FORTE

34th ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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VISION AND MISSION STATEMENT

VISION STATEMENT

To become industry leader by instilling ethical and moral values, honest practices according to the Principles of Islam, offering the best innovative, competitive and quality products, ensuring direct benefit for all stake holders.

MISSION STATEMENT

- Deliver un-parallel value to customers by continuous striving and to exceed their expectations.
- Under the guiding principles of Islam, to inculcate the culture of honest practices, ethical and moral values in our employees.
- Special emphasis on workforce, health, safety, environment. Constant motivation of employees by fair benevolence.
- To ensure reasonable growth and profits of the Group, to the shareholders on their investment.
- The Group will assert efforts towards the social development of society and be instrumental in the industrial growth of Pakistan

COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Pervez Aslam	Chairperson	
Mr. Omer Khalid	Director	
Mr. Javaid Khalid	Director	(Appointed on October 01, 2015)
Ms. Farhat	Director	(Resigned on October 01, 2015)
Mr. Zia Khalid	Director	(Appointed on October 01, 2015)
Mrs. Hameeda Khalid	Director	(Resigned on October 01, 2015)
Ms. Numrah Khalid	Director	
Ms. Sana Khalid	Director	
Mrs. Shazia Khalid	Director	

Audit Committee

Ms. Sana khalid	Chairperson
Ms. Numrah Khalid	Member
Mrs. Shazia Khalid	Member

Human Resource & Remuneration Committee

Mr. Omer Khalid	Chairman
Mr. Zia Khalid	Member
Mr. Javaid Khalid	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 Alflah Limited
Bank Alflah 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 34TH ANNUAL GENERAL MEETING

Notice is hereby given that 34th Annual General Meeting of **Frontier Ceramics Limited** will be held on Saturday, October 29, 2016 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 Extra Ordinary General Meeting of the Company held on May 28, 2016.

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, 2016.

3. To appoint Auditors of the Company for the year ending June 30, 2017 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, 2017.

4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

October 08, 2016. (Company Secretary)

NOTES:

1. The Share Transfer Books of the Company will remain closed from 23-10-2016 to 29-10-2016 (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.

Frontier Ceramics Limited

KEY OPERATING & FINANCIAL DATA - FOR LAST 6 YEARS

(Rupees in Thousands)

	2016	2015	2014	2013	2012	2011
Sales - Net	408,447	371,697	278,788	302,938	329,253	333,246
Gross Profit/(Loss)	31,125	30,249	(31,235)	20,984	46,517	89,592
Expenses	29,436	26,408	(102,635)	31,361	20,559	71,052
Profit/(Loss) Before Taxation	1,689	3,841	71,400	(10,377)	25,958	18,540
Profit/(Loss) After Taxation	2,556	18,175	55,161	(2,236)	32,514	15,370
Dividend %	-	-	-	-	-	-
			(Restated)			
Earning/(Loss) Per Share (Rs.)	0.07	0.52	7.49	(0.29)	4.20	1.99

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 34th annual report of Frontier Ceramics Limited ("The Company") together with the audited financial statements of the Company for the financial year ended June 30, 2016.

Business Review:

Local tiles industry in Pakistan is continuously facing challenges from importers of tiles against dumping of cheap Chinese tiles. An application for protecting local industry from dumping of tiles from China has been filed before National Tariff Commission (NTC) and same has been accepted by NTC. Subsequently, Honorable High Court, in April 2016, declared the board of NTC to be illegally constituted. The tiles manufacturing association has urged the concerned authorities to expedite the process and levy anti-dumping duty as on the spot investigation has been completed and the NTC is satisfied with the facts presented in the application for imposition of anti-dumping duty on Chinese tiles.

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

- Sales - Net at Rs. 408.45m higher by 10% vs. previous Rs. 371.70m.
- Gross profit at Rs.31.12m higher by 3% vs. previous Rs. 30.25m.
- Administrative expenses 15.95m lower by 9% vs. previous Rs 17.48m
- Operating Profit at Rs. 9.66m higher by 22% vs. previous Rs. 7.92m.
- Profit after taxation at Rs. 2.56m Lower by 86% vs. previous Rs. 18.17m.

During the year, Company sold 1,123,812 Sqm vs. 1,085,446 Sqm, slightly increased by 3.5%, as compared to corresponding year. Company has not achieved its targeted production of floor tiles due to induction of new digital (3D) designs from competitors and dumping of tiles from China, as mentioned above.

Finance cost has increased by 101% in the year under review due to markups on director loan and Diminishing Musharaka facility to the tune of Rs. 50 million availed from Emaan Islamic Banking, Silk Bank Limited, for procurement of Kilns of new single fire ceramic plant from China.

Profit after taxation decreased by 86% due to effect of deferred taxation in year under review.

Low demand, due to the reasons mentioned above, has also resulted into increase in closing stocks of finished goods, in the year under review.

As regards auditors' qualification regarding the gratuity, Board has decided to seek the prior approval of the shareholders to incorporate the gratuity amount in the accounts over the years on amortization basis.

Dividend

The Board of Directors has not recommended any dividend for the financial year ended June 30, 2016 due to liquidity limitations and future expansions.

Earnings per Share

Earnings per share decreased to Rs. 0.07 per share from previous Rs. 0.52 per share.

Future Prospects

The construction sector of Pakistan is showing robust growth and the Company is anticipating tile industry to flourish if support is provided by Government in addressing dumping of tiles and also providing level playing field.
To remain competitive in the market and to capture more market segments, Company is importing two new high-tech ceramic plants from China. Almost 40% of the equipment has been arrived in factory and remaining will be reached up to December 31, 2017.

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	4
Miss. Sana Khalid	4
Miss. Numrah Khalid	4
Mr. Javaid Khalid	3
Mrs. Pervez Aslam	4
Mrs. Shazia Khalid	4
Mr. Zia Khalid	3

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, 2016 and its disclosure as required by the Code of the Corporate Governance is annexed with this report.

