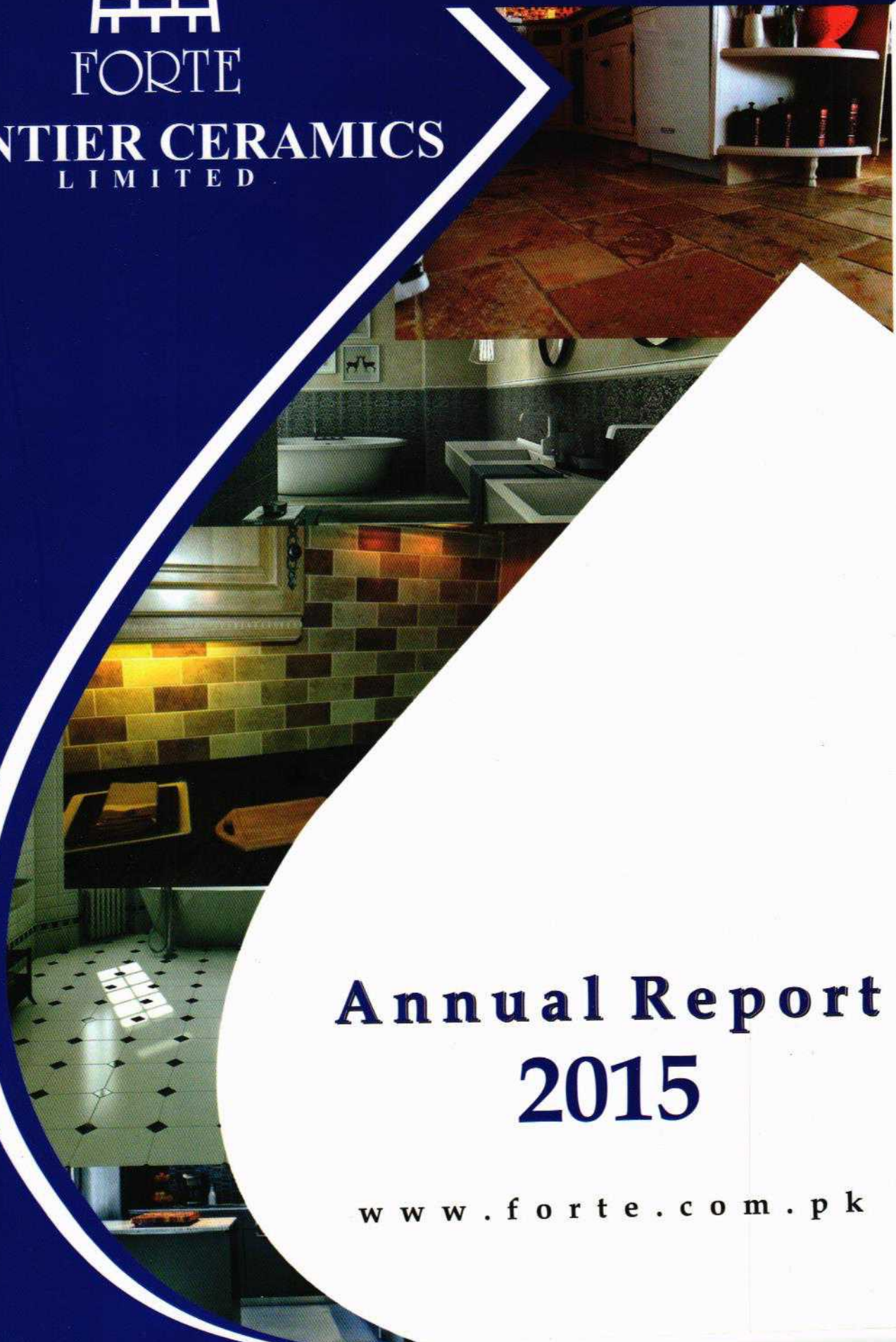




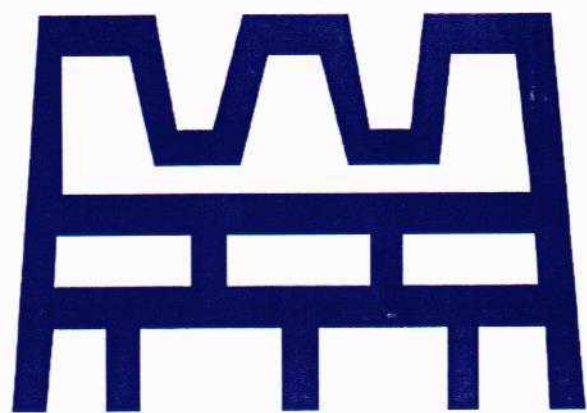
FORTE

FRONTIER CERAMICS
LIMITED



Annual Report 2015

www.forte.com.pk



FORTE

33rd ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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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

BOARD OF DIRECTORS

Ms. Farhat	Chairperson
Mr. Omer Khalid	Director
Ms. Numrah Khalid	Director
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 Executive Officer

Mr. Nadeem Khalid

Chief Financial Officer

Mr. Muhammad Ali

Company Secretary

Mr. Rehman Khan Sherwani

Head of Internal Audit

Mr. Wasif Naeem

Bankers

Bank Alfah Limited
Bank Alfah Islamic 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. Ishtiaq Ahmed (Advocate & Legal Consultant)
Flat No.42, Block C, 2nd Floor, Cantonment Plaza,
Saddar Road, Peshawar Cantt.

