs. 40.888 million (2013: Rs. 118.847 million) at the year end. Current liabilities exceeded the current assets by Rs. 124.418 million (2013: Rs. 213.996 million). These conditions indicate the existence of material uncertainty which casts doubt about the Company's ability to continue as a going concern.

These financial statements have been prepared on going concern basis without any adjustments to assets and liabilities. Moreover, the management have plans to increase profitability by introducing new designs and sizes of wall tiles. Further the installation of new plant in process is capable of producing different sizes of wall tiles as well as the floor tiles. In the opinion of the management future profits shall wipe out the accumulated loss and restore the equity of the Company. Accordingly, the management is confident that they will succeed in their efforts to continue the Company as a going concern.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and of the said directives have been followed.



**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention and on accrual basis of accounting except:

- the cash flow statement; and
- certain fixed assets which are stated at revalued amounts.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.20.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

**3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**3.1 Standards or interpretations that are effective in current year but not relevant to the Company**

The Company has adopted the amendments to the following accounting standards which became effective during the year:

	Effective date (annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 Fair Value Measurement	January 01, 2013
IAS 27 Separate Financial Statements	January 01, 2013
IAS 28 Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

### 3.2 Amendments that are effective in current year but not relevant to the Company

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013



### 3.3 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014



		Effective date (annual periods beginning on or after)
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016

**Effective date  
(annual periods  
beginning on or after)**

IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014
IAS 41	Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

### 3.4 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

**Effective date  
(annual periods  
beginning on or after)**

IFRS 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IFRIC 21	Levies	January 01, 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.



## **4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **4.1 Property, plant and equipment**

#### **a) Operating fixed assets**

Operating fixed assets except for freehold land are stated at cost/revalued amount less accumulated depreciation or impairment, if any. Freehold land is stated at revalued amount.

Depreciation is charged on the basis of reducing balance at the rates given in note 5, whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred. Gains or losses on disposal of property, plant and equipment are accounted for as profit or loss for the year.

Amount equivalent to incremental depreciation charged on revalued assets is transferred from surplus on revaluation of building net of deferred taxation to retained earnings.

The assets' residual value and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss accounts.

#### **b) Capital work in progress**

Capital work in progress is stated at cost. Assets are transferred to operating fixed assets when they are available for intended use.



## **4.2 Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## **4.3 Stores, spares and loose tools**

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

## **4.4 Stock in trade**

Stock in trade, except stock in transit, are valued at lower of cost and net realizable value. Cost is determined as follows:

- Raw materials      - at moving average method except stock in transit
- Work in process   - at cost of material plus proportionate production overheads
- Finished goods     - at cost of material as above plus proportionate production overheads

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

Stock in transit is valued at cost comprising invoice value plus other charges thereon.

## **4.5 Trade debts**

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

#### **4.6 Other receivables**

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

#### **4.7 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized in other comprehensive income or directly in equity in which case it is recognized in other comprehensive income or directly in equity respectively.

##### **a) Current**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### **b) Deferred**

Deferred tax is accounted for using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in future years to utilize deductible temporary differences, unused tax losses and tax credits.

Deferred tax is calculated based on tax rates that have been enacted or substantively enacted up to the balance sheet date and are expected to apply to the periods when the differences reverse. Deferred tax for the year is charged or credited to the profit and loss account.

#### **4.8 Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

#### **4.9 Borrowings**

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis.



Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are specifically obtained for the acquisition of qualifying assets are capitalized as part of cost of that assets. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

#### **4.10 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

#### **4.11 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### **4.12 Revenue recognition**

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

- Sales are recorded on dispatch of goods to customers.
- Rental income is recognized on accrual basis.

#### **4.13 Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period.



#### **4.14 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand and cash at bank.

#### **4.15 Related party transactions**

Transactions with related parties are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

#### **4.16 Dividend and apportioning to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

#### **4.17 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

#### **4.18 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

#### **4.19 Foreign currency translation**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

#### **4.20 Significant accounting judgments and critical accounting estimates / assumptions**

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

Judgments have been exercised by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

##### **a) Income taxes**

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 4.7 of these financial statements.

