FRONTIER CERAMICS LIMITED

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36th ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

CONTENTS

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; and
- 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	Independent Director & Chairperson
Mr. Omer Khalid	Non-Executive Director
Mr. Javid Khalid	Non-Executive Director
Mr. Zia Khalid	Executive Director
Ms. Numrah Khalid	Non-Executive Director
Mrs. Sana Khalid	Non-Executive Director
Mrs. Shazia Khalid	Non-Executive Director

Audit Committee

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

Human Resource & Remuneration Committee

Mr. Omer Khalid	Chairperson
Mr. Zia Khalid	Member
Mr. Javid Khalid	Member

Chief Executive Officer

Mr. Nadeem Khalid

Chief Financial Officer

Mr. Muhammad Ali
muhammad.ali@forte.com.pk

Company Secretary

Mr. Rehman Khan Sherwani (Appointed on June 05, 2018)
rehman.khan@forte.com.pk

Mr. Azhar Mehmood (Resigned on June 05, 2018)
azhar.mehmood@forte.com.pk

Head of Internal Audit

Mr. Wasif Naeem
wasif.naeem@forte.com.pk

Bankers

Conventional Banks

Allied Bank Limited
Bank Al Habib Limited
Bank Alflah Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Silk Bank Limited
Standard Chartered Bank Limited
United Bank Limited

Islamic Banks

Bank Al Habib Islamic Limited
Bank Alflah Islamic Limited
Silk Emaan Islamic Bank Limited
UBL Ameen 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

or scan QR code

FRONTIER CERAMICS LIMITED
NOTICE OF THE 36TH ANNUAL GENERAL MEETING

Notice is hereby given that 36th Annual General Meeting of **Frontier Ceramics Limited** will be held on Wednesday, October 31, 2018 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 35th Annual General Meeting of the Company held on December 26, 2017.

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, 2018.

3. To appoint Auditors of the Company for the year ending June 30, 2019 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, 2019.

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

BY ORDER OF THE BOARD

October 09, 2018 (Company Secretary)

NOTES:

1. The share transfer books of the Company will remain closed from October 25, 2018 to October 31, 2018 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s. Central Depository Company Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on October 24, 2018 will be treated for the purpose of attendance at Annual General Meeting.

2. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the Company not less than 48 hours before the time for holding of the meeting.

3. E-Voting

   Pursuant to SECP's Companies (E-Voting) Regulation, 2016, Members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of the meeting to the Company on the appointment of Execution Officer by the Intermediary as Proxy.

   CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.

(A) For Attending the Meeting:

(i) In case of individuals, the Account holders and sub-account holders 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.

(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

(B) For Appointing Proxies:

(i) In case of individuals, the Account holder and sub-account holder whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Consent for Video Conference Facility:

Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if company receives consent from members holding aggregate 10% or more shareholding residing in geographical location to participate in the meeting through video conference at least 10 days prior to the date of Annual General Meeting. The Company will arrange video conference facility in that city subject to availability of such facility in that city.

In order to vote through e-voting and avail video conference facility, please fill the requisite form and submit to Company within time frame mentioned in forms. The form is being sent to each individual shareholder through post and is also available on the Company website.

Frontier Ceramics Limited

KEY OPERATING & FINANCIAL DATA - FOR LAST 6 YEARS

-------------------- (Rupees in Thousands) --------------------

	2018	2017	2016	2015	2014	2013
Sales - Net	664,996	426,926	408,447	371,697	278,788	302,938
Gross Profit/(Loss)	105,659	30,922	31,125	30,249	(31,235)	20,984
Expenses	42,919	25,517	29,436	26,408	(102,635)	31,361
Profit/(Loss) Before Taxation	62,740	5,405	1,689	3,841	71,400	(10,377)
Profit/(Loss) After Taxation	39,424	4,709	2,556	18,175	55,161	(2,236)
Dividend %	-	-	-	-	-	-

Earning/(Loss) Per Share (Rs.)	1.04	(Restated) 0.12	(Restated) 0.07	(Restated) 0.52	7.49	(0.29)

REVIEW REPORT BY THE CHAIRPERSON

I feel privileged to be the chairperson of the board of directors of Frontier ceramics Limited and ensure to pledge all my facilities toward sustained performance and growth of the company.

I welcome you all to the 36th Annual General Meeting of the company and please to present annual review report required under the Code of Corporate Governance company performance and evaluation of the Board of Directors of Frontier Ceramics Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. The Board of Directors govern the company, acting in the interest of the shareholders with aim to achieving sustainable growth values with taking into consideration the interest of employees and other stakeholders as key factors in pursuits of its aim. The Board of Directors meet regularly to discharge its responsibility. Improvement is an ongoing process leading to action plans. The overall assessment as Satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The non-executive and independent directors are equally involved in important decisions.

On behalf the board of Directors of the company I take opportunity to thanks our people, leadership team, retailer, supplier and shareholder for your continued support as company navigate the process of change for the long term of success of the company.

P. Aslam

Mrs. Pervez Aslam

Chairperson

Dated: October 09, 2018

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 36th Annual Report of Frontier Ceramics Limited ("The Company") together with the audited financial statements of the Company for the financial year ended June 30, 2018.

The chairperson review will also be an integral part of this report, reflecting activities, financial affairs, Balancing Modernization Rehabilitation prospects of the Company for the year.

OPERATING PERFORMANCE

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

- Sales - Net at Rs. 665m higher by 55.76% vs. previous Rs. 426.93m.
- Gross profit at Rs.105.66m higher by 241.69% vs. previous Rs. 30.92m.
- Administrative expenses Rs.20.13m higher by 12.119% vs. previous Rs.17.95m.
- Operating Profit at Rs. 54.55m higher by 851.68% vs. previous Rs. 5.73m.
- Profit after taxation at Rs. 39.42m higher by 737.16% vs. previous Rs. 4.71m.

During the year, Company sold 1,787,551 Sqm vs. 1,153,974 Sqm, increased by 54.90%, as compared to corresponding year. Company has not achieved its targeted production of floor tiles due to variable energy crisis pressure and dumping of tiles from China, as mentioned above.

Over all Administrative Expenses increased by 241.69% is due to increase in Rent, rates and taxes, Utilities, Travelling and conveyance, Vehicle running and maintenance expenses as compared to corresponding year.

During the year outstanding liabilities over three years amounting to Rs. 18,918,558 have been written back, which also resulted in increase in other income.

Operating Profit increased by 851.68% due to increase in revenue compare to expenditure.

Finance cost has increased by 21.28% in the year under review due to markups on director loan, associated companies 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.

As regards auditors' qualification regarding the gratuity, in view of improved operational performance of the Company, Board has decided either to opt for gratuity or provident fund. Final decision will be taken in next Board meeting after review of preliminary workings by Board members.

Dividend

The Board of Directors has not recommended any dividend for the financial year ended June 30, 2018 due to liquidity limitations and future expansions.

Earnings per Share

Earnings per share increase to Rs. 1.04 per share from previous Rs. 0.12 per share.

HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

Future Prospects

It is widely acknowledged that Pakistan has huge economic potential. With persistent growth in construction sector, Your Company is anticipating progress future demand of ceramics tiles would increase as a result of favorable economic outlook of the country, increase in construction of commercial and housing schemes and with focus to continue quality production.

Further, with the much needed measure by the Government to Support ceramic industry to be more competitive with imported product and grab the lost market share of local manufacturer.

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 (IFRS), 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 four 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
Mrs. Sana Khalid	4
Miss. Numrah Khalid	4
Mr. Javaid Khalid	4
Mrs. Pervez Aslam	4
Mrs. Shazia Khalid	4
Mr. Zia Khalid	4

Audit Committee

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

Auditors

The present Auditors Messrs BDO Ebrahim & Co, Chartered Accountants, retires and being eligible, has offer themselves for re-appointment. In compliance of Section (xxxix) of Code of Corporate Governance as well as based on 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, 2019.

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2018 and its disclosure as required by the Code of the Corporate Governance is annexed with this report at Page no.68

The Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses or minor children did not carry out any trade in the shares of the Company during the year.

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

Nadeem Khalid
Chief Executive Officer

Chairperson

Date: October 09, 2018
Peshawar

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2018

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 Mr. Javaid Khalid Ms. Numrah Khalid Mrs. Sana Khalid Mrs. Shazia 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 a Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. 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.

5. 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.

6. 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.

7. 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.

8. The Company has not arranged any training programs for its Director during the year 2018.

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. However, compliance of clause xxviii was not ensured in these meetings.

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 the Code of Corporate Governance (CCG).

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

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

    d. Company has not appointed any audit committee secretary as required by clause (xxx) of CCG.

    e. 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.

Nadeem Khalid
Chief Executive Officer

Date: October 09, 2018
Peshawar

On behalf of the Board

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, 2018 to comply with the requirements of Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited, where the Company is listed

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2018.

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

Bdo ebrahim & Co.

ISLAMABAD

CHARTERED ACCOUNTANTS
Engagement Partner: Iffat Hussain

DATED: October 09, 2018

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FRONTIER CERAMICS LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **FRONTIER CERAMICS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

Except for the adjustments in respect for the matter stated in Basis for Qualified Opinion paragraph, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

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 approximately Rs. 32.147 million as at June 30, 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No	Key audit matters	How the matter was addressed in our audit
1.	**Promulgation of Companies Act, 2017**	
	Companies Act, 2017 ("the Act") was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. In view of the significant changes in disclosures, we consider it as a key audit matter. Refer to note 3.1 to the financial statements.	We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements. We reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance. We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.
2.	**Change in accounting policy for treatment of revaluation surplus**	
	The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984. The Companies Act, 2017 has not retained	In this area, our audit procedures comprised: • Recalculating the amount of surplus and its deferred tax at year end. • Applied the change in policy retrospectively and restating Statement of financial position and statement of changes in equity as per new requirements. Testing and assessment of the completeness, appropriateness and adequacy of the disclosures in Company's financial statements as per the requirement of The Companies Act, 2017 and IAs 16.

S. No	Key audit matters	How the matter was addressed in our audit
	the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 are being followed by the Company. The new accounting policy is explained under note 5.1 to the financial statement. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity. In view of the significant changes in policy and disclosures, we consider it as a key audit matter. Refer to note 5.25.1 to the financial statements.	
3.	**Control environment relating to the financial reporting process and related IT systems**	
	The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach. As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the statement of profit or loss and statement of financial position.

Information Other than the Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company’s business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors report is Iffat Hussain.

Bdo ebrahim & Co.

ISLAMABAD

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

DATED: October 09, 2018

FRONTIER CERAMICS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	6	724,871,199	733,648,082	747,351,409
Capital work in progress	7	242,691,961	107,682,003	97,211,699
Investment property	8	700,722	737,602	776,423
		968,263,882	842,067,687	845,339,531
Long term deposits	9	2,378,450	2,378,450	1,513,450
Long term advances	10	6,450,796	6,857,655	6,263,454
		977,093,128	851,303,792	853,116,435
CURRENT ASSETS				
Stores, spares and loose tools	11	44,591,466	46,221,888	53,077,920
Stock in trade	12	89,886,340	87,990,223	110,022,394
Trade debts	13	10,542,743	-	-
Advances	14	35,038,053	53,163,774	43,720,133
Tax refunds due from government	15	47,588,010	35,321,429	17,507,681
Taxation - net	16	1,336,680	12,074,405	17,813,748
Cash and bank balances	17	4,119,880	3,317,034	1,966,035
		233,103,172	238,088,753	244,107,911
TOTAL ASSETS		1,210,196,300	1,089,392,545	1,097,224,346
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	18	378,738,210	378,738,210	378,738,210
Discount on issue of right shares	19	(180,795,726)	(180,795,726)	(180,795,726)
Revaluation surplus on property, plant and equipment	20	396,468,306	411,880,404	428,144,239
Unappropriated profit		102,723,976	45,634,430	21,854,704
		697,134,766	655,457,318	647,941,427
NON CURRENT LIABILITIES				
Long term financing	21	183,901,874	38,280,707	25,625,000
Deferred taxation	22	83,982,037	80,745,186	87,497,103
Deferred income	23	630,785	946,139	-
Liability against assets subject to finance lease	24	1,344,866	4,101,702	-
		269,859,562	124,073,734	113,122,103
CURRENT LIABILITIES				
Trade and other payables	25	159,283,569	267,135,754	286,411,749
Unclaimed dividend		3,189,224	3,189,224	3,189,224
Mark up accrued	26	14,991,673	10,458,742	8,679,487
Short term borrowings	27	38,649,963	2,644,716	8,524,649
Current portion of long term financing	21	24,330,707	23,875,000	29,355,707
Current portion of finance lease liability	24	2,756,836	2,558,057	-
		243,201,972	309,861,493	336,160,816
CONTINGENCIES AND COMMITMENTS	28			
TOTAL EQUITY AND LIABILITIES		1,210,196,300	1,089,392,545	1,097,224,346

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FRONTIER CERAMICS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)
Sales - net	29	664,996,428	426,926,449
Cost of sales	30	(559,337,588)	(396,004,162)
Gross profit		105,658,840	30,922,287
Distribution cost	31	(7,104,236)	(4,359,002)
Administrative expenses	32	(20,125,486)	(17,950,147)
Other operating expenses	33	(23,781,730)	(2,881,441)
Operating profit		54,647,388	5,731,697
Other income	34	21,240,924	9,973,775
Finance cost	35	(12,493,118)	(10,300,645)
Profit before taxation		63,395,194	5,404,827
Taxation	36	(23,971,679)	(695,639)
Profit for the year		39,423,515	4,709,188
Earnings per share - basic and diluted	37	1.04	0.12