Registrar and Share Transfer Office

Central Depository Company of Pakistan Ltd
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Sharah-e-Faisal, Karachi. Ph: 021-111-111-500

Head Office/Registered Office

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

Lahore Sales Office

VIP Estate, Pearl Plaza, Shahjamal Morh,
174-Ferozpur Road, Lahore, Ph. 042-37525277

Website

www.forte.com.pk

FRONTIER CERAMICS LIMITED
NOTICE OF THE 33rd ANNUAL GENERAL MEETING

Notice is hereby given that SECP has accorded its approval, and Thirty Third Annual General Meeting of Frontier Ceramics Limited will be held on Thursday, October 22, 2015 at 09:00 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 the 32nd Annual General Meeting of the Company held on October 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, 2015.
3. To appoint Auditors of the Company for the year ending June 30, 2016 and to fix their remuneration. The present Auditors Messrs BDO Ebrahim & Co. Chartered Accountants, 4th 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, 2016.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

October 01, 2015.

(Company Secretary)

NOTES:

1. The Share Transfer Books of the Company will remain closed from 16-10-2015 to 22-10-2015 (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)

	2015	2014	2013	2012	2011	2010
Sales - Net	371,697	278,788	302,938	329,253	333,246	168,926
Gross (Loss)/Profit	30,249	(31,235)	20,984	46,517	89,592	23,556
Expenses	26,408	(102,635)	31,361	20,559	71,052	5,780
Profit/(Loss) Before Taxation	3,841	71,400	(10,377)	25,958	18,540	17,776
Profit/(Loss) After Taxation	18,175	55,161	(2,236)	32,514	15,370	8,326
Dividend %		-	-	-	-	-
(Restated)						
Earning/(Loss) Per Share (Rs.)	0.52	7.49	(0.29)	4.20	1.99	1.08

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the annual report of Frontier Ceramics Limited ("The Company") together with the audited financial statements of the Company for the financial year ended June 30, 2015.

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

- Sales - Net at Rs. 371.70m higher by 33% vs. previous Rs. 278.79m.
- Gross profit at Rs.30.25m higher by 197% vs. previous Loss Rs. (31.23)m.
- Administrative expenses 17.48m higher by 18% vs. previous Rs 14.80m
- Operating Profit at Rs. 7.92m higher by 111% vs. previous operating Loss Rs. 70.83m.
- Profit after taxation at Rs. 18.17m Lower by 67% vs. previous Profit Rs. 55.16m.

During the year, Company sold 1,085,446 Sqm vs. 925,144 Sqm, increased by 17%, as compared to previous corresponding period and on the other hand sales prices of tiles has been increased by 8% in September 2014. Company also introduced new sizes 10" x 13", 12" x 12", 10" x 10" & 12"x18" in the market to cater for customer's demand. Commercial production of new floor plant has also been started in December 2014. However Company could not achieved its targeted production of floor tiles due to rare technical issues in plant, introduction of new digital designs from competitors and arrival of smuggled tiles.

Increase in gross profit by 197% as compared with corresponding year is mainly due to necessary measures adopted by the management to control wastages of raw materials & unnecessary consumption of spares.

Operating expenses reduced from Rs. 21.49 million to Rs. 0.71 million, as Company settled a court case Sardar Asif vs FCL resolved amicably through out of court Settlement Agreement dated January 18, 2014 in corresponding year.

Other Income reduced from Rs. 146.00 million to Rs. 0.72 million due to 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 in corresponding year.

Additional procurement of raw materials for floor tiles, and establishment of letter of credit for partial shipment of third ceramic plant for wall tiles resulted in increase in stock in trade and advances respectively.

Interest bearing unsecured loan of Rs.54.173m received from Director for working capital of Company. The loan carries mark up at the rate of KIBOR plus 2% per annum.

During the year end, to strengthen the capital base of the Company in line with shareholders commitment to the Company's Lenders, and to create a strong financial standing to facilitate floor tiles project, the Board of Directors of the Company, approved the issue of 30,132,621 million ordinary shares by way of right issue at the rate of 3.89 shares for every one existing ordinary share at par value of Rs. 10 per share. The Right Issue was fully subscribed by the entitled shareholders and major sponsors/directors and allotment of the shares was made on August 08, 2014.

Company's share capital increased from 7.74 million to 37.87 million resulted into decrease in earnings per share.

As regards auditors' qualification regarding the gratuity, your company is considering the option to introduce gratuity in ensuing year and workings has been initiated in this regard.

Dividend

Due to accumulated losses, future expansions and liquidity limitations, no dividend is recommended for the year ended June 30, 2015

Earnings per Share

Earnings per share decrease to Rs. 0.52 per share from previous Rs. 7.49(Restated) per share.

Future Prospects

We are confident that by introducing digital designs 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.

Name of Directors

No. of Meetings attended

Mr. Omer Khalid

5

Miss. Sana Khalid

6

Miss. Numrah Khalid	5
Miss Farhat	6
Mrs. Pervez Aslam	6
Mrs. Shazia Khalid	5
Mrs. Hameeda Khalid	6

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 30th June, 2015 and its disclosure as required by the Code of the Corporate Governance is annexed with this report.

Major Events After Balance Sheet Date

Keeping in view of market demand, Company has placed order for procurement of digital ceramic printing machine from Spain.

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 01, 2015
Peshawar

Chairperson

**STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2015**

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
Non-Executive Directors	Ms. Sana Khalid Ms. Numrah Khalid Mrs. Hameeda Khalid Mrs. Shazia Khalid Mrs. Pervaiz Aslam
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. One casual vacancy occurred during the year Ms. Numrah Khalid has been appointed in place of Mr. Raja Ghazanfar Ali.
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 Chairperson 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 2015.
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 one is Executive director and other is non-Executive director 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. As per clause (xiv) of CCG Head of Internal Audit qualification criteria as required by CCG was not complied with.
 - c. Chairman of board and chairman of audit committee is the same person which is against the clause (xxiv) of CCG

On behalf of the Board

Peshawar: October 01, 2015

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, 2015.

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

ISLAMABAD

DATED: October 01, 2015

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, 2015 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. 21.178 million as at June 30, 2015.

