



## **Financial Statements**

For the Third Quarter & Nine Month Ended

March 31, 2017

FRONTIER CERAMICS LIMITED

## COMPANY INFORMATION

### BOARD OF DIRECTORS

|                    |             |
|--------------------|-------------|
| Mrs. Pervez Aslam  | Chairperson |
| Mr. Omer Khalid    | Director    |
| Mr. Javaid Khalid  | Director    |
| Mr. Zia Khalid     | Director    |
| 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 Alfiah Limited  
Bank Alfiah 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](http://www.forte.com.pk)

## **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

**FRONTIER CERAMICS LIMITED**

**DIRECTORS' REPORT TO THE SHAREHOLDERS  
FOR THE THIRD QUARTER & NINE MONTHS PERIOD ENDED MARCH 31, 2017**

Dear Shareholders:

The Board of Directors takes pleasure in presenting the report along with un-audited condensed interim financial statements of the Company for the third quarter and nine months period ended March 31, 2017.

The ceramics tile market of Pakistan has been facing intense competition due to cheap imports being dumped into the market by Chinese firms. Recently, your Company along with tiles association has attained a success where the National Tariff Commission (NTC) imposed preliminary anti-dumping duty on Chinese tiles w.e.f from February 18, 2017 for the period of four months. The much needed measure by the Government to support your Company to be more competitive with imported product and grab the lost market share. The Company along with Tiles association is working strongly with NTC for the final determination and imposition of anti-dumping duty for the period of 5 year to safeguard the interest of local manufacturers.

A brief review of the company's performance for the period with the corresponding period of the last year (hereafter referred as previous) is as under:

- Net Sales at Rs. 272.82 million has decreased by 14.52% (Previous Rs. 319.15 million)
- Gross Profit at Rs. 24.08 million has decreased by 25.70% (Previous Rs.32.41 million)
- Operating profit at Rs. 6.69 million has decreased by 59.99% (Previous Rs.16.72 million)
- Profit before taxation at Rs. 3.49 million has decreased by 72.85% (Previous Rs.12.84 million)
- profit per Share decreased to Rs. 0.07 vs. previous per share Rs. 0.39

During the period, Company sold 723,190 Sqm vs. 882,874 Sqm, of corresponding period which attributed towards the decreased in sales by 14.52%.

Gross Profit & Operating profit decrease as compared with corresponding period due to massive load shedding of gas and electricity and ultimately consumption of LPG Gas and Coal was increased.

Attention to the shareholders is also invited to the Directors' Report for the half year ended December 31, 2016, which provides a detailed review of the Company's operations in the current year.

Peshawar:

Dated: April 29, 2017



Chairperson

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2017**

|  |   | <b>Rupees</b>         |                      |
|--|---|-----------------------|----------------------|
|  |   | <b>March 31, 2017</b> | <b>June 30, 2016</b> |
| <b>Notes</b>   |   | <b>Un-audited</b>     | <b>Audited</b>       |
| <b>ASSETS</b>  |   |                       |                      |
| <b>NON CURRENT ASSETS</b>                                      |   |                       |                      |
| Property, plant and equipment                                  |   |                       |                      |
| Operating fixed assets   | 4 | 747,892,980           | 747,351,409          |
| Capital work in progress                                       |   | 107,682,004           | 97,211,699           |
| Investment property  |   | 747,549               | 776,423              |
|  |   | 856,322,533           | 845,339,531          |
| Long term deposit  |   | 2,378,450             | 1,513,450            |
| Long term advances   |   | 7,335,153             | 6,263,454            |
|  |   | 9,713,603             | 7,776,904            |
|  |   | <b>866,036,136</b>    | <b>853,116,435</b>   |
| <b>CURRENT ASSETS</b>  |   |                       |                      |
| Store,Spare and loose tools                                    |   | 59,777,423            | 53,077,920           |
| Stock in trade   |   | 118,113,499           | 110,022,394          |
| Advances   |   | 43,504,142            | 43,720,133           |
| Tax refunds due from government                                |   | 35,321,429            | 17,507,681           |
| Taxation-net   |   | 7,153,152             | 17,813,748           |
| Cash and Bank Balances   |   | 2,698,526             | 1,966,035            |
|  |   | <b>266,568,172</b>    | <b>244,107,911</b>   |
| <b>TOTAL ASSETS</b>  |   | <b>1,132,604,308</b>  | <b>1,097,224,346</b> |
| <b>EQUITY AND LIABILITIES</b>                                  |   |                       |                      |
| <b>SHARE CAPITAL AND RESERVES</b>                              |   |                       |                      |
| Authorized share capital                                       |   |                       |                      |
| 75,000,000 ordinary shares of Rs. 10 each.                     |   | 750,000,000           | 750,000,000          |
| Issued, Subscribed and paid up capital                         |   |                       |                      |
| 37,878,821 ordinary shares of Rs. 10 each.                     |   | 378,738,210           | 378,738,210          |
| Discount on issue of right shares                              |   | (180,795,726)         | (180,795,726)        |
| Accumulated Profit/ (Loss)                                     |   | 33,390,176            | 21,854,704           |
|  |   | <b>231,332,660</b>    | <b>219,797,188</b>   |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>                  |   | 419,107,803           | 428,144,239          |
| <b>NON CURRENT LIABILITIES</b>                                 |   |                       |                      |
| Long term financing  |   | 34,625,000            | 25,625,000           |
| Deferred taxation  |   | 85,756,318            | 87,497,103           |
| Deferred income  |   | 741,629               | -                    |
| Liability against assets subject to finance lease              |   | 5,404,656             | -                    |
|  |   | <b>126,527,603</b>    | <b>113,122,103</b>   |
| <b>CURRENT LIABILITIES</b>                                     |   |                       |                      |
| Trade and other payables                                       |   | 309,291,990           | 289,600,973          |
| Mark up accrued  |   | 9,716,824             | 8,679,487            |
| Short term borrowings  |   | 5,057,723             | 8,524,649            |
| Current portion of liability against assets subject to finance |   | 1,878,182             | -                    |
| Current portion of deferred income                             |   | 335,816               | -                    |
| Current portion of long term financing                         |   | 29,355,707            | 29,355,707           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |   | <b>355,636,242</b>    | <b>336,160,816</b>   |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           | 5 | -                     | -                    |
|  |   | <b>1,132,604,308</b>  | <b>1,097,224,346</b> |

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan,as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.

  
**DIRECTOR**

  
**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM PROFIT & LOSS (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017**

|  | Quarter Ended    |                   | Nine Months Ended |                   |
|--|------------------|-------------------|-------------------|-------------------|
|  | 31-Mar-17        | 31-Mar-16         | 31-Mar-17         | 31-Mar-16         |
|  | .....Rupees..... |                   |                   |                   |
| Sales - net                            | 94,214,885       | 118,952,100       | 272,818,012       | 319,148,847       |
| Cost of sales                          | (85,858,735)     | (103,365,359)     | (248,734,778)     | (286,737,495)     |
| Gross Profit                           | <b>8,356,150</b> | <b>15,586,741</b> | <b>24,083,234</b> | <b>32,411,352</b> |
| Distribution cost                      | (1,072,645)      | (1,305,797)       | (3,136,001)       | (3,142,438)       |
| Administrative expenses                | (4,529,721)      | (3,604,644)       | (12,758,318)      | (11,417,032)      |
| Other operating expenses               | (59,515)         | (54,705)          | (1,498,747)       | (1,128,625)       |
| Operating profit                       | <b>2,694,270</b> | <b>10,621,595</b> | <b>6,690,168</b>  | <b>16,723,257</b> |
| Finance cost                           | (1,607,943)      | (1,664,992)       | (5,284,497)       | (4,972,185)       |
| Other operating income                 | 472,041          | 362,880           | 2,080,762         | 1,088,640         |
| Profit before taxation                 | <b>1,558,368</b> | <b>9,319,483</b>  | <b>3,486,433</b>  | <b>12,839,711</b> |
| Taxation:                              |                  |                   |                   |                   |
| -current                               | (934,891)        | (1,003,726)       | (2,728,180)       | (3,191,488)       |
| -Prior                                 | -                | -                 |                   | (98,550)          |
| -deferred                              | 580,262          | 1,722,228         | 1,740,786         | 5,166,683         |
| Profit after taxation                  | <b>1,203,739</b> | <b>10,037,984</b> | <b>2,499,038</b>  | <b>14,716,355</b> |
| Earnings per share - basic and diluted | 0.03             | 0.27              | 0.07              | 0.39              |

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017**

|   | <b>Rupees</b>    |                  |
|---|------------------|------------------|
|   | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
| Profit after taxation                     | 2,499,038        | 14,716,355       |
| Other comprehensive income for the Period | -                | -                |
| Total comprehensive income for the Period | 2,499,038        | 14,716,355       |

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.