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

P. Aslam

Chairperson

Date: October 08, 2016
Peshawar

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19. 23 of Rule Book of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged), where the Company is listed 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. Zia Khalid
Non-Executive Directors	Mr. Omer Khalid Mrs. Shazia Khalid Mr. Javaid Khalid Ms. Numrah Khalid Ms. Sana Khalid
Independent Director	Mrs. Pervez Aslam

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

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. Two casual vacancies occurred during the year Mr. Zia Khalid and Mr. Javid Khalid have been appointed in place of Mrs. Hameeda Khalid and Ms. Farhat respectively.

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 2016.

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. However, no independent director is a member of audit committee as required by clause (xxiv) of the code.

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, all of whom are non-Executive Directors including Chairman.

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. However, the Internal Audit do not meet the criteria as required by clause (xiv) of the code.

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. Internal Audit Charter and audit plan have not been prepared and no internal audit reports were provided to auditors for review as required under clause (xxxii) of CCG.

    b. No independent director is a member of audit committee as required by clause (xxiv) of the code.

    c. The Head of Internal Audit do not meet the criteria as required by clause (xiv) of the code.

    d. Significant policies formulated are not approved by the board neither any mechanism is put in place for an annual evaluation of the Board's own performance as per clause (v) of the code.

On behalf of the Board

P. Aslam

Peshawar: October 08, 2016 **Chairperson**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **FRONTIER CERAMICS LIMITED** for the year ended June 30, 2016 to comply with the requirements of Regulation No. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged), 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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, 2016.

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

ISLAMABAD

DATED: October 08, 2016

BDO Ebrahim & Co.

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, 2016 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. 25.159 million as at June 30, 2016.

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, 2016 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).

BDO Ebrahim & Co.

ISLAMABAD

CHARTERED ACCOUNTANTS

Engagement Partner: Iffat Hussain

DATED: October 08, 2016

FRONTIER CERAMICS LIMITED

BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	747,351,409	781,251,655
Capital work in progress	6	97,211,699	44,499,963
Investment property	7	776,423	817,287
		845,339,531	826,568,905
Long term deposits		1,513,450	1,513,450
Long term advances	8	6,263,454	3,528,798
		853,116,435	831,611,153
CURRENT ASSETS			
Stores, spares and loose tools	9	53,077,920	39,916,302
Stock in trade	10	110,022,394	83,846,683
Trade debts	11	-	-
Advances	12	43,720,133	42,202,066
Tax refunds due from government	13	17,507,681	2,533,348
Taxation - net	14	17,813,748	15,208,177
Cash and bank balances	15	1,966,035	1,352,457
		244,107,911	185,059,033
TOTAL ASSETS		1,097,224,346	1,016,670,186
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	378,738,210	378,738,210
Discount on issue of right shares	17	(180,795,726)	(180,795,726)
Unappropriated profit/(accumulated loss)		21,854,704	(1,887,898)
		219,797,188	196,054,586
SURPLUS ON REVALUATION OF FIXED ASSETS	18	428,144,239	446,217,112
NON CURRENT LIABILITIES			
Long term financing	19	25,625,000	54,172,707
Deferred taxation	20	87,497,103	95,796,152
		113,122,103	149,968,859
CURRENT LIABILITIES			
Trade and other payables	21	289,600,973	218,408,225
Mark up accrued	22	8,679,487	3,376,688
Short term borrowings	23	8,524,649	2,644,716
Current portion of long term financing	19	29,355,707	-
		336,160,816	224,429,629
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		1,097,224,346	1,016,670,186

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRONTIER CERAMICS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	25	408,446,768	371,697,299
Cost of sales	26	(377,321,888)	(341,448,055)
Gross profit		31,124,880	30,249,244
Distribution cost	27	(4,357,824)	(4,131,693)
Administrative expenses	28	(15,950,471)	(17,483,411)
Other operating expenses	29	(1,161,098)	(712,033)
Operating profit		9,655,487	7,922,107
Other income	30	1,677,489	725,760
Finance cost	31	(9,643,984)	(4,806,559)
Profit before taxation		1,688,992	3,841,308
Taxation	32	866,981	14,333,427
Profit for the year		2,555,973	18,174,735
Earnings per share - basic and diluted	33	0.07	0.52

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRONTIER CERAMICS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Profit for the year	2,555,973	18,174,735
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,555,973	18,174,735

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 45 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRONTIER CEREMICS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,688,992	3,841,308
Adjustment for non cash items:			
Depreciation		55,678,169	49,142,141
Finance cost		9,643,984	4,806,559
Wrokers welfare fund		36,322	-
Workers' profit participation fund		90,806	-
Provision for doubtful debts		-	11,159
Gain on disposal on fixed assets		(225,969)	-
		65,223,312	53,959,859
Profit before working capital changes		66,912,304	57,801,167
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(13,161,618)	(17,038,489)
Stock in trade		(26,175,711)	(42,078,602)
Trade debts		-	2,816,305
Advances		(1,518,067)	(19,788,865)
(Decrease)/increase in current liabilities			
Trade and other payables		71,065,620	(2,232,719)
Short term borrowings		5,879,933	(1,770,521)
		36,090,157	(80,092,891)
Cash generated from/(used in) operations		103,002,461	(22,291,724)
Finance cost paid		(4,341,184)	(4,526,399)
Taxes paid		(21,898,216)	(19,084,913)
		(26,239,400)	(23,611,312)
Net cash generated from/(used in) operating activities		76,763,061	(45,903,036)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(53,877,858)	(178,906)
Addition to capital work in progress		(61,750,496)	(45,597,910)
Sale proceeds from disposals of fixed assets		41,405,527	-
Net cash used in investing activities		(74,222,827)	(45,776,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing-net		808,000	54,172,707
Long term advances		(2,734,656)	-
Net inflow against right share subscription		-	31,073,822
Net cash generated from operating activities		(1,926,656)	85,246,529
Net increase/(decrease) in cash and cash equivalents		613,578	(6,433,323)
Cash and cash equivalents at the beginning of the year		1,352,457	7,785,780
Cash and cash equivalents at the end of the year	15	1,966,035	1,352,457