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FRONTIER CERAMICS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees (Restated)
Profit for the year	39,423,515	4,709,188
Other comprehensive income for the year		
Effect of change in tax rate on deferred tax on revaluation surplus on property, plant and equipment	2,253,933	2,806,703
Total comprehensive income for the year	41,677,448	7,515,891

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FRONTIER CEREMICS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		63,395,194	5,404,827
Adjustment for non cash items:			
Depreciation		53,273,729	53,670,713
Finance cost		12,493,118	10,300,645
Advance to PESCO adjusted during the year		7,346,532	2,448,844
Workers' welfare fund		1,221,647	555,491
Workers' profit participation fund		3,400,886	312,228
Loss on disposal of fixed assets		-	25,000
Liabilities written back		(19,474,049)	(7,398,827)
Advances written off		5,164,409	-
Amortization of deferred income		(315,354)	-
Amortization of gain on disposal on fixed assets		-	(388,792)
		63,110,918	59,525,302
Profit before working capital changes		126,506,112	64,930,129
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		1,630,422	6,856,032
Stock in trade		(1,896,117)	22,032,171
Trade debts		(10,542,743)	-
Advances		13,228,033	(9,443,641)
(Decrease)/increase in current liabilities			
Trade and other payables		(100,613,922)	(19,275,995)
Short term borrowings		36,005,247	(5,879,933)
		(62,189,080)	(5,711,366)
Cash generated from operations		64,317,032	59,218,763
Finance cost paid		(7,960,187)	(5,385,265)
Taxes paid		(20,009,751)	(16,715,258)
		(27,969,938)	(22,100,523)
Net cash generated from operating activities		36,347,094	37,118,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(44,459,966)	(38,618,634)
Addition to capital work in progress		(135,009,958)	(10,470,304)
Sale proceeds from disposals of fixed assets		-	8,650,000
Net cash used in investing activities		(179,469,924)	(40,438,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing-net		146,076,874	7,175,000
Unamortized gain on sale and lease back		-	946,139
Lease rental paid		(2,558,057)	(1,990,241)
Long term deposits		-	(865,000)
Long term advances		406,859	(594,201)
Net cash generated from operating activities		143,925,676	4,671,697
Net increase in cash and cash equivalents		802,846	1,350,999
Cash and cash equivalents at the beginning of the year		3,317,034	1,966,035
Cash and cash equivalents at the end of the year	17	4,119,880	3,317,034

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FRONTIER CEREMICS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

		Share capital		Reserves		
				Capital	Revenue	
	Note	Issued, subscribed and paid up capital	Discount on issue of right shares	Revaluation surplus on property, plant and equipment	Unappropriated profit	Total
		---	Rupees	---		
Balance as at June 30, 2016 - as previously reported		378,738,210	(180,795,726)	-	21,854,704	219,797,188
Impact of changes in accounting policies (net of tax)		-	-	428,144,239	-	428,144,239
Balance as at June 30, 2016 (restated)		378,738,210	(180,795,726)	428,144,239	21,854,704	647,941,427
Total comprehensive income for the year ended June 30, 2017						
Profit for the year		-	-	-	4,709,188	4,709,188
Effect of change in tax rate	20	-	-	2,806,703	-	2,806,703
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	20	-	-	(19,070,538)	19,070,538	-
Balance as at June 30, 2017 (restated)		378,738,210	(180,795,726)	411,880,404	45,634,430	655,457,318
Total comprehensive income for the year ended June 30, 2018						
Profit for the year		-	-	-	39,423,515	39,423,515
Effect of change in tax rate	20	-	-	2,253,933	-	2,253,933
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	20	-	-	(17,666,031)	17,666,031	-
Balance as at June 30, 2018		378,738,210	(180,795,726)	396,468,306	102,723,976	697,134,766

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FRONTIER CERAMICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

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 principal activities of the Company are manufacturing of ceramic tiles, sanitary wares and related ceramic products.

The registered office and manufacutiring unit of the Company is situated at 29-Industrial Estate, Jamrud Road, Peshawar Pakistan.

Sale offices of the Company are located at situated at 29-Industrial Estate, Jamrud Road, Peshawar, Pearl Plaza, 174 Main Ferozpur Road Lahore and Toyota Rawal Motors Building near Sawan Camp, GT road Rawalpindi.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified. (For detailed disclosure of this information please refer to note 47)

- Addition to capital work in process during the year amounting to Rs. 135 million. This work in progress represents new production line of floor tiles in the Peshawar factory. This production line is expected to be opreational in the succeeding year.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act , 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The third and fourth schedules to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount and recognition of certain staff retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historic experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 6.24.

3.3 Functional and presentation currency

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

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

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

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

Amendments to IAS 7 ‘Statement of Cash Flow’ became effective for the annual periods beginning of or after July 01, 2017 which is relevant to the Company. Amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 ‘Income Taxes’ became effective for the annual periods beginning on or after July 01, 2017. The amendment clarifying the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

4.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments - Amendment to clarify the classification and measurement of share-based payment transactions The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled.	January 01, 2018
IFRS 3	Business Combinations - Amendment requiring an entity to remeasure its previously held interest at fair value when it obtains control of a business that is a joint operation.	January 01, 2019
IFRS 4	Insurance Contract - Amendments regarding applying IFRS 9- Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4 that are overlay approach and deferral approach. Overlay approach: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Deferral approach: an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	January 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instrument'- Prepayment Features with Negative Compensation and modifications of financial liabilities. The amendment allow debt instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit and loss.	January 01, 2019
IFRS 11	Joint Arrangement - The proposed amendments is to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business.	January 01, 2019
IAS 12	Income tax - Recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.	January 01, 2019
IAS 19	Employee Benefits - The amendments require an entity: To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plant amendment, curtailment and settlement when entity measure its net defined benefit liability, and; To recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling.	January 01, 2019

		Effective date (annual periods beginning on or after)
IAS 28	Investment in Associates and Joint Ventures - Clarification that an entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value. The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IAS 40	Investment Property - Amendment to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.	January 01, 2018

4.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

'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 (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

'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 other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company financial statement in the period of initial application.

5 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.

5.1 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 revaluation surplus on building and plant and machinery net of deferred taxation to retained earnings (unappropriate profit).

The assets' residual value and useful lives are reviewed, and adjusted if significant, at each statement of financial position 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 account.

b) Capital work in progress

Capital work-in-progress is 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.

c) Revaluation surplus on property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as “Revaluation surplus on property, plant and equipment”, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company’s shareholders. The revaluation surplus on buildings and plant and machinery to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

5.2 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 Company accounts for such property in accordance with the policy stated under property, plant and equipment upto the date of change in use.

5.3 Impairment

The carrying amount of the Company's assets are reviewed at each statement of financial position 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

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. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

5.4 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.

The Company reviews the carrying amount of stores and spares on a periodic basis and provision is made for slow moving and obsolescence on periodic basis.

5.5 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 the estimated cost of completion and 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.

5.6 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 and charge to profit and loss account. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

5.7 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.

5.8 Cash and bank balances

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

5.9 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.