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 adjustments 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, 2015 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 note 1.2 in the financial statements which indicates that the Company's accumulated loss amounted to Rs. 1.888 million as at June 30, 2015 and as at that date Company's current liabilities exceeded its current assets by Rs. 35.842 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.

ISLAMABAD

DATED: October 01, 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Iffat Hussain

FRONTIER CERAMICS LIMITED
BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	782,068,942	540,030,537
Capital work in progress	6	44,499,963	161,864,663
		<u>826,568,905</u>	<u>701,895,200</u>
Long term deposits		1,513,450	1,513,450
		<u>828,082,355</u>	<u>703,408,650</u>
CURRENT ASSETS			
Stores, spares and loose tools	7	39,916,302	22,877,813
Stock in trade	8	83,846,683	41,768,081
Trade debts	9	-	2,827,464
Advances	10	45,730,864	25,941,999
Tax refunds due from government	11	2,533,348	7,496,815
Taxation - net	23	15,208,177	-
Cash and bank balances	12	1,352,457	7,785,780
		<u>188,587,831</u>	<u>108,697,952</u>
TOTAL ASSETS		<u><u>1,016,670,186</u></u>	<u><u>812,106,602</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	13	378,738,210	77,412,000
Discount on issue of right shares	14	(180,795,726)	-
Accumulated loss		<u>(1,887,898)</u>	<u>(40,887,672)</u>
		196,054,586	36,524,328
Advance against subscription	15	-	89,456,662
SURPLUS ON REVALUATION OF FIXED ASSETS	16	446,217,112	345,865,596
NON CURRENT LIABILITIES			
Long term financing	17	54,172,707	-
Deferred taxation	18	95,796,152	107,143,840
		<u>149,968,859</u>	<u>107,143,840</u>
CURRENT LIABILITIES			
Trade and other payables	19	218,408,225	220,640,944
Mark up accrued	20	3,376,688	3,096,528
Short term borrowings	21	2,644,716	4,415,237
Taxation - net	23	-	4,963,467
		<u>224,429,629</u>	<u>233,116,176</u>
CONTINGENCIES AND COMMITMENTS	24	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>1,016,670,186</u></u>	<u><u>812,106,602</u></u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FRONTIER CERAMICS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	25	371,697,299	278,787,784
Cost of sales	26	341,448,055	310,023,227
Gross profit / (loss)		30,249,244	(31,235,443)
Distribution cost	27	(4,131,693)	(3,301,447)
Administrative expenses	28	(17,483,411)	(14,804,742)
Other operating expenses	29	(712,033)	(21,490,323)
Operating profit/(loss)		7,922,107	(70,831,955)
Other income	30	725,760	145,999,502
Finance cost	31	(4,806,559)	(3,767,906)
Profit before taxation		3,841,308	71,399,641
Taxation	32	14,333,427	(16,238,657)
Profit for the year		18,174,735	55,160,984
			(Restated)
Earnings per share - basic and diluted	33	0.52	7.49

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FRONTIER CERAMICS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Profit for the year	18,174,735	55,160,984
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>18,174,735</u>	<u>55,160,984</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 44 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, 2015

	Issued, subscribed and paid up capital	Accumulated loss	Discount on issue of shares	Total
Note	Rupees			
Balance as at July 01, 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	16 -	22,798,513	-	22,798,513
Balance as at June 30, 2014	77,412,000	(40,887,672)	-	36,524,328
Total comprehensive income for the year ended June 30, 2015	-	18,174,735	-	18,174,735
Right issue of 30,132,621 Ordinary shares of Rs. 10 each at a discount of Rs. 6 per share fully paid in cash	301,326,210	-	(180,795,726)	120,530,484
Transfer from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	16 -	20,825,039	-	20,825,039
	378,738,210	(1,887,898)	(180,795,726)	196,054,586

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FRONTIER CEREMICS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,841,308	71,399,641
Adjustment for non cash items:			
Depreciation		49,142,141	43,986,250
Finance cost		4,806,559	3,767,906
Provision for obsolescence in inventory		-	2,000,000
Provision for doubtful debts		11,159	-
Liabilities written back		-	(145,999,502)
		53,959,859	(96,245,346)
Profit before working capital changes		57,801,167	(24,845,705)
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(17,038,489)	(6,192,559)
Stock in trade		(42,078,602)	(4,419,229)
Trade debts		2,816,305	(117,370)
Advances		(19,788,865)	(11,622,557)
(Decrease)/increase in current liabilities			
Trade and other payables		(2,232,719)	74,414,642
Short term borrowings		(1,770,521)	
		(80,092,891)	52,062,927
Cash (used in)/generated from operations		(22,291,724)	27,217,222
Finance cost paid		(4,526,399)	(2,100,090)
Taxes paid		(19,084,913)	(7,174,473)
		(23,611,312)	(9,274,563)
Net cash (used in)/generated from operating activities		(45,903,036)	17,942,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(178,906)	(196,023)
Addition to capital work in progress		(45,597,910)	(13,750,780)
Net cash used in investing activities		(45,776,816)	(13,946,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		54,172,707	-
Cash received as advance against subscription		-	276,532
Net inflow against right share subscription		31,073,822	-
Net cash generated from operating activities		85,246,529	276,532
Net (decrease)/increase in cash and cash equivalents		(6,433,323)	4,272,388
Cash and cash equivalents at the beginning of the year		7,785,780	3,513,392
Cash and cash equivalents at the end of the year	12	1,352,457	7,785,780

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FRONTIER CERAMICS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

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. 1.888 million (2014: Rs. 40.888 million) at the year end. Current liabilities exceeded the current assets by Rs. 35.842 million (2014: Rs. 124.418 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 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 International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by 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

The Company has adopted the following accounting standards and interpretations which became effective during the year:

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

IFRIC 21 Levies

January 01, 2014

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 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting	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 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
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 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	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014

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

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 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

3.2 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 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - 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 - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016

		Effective date (annual periods beginning on or after)
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
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 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