The annexed notes from 1 to 45 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, 2016

	Note	Issued, subscribed and paid up capital	Accumulated (loss)/profit	Discount on issue of shares	Total
		Rupees			
Balance as at July 01, 2014		77,412,000	(40,887,672)	-	36,524,328
Total comprehensive income for the year ended June 30,		-	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	18	-	20,825,039	-	20,825,039
Balance as at June 30, 2015		378,738,210	(1,887,898)	(180,795,726)	196,054,586
Total comprehensive income for the year ended June 30,		-	2,555,973	-	2,555,973
Transfer from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	18	-	21,186,629	-	21,186,629
Balance as at June 30, 2016		378,738,210	21,854,704	(180,795,726)	219,797,188

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRONTIER CERAMICS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

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 Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited in which Lahore and Islamabad Stock Exchanges have merged). 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 4.23.

2.3 Functional and presentation currency

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

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

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

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Company has adopted these accounting standards and interpretations which do not have significant impact on the Company's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

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 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 1, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 1, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 1, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 1, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 1, 2016
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 1, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 1, 2017
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 1, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 1, 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	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 1, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 1, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 1, 2016

3.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the 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 Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

The effects of IFRS 15 - "Revenues from Contracts with Customers" and IFRS 9 - "Financial Instruments" are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

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, building and plant and machinery are stated at cost less accumulated depreciation or impairment, if any. Freehold land, building and plant and machinery are stated at cost/revalued amount less accumulated depreciation or impairment, if any.

Depreciation is charged on the basis of written down value method 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 and plant and machinery net of deferred taxation to retained earnings (inappropriate profit).

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 are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

4.2 Investment property

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income on reducing balance basis so as to write-off the historical cost of assets over their estimated useful life. Depreciation is charged from the month of acquisition upto the month preceding the deletion of investment property. Rental income is recognised on accrual basis.

Investment properties are de-recognized, when either they have been disposed off, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the cost of subsequent accounting is the carrying amount at the date of change in use. If owner occupied property becomes an investment property, the Foundation accounts for such property in accordance with the policy stated under property, plant and equipment upto the date of change in use.

4.3 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.

4.4 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.

4.5 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.

4.6 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.

4.7 Loans, advances and other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each balance sheet date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

4.8 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

4.9 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.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

4.10 Cash and bank balances

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

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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 year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.16 Cash and cash equivalents

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

4.17 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.

4.18 Dividend and apportioning to reserves

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

4.19 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at balance sheet date are carried as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

4.20 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.

4.21 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

4.22 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.

4.23 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

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and useful lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. 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) Contingencies

The Company reviews the status of all the legal cases on regular basis. Based on expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

d) 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.

e) Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amounts of stores, spares and loose tools and stock in trade on regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools and stock in trade. Further the carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Note	Land free hold	Factory Building	Plant and machinery						Furniture and fixtures	Office equipment	Computers	Vehicles	Total
				Imported	Local	Electrification	Casting benches	Laboratory ware	Generators					
		Rupees												
Year ended June 30, 2016														
Net carrying value basis														
Opening net book value (NBV)		238,000,000	112,191,160	410,218,086	4,375,914	15,123,827	265,357	65,125	146,830	211,390	413,142	17,082	223,741	781,251,654
Transferred from CWIP		-	-	9,038,760	-	-	-	-	-	-	-	-	-	9,038,760
Additions		-	-	19,080,022	-	-	-	-	-	-	-	-	34,797,836	53,877,858
Disposals		-	-	(8,812,791)	-	-	-	-	-	-	-	-	(32,366,767)	(41,179,558)
Depreciation charge	5.1	-	(11,219,116)	(42,360,779)	(875,183)	(756,191)	(26,536)	(13,025)	(29,366)	(42,278)	(82,628)	(5,125)	(227,078)	(55,637,305)
Closing net book value		238,000,000	100,972,044	387,163,298	3,500,731	14,367,636	238,821	52,100	117,464	169,112	330,514	11,957	2,427,732	747,351,409
Gross carrying value basis														
Cost / revalued amount		238,000,000	147,836,267	589,802,654	9,231,025	19,545,360	449,385	198,744	407,936	2,696,361	4,627,146	203,300	3,856,792	1,016,854,970
Accumulated depreciation		-	(46,864,223)	(202,639,356)	(5,730,294)	(5,177,724)	(210,564)	(146,644)	(290,472)	(2,527,249)	(4,296,632)	(191,343)	(1,429,060)	(269,503,561)
Net book value		238,000,000	100,972,044	387,163,298	3,500,731	14,367,636	238,821	52,100	117,464	169,112	330,514	11,957	2,427,732	747,351,409
Year ended June 30, 2015														
Net carrying value basis														
Opening net book value (NBV)		141,120,000	101,421,735	275,794,260	3,269,894	15,919,818	294,841	81,406	183,538	264,237	516,427	24,403	279,676	539,170,235
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)	(36,341,370)	(857,284)	(795,991)	(29,484)	(16,281)	(36,708)	(52,847)	(103,285)	(7,321)	(55,935)	(49,099,126)
Closing net book value		238,000,000	112,191,160	410,218,086	4,375,914	15,123,827	265,357	65,125	146,830	211,390	413,142	17,082	223,741	781,251,655
Gross carrying value basis														
Cost/revalued amount		238,000,000	147,836,267	570,722,632	9,231,025	19,545,360	449,385	198,744	407,936	2,696,361	4,627,146	203,300	1,425,723	995,343,879
Accumulated depreciation		-	(35,645,107)	(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)	(214,092,225)
Net book value		238,000,000	112,191,160	410,218,086	4,375,914	15,123,827	265,357	65,125	146,830	211,390	413,142	17,082	223,741	781,251,655
Annual rate of depreciation (%)		-	10%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%	