##### **b) Property, plant and equipment**

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

##### **c) Stores and spares**

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

### 5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets

Description	Note	Land free hold	Buildings		Plant & machinery (Note 5.2)							Office equipment	Computers	Vehicles	Total
			Factory	Office	Imported	Local	Electrification	Casting benches	Laboratory ware	Generators	Furniture and fixtures				
Year ended June 30, 2014															
Gross carrying value basis															
Cost / revalued amount		141,120,000	126,264,221	2,648,885	399,761,413	7,267,721	19,545,360	449,385	198,744	407,936	2,696,361	4,627,146	203,300	1,425,723	706,616,195
Additions		-	-	-	196,023	-	-	-	-	-	-	-	-	-	196,023
Accumulated depreciation		-	(24,842,486)	(1,788,583)	(124,163,176)	(3,997,827)	(3,625,542)	(154,544)	(117,338)	(224,398)	(2,432,124)	(4,110,719)	(178,897)	(1,146,047)	(156,781,681)
Net book value		141,120,000	101,421,735	860,302	275,794,260	3,269,894	15,919,818	294,841	81,406	183,538	264,237	516,427	24,403	279,676	540,030,537
Net carrying value basis															
Operating net book value (NBV)		141,120,000	112,690,817	905,581	306,240,229	4,087,367	16,757,703	327,601	101,757	229,423	330,296	645,534	34,861	349,595	583,820,764
Additions		-	-	-	196,023	-	-	-	-	-	-	-	-	-	196,023
Depreciation charge	5.1	-	(11,269,082)	(45,279)	(30,641,992)	(817,473)	(837,885)	(32,760)	(20,351)	(45,885)	(66,059)	(129,107)	(10,458)	(69,919)	(43,986,250)
Closing net book value		141,120,000	101,421,735	860,302	275,794,260	3,269,894	15,919,818	294,841	81,406	183,538	264,237	516,427	24,403	279,676	540,030,537
Year ended June 30, 2013															
Gross carrying value basis															
Cost / revalued amount		141,120,000	126,264,221	2,648,885	399,761,413	7,267,721	19,545,360	449,385	198,744	407,936	2,696,361	4,627,146	203,300	1,425,723	706,616,195
Accumulated depreciation		-	(13,571,404)	(1,743,304)	(93,521,184)	(3,180,354)	(2,287,657)	(121,784)	(96,987)	(178,513)	(2,466,965)	(3,981,612)	(168,439)	(1,076,128)	(122,295,431)
Net book value		141,120,000	112,690,817	905,581	306,240,229	4,087,367	16,757,703	327,601	101,757	229,423	330,296	645,534	34,861	349,595	583,820,764
Net carrying value basis															
Operating net book value (NBV)		141,120,000	125,212,019	923,243	340,266,921	5,109,268	17,639,687	364,001	127,196	286,779	412,870	806,918	49,801	436,994	632,785,637
Depreciation charge	5.1	-	(12,521,202)	(47,662)	(33,026,692)	(1,071,841)	(881,984)	(36,400)	(25,439)	(57,156)	(82,574)	(161,384)	(14,940)	(87,499)	(48,964,873)
Closing net book value		141,120,000	112,690,817	905,581	306,240,229	4,087,367	16,757,703	327,601	101,757	229,423	330,296	645,534	34,861	349,595	583,820,764
Annual rate of depreciation (%)		-	10%	5%	10%	20%	5%	10%	20%	20%	20%	20%	6%	20%	20%

#### 5.1 Allocation of depreciation:

	Note	2014	2013
		Rupees	Rupees
Cost of sales	25	43,773,224	48,720,049
Distribution cost	26	106,513	122,412
Administrative expenses	27	106,513	122,412
		43,986,250	48,964,873



	Note	2014 Rupees	2013 Rupees
<b>6 CAPITAL WORK IN PROGRESS</b>			
Plant and machinery	6.1	150,542,723	136,791,943
Civil works	6.2	11,321,940	11,321,940
	6.3	<u>161,864,663</u>	<u>148,113,883</u>

**6.1 Plant and machinery**

Balance as at July 01,	136,791,943	135,819,377
Additions during the year	13,750,780	972,566
	<u>150,542,723</u>	<u>136,791,943</u>

**6.2 Civil works**

Balance as at July 01,	11,321,940	184,009
Additions during the year	-	11,137,931
	<u>11,321,940</u>	<u>11,321,940</u>

- 6.3 This represents import of new plant and machinery and site preparation for production of floor and wall tiles. It has to be capitalized after trial production which was delayed due to a legal case pending before the Civil Court, Peshawar as explained in note 23.1.3. However, the Company has made an out of court settlement during the year and currently management expects that plant will be ready for trial production by the end of November, 2014.

	Note	2014 Rupees	2013 Rupees
<b>7 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		17,003,096	10,914,606
Spare parts and loose tools		5,874,717	5,770,648
	7.1	<u>22,877,813</u>	<u>16,685,254</u>

- 7.1 Stores and spares includes items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

		2014 Rupees	2013 Rupees
<b>8</b>	<b>STOCK IN TRADE</b>		
	Raw material	18,961,134	18,106,176
	Work in process	5,369,234	3,640,851
	Finished goods	56,517,713	54,681,825
		<u>80,848,081</u>	<u>76,428,852</u>
	Less: Provision for obsolescence in inventory	8.1 (39,080,000)	(37,080,000)
		<u>41,768,081</u>	<u>39,348,852</u>

**8.1 Movement in provision for obsolescence in inventory is as follows:**

	Balance as at July 01,	(37,080,000)	(27,083,637)
	Charge for the year	(2,000,000)	(9,996,363)
		8.2 <u>(39,080,000)</u>	<u>(37,080,000)</u>

8.2 This represents write down of finished goods inventory to its net realizable value (NRV).

		2014 Rupees	2013 Rupees
<b>9</b>	<b>TRADE DEBTS</b>		
	Unsecured - considered good		
	Associated company	9.1 2,578,043	2,578,043
	Others	249,421	132,051
		<u>2,827,464</u>	<u>2,710,094</u>
	Unsecured - considered doubtful	1,331,700	1,331,700
		4,159,164	4,041,794
	Less: Provision for doubtful debts	9.2 (1,331,700)	(1,331,700)
		<u>2,827,464</u>	<u>2,710,094</u>

**9.1 The aging of related party balances at the balance sheet date is as follows:**

	Impaired	-	-
	Not past due	-	-
	Past due 0 - 90 days	-	-
	Past due 90 days	9.1.1 2,578,043	2,578,043
		<u>2,578,043</u>	<u>2,578,043</u>

9.1.1 The maximum aggregate amount due from Toyota Rawal Motors (Private) Limited, associated company, at the end of any month during the year was Rs. 2,578,043 (2013 : Rs. 2,578,043).