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 and machinery						Furniture and fixtures	Office equipment	Computers	Vehicles	Total	
			Factory	Office	Imported	Local	Electrification	Casting benches	Laboratory ware	Generators						
Year ended June 30, 2015																
Gross carrying value basis																
Cost / revalued amount		141,120,000	126,264,221	2,648,885	399,957,436	7,267,721	19,545,360	449,385	198,744	407,936	2,696,361	4,627,146	203,300	1,425,723	706,812,218	
Transferred from CWIP		-	11,321,940	-	149,898,053	1,742,617	-	-	-	-	-	-	-	-	162,962,610	
Additions		-	-	-	178,906	-	-	-	-	-	-	-	-	-	178,906	
Revaluation surplus		96,880,000	10,250,106	-	20,688,237	220,687	-	-	-	-	-	-	-	-	128,039,030	
Accumulated depreciation		-	(35,645,107)	(1,831,598)	(160,504,546)	(4,855,111)	(4,421,533)	(184,028)	(133,619)	(261,106)	(2,484,971)	(4,214,004)	(186,218)	(1,201,982)	(215,923,823)	
Net book value		238,000,000	112,191,160	817,287	410,218,086	4,375,914	15,123,827	265,357	65,125	146,830	211,390	413,142	17,082	223,741	782,068,942	
Net carrying value basis																
Opening net book value (NBV)		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	
Transferred from CWIP		-	11,321,940	-	149,898,053	1,742,617	-	-	-	-	-	-	-	-	162,962,610	
Additions		-	-	-	178,906	-	-	-	-	-	-	-	-	-	178,906	
Revaluation surplus		96,880,000	10,250,106	-	20,688,237	220,687	-	-	-	-	-	-	-	-	128,039,030	
Depreciation charge	5.1	-	(10,802,621)	(43,015)	(36,341,370)	(857,284)	(795,991)	(29,484)	(16,281)	(36,708)	(52,847)	(103,285)	(7,321)	(55,935)	(49,142,141)	
Closing net book value		238,000,000	112,191,160	817,287	410,218,086	4,375,914	15,123,827	265,357	65,125	146,830	211,390	413,142	17,082	223,741	782,068,942	
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)	(166,781,681)	
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																
Opening 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	
Annual rate of depreciation (%)																
		-	10%	5%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%		
Allocation of depreciation:																
Cost of sales	26	48,904,145	43,773,224													
Distribution cost	27	118,998	106,513													
Administrative expenses	28	118,998	106,513													
		49,142,141	43,986,250													

	Note	2015 Rupees	2014 Rupees
6 CAPITAL WORK IN PROGRESS			
Plant and machinery	6.1	44,499,963	150,542,723
Civil works	6.2	-	11,321,940
		<u>44,499,963</u>	<u>161,864,663</u>

6.1 Plant and machinery

Balance as at July 01,		150,542,723	136,791,943
Additions during the year		45,597,910	13,750,780
Transferred to property, plant and equipment		(151,640,670)	-
	6.1.1	<u>44,499,963</u>	<u>150,542,723</u>

6.1.1 This represents new kiln and its accessories not installed till year end.

	Note	2015 Rupees	2014 Rupees
6.2 Civil works			
Balance as at July 01,		11,321,940	11,321,940
Transferred to property, plant and pquipment		(11,321,940)	-
		<u>-</u>	<u>11,321,940</u>

7 STORES, SPARES AND LOOSE TOOLS

Stores		34,248,176	17,003,096
Spare parts and loose tools		5,668,126	5,874,717
	7.1	<u>39,916,302</u>	<u>22,877,813</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.

		2015 Rupees	2014 Rupees
8	STOCK IN TRADE		
	Raw material	44,000,366	18,961,134
	Work in process	17,679,886	5,369,234
	Finished goods	61,246,431	56,517,713
		<u>122,926,683</u>	<u>80,848,081</u>
	Provision for obsolescence in inventory	8.1 (39,080,000)	(39,080,000)
		<u>83,846,683</u>	<u>41,768,081</u>

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

Balance as at July 01,	(39,080,000)	(37,080,000)
Charge for the year	-	(2,000,000)
	8.2 <u>(39,080,000)</u>	<u>(39,080,000)</u>

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

		2015 Rupees	2014 Rupees
9	TRADE DEBTS		
	Unsecured - considered good		
	Associated company	9.1 -	2,578,043
	Others	-	249,421
		<u>-</u>	<u>2,827,464</u>
	Unsecured - considered doubtful	1,342,859	1,331,700
		<u>1,342,859</u>	<u>4,159,164</u>
	Provision for doubtful debts	9.2 (1,342,859)	(1,331,700)
		<u>-</u>	<u>2,827,464</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 180 days	9.1.1 -	2,578,043
	<u>-</u>	<u>2,578,043</u>

- 9.1.1 The maximum aggregate amount due from Toyotal Rawal Motors (Private) Limited, associated company, at the end of any month during the year was Nil (2014 : Rs. 2,578,043).

