

## **VISION STATEMENT**

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

## **MISSION STATEMENT**

### **OUR MISSION IS:**

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

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Omer Khalid	Chief Executive Officer
Ms. Sana Khalid	Director
Mrs. Shazia Khalid	Director
Mrs. Hameeda Khalid	Director
Ms. Farhat	Director
Mrs. Pervez Aslam	Director
Mr. Raja Ghazanfar	Director

### Audit Committee

Mrs. Shazia Khalid	Chairperson
Mrs. Hameeda Khalid	Member
Mr. Raja Ghazanfar	Member

### Human Resource & Remuneration Committee

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

### Chief Operating Officer

Mr. Nadeem Khalid

### Chief Financial Officer

Khawaja Mushtaq Ahmed FCA,ACIS

### Company Secretary

Mr. Fazal-e-Khaliq

### Bankers

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

### Auditors

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

### Legal Advisor

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

### Registrar and Share Transfer Office

M/S Saeed Methani Mushtaq & Co  
Suite # 23-C, Block B, 2nd Floor, Cantonment Plaza,  
Fakhr-e-Alam Road, Peshawar Cantt. Ph. 091-5275628

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

## FRONTIER CERAMICS LIMITED

### DIRECTORS' REPORT TO THE SHAREHOLDERS

I have pleasure in presenting un-audited report for the first quarter ended September 30, 2012.

The Company's performance for the quarter with the corresponding quarter of the previous period (referred as previous) was as follows:

Sales- net	60.20 million lower by 36.70% previous 95.10 million
Gross Profit	1.77 million lower by 93.06% previous 25.49 million
Operating (Loss)/Profit	(2.19) million lower by 110.45% previous Rs 20.91 million
(Loss)/earnings per share	Rs. (0.16) per share previous Rs 2.54

Sales declined by 36.70% as compared to previous period is due to launching of new designs of tiles (size 10x13) in the month of August 2012 which could not get good response from the market and were returned either due to technical or quality reasons. Frequent break down and low gas pressure also contributed low production below the set target triggering the increase in cost of sale which eroded the bottom line profitability during the period. Massive electricity and gas load shedding which consequently increased the cost due to higher cost energy alternatives also reduced the gross profit significantly.

Directors consider the financials and operations of the company for the quarter under review to be satisfactory and are determined to increase the operational performance of the Company in the ensuing periods.

Also please refer to the Directors' Report for the year ended June 30, 2012 which provides a detailed review of the Company's operations and future strategy.

Peshawar:

Dated: October 31, 2012

Omer Khalid

Chief Executive

**FRONTIER CERAMICS LIMITED**  
**BALANCE SHEET AS AT SEPT 30, 2012**

	Un-Audited Sep 30, 2012 "000"	Audited June 30, 2012 "000"
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment		
Operating fixed assets	620,544	632,786
Capital work in progress	147,604	136,003
Long term deposits	1,513	1,513
	<u>769,662</u>	<u>770,302</u>
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	13,205	12,512
Stock in trade	57,888	51,668
Trade debts	2,421	2,823
Advances	12,031	13,290
Short term prepayments	92	102
Taxation - net	3,166	2,483
Cash and bank balances	12,526	2,318
	<u>101,330</u>	<u>85,196</u>
<b>TOTAL ASSETS</b>	<b><u>870,992</u></b>	<b><u>855,498</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital		
75,000,000 (June 30, 2012: 8,000,000) ordinary shares of Rs. 10 each.	750,000	80,000
Issued, subscribed and paid up capital		
7,741,200 (June 30, 2012: 7,741,200) ordinary shares of Rs. 10 each.	77,412	77,412
Accumulated Loss	(135,810)	(141,191)
	<u>(58,398)</u>	<u>(63,779)</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	379,742	386,346
<b>NON CURRENT LIABILITIES</b>		
Long term financing	89,180	89,180
Long term deposits	576	576
Deferred taxation	116,353	118,003
	<u>206,109</u>	<u>207,759</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	222,769	204,529
Mark up accrued	2,228	2,101
Short term borrowings	4,415	4,415
Current portion of long term financing	114,126	114,126
	<u>343,539</u>	<u>325,172</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>870,992</u></b>	<b><u>855,498</u></b>