5.1 Allocation of depreciation:

	Note	2016 Rupees	2015 Rupees
Cost of sales	26	55,368,051	48,904,145
Distribution cost	27	134,528	118,998
Administrative expenses	28	134,726	75,983
		55,637,305	49,099,126

5.2 The following operating fixed assets were disposed off during the year:

Description	Cost/ revalued	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposals	Particulars of buyers
	Rupees					
Generators	9,038,760	225,969	8,812,791	9,038,760	Board approval	Rawal Industrial Equipment Private Limited
Vehicles	32,366,767	-	32,366,767	32,366,767	Board approval	
June 30, 2016	41,405,527	225,969	41,179,558	41,405,527		
June 30, 2015	-	-	-	-		

		Note	2016 Rupees	2015 Rupees
6	**CAPITAL WORK IN PROGRESS**			
	Balance as at July 01,		44,499,963	150,542,723
	Additions during the year		61,750,496	45,597,910
	Transferred to property, plant and equipment		(9,038,760)	(151,640,670)
		6.1.1	97,211,699	44,499,963

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

		Note	2016 Rupees	2015 Rupees
7	**INVESTMENT PROPERTY**			
	Office building	7.1	776,423	817,287

7.1 The movement in this head is as follows:

	2016	2015
Net carrying value basis		
Year ended June 30,		
Opening net book value	817,287	860,302
Depreciation charge	(40,864)	(43,015)
Closing net book value	776,423	817,287
Gross carrying value basis		
Year ended June 30,		
Cost	2,648,885	2,648,885
Accumulated depreciation	(1,872,462)	(1,831,598)
Net book value	776,423	817,287
Annual rate of depreciation (%)	**5%**	**5%**

7.2 This represents a building at Karachi owned by Head Office. This has been held to earn rental income by letting out its office and disclosed in the financial statements as an investment property applying cost model in accordance with IAS 40 "Investment Property". Previously it was classified as Property, plant and equipment, however, during the year due to the change of management intention to held this property to earn rental income for long term purposes as such it has been calssified as investment property at cost model. Fair value of the investment property is amounted to Rs 7,000,000 (2015: Rs. 7,000,000)

		Note	2016 Rupees	2015 Rupees
8	**LONG TERM ADVANCES**			
	Balance as at July 01,		3,528,798	2,746,949
	Additions during the year		3,906,548	781,849
	Adjusted during the year		(1,171,892)	-
		8.1	6,263,454	3,528,798

8.1 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.

		Note	2016 Rupees	2015 Rupees
9	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		47,582,491	34,248,176
	Spare parts and loose tools		5,495,429	5,668,126
		9.1	53,077,920	39,916,302

9.1 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.

		Note	2016 Rupees	2015 Rupees
10	**STOCK IN TRADE**			
	Raw material		42,173,724	44,000,366
	Work in process		19,917,099	17,679,886
	Finished goods		87,011,571	61,246,431
			149,102,394	122,926,683
	Provision for obsolescence in inventory	10.1	(39,080,000)	(39,080,000)
			110,022,394	83,846,683

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

	Note	2016 Rupees	2015 Rupees
Balance as at July 01,		39,080,000	39,080,000
Charge for the year		-	-
	8.1.1	39,080,000	39,080,000

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

		Note	2016 Rupees	2015 Rupees
11	**TRADE DEBTS**			
	Unsecured - considered good			
	Associated company		-	-
	Others			-
			-	-
	Unsecured - considered doubtful		1,342,859	1,342,859
			1,342,859	1,342,859
	Provision for doubtful debts	11.1	(1,342,859)	(1,342,859)
			-	-
11.1	**Movement in provision for doubtful debt is as follows:**			
	Balance as at July 01,		1,342,859	1,342,859
	Charge during the year		-	-
			1,342,859	1,342,859
12	**ADVANCES**			
	Unsecured - considered good			
	Advances			
	- to suppliers	12.1	14,791,438	10,493,925
	- against letter of credit		15,437,712	17,724,407
	- against letter of credit margin		5,688,624	8,400,220
	- against letter of guarantee		6,244,291	4,711,891
	- to employees against vehicles		208,976	-
	- against salaries		402,060	401,911
	- to contractors		700,000	200,000
	- against expenses		211,709	269,712
	- other advances		35,323	-
			43,720,133	42,202,066

12.1 This includes advances given to Peshawar Electric Supply Company amounting to Rs. 9,795,376 for the installation of new electric meter and electricity cables nearby factory premises. This advances will be adjusted against the bills.

		Note	2016 Rupees	2015 Rupees
13	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Considered good			
	Balance as at July 01,		2,533,348	7,496,815
	Refundable/(payable) assessed during the year		14,974,333	(4,963,467)
			17,507,681	2,533,348
14	**TAXATION - NET**			
	Balance as at July 01,		15,208,177	(4,963,467)
	Prior year adjustment		(233,844)	-
	Transfer to tax refund due from government		14,974,333	(4,963,467)
	Provision for taxation	32.1	(4,084,468)	(3,876,736)
	Advance income tax		21,898,216	19,084,913
			17,813,748	15,208,177
15	**CASH AND BANK BALANCES**			
	Cash in hand		103,921	106,661
	Cash at bank - current accounts	15.1	1,862,114	1,245,796
			1,966,035	1,352,457

15.1 This includes temporary credit balance of Rs. 743 (2015: Nil) which occurred due to outstanding cheques at year end, issued in anticipation of deposits. Subsequent to the year end this amount has been fully adjusted.

		2016 Rupees	2015 Rupees
16	**SHARE CAPITAL**		

16.1 Authorized share capital

Number of shares 2016	Number of shares 2015		2016 Rupees	2015 Rupees
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000,000	750,000,000

		2016 Rupees	2015 Rupees

16.2 Issued, subscribed and paid up capital

Number of shares 2016	Number of shares 2015		2016 Rupees	2015 Rupees
37,873,821	37,873,821	Ordinary shares of Rs. 10 each fully paid in cash	378,738,210	378,738,210

17 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.