5.10 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

Provision for current taxation is based on taxable income on current rates of taxation after taking into account the rebates and tax credits available, if any, or one percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined.

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.

c) 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.

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand, cash at bank and short term investments with maturity of not later than three months at known amount in rupees.

5.17 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

5.18 Dividend and apportioning to reserves

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

5.19 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.

5.20 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.

5.21 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.

5.22 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.23 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.

5.24 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 6.10 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) 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.

d) 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.

5.25 Change in accounting policy

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable to the large-sized companies, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policies relating to the borrowings costs and revaluation surplus on property, plant and equipment. Accordingly, the accounting policies of the borrowings costs and revaluation surplus on property, plant and equipment have been changed and applied retrospectively in these financial statements to comply with the accounting and reporting standards applicable to the Company. The resulted impact of change in accounting policy is as follows:

5.25.1 Change in accounting policy of revaluation surplus on property, plant and equipment

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company’s accounting policy for revaluation surplus on property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 are being followed by the Company. The new accounting policy is explained under note 6.1, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 396,468,306 for revaluation surplus on property, plant and equipment as a part of share capital and reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment previously presented below equity in the statement of financial position.

Statement of Financial Position
Retrospective Impact of change in accounting policy

Description	As at June 30, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease)	As restated on June 30, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease)	As restated on June, 2017 (Restated)
	.... Rupees			.... Rupees		
Surplus on revaluation of property plant and	-	428,144,239	428,144,239	-	411,880,404	411,880,404
Net impact on equity	-	428,144,239	428,144,239	-	411,880,404	411,880,404
Surplus on revaluation of property plant and equipment (below equity)	428,144,239	(428,144,239)	-	411,880,404	(411,880,404)	-
	428,144,239	(428,144,239)	-	411,880,404	(411,880,404)	-

Impact of change in accounting policy - June 30, 2018

	Rupees
Surplus on revaluation of property plant and equipment (within equity)	396,468,306
Surplus on revaluation of property plant and equipment (below equity)	(396,468,306)
	-

Statement of Comprehensive Income
For the year ended June 30, 2017

	Impact of change in accounting policy		
	As previously reported	Adjustments Increase/ (Decrease)	2017 (Restated)
	--------------------Rupees--------------------		
Profit for the year	7,515,891	(2,806,703)	4,709,188
Other comprehensive income	-	2,806,703	2,806,703
	7,515,891	-	7,515,891

Statement of Comprehensive Income
For the year ended June 30, 2018

Increase in other comprehensive income - net of tax	2,253,933

6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Note	Free hold land	Factory building	Leased hold Asset		Plant and machinery owned						Furniture and fixtures	Office equipment	Computers	Vehicles	Total
				Plant and machinery	Generator	Imported	Local	Electrification	Casting benches	Laboratory ware	Generators					
		Rupees														
Year ended June 30, 2018																
Net carrying value basis																
Opening net book value (NBV)		238,000,000	90,874,840	6,885,000	900,000	377,826,344	2,800,585	13,649,254	214,939	41,680	93,971	135,290	264,411	19,582	1,942,186	733,648,082
Additions		-	-	-	-	1,563,139	-	6,392,821	-	-	-	-	-	93,750	36,410,256	44,459,966
Depreciation charge		-	(9,087,484)	(1,530,000)	(200,000)	(37,938,948)	(560,117)	(785,394)	(21,494)	(8,336)	(18,794)	(27,058)	(52,882)	(8,218)	(2,998,124)	(53,236,849)
Closing net book value		238,000,000	81,787,356	5,355,000	700,000	341,450,535	2,240,468	19,256,681	193,445	33,344	75,177	108,232	211,529	105,114	35,354,318	724,871,199
Gross carrying value basis																
Cost / revalued amount		238,000,000	147,836,267	7,650,000	1,000,000	622,632,858	9,231,025	25,938,181	449,385	198,744	407,936	2,696,361	4,627,146	308,550	40,267,048	1,101,243,501
Accumulated depreciation		-	(66,048,911)	(2,295,000)	(300,000)	(281,182,323)	(6,990,557)	(6,681,500)	(255,940)	(165,400)	(332,759)	(2,588,129)	(4,415,617)	(203,436)	(4,912,730)	(376,372,302)
Net book value		238,000,000	81,787,356	5,355,000	700,000	341,450,535	2,240,468	19,256,681	193,445	33,344	75,177	108,232	211,529	105,114	35,354,318	724,871,199
Year ended June 30, 2017																
Net carrying value basis																
Opening net book value (NBV)		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
Additions		-	-	7,650,000	1,000,000	33,698,134	3,909,000	-	-	-	1,000,000	-	-	11,500	-	47,268,634
Disposals		-	-	-	-	(2,431,069)	(3,909,000)	-	-	-	(1,000,000)	-	-	-	-	(7,340,069)
Depreciation charge	6.1	-	(10,097,204)	(765,000)	(100,000)	(40,604,019)	(700,146)	(718,382)	(23,882)	(10,420)	(23,493)	(33,822)	(66,103)	(3,875)	(485,546)	(53,631,892)
Closing net book value		238,000,000	90,874,840	6,885,000	900,000	377,826,344	2,800,585	13,649,254	214,939	41,680	93,971	135,290	264,411	19,582	1,942,186	733,648,082
Gross carrying value basis																
Cost / revalued amount		238,000,000	147,836,267	7,650,000	1,000,000	621,069,719	9,231,025	19,545,360	449,385	198,744	407,936	2,696,361	4,627,146	214,800	3,856,792	1,056,783,535
Accumulated depreciation		-	(56,961,427)	(765,000)	(100,000)	(243,243,375)	(6,430,440)	(5,896,106)	(234,446)	(157,064)	(313,965)	(2,561,071)	(4,362,735)	(195,218)	(1,914,606)	(323,135,453)
Net book value		238,000,000	90,874,840	6,885,000	900,000	377,826,344	2,800,585	13,649,254	214,939	41,680	93,971	135,290	264,411	19,582	1,942,186	733,648,082
Annual rate of depreciation (%)		-	10%	20%	20%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%	

	Note	2018 Rupees	2017 Rupees
6.1 Allocation of depreciation:			
Cost of sales	30	51,199,903	53,242,924
Distribution cost	31	1,018,473	194,484
Administrative expenses	32	1,018,473	194,484
		53,236,849	53,631,892

6.2 Free hold land of the Company is located at 29-Industrial Estate, Jamrud Road, Peshawar Pakistan. Details of factory and residential buildings of the company constructed on this land are as follows:

Location	Particulars	Covered Area (sq.ft)
29-Industrial Estate, Jamrud Road, Peshawar Pakistan	a) Main factory building including material godown, store room, Kiln area, workshops and other civil works.	454,352
	b) Workers' accomodations, guard rooms, Store and Masjid.	14,811
		469,163