The annexed notes from 1 to 9 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**FRONTIER CERAMICS LIMITED**  
**PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR QUARTER ENDED SEPT 30, 2012**

	For Quarter Ended	
	Sep 30, 2012	Sep 30, 2011
	"000"	"000"
Sales - net	60,204	95,108
Cost of sales	(58,436)	(69,616)
Gross Profit	1,769	25,492
Distribution cost	(872)	(1,043)
Administrative expenses	(3,014)	(3,487)
Other operating expenses	(70)	(45)
Operating (Loss)/Profit	(2,186)	20,917
Finance cost	(386)	(179)
(Loss)/Profit before taxation	(2,572)	20,738
Taxation		
Current	(301)	(951)
Defferred	1,650	(100)
(Loss)/Profit for the period	<b>(1,223)</b>	<b>19,687</b>
(Loss)/earnings per share - basic and diluted	<b>(0.16)</b>	<b>2.54</b>

The annexed notes from 1 to 9 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**FRONTIER CERAMICS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	<b>Sep 30, 2012</b>	<b>Sep 30, 2011</b>
	<b>"000"</b>	
(Loss)/Profit for the period	(1,223)	19,687
Other comprehensive income for period	-	-
Total comprehensive (Loss)/income for the period	<u><b>(1,223)</b></u>	<u><b>19,687</b></u>

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

The annexed notes from 1 to 9 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**FRONTIER CEREMICS LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2012**

	Sep 30, 2012	Sep 30, 2011
	"000"	"000"
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(2,572)	20,738
Adjustment for:		
Depreciation	12,241	13,304
Finance cost	386	179
	<u>12,627</u>	<u>13,483</u>
Profit before working capital changes	10,055	34,221
Changes in working capital:		
Decrease /( increase) in current assets		
Stores, spares and loose tools	(693)	(2,977)
Stock in trade	(6,221)	6,435
Trade debts	402	(2,494)
Advances	1,259	596
Short term prepayments	10	73
Increase/(decrease) in current liabilities		
Trade and other payables	18,240	4,491
	<u>12,998</u>	<u>6,124</u>
Cash generated from operations	23,052	40,344
Finance cost paid	(259)	(38)
Taxes paid	(984)	(1,649)
	<u>(1,243)</u>	<u>(1,687)</u>
Net cash generated from operating activities	21,809	38,657
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of operating fixed assets	-	-
Addition to capital work in progress	(11,601)	(30,459)
Net cash used in investing activities	(11,601)	(30,459)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	-	(6,014)
Short term borrowings	-	-
Net cash used in financing activities	<u>-</u>	<u>(6,014)</u>
Net (decrease) / increase in cash and cash equivalents	10,208	2,184
Cash and cash equivalents at the beginning of the period	2,318	3,607
Cash and cash equivalents at the end of the period	<u><u>12,526</u></u>	<u><u>5,791</u></u>

The annexed notes from 1 to 9 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**FRONTIER CEREMICS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	<b>Issued, subscribed and paid up capital</b>	<b>Accumulated loss</b>	<b>Total</b>
	<b>Rupees "000"</b>		
Balance as at July 01, 2011	77,412	(200,122)	(122,710)
Net Profit for the Period		19,687	19,687
Transfer from surplus on revaluation of fixed assets - incremental depreciation		4,012	4,012
Balance as at Sep 30, 2011	<b>77,412</b>	<b>(176,423)</b>	<b>(99,011)</b>
Balance as at July 01, 2012	77,412	(141,191)	(63,779)
Net (Loss) for the Period		(1,223)	(1,223)
Transfer from surplus on revaluation of fixed assets - incremental depreciation		6,604	6,604
<b>Balance as at Sep 30, 2012</b>	<b>77,412</b>	<b>(135,810)</b>	<b>(58,398)</b>

The annexed notes from 1 to 9 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**FRONTIER CERAMICS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30,2012**

**1. STATUS AND NATURE OF OPERATIONS**

Frontier Ceramics Limited was incorporated in July 1982 as Public Limited Company with its share with its shares quoted on Karachi and Lahore Stock Exchanges of Pakistan. The registered office of the company is situated in 29 Industrial Estate, Jamrud Road, Peshawar. The Principle activities of the company are manufacturing of ceramic tiles, sanitary wares and related cermic products.