18 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	Note	2016 Rupees	2015 Rupees
Balance as at July 01,		545,857,280	448,443,308
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		21,186,629	20,825,039
Related deferred tax liability during the year transferred to profit and loss account		9,518,630	9,800,019
		30,705,259	30,625,058
	18.1	515,152,021	545,857,280
Less:			
Related deferred tax effect :			
Balance as at July 01,		99,640,168	102,577,712
Revaluation during the year		-	9,970,890
Effect of change in rate		(3,113,756)	(3,108,415)
Incremental depreciation charged during the year transfer to Profit and loss account		(9,518,630)	(9,800,019)
		87,007,782	99,640,168
		428,144,239	446,217,112

18.1 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 Section 235 of the Companies Ordinance, 1984, details of revaluation are as follows:

Independent valuers	Revaluation Dates	Revaluation Rupees
M/s Mughal Associates	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
		866,989,291

18.2 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.

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

	2016 Rupees	2015 Rupees
Free hold land	3,518,245	3,518,245
Factory building	91,746,949	101,941,054
Plant and machinery		
Imported	367,952,256	389,529,849
Local	3,324,182	4,155,227
Electrification	14,367,636	15,123,827
Casting benches	238,821	265,357
Laboratory ware	52,100	65,125
Generators	117,464	146,830
	386,052,459	409,286,215
	481,317,653	514,745,514

19 LONG TERM FINANCING

	Note	2016 Rupees	2015 Rupees
From associated person - unsecured	19.1	13,980,707	54,172,707
From Musharaka finance facility-secured	19.2	41,000,000	-
		54,980,707	54,172,707
Less: Current portion		(29,355,707)	-
		25,625,000	54,172,707

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

19.2 This represents Diminishing Musharaka facility obtained up to a limit of Rs. 50 million from Silk Bank Limited during the year. The facility carries mark up at the rate at three month KIBOR plus 3% per annum to be reset on quarterly basis. Repayment shall be made in eight equal quarterly installments commencing after the grace period of one year starting from August 2017.

20 DEFERRED TAXATION

Deferred taxation	20.1	87,497,103	95,796,152

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

	2016 Rupees	2015 Rupees
Surplus on revaluation of fixed assets	87,007,782	99,640,168
Accelerated depreciation	13,020,407	9,091,299
Provision for written down inventory	(12,114,800)	(12,505,600)
Provision for doubtful debts	(416,286)	(429,715)
	87,497,103	95,796,152
Tax rate used	31%	32%

20.2 Deferred tax asset of Rs. 15.089 million (2015: Rs. 22.089 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 realisibility of the amount.

	Note	2016 Rupees	2015 Rupees
21 TRADE AND OTHER PAYABLES			
Trade creditors		54,441,758	48,785,520
Accrued liabilities		31,782,730	31,032,960
Advances from customers		171,161,660	110,325,045
Advance rental income		120,960	120,960
Unclaimed dividend		3,189,224	3,189,224
Old labour dues	21.1	3,256,878	3,256,878
Sales tax payable		6,914,598	5,451,493
Withholding tax payable		1,703,825	1,675,471
Workers' profit participation fund	21.2	16,552,879	14,130,535
Workers welfare fund		476,461	440,139
		289,600,973	218,408,225

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

	Note	2016 Rupees	2015 Rupees
21.2 Movement in workers' profit participation fund:			
Balance as at July 01,		14,130,535	11,955,675
Interest for the year (at 16.5%)		2,331,538	1,972,686
Provision for the year		90,806	202,174
		16,552,879	14,130,535

22 MARK UP ACCRUED

	Note	2016 Rupees	2015 Rupees
Mark up on short term borrowing from:			
Financial institution		2,378,432	2,091,932
Associated company		243,130	-
Mark up on long term financing		6,057,925	1,284,756
		8,679,487	3,376,688

23 SHORT TERM BORROWINGS

	Note	2016 Rupees	2015 Rupees
Financial institution - secured	23.1	1,910,000	1,910,000
Related parties - unsecured			
Due to associated company	23.2	5,879,933	-
Due to associated person	23.3	734,716	734,716
		8,524,649	2,644,716

23.1 This represents interest bearing loan received from Innovative Investment Bank Limited for working capital on musharaka 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.

23.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors (Private) Limited and Rawal Industrial Equipment (Private) Limited amounting to Rs.1,824,403 and Rs.4,055,530 respectively, for working capital of the Company. The loan from Toyota Rawal Motors Pvt Limited will be adjusted against the purchase of motor vehicles for employees.

23.3 This represents unsecured interest free loan from a Director of the Company, repayable on demand.

24 CONTINGENCIES AND COMMITMENTS

24.1 CONTINGENCIES

24.1.1 Worker's Welfare Fund

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. 555,491.

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 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 Honorable High Court which is pending.

24.1.4 Noor Mohammad, Muhammad Farhad and Muhammad A khan and vs. FCL:

A suit was filed against the unit in the labour court by the above three persons. Total amount involved in the suit is around round about Rs. 2.762 million.

24.1.5 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.

24.1.6 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.

24.1.7 Bank Guarantees

Guarantee has been issued by Silk Bank Limited and bank Al Habib on behalf of the Company in the normal course of business in favor of M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 37.148 million (2015: Rs. 23.166 million).

24.1.8 FCL and others vs. FCL:

The Peshawar High Court issued an interim relief stay order on collection of arrears amounts after hearing petitions of the textile mills association and the industrial units which challenged the recovery of the GIDC arrears on gas bills. The cases were earlier referred to the Supreme Court in 2014 for the reversal of GIDC for which the Supreme Court dismissed the appeals. The total amount of arrears as at June 30, 2016 is Rs. 77.297 million.