	Note	2014 Rupees	2013 Rupees
<b>9.2 Movement in provision for doubtful debt is as follows:</b>			
Balance as at July 01,		(1,331,700)	(1,500,000)
Recovery during the year		-	168,300
		<u>(1,331,700)</u>	<u>(1,331,700)</u>

## 10 ADVANCES

Unsecured - considered good

Advances

- to suppliers		6,594,925	1,820,715
- against letter of credit		11,166,887	5,332,505
- against letter of credit and guarantee		4,975,739	4,750,120
- against vehicles	10.1	2,746,949	2,036,418
- against salaries		436,298	359,208
- against expenses		21,201	20,476
		<u>25,941,999</u>	<u>14,319,442</u>

10.1 This represents advance given to Toyota Rawal Motors (Private) Limited, a related party for the lease of vehicle for their employees, This balance will be adjusted against the salaries of employees of the Company.

	2014 Rupees	2013 Rupees
<b>11 TAX REFUNDS DUE FROM GOVERNMENT</b>		
Considered good		
Balance as at July 01,	4,076,626	1,513,285
Refundable assessed during the year	3,420,189	2,563,341
	<u>7,496,815</u>	<u>4,076,626</u>

## 12 CASH AND BANK BALANCES

Cash in hand	232,400	96,302
Cash at bank - current accounts	7,553,380	3,417,090
	<u>7,785,780</u>	<u>3,513,392</u>





	Note	2014 Rupees	2013 Rupees
<b>15 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS</b>			
Balance as at July 01,		482,470,939	520,285,856
Less:			
Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax		22,798,513	24,579,696
Related deferred tax liability during the year transferred to profit and loss account		11,229,118	13,235,221
		34,027,631	37,814,917
	15.1	448,443,308	482,470,939
Less:			
Related deferred tax effect :			
Balance as at July 01,		117,255,523	133,939,434
Effect of change in rate		(3,448,693)	(3,448,690)
Incremental depreciation charged during the year transfer to Profit and loss account		(11,229,118)	(13,235,221)
		102,577,712	117,255,523
		345,865,596	365,215,416

- 15.1 This represents surplus over book values resulted from revaluations of freehold land, building and plant and machinery, based on fair value / market value estimated by the independent valuer and treated as per the requirements of Sec 235 of the Companies Ordinance, 1984, details of revaluation are as follows:

Independent valuers	Revaluation Dates	Revaluation Rupees
M/s Mughal Associates	May 21, 2012	35,560,289
M/s Mughal Associates	Jun 30, 2010	353,104,564
M/s Industrial Consultants and Machinery Linkers	Jun 08, 2004	66,359,632
M/s Global Engineers.(Private) Limited	Aug 25, 1996	283,925,776
		738,950,261

- 15.2 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.

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

	2014 Rupees	2013 Rupees
Free hold land	3,518,245	3,518,245
Factory building	7,736,605	8,596,228
Plant and machinery		
Imported	71,642,934	79,405,422
Local	2,209,951	2,762,438
Electrification	4,308,554	4,535,320
Casting benches	115,667	128,519
Laboratory ware	10,396	12,994
Generators	99,834	124,792
	78,387,336	86,969,485
	89,642,186	99,083,958

## 16 LONG TERM FINANCING

This represents interest free unsecured loan received from a shareholder of the Company, to meet the working capital requirements. The company has transferred the amount during the year to advance against subscription as explained in note 14.1.

## 17 DEFERRED TAXATION

Deferred tax liabilities / (assets) arising due to taxable temporary differences are as follows:

	2014 Rupees	2013 Rupees
Surplus on revaluation of fixed assets	102,577,712	117,255,523
Accelerated depreciation	(8,769,733)	(10,763,710)
Provision for written down inventory	12,896,400	-
Provision for doubtful debts	439,461	-
	107,143,840	106,491,813
Tax rate used	33%	34%

- 17.1 Deferred tax asset of Rs. 16.066 million (2013: Rs. 34.73 million) due to brought forward losses has not been recognized in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount.



	Note	2014 Rupees	2013 Rupees
<b>18 TRADE AND OTHER PAYABLES</b>			
Trade creditors		32,127,240	57,775,807
Accrued liabilities		36,107,372	28,771,382
Advances from customers		129,095,857	72,608,708
Advance rental income		-	213,120
Unclaimed dividend		3,189,224	3,189,224
Old labour dues	18.1	3,256,878	4,320,806
Sales tax payable		3,599,118	1,460,237
Withholding tax payable		869,441	1,122,307
Workers' profit participation fund	18.2	11,955,675	7,036,737
Workers welfare fund		440,139	440,139
		<u>220,640,944</u>	<u>176,938,467</u>

- 18.1 This represents labor dues of old employees which relates to prior to acquisition period, by current management of the Company. The dues are recorded in the year ended June 30, 2011 due to claims lodged against Company by workmen and on receipt of notification from SECP in 2012.