**2. BASIS OF PREPARATION**

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual audited financial statement and should therefore be read in conjunction with the financial statement for the year ended 30 June 2012. Comparative balance sheet is extracted from annual audited financial statement as of 30 June 2012 whereas comparative profit and loss account, Statement of comprehensive income, Cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the quarter ended Sep 30, 2011.

The condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

**3. ACCOUNTING POLICIES AND ESTIMATES**

Accounting policies, related judgment, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2012.

**4. TAX STATUS**

Tax Returns for the tax year 2007 to 2011 stand assessed in terms of section 120 of Income Tax Ordinance 2011. However the tax authorities are empowered to reopen these assesment within five (5) years from the end of the financial year In which the returns are filed.

**5. PROPERTY PLANT AND EQUIPMENT**

	1 <sup>st</sup> Quarter Ended	
	Sep 30,2012	Sep 30,2011
	Rs. '000'	Rs. '000'
Opening written down value	632,786	650,448
Additions during the period	-	-
	<b>632,786</b>	<b>650,448</b>
Depreciation charged during the period	(12,241)	(13,304)
	<b>620,545</b>	<b>637,144</b>

**6. CONTINGENCIES AND COMMITMENTS**

**6.1 Contingencies**

**6.1.1** As per Settlement agreement with the creditors banks, no interest has been accounted for subsequent to the settlement agreement relating to long term financing, however, in case of default in repayment of three consecutive installments the interest may become payable, for which there shall be no entitlement for any remission are waiver. As no event of default has been communicated to the company the amount is not accurately quantifiable.

**6.1.2** Letter of Guarantee Guarantee has been issued by Silk Bank Limited on behalf of the Company in the normal course of the business in favour of M/S Sui Northern Gas Pipelines Limited aggregating to Rs. 20.453 million (2012: Rs. 20.453 million)

**6.2 Commitments**

**6.2.1 Store & Spares:** The company has commitments of Rs. 'nil' million (June 30, 2012: 0.903 million) in respect of outstanding letter of credit and telegraphic transfers.

**6.2.2 Raw Material:** The company has commitments of Rs. 6.856 million (June 30, 2012: 3.804 million) against import of raw material respectively in respect of outstanding letter of credit.

**6.2.3 Others:** Rs. 5.820 million (June 30, 2012: 12.920 million) against construction of building.

**7. TRANSACTION WITH RELATED PARTIES**

The related parties and associated undertakings of the company comprise of group companies, othe associate companies, directors and key management personnel. Transaction with related parties and associated undertakings during the period are as follows:

Relation with the company	Nature of Transaction	1 <sup>st</sup> Quarter Ended	
		Sep 30,2012	Sep 30,2011
		Rs. '000'	Rs. '000'
Associated company/undertakings			
Toyota Rawal Motors (pvt) Ltd.	Short term financing	55.46	
	Sale of tiles	-	2,500.00

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

	1 <sup>st</sup> Quarter Ended	
	Sep 30,2012	Sep 30,2011
	Rs. '000'	Rs. '000'
Short term employee benefits		
Chief Executive Officer	480	450
Directors	161	161
Executives	293	241
	<b>934</b>	<b>852</b>

8. **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the board of directors of the company in their meeting held on Oct 31,2012.

9. **GENERAL**

Figures have been rounded off to the nearest thousand, unless otherwise stated.

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CHIEF EXECUTIVE

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DIRECTOR