6.3 Revaluation of freehold land, building and plant and machinery

6.3.1 The Company has adopted the revaluation model for subsequent measurement of freehold land, buildings and plant and machinery. During the year 2015, the Company has revalued its freehold land, buildings and plant and machinery through independent valuer M/s Mughal Assocaites on the basis of market value. Further details of revaluation carried out by the Company to date are as follows:

Name of independent valuer	Date of revaluation	Revaluation surplus
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 L	Jun 08, 2004	66,359,632
M/s Global Engineers (Private) Limited	Aug 25, 1996	283,925,776

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

	2018 Rupees	2017 Rupees
Free hold land	3,518,245	3,518,245
Factory building	11,307,723	12,564,137
Plant and machinery		
Imported	159,704,179	177,275,406
Local	1,679,559	2,099,449
Electrification	3,412,124	3,483,361
Casting benches	73,263	81,403
Laboratory ware	3,526	4,408
Generators	40,030	50,037
	164,912,681	182,994,064
	179,738,649	199,076,446

6.3.3 The forced sale value of the revalued propety, plant and equipment has been assessed at Rs. 250,475,000.

		Note	2018 Rupees	2017 Rupees
7	**CAPITAL WORK IN PROGRESS**			
	Balance as at July 01,		107,682,003	97,211,699
	Additions during the year		135,009,958	10,470,304
		7.1	242,691,961	107,682,003

7.1 This represents new kiln, production line and its accessories (for the production of floor tiles) not installed till year end.

		Note	2018 Rupees	2017 Rupees
8	**INVESTMENT PROPERTY**			
	Office building	8.1	700,722	737,602

8.1 The movement in this head is as follows:

	2018	2017
Net carrying value basis		
Year ended June 30,		
Opening net book value	737,602	776,423
Depreciation charge	(36,880)	(38,821)
Closing net book value	700,722	737,602
Gross carrying value basis		
Year ended June 30,		
Cost	2,648,885	2,648,885
Accumulated depreciation	(1,948,163)	(1,911,283)
Net book value	700,722	737,602
Annual rate of depreciation (%)	**5%**	**5%**

8.2 This represents a building at Karachi owned by the Company. 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". Fair value of the investment property amounts to Rs 7,000,000 (2017: Rs. 7,000,000) at year end.

		2018 Rupees	2017 Rupees
9	**LONG TERM DEPOSITS**		
	Peshawar Electric Supply Company	1,403,200	1,403,200
	Habib Metro Bank Limited	865,000	865,000
	Wapda	48,250	48,250
	Office security	30,000	30,000
	Others	32,000	32,000
		2,378,450	2,378,450

	Note	2018 Rupees	2017 Rupees
10 LONG TERM ADVANCES			
Balance as at July 01,		6,857,655	6,263,454
Additions during the year		2,302,117	1,499,094
Adjusted during the year		(2,708,976)	(904,893)
	10.1	6,450,796	6,857,655

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

	Note	2018 Rupees	2017 Rupees
11 STORES, SPARES AND LOOSE TOOLS			
Stores		38,735,853	40,135,702
Spare parts and loose tools		5,855,613	6,086,186
	11.1	44,591,466	46,221,888

11.1 Stores, spares and loose tools 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	2018 Rupees	2017 Rupees
12 STOCK IN TRADE			
Raw material		45,246,201	29,224,261
Work in process		22,678,204	27,897,141
Finished goods		21,961,935	69,948,821
		89,886,340	127,070,223
Provision for obsolescence in inventory	12.1	-	(39,080,000)
		89,886,340	87,990,223

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

	2018	2017
Balance as at July 01,	39,080,000	39,080,000
Charge for the year	-	-
Provision written off	(39,080,000)	-
	-	39,080,000

		Note	2018 Rupees	2017 Rupees
13	**TRADE DEBTS**			
	Unsecured - considered good			
	Associated company		-	-
	Others		10,542,743	-
			10,542,743	-
	Unsecured - considered doubtful		-	-
			10,542,743	-
	Provision for doubtful debts	13.1	-	-
			10,542,743	-

13.1 Movement in provision for doubtful debt is as follows:

	2018 Rupees	2017 Rupees
Balance as at July 01,	-	1,342,859
Received during the year	-	(393)
Written off during the year	-	(1,342,466)
	-	-

14 ADVANCES

	Note	2018 Rupees	2017 Rupees
Unsecured - considered good			
Advances			
- to suppliers	14.1	3,668,885	13,528,702
- against letter of credit		22,960,487	17,745,980
- against letter of credit margin		2,005,401	12,287,658
- security deposit		1,103,246	1,103,246
- against letter of guarantee		4,684,100	6,244,291
- against salaries		269,896	934,612
- to associated undertaking		-	200,000
- against expenses		209,701	994,559
- other advances		136,337	124,726
		35,038,053	53,163,774

14.1 This includes advances given to Peshawar Electric Supply Company amounting to Rs. Nil (2017: Rs.7,346,532) for the installation of new electric meter and electricity cables nearby factory premises. During the year an amount of Rs. 7,346,532 has been charged to cost of sales as the installation of new electric meter and cables has been completed.

		Note	2018 Rupees	2017 Rupees
15	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Considered good			
	Balance as at July 01,		35,321,429	17,507,681
	Refundable assessed during the year		12,266,581	17,813,748
			47,588,010	35,321,429
16	**TAXATION - NET**			
	Balance as at July 01,		12,074,405	17,813,748
	Prior year adjustment		192,176	-
	Transfer to tax refund due from government		12,266,581	17,813,748
	Provision for taxation	36	(18,673,071)	(4,640,853)
	Advance income tax		20,009,751	16,715,258
			1,336,680	12,074,405
17	**CASH AND BANK BALANCES**			
	Cash in hand		25,350	120,069
	Cash at bank - current accounts	17.1	4,094,530	3,196,965
			4,119,880	3,317,034

17.1 This includes temporary credit balance of Rs. 264,304 (2017: 361,763) 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.

18 SHARE CAPITAL

18.1 Authorized share capital

Number of shares 2018	Number of shares 2017		2018 Rupees	2017 Rupees
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000,000	750,000,000

18.2 Issued, subscribed and paid up capital

Number of shares 2018	Number of shares 2017		2018 Rupees	2017 Rupees
37,873,821	37,873,821	Ordinary shares of Rs. 10 each fully paid in cash	378,738,210	378,738,210

19 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 the repealed Companies Ordinance, 1984 (now Companies Act, 2017) have been completed by the Company before issuance of the right shares.

20 REVALUATION SURPLUS ON PROPERTY PLANT AND EQUIPMENT

The revaluation surplus on property, plant and equipment is restated and now presented as a separate capital reserve in the financial statements (note 5.25.1).