	Note	2014 Rupees	2013 Rupees
<b>18.2 Movement in workers' profit participation fund:</b>			
Balance as at July 01,		7,036,737	6,040,117
Interest for the year @ 16.5%		1,161,062	996,620
Provision for the year		3,757,876	-
		<u>11,955,675</u>	<u>7,036,737</u>

**19 MARK UP ACCRUED**

Mark up on short term borrowing from:

Financial institution	1,805,432	1,518,932
Associated company	1,291,096	1,070,843
	<u>3,096,528</u>	<u>2,589,775</u>

**20 SHORT TERM BORROWINGS**

Financial institution - secured	20.1	1,910,000	1,910,000
Related parties - unsecured			
Due to associated company	20.2	1,770,521	1,770,521
Due to associated person	20.3	734,716	734,716
		<u>4,415,237</u>	<u>4,415,237</u>

- 20.1 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.

- 20.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors for working capital of the Company. The loan carries mark up at the rate of one year KIBOR plus 2 % per annum.
- 20.3 This represents unsecured interest free loans from a share holder of the Company, repayable at the convenience of the Company on attaining financial stability.

	Note	2014 Rupees	2013 Rupees
<b>21 CURRENT PORTION OF LONG TERM FINANCING</b>			
National Bank of Pakistan		86,663,311	86,663,311
Banker's Equity Limited		6,046,217	6,046,217
Habib Bank Limited		1,098,378	1,098,378
United Bank Limited		620,177	620,177
Orix Investment Bank Pakistan Limited		5,499,862	5,499,862
NIB Bank Limited		6,920,670	6,920,670
Bank of Khyber		7,277,660	7,277,660
	21.1	114,126,275	114,126,275
Less : Transferred to other income	29	(114,126,275)	-
		<u>-</u>	<u>114,126,275</u>

- 21.1 This represents the waiver amount of long term financing granted by creditor banks on settlement of loans as per Settlement Agreement dated June 26, 2008. The management has written back the amount upon receiving NOC from lead bank, National Bank of Pakistan vide their letter No.NBP/LHR/SAMD-N/1109 dated June 16, 2014, on payment of charges as disclosed in note 30.1. However, the Company is in process of obtaining release of pledge and collateral documents from Bankers Equity Limited (U/L).

Further, details of settlement of loan agreement and details of pledge and collateral documents are disclosed in note 21.2.

- 21.2 The above represented interest free loan received from 10 financial institutions under settlement agreement and was repayable in 36 equal monthly installments starting from March, 2009. In 2006, the Company approached The State Bank of Pakistan's Committee for Revival of Sick Industrial Units (CRSIU) for restructuring of outstanding liabilities. CRSIU arranged the meeting of all the participant financial institutions in which CRSIU directed all the financial institutions to reduce their respective loans proportionally to the forced sale value of the project of Rs. 168 million, and a settlement agreement was signed on March 05, 2009 between the parties.



As per agreement in case the Company fails to pay any three consecutive monthly installment amount, the write off / waiver to be granted by the financial institutions in accordance with the decision of CRSIU dated August 19, 2006 and under the settlement agreement of certain portions of their principal outstanding amount and whole of the mark up shall become ineffective and stand revoked with Company being liable to immediately pay the total outstanding amount to the financial institutions along with all mark up, profits, compensation, charges, cost and other amounts in the same manner as it would have been if this agreement had not been entered into and a fresh cause of action shall become available to the financial institutions to recover their outstanding amounts along with all mark up etc by exercising, judicial and other legal remedies available to them.

The Company has provided from time to time following securities in favor of the financial institutions to secure its repayment of loans:

**National Bank of Pakistan**

- First charge on project assets ranking Pari Passu with NIB Bank Limited.
- First charge on stocks, book debts and other current assets.
- Hypothecation of stocks
- Pledge of stocks
- Personal guarantees of sponsors

**ORIX Investment Bank Pakistan Limited**

- Hypothecation charge on plant, machinery, equipment and other moveable assets of the Company.

**NIB Bank Limited**

- First charge on all the moveable and immoveable assets of the Company ranking pari passu with the securities offered to NDFC and BEL Consortium.
- Personal guarantees of directors.

**Bank of Khyber**

- Hypothecation of stocks, stores and spares of the Company.

**Other financial institutions**

- Joint charge on the assets of the Company pari passu
- Hypothecation of moveable / receivable
- Personal guarantees of the sponsors

However, in the case of ambiguity / dispute regarding securities / charges against loans / finances, the loan documents already executed in this regard between the parties shall prevail.

As per settlement agreement for long term financing, it is expressly agreed between the parties that the sponsor shares of the Company totaling Rs. 2,323,965 held by BEL under its pledge shall be released to and transferred by BEL to the new investors after the receipt of payment of total settlement amount to BEL and its consortium members by the Company in accordance with the agreement.

These are secured against first charge on Project assets ranking Pari Passu with NIB, first charge on stocks, book debts and other current assets, hypothecation of stocks and personal guarantees of the sponsors.



The loan was fully repaid during the year ended June 30,2012.