	Note	2015 Rupees	2014 Rupees
9.2 Movement in provision for doubtful debt is as follows:			
Balance as at July 01,		(1,331,700)	(1,331,700)
Charge during the year		(11,159)	-
		<u>(1,342,859)</u>	<u>(1,331,700)</u>

10 ADVANCES

Unsecured - considered good
Advances

- to suppliers		10,493,925	6,594,925
- against letter of credit		26,124,627	11,883,006
- against letter of guarantee		4,711,891	4,259,620
- against vehicles	10.1	3,528,798	2,746,949
- against salaries		401,911	436,298
- to contractors		200,000	-
- against expenses		269,712	21,201
		<u>45,730,864</u>	<u>25,941,999</u>

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

	2015 Rupees	2014 Rupees
11 TAX REFUNDS DUE FROM GOVERNMENT		
Considered good		
Balance as at July 01,	7,496,815	4,076,626
(Payable)/refundable assessed during the year	(4,963,467)	3,420,189
	<u>2,533,348</u>	<u>7,496,815</u>

12 CASH AND BANK BALANCES

Cash in hand	106,661	232,400
Cash at bank - current accounts	1,245,796	7,553,380
	<u>1,352,457</u>	<u>7,785,780</u>

13 SHARE CAPITAL

13.1 Authorized share capital

Number of shares				
2015	2014			
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000,000	750,000,000

13.2 Issued, subscribed and paid up capital

Number of shares				
2015	2014			
37,873,821	7,741,200	Ordinary shares of Rs. 10 each fully paid in cash	378,738,210	77,412,000

14 DISCOUNT ON ISSUE OF RIGHT SHARES

This represents discount on issue of right shares upon exercising the option given to members in board of directors meeting held on February 18, 2014 to subscribe for the right shares issue which were allotted on August 08, 2014 at a discount of Rs. 6 per share with the entitlement of 389.25% shares against SECP approval vide letter No. EMD/233/584/02 dated February 07, 2014 for the total right issue of 30.133 million shares at Rs. 4 per share (discount of Rs. 6 per share) by way of right issue. All the relevant legal formalities required by Companies Ordinance 1984 has been completed by the Company before issuance of the right shares.

	Note	2015 Rupees	2014 Rupees
15 ADVANCE AGAINST SUBSCRIPTION			
Transferred from long term financing	15.1	-	89,180,130
Received in cash at bank		-	276,532
		-	89,456,662

15.1 This represents the balance of long term financing from associated person converted to advance against subscription as explained in Note 14.

The said shares were issued during the year after fulfillment of all the relevant legal formalities which are required by the Ordinance to be completed by the Company before issuance of the aforementioned shares.

16 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	Note	2015 Rupees	2014 Rupees
Balance as at July 01,		448,443,308	482,470,939
Add: Revaluation surplus for the year		128,039,030	-
Less:			
Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax		20,825,039	22,798,513
Related deferred tax liability during the year transferred to profit and loss account		9,800,019	11,229,118
		30,625,058	34,027,631
	16.1	545,857,280	448,443,308
Less:			
Related deferred tax effect :			
Balance as at July 01,		102,577,712	117,255,523
Revaluation during the year		9,970,890	-
Effect of change in rate		(3,108,415)	(3,448,693)
Incremental depreciation charged during the year transfer to Profit and loss account		(9,800,019)	(11,229,118)
		99,640,168	102,577,712
		446,217,112	345,865,596

- 16.1 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
Empire Enterprises (PVT) LTD	June 30, 2015	128,039,030
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
		<u>866,989,291</u>

- 16.2 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.

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

	2015 Rupees	2014 Rupees
Free hold land	3,518,245	3,518,245
Factory building	101,941,054	7,736,605
Plant and machinery		
Imported	389,529,849	71,642,934
Local	4,155,227	2,209,951
Electrification	15,123,827	4,308,554
Casting benches	265,357	115,667
Laboratory ware	65,125	10,396
Generators	146,830	99,834
	409,286,215	78,387,336
	514,745,514	89,642,186

17 LONG TERM FINANCING

From associated person - unsecured

54,172,707

This represents interest bearing unsecured loan received from Director for working capital of the Company. The loan carries mark up at the rate at KIBOR plus 2 % per annum.

18 DEFERRED TAXATION

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

	2015 Rupees	2014 Rupees
Surplus on revaluation of fixed assets	99,640,168	102,577,712
Accelerated depreciation	9,091,299	(8,769,733)
Provision for written down inventory	(12,505,600)	12,896,400
Provision for doubtful debts	(429,715)	439,461
	95,796,152	107,143,840
Tax rate used	32%	33%

- 18.1 Deferred tax asset of Rs. 22.089 million (2014: Rs. 16.066 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	2015 Rupees	2014 Rupees
19 TRADE AND OTHER PAYABLES			
Trade creditors		48,785,520	32,127,240
Accrued liabilities		31,032,960	36,107,372
Advances from customers		110,325,045	129,095,857
Advance rental income		120,960	-
Unclaimed dividend		3,189,224	3,189,224
Old labour dues	19.2	3,256,878	3,256,878
Sales tax payable		5,451,493	3,599,118
Withholding tax payable		1,675,471	869,441
Workers' profit participation fund	19.3	14,130,535	11,955,675
Workers welfare fund		440,139	440,139
		<u>218,408,225</u>	<u>220,640,944</u>

- 19.2 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	2015 Rupees	2014 Rupees
19.3 Movement in workers' profit participation fund:			
Balance as at July 01,		11,955,675	7,036,737
Interest for the year (at 16.5%)		1,972,686	1,161,062
Provision for the year		202,174	3,757,876
		<u>14,130,535</u>	<u>11,955,675</u>

20 MARK UP ACCRUED

Mark up on short term borrowing from:

Financial institution	2,091,932	1,805,432
Associated company	-	1,291,096
Mark up on long term financing	1,284,756	-
	<u>3,376,688</u>	<u>3,096,528</u>

	Note	2015 Rupees	2014 Rupees
21 SHORT TERM BORROWINGS			
Financial institution - secured	21.1	1,910,000	1,910,000
Related parties - unsecured			
Due to associated company	21.2	-	1,770,521
Due to associated person	21.3	734,716	734,716
		<u>2,644,716</u>	<u>4,415,237</u>

- 21.1 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.

- 21.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors in prior years for working capital of the Company. The loan carried mark up at the rate of one year KIBOR plus 2 % per annum. This loan was fully repaid during the year.