	2018 Rupees	2017 Rupees
Balance as at July 01,	487,513,560	515,152,021
Less:		
Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax	17,666,031	19,070,538
Related deferred tax liability during the year transferred to profit and loss account	7,215,703	8,567,923
	24,881,734	27,638,461
	462,631,826	487,513,560
Less:		
Related deferred tax effect :		
Balance as at July 01,	75,633,156	87,007,782
Effect of change in rate	(2,253,933)	(2,806,703)
Incremental depreciation charged during the year transfer to profit and loss account	(7,215,703)	(8,567,923)
	66,163,520	75,633,156
	396,468,306	411,880,404

20.1 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

		Note	2018 Rupees	2017 Rupees
21	**LONG TERM FINANCING**			
	From associated person - unsecured	21.1	76,495,707	15,280,707
	From associated company- unsecured	21.2	108,736,874	-
	From Musharaka finance facility - secured	21.3	23,000,000	46,875,000
			208,232,581	62,155,707
	Less: Current portion associated person		(1,330,707)	(15,280,707)
	Less: Current portion associated company		-	-
	Less: Current portion Musharaka finance facility		(23,000,000)	(8,594,293)
			(24,330,707)	(23,875,000)
			183,901,874	38,280,707

21.1 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.

21.2 This represents interest bearing unsecured loan received from Rawal Industrial Equipment (Private) Limited for working capital of the Company and acquisition of the equipment.

21.3 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 and ending in August 2019.

		Note	2018 Rupees	2017 Rupees
22	**DEFERRED TAXATION**			
	Deferred taxation	22.1	83,982,037	80,745,186

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

	2018 Rupees	2017 Rupees
Surplus on revaluation of fixed assets	66,163,520	75,633,156
Accelerated depreciation	18,001,445	16,836,030
Provision for written down inventory	-	(11,724,000)
Deferred income	(182,928)	-
	83,982,037	80,745,186
Tax rate used	29%	30%

22.2 Deferred tax asset of Rs. nil (2017: Rs. 9.005 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.

22.3 A change in the corporation income tax rate from 30 % to 29% was enacted on July 01, 2018, effective from the same date. Deferred tax liabilities on revaluation surplus is measured at 29%.

23 DEFERRED INCOME

This represents gain from sale and finance lease back agreement of assets with First Habib Modarba. The gain on sale of assets will be deferred over the lease term of three years. During the year, Rs. 315,354 has been amortized and recorded as other income (note 34) in profit and loss account.

24 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2018		June 30, 2017	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	------------------------- Rupees -------------------------			
Within one year	2,971,176	2,756,836	2,971,176	2,558,057
Later than one year but not later than five years	1,360,196	1,344,866	4,331,372	4,101,702
	4,331,372	4,101,702	7,302,548	6,659,759
Less:				
Finance charges not yet due	(229,670)	-	(642,789)	-
	4,101,702	4,101,702	6,659,759	6,659,759
Current maturity	(2,756,836)	(2,756,836)	(2,558,057)	(2,558,057)
	1,344,866	1,344,866	4,101,702	4,101,702

25 TRADE AND OTHER PAYABLES

	Note	2018 Rupees	2017 Rupees
Trade creditors		82,725,382	52,222,594
Accrued liabilities		31,342,570	27,083,215
Advances from customers		3,392,907	146,305,100
Advance rental income		-	120,960
Old labour dues	25.1	3,256,878	3,256,878
Sales tax payable		8,894,344	16,100,968
Withholding sales tax payable		1,742,768	1,417,756
Workers' profit participation fund	25.2	26,230,612	19,596,331
Workers' welfare fund		1,698,108	1,031,952
		159,283,569	267,135,754

25.1 This represents labor dues of old employees which relates to the period prior to the acquisition 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	2018 Rupees	2017 Rupees

25.2 **Movement in workers' profit participation fund:**

Balance as at July 01,		19,596,331	16,552,879
Interest for the year (at 16.5%)		3,233,395	2,731,225
Provision for the year		3,400,886	312,227
		26,230,612	19,596,331

26 MARK UP ACCRUED

Mark up on short term borrowing from:			
Financial institution		3,538,576	3,252,076
Associated company		2,296,045	353,813
Mark up on long term financing		9,128,830	6,824,631
Mark up on finance lease		28,222	28,222
		14,991,673	10,458,742

27 SHORT TERM BORROWINGS

	Note	2018 Rupees	2017 Rupees
Financial institution - secured	27.1	1,910,000	1,910,000
Related parties - unsecured			
Due to associated company	27.2	36,005,247	-
Due to associated person	27.3	734,716	734,716
		38,649,963	2,644,716

27.1 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.

27.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors (Private) Limited for working capital of the Company and acquisition of the equipment.

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

28 CONTINGENCIES AND COMMITMENTS

28.1 CONTINGENCIES

28.1.1 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.

28.1.2 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.

28.1.3 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. The case was decided in the favour of the Company. However, opposite party filed appeal before high court

28.1.4 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.

28.1.5 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.

28.1.6 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 PARCO, Peral Gas Limited, PESCO and M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 46.84 million (2017: Rs. 37.418 million).

28.1.7 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 declared the act illegal. Thus new act also of 2018 also challenged. The total amount of arrears as at June 30, 2018 is Rs. 144.5 million.

28.1.8 FCL vs Ali Rehman, Tallat Sher,Meenazar Gul

Suits were filed against the FCL in the labour court by the above three persons. All of them seek reinstatement of service. Total amount involved in the suit is around Rs. 1.559 million.

28.1.9 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 last financial 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 then, in that year, financial performance had also 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. No further notice notice or order has been recieved from SECP in this regard.

The estimated value of this liability in term of gratuity not accounted for to date amounts to approximately Rs. 32.147 million as at June 30, 2018. The company may be liable to any penal action for non compliance of the above statutory requirements.

	2018 Rupees	2017 Rupees
28.2 COMMITMENTS		
The Company has following commitments:		
- in respect of letter of credit		
- against import of raw materials	14,867,446	18,272,268
- against import of stores and spares	2,248,570	581,515
- against import of plant and machinery	6,693,119	108,695,035
	23,809,135	127,548,818
- in respect of leased asset	3,236,702	5,794,758
	27,045,837	133,343,576

		Note	2018 Rupees	2017 Rupees
29	**SALES**			
	Gross sales - tiles		778,045,813	516,459,936
	Less: sales tax		(113,049,385)	(89,533,487)
			664,996,428	426,926,449

		Note	2018 Rupees	2017 Rupees
30	**COST OF SALES**			
	Raw material consumed	30.1	136,686,065	77,028,247
	Stores, spares and loose tools consumed	30.2	154,440,390	80,580,682
	Gas and electricity		154,272,204	136,393,742
	Depreciation	6.1	51,199,903	53,242,924
	Salaries, wages and other benefits		50,369,474	36,916,450
	Generator rent		3,040,000	2,545,011
	Travelling and conveyance		686,933	12,996
	Repairs and maintenance		147,750	19,700
	Miscellaneous		2,093,657	181,702
			552,936,376	386,921,454
	Work in process			
	Opening		27,897,141	19,917,099
	Closing		(22,678,204)	(27,897,141)
			5,218,937	(7,980,042)
	Finished goods			
	Opening		69,948,821	87,011,571
	Provision / inventory written off		(46,804,611)	-
	Closing		(21,961,935)	(69,948,821)
			1,182,275	17,062,750
			559,337,588	396,004,162