	Note	2014 Rupees	2013 Rupees
<b>22 TAXATION - NET</b>			
Balance as at July 01,		(3,420,187)	969,833
Add: Prior year adjustment		2	1,593,508
Less: Tax refund due from government		<u>3,420,185</u>	<u>(2,563,341)</u>
		-	-
Provision for taxation	31.1	12,137,939	1,514,690
Less: Advance tax		<u>(7,174,472)</u>	<u>(4,934,877)</u>
		<u>4,963,467</u>	<u>(3,420,187)</u>
<b>23 CONTINGENCIES AND COMMITMENTS</b>			

### 23.1 CONTINGENCIES

23.1.1 Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would be Rs. 519,171.

### 23.1.2 Noman Ghani vs. FCL & others:

This is the recovery suit against the Company. In this suit original claim was of Rs. 1,248,172. Later on, the petitioner submitted another application for amendment of plaint for recovery of Rs. 20 million plus 18% being current bank interest. The application was dismissed and they filled an appeal against the order in the honour able High court Peshawar. The case was demanded back by the High Court to District Civil Judge Peshawar which dimitted the case on June 03, 2014 and provided the partial relief to Numan Ghani. Now Numan Ghani has again filed an appeal with High Court against the decision of Civil Judge pending receipt/issue of the summan from High Court. The Company has not incorporated the contingency as the management is of the view that the case will be settled in favour of the Company.

### 23.1.3 Sardar Asif vs. FCL:

An ex-parte decree in favor of the Company's ex-suppliers was issued by the Civil Court, Peshawar, who proceeded on a part of Company's land against the Company in the Court. The Court decreed the suit in favour of the plaintiff, against the decreed claim of Rs. 1.450 million, for the possession of the property of the Company bearing Plot No 21, 22 and 23 situated at Peshawar. Decree holder further got the stay order to restrain the ongoing construction works on these plots, resultantly all the construction and expansion activities which were being or to be carried out at these plots were discontinued at the factory. The Case was field during the previous management of the Company by the supplier.

The case has been amicably resolved through out of court Settlement Agreement dated January 18, 2014 and on fulfillment of the terms and conditions of the said agreement and amount paid as disclosed in note 28.1, the case was dismissed and withdrawn in the court of Civil Judge Peshawar on March 06, 2014 by Sardar Asif.

23.1.4 Guarantee has been issued by Silk Bank Limited on behalf of the Company in the normal course of business in favour of M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 20.671 million (2013: Rs. 20.671 million).

## 23.2 COMMITMENTS

The Company has following commitments:

	2014 Rupees	2013 Rupees
- in respect of letter of credit		
- against import of raw materials	8,697,781	5,996,804
- against import of stores and spares	7,885,839	3,819,687
- against import of plant and machinery	153,063	-
	<u>16,736,683</u>	<u>9,816,491</u>

## 24 SALES

Gross sales - tiles	330,399,034	328,302,543
Less: Sales tax	(51,611,250)	(25,364,546)
	<u>278,787,784</u>	<u>302,937,997</u>

## 25 COST OF SALES

	Note	2014 Rupees	2013 Rupees
Raw material consumed	25.1	64,468,710	60,544,045
Stores, spares and loose tools consumed	25.2	59,824,489	44,508,540
Gas and electricity		114,954,929	96,988,489
Depreciation	5.1	43,773,224	48,720,049
Salaries, wages and other benefits		27,963,731	28,154,768
Generator rent		2,376,549	2,334,078
Material loss in transit		150,066	-
Travelling and conveyance		15,292	28,000
Repairs and maintenance		14,100	100,880
Miscellaneous		46,407	6,114
		<u>313,587,497</u>	<u>281,384,963</u>



Work in process			
Opening		3,640,851	2,809,103
Closing		(5,369,234)	(3,640,851)
		(1,728,383)	(831,748)
Finished goods			
Opening		54,681,825	56,082,266
Closing		(56,517,713)	(54,681,825)
		(1,835,888)	1,400,441
		310,023,227	281,953,656
25.1	Raw material consumed		
	Opening stock	18,106,176	19,860,045
	Add: Purchases	65,323,668	58,790,176
	Less: Closing stock	(18,961,134)	(18,106,176)
		64,468,710	60,544,045
25.2	Stores, spares and loose tools consumed		
	Opening stock	16,685,254	12,512,447
	Add: Purchases	66,017,048	48,681,347
	Less: Closing stock	(22,877,813)	(16,685,254)
		59,824,489	44,508,540
26	<b>DISTRIBUTION COST</b>		
	Salaries, allowances and benefits	3,014,554	3,519,413
	Rent expense	180,380	180,340
	Depreciation	5.1 106,513	122,412
	Traveling and conveyance	-	6,950
	Miscellaneous	-	1,160
		3,301,447	3,830,275
27	<b>ADMINISTRATIVE EXPENSES</b>		
		<b>2014</b>	<b>2013</b>
		<b>Note</b>	<b>Rupees</b>
			<b>Rupees</b>
	Directors' remuneration		2,562,000
	Salaries, allowances and benefits		9,432,028
	Fee and subscription		533,120
	Rent, rates and taxes		479,160
	Utilities		433,286
	Communication		412,985
	Printing and stationery		359,200
	Health insurance		292,108
	Depreciation	5.1	106,513
	Travelling and conveyance		78,859
	Vehicle running and maintenance		59,859
	Entertainment		40,076
	Repair and maintenance		9,600
	Miscellaneous		5,948
			14,804,742
			12,952,902