- 21.3 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	2015 Rupees	2014 Rupees
22 CURRENT PORTION OF LONG TERM FINANCING			
National Bank of Pakistan		-	86,663,311
Banker's Equity Limited		-	6,046,217
Habib Bank Limited		-	1,098,378
United Bank Limited		-	620,177
Orix Investment Bank Pakistan Limited		-	5,499,862
NIB Bank Limited		-	6,920,670
Bank of Khyber		-	7,277,660
	22.1	-	114,126,275
Less : Transferred to other income	30	-	(114,126,275)
		<u>-</u>	<u>-</u>

- 22.1 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 in prior year upon receiving NOC from lead bank, National Bank of Pakistan vide their letter No.NBP/LHR/SAMD-N/1109 dated June 16, 2014 and on payment of charges as disclosed in note 31.1. However, the Company is in process of obtaining release of pledge and collateral documents from Bankers Equity Limited (U/L).

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

	Note	2015 Rupees	2014 Rupees
23 TAXATION - NET			
Balance as at July 01,		4,963,467	3,420,187
Add: Prior year adjustment		-	2
Tax refund due from government		(4,963,467)	(3,420,189)
		-	-
Provision for taxation	32.1	3,876,736	12,137,939
Advance tax		(19,084,913)	(7,174,472)
		<u>(15,208,177)</u>	<u>4,963,467</u>

24 CONTINGENCIES AND COMMITMENTS

24.1 CONTINGENCIES

- 24.1.1 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.

24.1.2 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 Honourable High Court, Peshawar. The case was remanded back by the High Court to District Civil Judge, Peshawar which dismissed the case on June 03, 2014 and provided the partial relief to Noman Ghani. Now Noman Ghani has again filed an appeal with High Court against the decision of Civil Judge pending receipt / issue of the summon from High Court. The Company has not incorporated the contingency as the management is of the view that the case will be settled in favour of the Company.

24.1.3 Sardar Asif vs. FCL:

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 last year.

24.1.4 Mohammad Iqbal vs. FCL:

This is also recovery suit against FCL. Total claim of this suit is Rs. 1.711 million. This suit is also decided in favour of FCL and plaintiff filed appeal before the hon,ble High Court which is pending.

24.1.5 Noor Mohammad and two other vs. FCL:

A suit was filed against the unit in the labour court by the above three persons. Total amount involved in the suit is around round about Rs. 4 million.

24.1.6 Ali Gohar vs. FCL:

The claim application of Rs. 1.3 million has been filed by applicant in the wages Authority. Evidence from both sides has been completed and now on next date the case will be argued in the light of evidence.

24.1.7 Ijaz Minhas vs. FCL:

This is also claim application and filed before the Wages Authority. The total claim is around Rs. 0.5 million. The Wages Authority condone the time limitation against that order we filed a writ petition which is pending before the High Court.

- 24.1.8 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. 23.166 million (2014: Rs. 20.671 million).

	Note	2015 Rupees	2014 Rupees
24.2 COMMITMENTS			
The Company has following commitments:			
- in respect of letter of credit			
- against import of raw materials		7,346,942	8,697,781
- against import of stores and spares		6,601,459	7,885,839
- against import of plant and machinery		3,730,511	153,063
		<u>17,678,912</u>	<u>16,736,683</u>
25 SALES			
Gross sales - tiles		434,885,840	330,399,034
Less: Sales tax		<u>(63,188,541)</u>	<u>(51,611,250)</u>
		<u>371,697,299</u>	<u>278,787,784</u>
26 COST OF SALES			
Raw material consumed	26.1	65,152,689	64,468,710
Stores, spares and loose tools consumed	26.2	46,157,326	59,824,489
Gas and electricity		167,318,567	114,954,929
Depreciation	5.1	48,904,145	43,773,224
Salaries , wages and other benefits		28,562,878	27,963,731
Generator rent		2,364,000	2,376,549
Material loss in transit		-	150,066
Travelling and conveyance		5,733	15,292
Repairs and maintenance		22,087	14,100
Miscellaneous		-	46,407
		<u>358,487,425</u>	<u>313,587,497</u>
Work in process			
Opening		5,369,234	3,640,851
Closing		<u>(17,679,886)</u>	<u>(5,369,234)</u>
		(12,310,652)	(1,728,383)
Finished goods			
Opening		56,517,713	54,681,825
Closing		<u>(61,246,431)</u>	<u>(56,517,713)</u>
		(4,728,718)	(1,835,888)
		<u>341,448,055</u>	<u>310,023,227</u>

	Note	2015 Rupees	2014 Rupees
26.1 Raw material consumed			
Opening stock		18,961,134	18,106,176
Add: Purchases		90,191,921	65,323,668
Less: Closing stock		(44,000,366)	(18,961,134)
		<u>65,152,689</u>	<u>64,468,710</u>
26.2 Stores, spares and loose tools consumed			
Opening stock		22,877,813	16,685,254
Add: Purchases		63,195,815	66,017,048
Less: Closing stock		(39,916,302)	(22,877,813)
		<u>46,157,326</u>	<u>59,824,489</u>
27 DISTRIBUTION COST			
Salaries, allowances and benefits		3,832,335	3,014,554
Rent expense		180,360	180,380
Depreciation	5.1	118,998	106,513
		<u>4,131,693</u>	<u>3,301,447</u>
28 ADMINISTRATIVE EXPENSES			
Directors' remuneration		1,528,263	2,562,000
Salaries, allowances and benefits		11,433,251	9,432,028
Fee and subscription		833,386	533,120
Rent, rates and taxes		1,149,291	479,160
Utilities		878,263	433,286
Communication		662,234	412,985
Printing and stationery		289,574	359,200
Property tax		96,479	-
Freight charges		65,000	-
Life insurance		193,170	-
Health insurance		35,500	292,108
Depreciation	5.1	118,998	106,513
Travelling and conveyance		71,213	78,859
Vehicle running and maintenance		48,259	59,859
Entertainment		61,030	40,076
Repair and maintenance		19,500	9,600
Miscellaneous		-	5,948
		<u>17,483,411</u>	<u>14,804,742</u>