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 \_\_\_\_\_  
**DIRECTOR**

  
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**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017**

|   | Rupees       |              |
|---|--------------|--------------|
|   | 31-Mar-17    | 31-Mar-16    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |              |              |
| Profit before taxation  | 3,486,433    | 12,839,712   |
| Adjustment for:   |              |              |
| Depreciation  | 39,233,969   | 40,315,439   |
| Gain on sale of fixed asset                                     | (1,309,931)  | -            |
| Profit before working capital changes                           | 41,410,471   | 53,155,151   |
| Changes in working capital:                                     |              |              |
| Decrease / ( increase) in current assets                        |              |              |
| Stores, spares and loose tools                                  | (6,699,503)  | (23,154,424) |
| Stock in trade  | (8,091,105)  | (18,770,183) |
| Trade debts   | -            | (30,453)     |
| Advances  | 215,991      | (9,470,255)  |
| Increase / (decrease) in current liabilities                    |              |              |
| Trade and other payables  | 19,691,017   | 51,298,779   |
| Mark up accrued   | 1,037,337    | 4,369,601    |
| Short term borrowings   | (3,466,926)  | 5,879,933    |
|   | 2,686,812    | 10,122,998   |
| Cash generated from operations                                  | 44,097,282   | 63,278,148   |
| Taxes paid  | (9,881,334)  | (17,030,805) |
| Net cash generated from operating activities                    | 34,215,948   | 46,247,343   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |              |              |
| Purchase of operating fixed assets                              | (47,086,736) | (15,391,033) |
| Sales proceed from sales of fixed asset                         | 8,650,000    | -            |
| Increase in long term advances                                  | (1,071,699)  | -            |
| Increase in long term deposits                                  | (865,000)    | -            |
| Additions to capital work in progress                           | (10,470,305) | (12,997,355) |
| Net cash used in investing activities                           | (50,843,740) | (28,388,388) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |              |              |
| Long term financing - net                                       | 9,000,000    | (12,042,000) |
| Increase in deferred income                                     | 1,077,445    | -            |
| Liability against assets subject to finance lease               | 7,282,838    | -            |
| Net cash used in financing activities                           | 17,360,283   | (12,042,000) |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   | 732,491      | 5,816,956    |
| <b>Cash and cash equivalents at the beginning of the period</b> | 1,966,035    | 1,352,457    |
| <b>Cash and cash equivalents at the end of the period</b>       | 2,698,526    | 7,169,413    |

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.



**DIRECTOR**



**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017**

|   | Issued,<br>subscribed and<br>paid up capital | Accumulated<br>Profit/losses | Discount Issue of<br>Right Shares | Total              |
|---|--|------------------------------|-----------------------------------|--------------------|
|   | .....Rupees.....                             |                              |                                   |                    |
| <b>Balance as at July 01, 2015</b>  | <b>378,738,210</b>                           | <b>(1,887,898)</b>           |                                   | <b>376,850,312</b> |
| Total comprehensive Profit/loss for the period ended March 31, 2016   |  | 14,716,356                   |                                   | 14,716,356         |
| Right Issue of 30,132, 621 Ordinary Shares of Rs. 10 each at discount of Rs. 6 per share fully paid in cash | -  |                              | (180,795,726)                     | (180,795,726)      |
| Transfer from surplus on revaluation of fixed assets incremental depreciation - net of deferred tax         |  | 15,659,678                   |                                   | 15,659,678         |
| <b>Balance as at March 31, 2016</b>   | <b>378,738,210</b>                           | <b>28,488,136</b>            | <b>(180,795,726)</b>              | <b>226,430,620</b> |
| <b>Balance as at July 01, 2016</b>  | <b>378,738,210</b>                           | <b>21,854,704</b>            |                                   | <b>400,592,914</b> |
| Total comprehensive Profit/loss for the period ended March 31, 2017   |  | 2,499,038                    |                                   | 2,499,038          |
| Right Issue of 30,132, 621 Ordinary Shares of Rs. 10 each at discount of Rs. 6 per share fully paid in cash | -  |                              | (180,795,726)                     | (180,795,726)      |
| Transfer from surplus on revaluation of fixed assets incremental depreciation - net of deferred tax         |  | 9,036,434                    |                                   | 9,036,434          |
| <b>Balance as at March 31, 2017</b>   | <b>378,738,210</b>                           | <b>33,390,176</b>            | <b>(180,795,726)</b>              | <b>231,332,660</b> |

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984 :**

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.