24.1.9 Gratuity

The Securities and Exchange Commission of Pakistan vide letter No. EMD/233/584/2002-1846 dated June 9, 2015, required explanation from the Company for non-provisioning of gratuity.

Moreover, during the year Securities and Exchange Commission of Pakistan vide letter No. EMD/233/584/2002-411 dated November 30, 2015, required the Company to remove auditor's qualification within 30 days of notice as per the provision of Section 472 of Companies Ordinance, 1984. The management in their response vide letter Ref. FCL/234/872/2016 dated December 30, 2015 replied that the redemption process was completed on 5th day of November 2015 and now, in the current year, financial performance has also been improved and the Company started gratuity working in full swing, for compliance with the Industrial & Commercial Employment (Standing Orders) Ordinance 1968 and removal of auditor's qualification.

The estimated value of this liability in term of gratuity not accounted for to date amounts to approximately Rs. 25.159 million as at June 30, 2016.

		Note	2016 Rupees	2015 Rupees
24.2	**COMMITMENTS**			
	The Company has following commitments:			
	- in respect of letter of credit			
	- against import of raw materials		8,008,939	7,346,942
	- against import of stores and spares		7,175,010	6,601,459
	- against import of plant and machinery		253,763	3,730,511
			15,437,712	17,678,912

		Note	2016 Rupees	2015 Rupees
25	**SALES**			
	Gross sales - tiles		486,076,511	434,885,840
	Less: sales tax		(77,629,743)	(63,188,541)
			408,446,768	371,697,299
26	**COST OF SALES**			
	Raw material consumed	26.1	96,415,756	65,152,689
	Stores, spares and loose tools consumed	26.2	80,393,847	46,157,326
	Gas and electricity		138,322,718	167,318,567
	Depreciation	5.1	55,368,051	48,904,145
	Salaries , wages and other benefits		31,282,202	28,562,878
	Generator rent		3,208,000	2,364,000
	Travelling and conveyance		62,605	5,733
	Repairs and maintenance		7,660	22,087
	Miscellaneous		263,402	-
			405,324,241	358,487,425
	Work in process			
	Opening		17,679,886	5,369,234
	Closing		(19,917,099)	(17,679,886)
			(2,237,213)	(12,310,652)
	Finished goods			
	Opening		61,246,431	56,517,713
	Closing		(87,011,571)	(61,246,431)
			(25,765,140)	(4,728,718)
			377,321,888	341,448,055

		Note	2016 Rupees	2015 Rupees
26.1	Raw material consumed			
	Opening stock		44,000,366	19,961,134
	Add: Purchases		94,589,114	90,191,921
	Less: Closing stock		(42,173,724)	(44,000,366)
			96,415,756	65,152,689
26.2	Stores, spares and loose tools consumed			
	Opening stock		39,916,302	22,877,813
	Add: Purchases		93,555,465	63,195,815
	Less: Closing stock		(53,077,920)	(39,916,302)
			80,393,847	46,157,326

27 DISTRIBUTION COST

	Note	2016 Rupees	2015 Rupees
Salaries, allowances and benefits		4,037,706	3,832,335
Rent expense		180,360	180,360
Communication and travel expense		5,230	
Depreciation	5.1	134,528	118,998
		4,357,824	4,131,693

28 ADMINISTRATIVE EXPENSES

	Note	2016 Rupees	2015 Rupees
Directors' remuneration	40	679,240	1,528,263
Salaries, allowances and benefits		11,975,811	11,433,251
Fee and subscription		956,234	833,386
Rent, rates and taxes		579,784	1,149,291
Utilities		120,814	878,263
Communication		741,276	662,234
Printing, postage and stationery		414,639	289,574
Property tax		82,856	96,479
Freight charges		-	65,000
Life insurance		-	193,170
Health insurance		-	35,500
Depreciation	5.1	175,590	118,998
Travelling and conveyance		65,944	71,213
Vehicle running and maintenance		37,520	48,259
Entertainment		103,798	61,030
Repair and maintenance		16,965	19,500
		15,950,471	17,483,411

	Note	2016 Rupees	2015 Rupees
29 OTHER OPERATING EXPENSES			
Workers' profit participation fund		90,806	202,174
Workers' welfare fund		36,322	-
Provision for doubtful debts		-	11,159
Auditors' remuneration	29.1	372,600	373,700
Legal and professional charges	29.2	661,370	125,000
		1,161,098	712,033

29.1 Auditors' remuneration

Audit fee	300,000	275,000
Review of half year financial statements	66,000	66,000
Out of pocket expenses	6,600	32,700
	372,600	373,700

29.2 This includes redemption fee of Rs. 461,000 against outstanding liabilities paid to regulatory authorities.

	Note	2016 Rupees	2015 Rupees
30 OTHER INCOME			
Gain on sale of fixed assets		225,969	-
Rental income		1,451,520	725,760
		1,677,489	725,760

31 FINANCE COST

Mark up / interest on:		
Long term financing	4,339,702	1,284,756
Short term borrowings		
From financial institutions	1,297,570	286,500
From related party	243,130	193,084
	1,540,700	479,584
Workers' profit participation fund	2,331,538	1,972,686
Bank charges	1,432,044	1,069,533
	9,643,984	4,806,559

		Note	2016 Rupees	2015 Rupees
32	**TAXATION**			
	Provision for taxation			
	Current year	32.1	4,084,468	3,876,736
	Prior year		233,844	-
	Deferred		(5,185,293)	(18,210,163)
			(866,981)	(14,333,427)

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 years.