## 28 OTHER OPERATING EXPENSES

Court settlement charges	28.1	15,000,000	-
Workers' profit participation fund		3,757,876	-
Provision for obsolescence in inventory	8.1	2,000,000	9,996,363
Auditors' remuneration	28.2	369,600	393,250
Legal and professional charges		362,847	2,467,000
		<u>21,490,323</u>	<u>12,856,613</u>

28.1 This represents an amount paid against settlement of a court case as disclosed in note 23.1.3.

### 28.2 Auditors' remuneration

Audit fee		275,000	275,000
Review of half year financial statements		66,000	82,500
Out of pocket expenses		28,600	35,750
		<u>369,600</u>	<u>393,250</u>

## 29 OTHER INCOME

Loan written back	21.1	114,126,275	-
Liabilities written back	29.1	31,873,227	-
Others		-	168,300
		<u>145,999,502</u>	<u>168,300</u>

29.1 This represents outstanding liabilities above five years written back during the year as approved by the board of directors.

	Note	2014 Rupees	2013 Rupees
<b>30 FINANCE COST</b>			
Mark up / interest on:			
Long term borrowings	30.1	1,701,846	-
Short term borrowings			
From financial institutions		286,500	286,500
From related party		220,253	202,016
		506,753	488,516
Workers' profit participation fund		1,161,063	996,620
Bank charges		398,244	404,805
		<u>3,767,906</u>	<u>1,889,941</u>

- 30.1 This represents the concessional cost of fund @ 5% for the delayed payment on-settlement of long term financing in order to issue NOC as per letter vide NBP/LHR/SAMD-N/1109 dated June 16, 2014 from National Bank of Pakistan (i.e. lead bank).

	Note	2014 Rupees	2013 Rupees
<b>31 TAXATION</b>			
Provision for taxation			
Current year	31.1	12,137,939	1,514,690
Prior year		(2)	(1,593,508)
Deferred		4,100,720	(8,062,328)
		<u>16,238,657</u>	<u>(8,141,146)</u>

- 31.1 In view of tax loss for the year, provision for current year represents minimum tax payable under section 113C (2013: section 113) of the Income Tax Ordinance, 2001.

- 31.2 Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared as the Company was subject to minimum tax in the current and prior year.

## **32 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED**

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

	2014	2013
Profit / (loss) after taxation (Rupees)	55,160,984	(2,235,944)
Weighted average number of ordinary shares	7,741,200	7,741,200
Earnings per share - basic and diluted (Rupees)	<u>7.13</u>	<u>(0.29)</u>

### 33 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

2014	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
Rupees					
<b>Financial assets</b>					
Loans and receivables at amortized cost:					
Long term deposits	1,513,450	-	-	-	1,513,450
Trade debts	4,159,164	-	-	-	4,159,164
Advances	3,183,247	-	-	-	3,183,247
Cash and bank balances	7,785,780	-	-	-	7,785,780
	16,641,641	-	-	-	16,641,641
<b>Financial liabilities</b>					
Financial liabilities carried at amortized cost:					
Trade and other payables	74,680,714	-	-	-	74,680,714
Mark up accrued	3,096,528	-	-	-	3,096,528
Short term borrowings	4,415,237	4,415,237	-	4,415,237	-
	82,192,479	4,415,237	-	4,415,237	77,777,242
<b>On balance sheet gap</b>	(65,550,838)	(4,415,237)	-	(4,415,237)	(61,135,601)
<b>Off Balance sheet Items</b>					
Financial commitments:					
Letter of credits	16,736,683	-	-	-	16,736,683
Bank guarantee	20,671,000	-	-	-	20,671,000
	37,407,683	-	-	-	37,407,683
<b>Total Gap</b>	(102,958,521)	(4,415,237)	-	(4,415,237)	(98,543,284)

2013	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
Rupees					
<b>Financial assets</b>					
Loans and receivables at amortized cost:					
Long term deposits	1,513,450	-	-	-	1,513,450
Trade debts	4,041,794	-	-	-	4,041,794
Advances	2,395,626	-	-	-	2,395,626
Cash and bank balances	3,513,392	-	-	-	3,513,392
	11,464,262	-	-	-	11,464,262
<b>Financial liabilities</b>					
Financial liabilities carried at amortized cost:					
Long term financing	203,306,405	114,126,275	-	114,126,275	89,180,130
Trade and other payables	94,057,219	-	-	-	94,057,219
Mark up accrued	2,589,775	-	-	-	2,589,775
Short term borrowings	4,415,237	4,415,237	-	4,415,237	-
	304,368,636	118,541,512	-	118,541,512	185,827,124
<b>On balance sheet gap</b>	(292,904,374)	(118,541,512)	-	(118,541,512)	(174,362,862)
<b>Off Balance sheet Items</b>					
Financial commitments:					
Letter of credits	9,816,491	-	-	-	9,816,491
Bank guarantee	20,671,000	-	-	-	20,671,000
	30,487,491	-	-	-	30,487,491
<b>Total Gap</b>	(323,391,865)	(118,541,512)	-	(118,541,512)	(204,850,353)

Effective interest rates are mentioned in the respective notes to the financial statements.