  
 \_\_\_\_\_  
**DIRECTOR**

  
 \_\_\_\_\_  
**DIRECTOR**

**FRONTIER CERAMICS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE NINE MONTH ENDED 31ST MARCH,2017.**

**1 STATUS AND NATURE OF OPERATIONS**

Frontier Ceramics Limited was incorporated in July 1982 as Public Limited Company with its shares quoted on Karachi and Lahore Stock Exchanges of Pakistan. The registered office of the company is situated in 29 Industrial Estate, Jamrud Road, Peshawar. The 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 accouting 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 2016. Comparative balance sheet is extracted from annual audited financial statement as of 30 June 2016 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 nine months ended March 31, 2016.

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, 2016.

**4 PROPERTY PLANT AND EQUIPMENT**

|   | <b>Nine months Ended</b> |                      |
|---|--------------------------|----------------------|
|   | <b>March 31,2017</b>     | <b>March 31,2016</b> |
|   | <b>Rupees</b>            | <b>Rupees</b>        |
| Opening written down value                            | 747,351,409              | 782,068,942          |
| Add: Transfer from capital work in progress (at cost) | -                        | -                    |
| Additions during the period                           | 47,086,736               | 15,391,033           |
|   | <b>794,438,145</b>       | <b>797,459,975</b>   |
| Depreciation charged during the period                | (39,205,096)             | (40,315,439)         |
| Deletion during the period / year                     | (7,340,069)              | -                    |
|   | <b>747,892,980</b>       | <b>757,144,536</b>   |

**5 CONTINGENCIES AND COMMITMENTS**

**5.1 CONTINGENCIES**

Letter of 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. 37.148 million (June 30, 2016: Rs. 37.148 million)

**5.2 COMMITMENTS**

**5.2.1 Store & Spares:** The company has commitments of Rs. 8.31 million (June 30, 2016: 7.18 million) in respect of outstanding letter of credit.

**5.2.2 Raw Material:** The company has commitments of Rs. 2.15 million (June 30, 2016: 8.01 million) in respect of outstanding letter of credit.

**5.2.3 Plant & Machinery:** The company has commitments of Rs. 0.62 million (June 30, 2016: 0.25 million) in respect of outstanding letter of credit.

## 6 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. Transactions with related parties and associated undertakings during the period are as follows:

|  |                                      | Nine months Ended |               |
|--|--------------------------------------|-------------------|---------------|
|  |                                      | March 31,2017     | March 31,2016 |
|  |                                      | Rupees            | Rupees        |
| Relation with the company<br>Associated company/undertakings<br>Toyota Rawal Motors (pvt) Ltd. | Nature of Transaction                |                   |               |
|  | Short term financing Loan            | -                 | 1,824,403     |
|  | Short term financing Paid            | 1,824,403         | -             |
|  | Mark up on Short term financing      | 77,043            | 107,983       |
|  | Rent for bulding                     | 478,323           | 434,838       |
|  | Utilities                            | 90,000            | 90,000        |
|  | Health Insurance                     | 52,689            | -             |
| Rawal Industrial Equipment Pvt Ltd.  | Short term financing Loan            | 4,465,330         | 4,055,530     |
|  | Short term financing Paid            | 2,823,007         | -             |
|  | Mark up on Short term financing      | 110,803           | -             |
|  | Mark up Paid on Short term financing | 204,947           | -             |
|  | Other receivables                    | 9,751,993         | -             |
|  | Received against other receivable    | 9,751,993         | -             |
| Key management personal  | Markup on Long term loan             | 880,555           | 4,046,743     |

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

|                              |  | Nine months Ended |                  |
|------------------------------|--|-------------------|------------------|
|                              |  | March 31,2017     | March 31,2016    |
|                              |  | Rupees            | Rupees           |
| Short term employee benefits |  |                   |                  |
| Chief Executive Officer      |  | 2,609,418         | 3,063,350        |
| Directors                    |  | 389,340           | 549,460          |
| Executives                   |  | 1,290,610         | 1,126,930        |
|                              |  | <b>4,289,368</b>  | <b>4,739,741</b> |

## 7 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 April 29, 2017.

## 8 GENERAL

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

### Statement under section 241(2) of the Companies Ordinance, 1984 :

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan,as such these financial statements, as approved by the Board of Directors, have been signed by two Directors.

  
DIRETOR

  
DIRECTOR