			2018 Rupees	2017 Rupees
30.1	Raw material consumed			
	Opening stock		29,224,261	42,173,724
	Add: Purchases		152,708,005	64,078,784
	Less: Closing stock		(45,246,201)	(29,224,261)
			136,686,065	77,028,247
30.2	Stores, spares and loose tools consumed			
	Opening stock		46,221,888	53,077,920
	Add: Purchases		152,809,968	73,724,650
	Less: Closing stock		(44,591,466)	(46,221,888)
			154,440,390	80,580,682

		Note	2018 Rupees	2017 Rupees
31	**DISTRIBUTION COST**			
	Salaries, allowances and benefits		5,628,123	4,002,344
	Rent expense		194,751	149,256
	Communication and travel expense		262,889	12,918
	Depreciation	6.1	1,018,473	194,484
			7,104,236	4,359,002
32	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration	44	519,120	519,120
	Salaries, allowances and benefits		15,263,150	14,194,586
	Fee and subscription		445,097	119,103
	Rent, rates and taxes		701,540	1,176,575
	Utilities		274,749	255,503
	Communication		239,434	313,700
	Printing, postage and stationery		404,027	338,404
	Property tax		-	82,906
	Advertisement expense		135,000	94,200
	Life insurance		-	26,500
	Health insurance		-	34,208
	Depreciation	6.1 & 8.1	1,055,353	233,305
	Travelling and conveyance		383,411	151,302
	Vehicle running and maintenance		101,630	86,505
	Entertainment		222,401	295,923
	Repair and maintenance		380,574	28,307
			20,125,486	17,950,147
33	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund		3,400,886	312,228
	Workers' welfare fund		1,221,647	555,491
	Auditors' remuneration	33.1	490,200	404,500
	Legal and professional charges		1,330,513	1,584,222
	Loss on sale of asset		-	25,000
	Inventory written off	33.2	7,724,611	-
	Penalty	33.3	4,139,494	-
	Advances written off	33.4	5,474,379	-
			23,781,730	2,881,441
33.1	**Auditors' remuneration**			
	Annual audit fee		345,000	322,000
	Review of half year financial statements		120,200	75,000
	Out of pocket expenses		-	7,500
	Other certification		25,000	-
			490,200	404,500

33.2 This represents obsolete stock in trade written off during the year.

33.3 This mainly represents penalty imposed by FBR amounting to Rs. 4.1 million for failure to collect further tax from unregistered persons.

33.4 This represents unsecured advances against raw material and general store supplies written off during the year, which the Company was unable to recover and thus considered irrecoverable.

	Note	2018 Rupees	2017 Rupees
34 OTHER INCOME			
Amortization of gain on sale of fixed assets		-	388,792
Recovery from old debtors		-	393
Exchange gain		-	734,243
Amortization of deferred income		315,354	-
Rental income		1,451,521	1,451,520
Liabilities written back		19,474,049	7,398,827
		21,240,924	9,973,775
35 FINANCE COST			
Mark up / interest on:			
Finance charges on lease		413,119	513,961
Letter of Guarantee margin		217,124	311,334
Long term financing		2,304,199	1,200,173
Short term borrowings			
From financial institutions		3,809,737	4,800,498
From related party		2,189,302	315,630
		5,999,039	5,116,128
Workers' profit participation fund		3,233,395	2,731,225
Bank charges		326,242	427,824
		12,493,118	10,300,645
36 TAXATION			
Provision for taxation			
Current year		18,673,071	4,640,853
Prior year		(192,176)	-
Deferred		5,490,784	(3,945,214)
		23,971,679	695,639

36.1 Relationship between accounting profit and tax expense is as follows:

Reconciliation between accounting profit and tax expense for the year 2017 has not been prepared as the Company was subject to minimum tax in the prior year.

	2018 Rupees
Accounting profit before taxation	63,395,194
Tax charge @ 30%	19,018,558
Prior year's tax adjustment	(192,176)
Tax effect of deductible allownce on income from property	(87,091)
Tax effect of finance cost on lease	123,936
Tax effect of penalities	1,241,848
Effect of change in tax rate - as other comprehensive income	2,253,933
Tax effect of WPPF finance cost	970,019
Tax effect of WPPF and WWF	1,386,760
Tax effect of permanent differences	(744,108)
	23,971,679

36.2 Comparision of tax provision against tax assessments

	Tax year		
	2017	2016	2015
	------------ Rupees ------------		
Management assessment as per tax return	4,640,853	4,084,468	3,950,817
Tax authorities assessment as per tax return	4,269,264	4,084,468	3,716,973

36.3 The applicable income tax rate for subsequent years beyond Tax Year 2018 was reduced to 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018. Therefore, deferred tax is computed at the rate of 29% applicable to the period when temporary differences are expected to be reversed / utilised.

36.4 The applicable income tax rate was reduced from 31% to 30% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2017.

37 EARNINGS PER SHARE - BASIC AND DILUTED

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

	Note	2018	2017
Profit after taxation (Rs.)		39,423,515	4,709,188
Weighted average (number of shares)		37,873,821	37,873,821
Earnings per share - basic and diluted (Rs.)	37.1	1.04	0.12

37.1 There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2018 and June 30, 2017.

38 FINANCIAL ASSETS AND LIABILITIES

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

2018	Total	Interest/mark up bearing: Maturity upto one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest / mark up bearing
	Rupees				
Financial assets					
Loans and receivables at amortized cost:					
Long term deposits	2,378,450	-	-	-	2,378,450
Trade debts	10,542,743	-	-	-	10,542,743
Advances	8,198,980	-	-	-	8,198,980
Cash and bank balances	4,119,880	-	-	-	4,119,880
	25,240,053	-	-	-	25,240,053
Financial liabilities					
Financial liabilities carried at amortized cost:					
Long term financing	183,901,874	-	183,901,874	183,901,874	-
Trade and other payables	117,324,830	-	-	-	117,324,830
Mark up accrued	14,991,673	14,991,673	-	14,991,673	-
Short term borrowings	38,649,963	38,649,963	-	38,649,963	-
	354,868,340	53,641,636	183,901,874	237,543,510	117,324,830
On SOFP gap	(329,628,287)	(53,641,636)	(183,901,874)	(237,543,510)	(92,084,777)
Off SOFP items					
Financial commitments:					
Letter of credits	27,045,837	-	-	-	27,045,837
Bank guarantee	37,148,000	-	-	-	37,148,000
	64,193,837	-	-	-	64,193,837
Total Gap	(393,822,124)	(53,641,636)	(183,901,874)	(237,543,510)	(156,278,614)

2017	Total	Interest/mark up bearing: Maturity upto one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest / mark up bearing
	Rupees				
Financial assets					
Loans and receivables at amortized cost:					
Long term deposits	2,378,450	-	-	-	2,378,450
Trade debts	-	-	-	-	-
Advances	20,954,480	-	-	-	20,954,480
Cash and bank balances	3,317,034	-	-	-	3,317,034
	26,649,964	-	-	-	26,649,964
Financial liabilities					
Financial liabilities carried at amortized cost:					
Long term financing	62,155,707	23,875,000	38,280,707	62,155,707	-
Trade and other payables	85,872,871	-	-	-	85,872,871
Mark up accrued	10,458,742	10,458,742	-	10,458,742	-
Short term borrowings	2,644,716	2,644,716	-	2,644,716	-
	161,132,036	36,978,458	38,280,707	75,259,165	85,872,871
On SOFP gap	(134,482,072)	(36,978,458)	(38,280,707)	(75,259,165)	(59,222,907)
Off SOFP items					
Financial commitments:					
Letter of credits	133,343,576	-	-	-	133,343,576
Bank guarantee	37,148,000	-	-	-	37,148,000
	170,491,576	-	-	-	170,491,576
Total gap	(304,973,648)	(36,978,458)	(38,280,707)	(75,259,165)	(229,714,483)

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

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 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.