	Note	2015 Rupees	2014 Rupees
29 OTHER OPERATING EXPENSES			
Court settlement charges	29.1	-	15,000,000
Workers' profit participation fund		202,174	3,757,876
Provision for obsolescence in inventory	8.1	-	2,000,000
Provision for doubtful debts		11,159	-
Auditors' remuneration	29.2	373,700	369,600
Legal and professional charges		125,000	362,847
		<u>712,033</u>	<u>21,490,323</u>

29.1 This represents an amount paid against settlement of a court case as disclosed in note 24.1.3

	Note	2015 Rupees	2014 Rupees
29.2 Auditors' remuneration			
Audit fee		275,000	275,000
Review of half year financial statements		72,600	66,000
Out of pocket expenses		26,100	28,600
		<u>373,700</u>	<u>369,600</u>

30 OTHER INCOME

Loan written back	22.1	-	114,126,275
Liabilities written back	30.1	-	31,873,227
Rental income		725,760	-
		<u>725,760</u>	<u>145,999,502</u>

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

31	FINANCE COST	Note	2015 Rupees	2014 Rupees
	Mark up / interest on:			
	Long term borrowings	31.1	-	1,701,846
	Long term financing	31.2	1,284,756	-
	Short term borrowings			
	From financial institutions		286,500	286,500
	From related party		193,084	220,253
			479,584	506,753
	Workers' profit participation fund		1,972,686	1,161,063
	Bank charges		1,069,533	398,244
			<u>4,806,559</u>	<u>3,767,906</u>

31.1 This represents the concessional cost of fund at 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).

31.2 This represent interest at KIBOR Plus 2% on long term loan obtained from director of the company for import of new plant.

32	TAXATION	Note	2015 Rupees	2014 Rupees
	Provision for taxation			
	Current year	32.1	3,876,736	12,137,939
	Prior year		-	(2)
	Deferred		(18,210,163)	4,100,720
			<u>(14,333,427)</u>	<u>16,238,657</u>

32.1 In view of tax loss for the year, provision for current year represents minimum tax payable under section 113C of the Income Tax Ordinance, 2001.

32.2 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.

33 EARNINGS PER SHARE - BASIC AND DILUTED

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

		2015	2014
		Rupees	Rupees
Profit after taxation		<u>18,174,735</u>	<u>55,160,984</u>
		Number of	Number of
		shares	shares
Weighted average number of shares		<u>34,697,800</u>	<u>7,367,300</u>
		Rupees	Rupees
			(Restated)
Earnings per share - basic and diluted	33.1	<u>0.52</u>	<u>7.49</u>

- 33.1 There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2015 and June 30, 2014.

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

2015	Interest/mark up bearing				Not interest / mark up bearing
	Total	Maturity upto one year	Maturity after one year	Sub-total	
Rupees					
Financial assets					
Loans and receivables at amortized cost:					
Long term deposits	1,513,450	-	-	-	1,513,450
Trade debts	1,342,859	-	-	-	1,342,859
Advances	3,930,709	-	-	-	3,930,709
Cash and bank balances	1,352,457	-	-	-	1,352,457
	8,139,475				8,139,475
Financial liabilities					
Financial liabilities carried at amortized cost:					
Long term financing	54,172,707	-	-	-	54,172,707
Trade and other payables	218,408,225	-	-	-	218,408,225
Mark up accrued	3,376,688	-	-	-	3,376,688
Short term borrowings	2,644,716	2,644,716	-	2,644,716	-
	278,602,336	2,644,716	-	2,644,716	275,957,620
On balance sheet gap	(270,462,861)	(2,644,716)	-	(2,644,716)	(267,818,145)
Off Balance sheet Items					
Financial commitments:					
Letter of credits	17,678,912	-	-	-	17,678,912
Bank guarantee	20,671,000	-	-	-	20,671,000
	38,349,912	-	-	-	38,349,912
Total Gap	(308,812,773)	(2,644,716)	-	(2,644,716)	(306,168,057)

2014	Interest/mark up bearing				Not interest / mark up bearing
	Total	Maturity upto one year	Maturity after one year	Sub-total	
Rupees					
Financial assets					
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
Financial liabilities					
Financial liabilities carried at amortized cost:					
Trade and other payables	220,640,944	-	-	-	220,640,944
Mark up accrued	3,096,528	-	-	-	3,096,528
Short term borrowings	4,415,237	4,415,237	-	4,415,237	-
	228,152,709	4,415,237	-	4,415,237	223,737,472
On balance sheet gap	(211,511,068)	(4,415,237)	-	(4,415,237)	(207,095,831)
Off Balance sheet Items					
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
Total Gap	(248,918,751)	(4,415,237)	-	(4,415,237)	(244,503,514)

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

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 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.

35.2 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.8.139 million (2014 : Rs.16.642 million) the financial assets which are subject to credit risk amounted to Rs.8.032 million (2014 : Rs.16.409 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2015 Rupees	2014 Rupees
Long term deposits	1,513,450	1,513,450
Trade debts	1,342,859	4,159,164
Advances	3,930,709	3,183,247
Cash and bank balances	1,245,796	7,553,380
	<u>8,032,814</u>	<u>16,409,241</u>
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	<u>1,342,859</u>	<u>4,159,164</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 reviews 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.

35.3 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:

2015	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	54,172,707	-	-	-	-	54,172,707	-
Trade and other payables	218,408,225	218,408,225	218,408,225	-	-	-	-
Mark up accrued	3,376,688	3,376,688	3,376,688	-	-	-	-
	<u>275,957,620</u>	<u>221,784,913</u>	<u>221,784,913</u>	<u>-</u>	<u>-</u>	<u>54,172,707</u>	<u>-</u>
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	220,640,944	220,640,944	220,640,944	-	-	-	-
Mark up accrued	3,096,528	3,096,528	3,096,528	-	-	-	-
	<u>223,737,472</u>	<u>223,737,472</u>	<u>223,737,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

35.4 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:

	2015	2014	2015	2014
	Effective Rate		Carrying amount	
	(In percent)		(Rupees)	
Financial Liabilities				
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

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
As at June 30, 2015		
Cash flow sensitivity - Variable rate financial liabilities	-	-
As at June 30, 2014		
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.