## 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 34.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

### 34.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

#### Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 16.642million (2013 : Rs. 11.464 million) the financial assets which are subject to credit risk amounted to Rs. 16.409 million (2013 : Rs. 11.368 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2014	2013
	Rupées	Rupees
Long term deposits	1,513,450	1,513,450
Trade debts	4,159,164	4,041,794
Advances	3,183,247	2,395,626
Cash and bank balances	7,553,380	3,417,090
	<u>16,409,241</u>	<u>11,367,960</u>
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	<u>4,159,164</u>	<u>4,041,794</u>

All the trade debts at balance sheet date are domestic parties.

To manage exposure to credit risk in respect of trade debts, management performs credit review taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

## Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions.

The Company believes that it is not exposed to concentration of credit risk. However, this risk is mitigated by monitoring credit exposures.

## Impaired assets

During the year no assets have been impaired.

## 3. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
	(Rupees)						
Trade and other payables	74,680,714	74,680,714	74,680,714	-	-	-	-
Mark up accrued	3,096,528	3,096,528	3,096,528	-	-	-	-
	<u>77,777,242</u>	<u>77,777,242</u>	<u>77,777,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2013	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
	(Rupees)						
Long term financing	203,306,405	203,306,405	114,126,275	-	-	89,180,130	-
Trade and other payables	94,057,219	94,057,219	94,057,219	-	-	-	-
Mark up accrued	2,589,775	2,589,775	2,589,775	-	-	-	-
	<u>299,953,399</u>	<u>299,953,399</u>	<u>210,773,269</u>	<u>-</u>	<u>-</u>	<u>89,180,130</u>	<u>-</u>

## 4. Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.



**a) Currency risk**

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company believes that it is not exposed to currency risk as there are no foreign currency financial assets or financial liabilities.

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short borrowings. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is:

	2014	2013	2014	2013
	Effective Rate		Carrying amount	
	(In percent)		(Rupees)	
<b>Financial Liabilities</b>				
Fixed rate instrument				
Short term borrowings	15%	15%	1,910,000	1,910,000
Variable rate instrument				
Short term borrowings	15% to 16.42%	15% to 16.42%	1,770,521	1,770,521

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have decreased (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for prior year.

	Profit and loss	
	100 bp Increase	100 bp Decrease
<b>As at June 30, 2014</b>		
Cash flow sensitivity - Variable rate financial liabilities	17,705	(17,705)
<b>As at June 30, 2013</b>		
Cash flow sensitivity - Variable rate financial liabilities	17,705	(17,705)

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.



## 35 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

## 36 CAPITAL MANAGEMENT

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares.

The Company management believes on maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes share capital, all types of reserves that are managed as capital.

The Company is not subject to any externally imposed capital requirements.

## 37 PLANT CAPACITY AND PRODUCTION

	2014	2013
<b>Ceramic tiles</b>		
Ideal capacity in square meters	2,160,000	2,160,000
Actual production in square meters	926,799	1,007,471
No. of shifts worked daily	3	3
<b>Sanitary ware</b>		
Ideal capacity in tons	3,000	3,000
Actual production in tons	Nil	Nil

### Reasons for under utilization of capacity

The Company could not achieve the ideal capacity of ceramic tile due to excessive load shedding of gas during winter season and political instability in the area.

Production of sanitary ware was stopped by the management since 2003, due to lack of expertise in the area.

### 38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The transactions with key management personnel includes remuneration and other benefits under the terms of their employment which are as follows:

2014	Chief Executive	Directors	Executives	Total
	Rupees			
Managerial remuneration	1,056,000	353,100	3,515,930	4,925,030
Housing and utilities	864,000	288,900	2,876,670	4,029,570
	1,920,000	642,000	6,392,600	8,954,600
Number of persons	1	1	5	7
2013	Chief Executive	Directors	Executives	Total
	Rupees			
Managerial remuneration	1,056,000	353,100	3,686,034	5,095,134
Housing and utilities	864,000	288,900	3,015,846	4,168,746
	1,920,000	642,000	6,701,880	9,263,880
Number of persons	1	1	5	7

### 39 TRANSACTIONS 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 are as under:

Relationship	Nature of Transaction	2014 Rupees	2013 Rupees
Associated Company			
Toyota Rawal Motors (Private) Limited	Mark up on short term borrowing	220,253	202,016
	Rental for building	479,160	435,600
	Utilities	120,000	120,000
Key management personnel	Remuneration and other benefits	8,954,600	9,263,880

### 40 NUMBER OF EMPLOYEES

The number of employees as at year end was 160 (2013 : 177) and average number of employees during the year was 164 (2013 : 190).

### 41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 02, 2014 by the Board of Directors of the Company.

### 42 GENERAL

Figures have been rounded off to the nearest rupee.