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:

		2016 Rupees	2015 Rupees
Profit after taxation		2,555,973	18,174,735

		2016 Number of shares	2015 Number of shares
Weighted average number of shares		37,873,821	34,697,800

	Note	Rupees	Rupees (Restated)
Earnings per share - basic and diluted	33.1	0.07	0.52

33.1 There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2016 and June 30, 2015.

34 FINANCIAL ASSETS AND LIABILITIES

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

2016	Total	Interest/mark up bearing			Not interest / mark up bearing
		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	6,090,684	-	-	-	6,090,684
Cash and bank balances	1,966,035	-	-	-	1,966,035
	10,913,028	-	-	-	10,913,028
Financial liabilities					
Financial liabilities carried at amortized cost:					
Long term financing	54,980,707	29,355,707	25,625,000	54,980,707	-
Trade and other payables	263,953,210	-	-	-	263,953,210
Mark up accrued	8,679,487	-	-	-	8,679,487
Short term borrowings	8,524,649	8,524,649	-	8,524,649	-
	336,138,053	37,880,356	25,625,000	63,505,356	272,632,697
On balance sheet gap	(325,225,025)	(37,880,356)	(25,625,000)	(63,505,356)	(261,719,669)
Off Balance sheet Items					
Financial commitments:					
Letter of credits	15,437,712	-	-	-	15,437,712
Bank guarantee	37,148,000	-	-	-	37,148,000
	52,585,712	-	-	-	52,585,712
Total Gap	(377,810,737)	(37,880,356)	(25,625,000)	(63,505,356)	(314,305,381)

2015	Total	Interest/mark up bearing			Not interest / mark up bearing
		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	401,911	-	-	-	401,911
Cash and bank balances	1,352,457	-	-	-	1,352,457
	4,610,677	-	-	-	4,610,677
Financial liabilities					
Financial liabilities carried at amortized cost:					
Long term financing	54,172,707	-	54,172,707	54,172,707	-
Trade and other payables	196,710,587	-	-	-	196,710,587
Mark up accrued	3,376,688	-	-	-	3,376,688
Short term borrowings	2,644,716	2,644,716	-	2,644,716	-
	256,904,698	2,644,716	54,172,707	56,817,423	200,087,275
On balance sheet gap	(252,294,021)	(2,644,716)	(54,172,707)	(56,817,423)	(195,476,598)
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	(290,643,933)	(2,644,716)	(54,172,707)	(56,817,423)	(233,826,510)

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 Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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. 10.913 million (2015 : Rs. 4.611 million) the financial assets which are subject to credit risk amounted to Rs. 10.809 million (2015 : Rs. 4.504 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2016 Rupees	2015 Rupees
Long term deposits	1,513,450	1,513,450
Trade debts	1,342,859	1,342,859
Advances	6,090,684	401,911
Bank balances	1,862,114	1,245,796
	10,809,107	4,504,016
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	1,342,859	1,342,859

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.The ratings of banks ranges from A to AAA.

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 major concentration of credit risk.

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:

2016	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	54,980,707	54,980,707	-	-	-	54,980,707	-
Short term borrowings	8,524,649	8,524,649	734,716	7,789,933	-	-	-
Trade and other payables	289,600,973	289,600,973	289,600,973	-	-	-	-
Mark up accrued	8,679,487	8,679,487	8,679,487	-	-	-	-
	361,785,816	361,785,816	299,015,176	7,789,933	-	54,980,707	-

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	-	-	-	54,172,707	-
Short term borrowings	2,644,716	2,644,716	2,644,716	-	-	-	-
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	-	-	-	-
	278,602,336	278,602,336	224,429,629	-	-	54,172,707	-

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. The Company is not exposed to price risk.

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:

	2016	2015	2016	2015
	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				
Long term financing	8% to 10%		54,980,707	54,172,707
Short term borrowings	8% to 10%	-	5,879,933	-
			60,860,640	54,172,707

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, 2016		
Cash flow sensitivity - Variable rate financial liabilities	608,606	(608,606)
As at June 30, 2015		
Cash flow sensitivity - Variable rate financial liabilities	-	-

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 MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments, if relevant.

	June 30, 2016		June 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	---------------------------- Rupees ----------------------------			
Assets carried at amortized cost				
Long term deposits	1,513,450	1,513,450	1,513,450	1,513,450
Trade debts	1,342,859	1,342,859	1,342,859	1,342,859
Advances	6,090,684	6,090,684	401,911	401,911
Cash and bank balances	1,966,035	1,966,035	1,352,457	1,352,457
	10,913,028	10,913,028	4,610,677	4,610,677
Liabilities carried at amortized cost				
Long term financing	54,980,707	54,980,707	54,172,707	54,172,707
Trade and other payables	289,600,973	289,600,973	218,408,225	218,408,225
Mark up accrued	8,679,487	8,679,487	3,376,688	3,376,688
Short term borrowings	8,524,649	8,524,649	2,644,716	2,644,716
	361,785,816	361,785,816	278,602,336	278,602,336

36.1 The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2015. Fair value of property plant and equipment are based on the valuations carried out by an independent valuer M/s Mughal Associates on the basis of market value.

36.2 Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

36.3 A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	2016 Rupees	2015 Rupees
Opening balance (level 3 recurring fair values)	781,251,655	539,170,235
Additions - Cost	62,916,618	163,141,516
Revaluation	-	128,039,030
Depreciation charge	(55,637,305)	(49,099,126)
Closing balance (level 3 recurring fair values)	788,530,968	781,251,655

36.4 Had there been no revaluation, the net book value of the specific classes of operating assets have been disclosed in note 18.

36.5 **Interest rate used for determining fair value**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

36.6 Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

36.7 Determination of fair values

A number of the Company's accounting polices and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined of measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted current PKRV rates applicable to similar instruments having similar maturities.

Investment in associates and subsidiaries

The fair value of investment in listed associates and subsidiaries is determined by reference to their quoted closing repurchase price at the reporting date.