36 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.

37 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.

38 PLANT CAPACITY AND PRODUCTION

	2015	2014
Ceramic tiles		
Wall tiles		
Ideal capacity in square meters	2,160,000	2,160,000
Actual production in square meters	1,038,869	926,799
No. of shifts worked daily	3	3
Floor tiles		
Ideal capacity in square meters	2,520,000	-
Actual production in square meters	64,451	-
No. of shifts worked daily	3	-
Sanitary ware		
Ideal capacity in tons	3,000	3,000
Actual production in tons	Nil	Nil

Reasons for under utilization of capacity

Wall tiles:

Company could not achieve the ideal capacity of wall tiles due to variable temperature and excess load shedding of gas and unstable law and order situation of area.

Floor tiles:

The Company could not achieve ideal capacity of floor tiles due to rare technical **issues in plant**, demand due to introduction of digital designs from competitors, variable temperature and excess load shedding of gas and unstable law and order situation of area.

Sanitary ware:

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

39 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:

2015	Chief Executive	Directors	Executives	Total
	Rupees			
Managerial remuneration	686,559	153,985	3,970,363	4,810,907
Housing and utilities	561,730	125,988	3,248,479	3,936,197
	1,248,289	279,973	7,218,842	8,747,104
Number of persons	1	1	5	7
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

40 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	2015 Rupees	2014 Rupees
Associated Company			
Toyota Rawal Motors (Private) Limited	Mark up on short term borrowing	193,084	220,253
	Rental for building	1,149,291	479,160
	Utilities	120,000	120,000
	Insurance premium paid	211,244	-
	Rent and utilities paid	1,994,760	-
	Short term loan paid	1,770,521	-
	Markup on short term borrowing	193,084	220,253
Key management personnel	Markup on long term loan	1,284,756	-
	Remuneration and other benefits	8,747,104	8,954,600
	Long term loan from director	54,172,707	-

41 NUMBER OF EMPLOYEES

The number of employees as at year end was 138 (2014 : 160) and average number of employees during the year was 152 (2014 : 164).

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, where as necessary, to facilitate comparisons. There were no significant reclassification during the year.

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 01, 2015 by the Board of Directors of the Company.

44 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

FRONTIER CERAMICS LIMITED
PATTERN OF SHAREHOLDING REPORT

As of June 30, 2015

No. Of Shareholders	Shareholdings'Slab			Total Shares Held
101	1	to	100	6,059
599	101	to	500	271,901
78	501	to	1000	77,235
111	1001	to	5000	304,366
22	5001	to	10000	170,561
8	10001	to	15000	99,270
7	15001	to	20000	130,000
5	20001	to	25000	112,724
1	25001	to	30000	30,000
5	35001	to	40000	188,655
5	40001	to	45000	217,700
4	45001	to	50000	197,500
1	65001	to	70000	68,600
2	95001	to	100000	200,000
1	120001	to	125000	124,500
1	145001	to	150000	147,500
1	160001	to	165000	165,000
1	170001	to	175000	171,000
2	295001	to	300000	595,996
1	460001	to	465000	464,000
1	515001	to	520000	516,805
1	1010001	to	1015000	1,013,358
1	1140001	to	1145000	1,141,901
1	1205001	to	1210000	1,208,195
1	1955001	to	1960000	1,957,000
1	2550001	to	2555000	2,551,585
1	2855001	to	2860000	2,856,723
1	4690001	to	4695000	4,691,899
1	6865001	to	6870000	6,868,228
1	11325001	to	11330000	11,325,560
966				37,873,821

FRONTIER CERAMICS LIMITED
PATTERN OF SHAREHOLDING REPORT
As of June 30, 2015

Categories of Shareholders	Certificate Holders	Total Shares Held	Percentage %
Directors and their spouse(s) and minor children			
MR. NADEEM KHALID	1	4,691,899	12.39
MRS. AMERA KHALID	2	9,724,951	25.68
MR. OMER KHALID	3	11,627,001	30.70
MRS. SANA KHALID	2	3,693,486	9.75
MS. NUMRAH KHALID	1	1,013,358	2.68
MRS. SHAZIA KHALID	1	2,446	0.01
MRS. HAMEEDA KHALID	1	500	0.00
MRS. PERVEZ ASLAM	1	500	0.00
MS. FARHAT	1	500	0.00
Associated Companies, undertakings and related parties		-	-
Executives		-	-
Public Sector Companies and Corporations	2	108,800	0.29
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	4	194,600	0.51
Mutual Funds		-	-
General Public			
a. Local	938	6,719,279	17.74
b. Foreign Investors		-	-
Others	9	96,501	0.25
Totals	966	37,873,821	100.00

Share holders holding 5% or more	Shares Held	Percentage
MR. OMER KHALID	11,627,001	30.70
MRS. AMERA KHALID	9,724,951	25.68
MR. NADEEM KHALID	4,691,899	12.39
MRS. SANA KHALID	3,693,486	9.75
MR. JAVAID KHALID	1,957,000	5.17

Note: There is increase in shareholding of Directors against Right issue which is already communicated to SECP & Stock Exchanges.

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 third Annual General
Meeting of the Company to be held on October 22, 2015 and at any adjournment thereof.
As witness my/our hand /seal this _____ day of _____ 2015.

Signed by said _____

Witness: _____

(Signature) _____

Name: _____

Address: _____

CNIC No: _____

Witness _____

(Signature) _____

Name _____

Address: _____

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