FRONTIER CERAMICS LIMITED  
PATTERN OF SHAREHOLDINGS AS AT JUNE 30, 2014

Number of Share Holders	Shareholdings		Total Shares Held
	From	To	
103	1	100	6,205
621	101	500	282,536
84	501	1,000	82,955
119	1,001	5,000	310,926
25	5,001	10,000	199,700
9	10,001	20,000	134,720
10	20,001	50,000	367,600
4	50,001	100,000	303,600
1	100,001	200,000	147,500
1	200,001	300,000	260,000
2	300,001	400,000	778,000
1	400,001	500,000	464,000
2	500,001	600,000	1,038,335
1	600,001	1,000,000	753,100
2	1,000,001	2,000,000	2,612,023
<hr/> <hr/>			
985			<hr/> <hr/> 7,741,200



**Categories of Shareholders**  
As of June 30, 2014

Categories of Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>		
Mr. Omer Khalid, CEO	321,613	4.15
Mrs. Shazia Khalid	500	0.01
Ms. Sana Khalid	549,030	7.09
Mrs. Hameeda Khalid	500	0.01
Mrs. Parvez Aslam	500	0.01
Ms. Farhat	500	0.01
Raja Ghazanfar Ali	500	0.01
	<b>873,143</b>	<b>11.28</b>
<b>Shareholders Holding 10% or More Shares</b>		
Mrs. Samina Durrani	1,208,195	15.61
Mrs. Amara Khalid	1,781,828	23.02
	<b>2,990,023</b>	<b>38.62</b>
<b>Associated Companies, Undertakings and Related Parties</b>		
<b>Executives</b>		
Mr. Nadeem Khalid	753,100	9.73
	<b>753,100</b>	<b>9.73</b>
<b>Public Sector Companies and Corporations</b>		
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>		
BEL	5,600	0.07
PICIC	37,600	0.49
EFU Insurance	100,000	1.29
Adamjee Insurance	42,500	0.55
Modaraba Al-Tijarah	14,500	0.19
	<b>200,200</b>	<b>2.59</b>
<b>NIT &amp; ICP (Name Wise Detail)</b>		
National Bank (Trustee Department)	68,600	0.89
Investment Corporation of Pakistan	40,200	0.52
	<b>108,800</b>	<b>1.41</b>
<b>General Public</b>		
a. Local	2,738,934	35.38
b. Foreign	-	-
	<b>2,738,934</b>	<b>35.38</b>

**Others (to be specified):****Joint Stock Companies:**

Muhammad Ahmed Nadeem Securities (Smc-Pvt) Limited	100	0.00
128 Securities (Pvt) Ltd.	1,000	0.01
Ismail Abdul Shakoor Securities (Private) Limited	400	0.01
Salim Sozer Securities (Pvt.) Ltd.	74,500	0.96
Akd Securities Limited - Akd Trade	900	0.01
Fikree's (Smc-Pvt) Ltd.	100	0.00
	<b>77,000</b>	<b>0.99</b>

<b>7,741,200</b>	<b>100.00</b>
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**Shareholders holding 5% or more**

	<b>Shares Held</b>	<b>Percentage</b>
Mr. Nadeem Khalid	753,100	9.73
Mrs. Samina Durrani	1,208,195	15.61
Mrs. Amara Khalid	1,781,828	23.02
Mr. Shakir Ullah Durrani	516,805	6.68
*Mr. Rauf Ahmed Shamsi	464,000	5.99
Ms. Sana Khalid	521,530	6.74
Mr. Javaid Khalid	400,000	5.17

tail of trading shares by the Director, CEO, CFO,  
Company Secretary, their Spouses and Minor Children

Mr. Omer Khalid (CEO) purchased 60,500 No. Shares (2013: 'Nil')  
Ms. Sana Khalid (Director) purchased 27,500 No. Shares (2013: 'Nil')  
Mr. Mushtaq Ahmed (CFO) purchased 500 No. Shares (2013: 'Nil')





PROXY FORM

I/We \_\_\_\_\_ of  
being a member(s) of FRONTIER CERAMICS LIMITED and a holder of  
ordinary  
Shares as per share Register Folio No. \_\_\_\_\_ or CDC Participant ID No. \_\_\_\_\_  
Account No. \_\_\_\_\_ hereby appoint of \_\_\_\_\_ who is also member of  
FRONTIER CERAMICS LIMITED Vide Folio No. \_\_\_\_\_ or CDC Participant ID No. \_\_\_\_\_ Account No. \_\_\_\_\_  
or failing him/her of \_\_\_\_\_ who is also member of Frontier Ceramics limited vide folio  
No. \_\_\_\_\_ or CDC Participant ID No. \_\_\_\_\_ Account No. \_\_\_\_\_ as my/our proxy in  
my/our absence to attend and vote for me/us and on my /our behalf at the Thirty Second Annual  
General Meeting of the Company to be held on October 31, 2014 and at any adjournment thereof.  
As witness my/our hand /seal this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Signed by said \_\_\_\_\_

Witness: \_\_\_\_\_

Witness \_\_\_\_\_

(Signature) \_\_\_\_\_

(Signature) \_\_\_\_\_

Name: \_\_\_\_\_

Name \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Please affix  
Rs. 5/- (Revenue Stamp)

Signature of member(s)

**Notes:**

1. This proxy form duly completed and signed must be received at the Registered Office of the Company, 29-Industrial Estate, Jamrud Road, Peshawar not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.

**FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES**

In addition to the above the following requirements have to be met:

- a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- b) Attested copy of CNIC or the passport of the beneficial owners shall be furnished with the proxy form.
- c) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- d) In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.









**FORTE**

**29-Industrial Estate, Jamrud Road,  
Peshawar, Pakistan.  
Ph: 091-5891470-79, Fax: 091-5830290**