Non-derivate financial asset

The fair value of non-derivate financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivate financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

37 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

Description	**Explanation**	**June 30, 2016 Rupees**	**June 30, 2015 Rupees**
Loans	Placed under interest arrangement	20,595,356	54,907,423
	Placed under Shariah permissible arrangements	42,910,000	1,910,000
Long term deposits	Non-interest bearing	1,513,450	1,513,450
Segment revenue	The Company has only one segment	-	-
Bank balances as at June 30, 2016	Placed under interest arrangement	-	-
	Placed under Shariah permissible arrangements	-	-
Income on bank deposits	Placed under interest arrangement	-	-
	Placed under Shariah permissible arrangements	-	-
Gain/(loss) on available-for-sale investments		-	-
Dividend income		-	-

		June 30, 2016 Rupees	June 30, 2015 Rupees
All sources of other income	Disclosed in note 30	1,677,489	725,760
Exchange gain	Earned from actual currency	-	-

The Company has working relation with Silk Bank Limited under Islamic windows.

There is no other bank balance / investments which carry any interest or markup

38 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.

39 PLANT CAPACITY AND PRODUCTION

	2016	2015
Ceramic tiles		
Wall tiles		
Ideal capacity in square meters	2,160,000	2,160,000
Actual production in square meters	1,051,438	1,038,869
No. of shifts worked daily	3	3
Floor tiles		
Ideal capacity in square meters	2,520,000	2,520,000
Actual production in square meters	144,069	64,451
No. of shifts worked daily	3	3

	2016	2015
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 low demand, 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.

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2016				2015			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	1,837,150	305,658	2,158,166	4,300,974	686,559	153,985	3,970,363	4,810,907
Medical	408,256	67,924	479,593	955,773	-	-	-	-
Utilities	408,256	67,924	479,593	955,773	-	-	1,582,276	1,582,276
House rent	1,428,894	237,734	1,678,574	3,345,202	561,730	125,988	1,666,203	2,353,921
Total	4,082,556	679,240	4,795,926	9,557,722	1,248,289	279,973	7,218,842	8,747,104
Number of persons	1	2	4	7	1	1	5	7

b) The aggregate amount charged in the financial statements for remuneration, including all benefits to Executive directors and Non executive directors of the Company is as follows:

	2016			2015		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	(Rupees)					
Managerial remuneration	679,240	-	679,240	279,973	-	279,973
Number of persons	2	5	7	2	5	7

c) No remuneration / benefits were paid to the non executive directors during the current year and preceding financial years.

41 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	2016 Rupees	2015 Rupees
Associated Company			
Toyota Rawal Motors (Private) Limited	Mark up on short term borrowing	243,130	193,084
	Rental for building	579,784	1,149,291
	Utilities	120,000	120,000
	Insurance premium paid	24,830	211,244
	Rent and utilities paid	700,598	1,994,760
	Short term loan paid	-	1,770,521
Rawal Industries Equipment	Sale of fixed assets	41,179,558	-
Key management personnel	Markup on long term loan	5,624,458	1,284,756
	Remuneration and other benefits	9,557,722	8,747,104
	Long term loan from director(net)	13,980,707	54,172,707

42 NUMBER OF EMPLOYEES

The number of employees as at year end were 212 (2015 : 138) and average number of employees during the year was 169 (2015 : 152).

43 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, where as necessary, to facilitate comparisons. Advances to suppliers for purchase of vehicles have been reclassified as long term advances during the year.

44 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 08, 2016 by the Board of Directors of the Company.

45 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE **DIRECTOR**

FRONTIER CERAMICS LIMITED
PATTERN OF SHAREHOLDING REPORT
As of June 30, 2016

# Of Shareholders	Shareholdings'Slab			Total Shares Held
103	1	to	100	5,871
597	101	to	500	271,807
77	501	to	1000	76,281
105	1001	to	5000	287,003
19	5001	to	10000	148,330
4	10001	to	15000	52,600
4	15001	to	20000	72,962
4	20001	to	25000	90,762
1	25001	to	30000	27,500
3	35001	to	40000	109,155
4	40001	to	45000	172,700
1	45001	to	50000	50,000
1	60001	to	65000	64,000
2	65001	to	70000	138,600
1	95001	to	100000	100,000
1	100001	to	105000	101,500
1	105001	to	110000	105,500
1	110001	to	115000	114,500
1	140001	to	145000	143,500
1	295001	to	300000	295,996
1	355001	to	360000	357,500
1	360001	to	365000	361,500
1	1010001	to	1015000	1,013,358
1	1140001	to	1145000	1,141,901
1	1955001	to	1960000	1,957,000
1	2315001	to	2320000	2,320,000
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
942				**37,873,821**

FRONTIER CERAMICS LIMITED

PATTERN OF SHAREHOLDING REPORT

As of June 30, 2016

Categories of Certificateholders	Certificateholders	Certificate Held	Percentage
Directors and their spouse(s) and minor children			
NADEEM KHALID	1	4,691,899	12.39
OMER KHALID	4	13,947,001	36.82
SANA KHALID	2	3,693,486	9.75
SHAZIA KHALID	1	2,446	0.01
NUMRAH KHALID	1	1,013,358	2.68
MRS. PERVEZ ASLAM	1	500	0.00
AMERA KHALID	2	9,724,951	25.68
ZIA KHALID	1	2,446	0.01
JAVAID KHALID	2	1,957,500	5.17
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	913	2,529,333	6.68
b.Foreign Investors	-	-	-
Others	8	7,501	0.02
Totals	**942**	**37,873,821**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
NADEEM KHALID	4,691,899	12.39
OMER KHALID	13,947,001	36.82
SANA KHALID	3,693,486	9.75
AMERA KHALID	9,724,951	25.68
JAVAID KHALID	1,957,500	5.17

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 fourth Annual General Meeting of the Company to be held on October 29, 2016 and at any adjournment thereof.
As witness my/our hand /seal this_______________ day of _______________2016.

Signed by said ____

Witness:	______________________________	Witness	___________________________
(Signature)	______________________________	(Signature)	___________________________
Name:	______________________________	Name	___________________________
Address:	______________________________	Address:	___________________________
CNIC No:	______________________________	CNIC No:	___________________________

Please affix
Rs. 5/- (Revenue Stamp)

Signature of member(s)

Notes:

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

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES

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

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