39.2 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. 25.465 million (2017 : Rs. 27.992 million) the financial assets which are subject to credit risk amounted to Rs. 25.465 million (2017: Rs. 26.529 million).The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	**2018 Rupees**	**2017 Rupees**
Long term deposits	2,378,450	2,378,450
Trade debts	10,542,743	-
Advances	8,198,980	20,954,480
Bank balances	4,094,530	3,196,965
	25,214,703	26,529,895
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	10,542,743	-

All the trade debts at statement of financial position 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.

39.3 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:

2018	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	183,901,874	183,901,874	-	-	-	183,901,874	-
Short term borrowings	38,649,963	38,649,963	734,716	37,915,247	-	-	-
Trade and other payables	159,283,569	159,283,569	159,283,569	-	-	-	-
Mark up accrued	14,991,673	14,991,673	14,991,673	-	-	-	-
	396,827,079	396,827,079	175,009,958	37,915,247	-	183,901,874	-

2017	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	62,155,707	62,155,707	-	-	-	62,155,707	-
Short term borrowings	2,644,716	2,644,716	734,716	1,910,000	-	-	-
Trade and other payables	267,135,754	267,135,754	267,135,754	-	-	-	-
Mark up accrued	10,458,742	10,458,742	10,458,742	-	-	-	-
	342,394,919	342,394,919	278,329,212	1,910,000	-	62,155,707	-

39.4 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:

	2018	2017	2018	2017
	Effective Rate (In percent)		Carrying amount (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%	8% to 10%	183,901,874	62,155,707
Short term borrowings	8% to 10%	8% to 10%	38,649,963	-
			222,551,837	62,155,707

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, 2018		
Cash flow sensitivity - Variable rate financial liabilities	2,225,518	(2,225,518)
As at June 30, 2017		
Cash flow sensitivity - Variable rate financial liabilities	621,557	(621,557)

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

40 FAIR VALUE MEASUREMENT

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

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 financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The carrying amount of trade receivables and payables is assumed to approximate their fair values.

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.

40.1 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.

40.2 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.

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

	2018 Rupees	2017 Rupees
Opening balance (level 3 recurring fair values)	394,626,773	405,440,050
Additions - Cost	7,955,960	37,607,134
Disposals	-	(6,340,069)
Depreciation charge	(39,333,083)	(42,080,342)
Closing balance (level 3 recurring fair values)	363,249,650	394,626,773

40.4 Had there been no revaluation, the net book value of the specific classes of operating assets have been disclosed in note 6.3.2.

40.5 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.

40.6 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 table below analyses financial instruments carried at fair value by valuation method.

	Carring Amount	Fair Value	Level 1	Level 2	Level 3
	------------------------------------Rupees-------------------------------				
June 30, 2018					
Assets carried at fair value	25,214,703	25,214,703	25,214,703	-	-
June 30, 2017					
Assets carried at fair value	26,529,895	26,529,895	26,529,895	-	-

41 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to "All Shares Islamic Index".

Description	Explanation	June 30, 2018 Rupees	June 30, 2017 Rupees
Loans	Placed under interest arrangement	113,235,670	16,015,423
	Placed under Shariah permissible arrangements	24,910,000	48,785,000
Finance Lease	Placed under interest arrangement	-	-
	Placed under Shariah permissible arrangements	4,101,702	6,659,759
Long term deposits	Non-interest bearing	2,378,450	2,378,450
Segment revenue	The Company has only one segment	-	-
Bank balances as at June 30,	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		-	-
Loss on sale of vehicle		-	25,000
All sources of other income	Disclosed in note 34	21,240,924	9,973,775
Exchange gain	Earned from actual currency	-	-

The Company has working relation with First Habib Modaraba and Silk Emaan Islamic Bank under Islamic windows.

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

42 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.

43 PLANT CAPACITY AND PRODUCTION

	2018	2017
Ceramic tiles		
Wall tiles		
Ideal capacity in square meters	2,160,000	2,160,000
Actual production in square meters	1,500,891	1,065,743
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	298,115	132,459
No. of shifts worked daily	3	3
Sanitary ware		
Ideal capacity in tons	3,000	3,000
Actual production in tons	Nil	Nil

Reasons for under utilization of capacity

Wall tiles:

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

Floor tiles:

The Company could not achieve ideal capacity of floor tiles due to low demand, introduction of digital designs from competitors, variable temperature and excess load shedding of gas and unstable law and order situation of area. However, new production line is in the process of installation and will be available for production in the succeeding year.

Sanitary ware:

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

44 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:

	2018				2017			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	1,796,620	233,604	2,991,301	5,021,525	1,641,483	233,604	2,507,821	4,382,908
Medical	-	-	-	-	-	-	19,773	19,773
Utilities	399,249	51,912	664,734	1,115,895	444,774	51,912	809,294	1,305,980
House rent	1,796,620	233,604	2,991,301	5,021,525	1,641,483	233,604	2,507,821	4,382,908
Total	3,992,489	519,120	6,647,336	11,158,945	3,727,740	519,120	5,844,709	10,091,569
Number of persons	1	1	4	6	1	2	4	6

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:

	2018			2017		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	(Rupees)					
Managerial remuneration	519,120	-	519,120	519,120	-	519,120
Number of persons	1	6	7	2	5	7

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

45 TRANSACTIONS WITH RELATED PARTIES

45.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve advance for working capital requirements. These transactions including remuneration to key management personnel under the terms of their employment are as follows:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2018 Rupees	2017 Rupees
Toyota Rawal Motors (Private) Limited	**Associated company by virtue of common directorship**	Interest on short term borrowings	523,216	315,630
		Short term borrowing received	59,283,000	17,000,000
		Short term borrowing repaid	23,277,753	3,524,403
		Utilities	120,000	120,000
		Insurance Premuim	85,213	247,070
		Rent	701,540	637,764
Rawal Industrial Equipment (Private) Limited	**Associated company by virtue of common directorship**	Purchase of Fixed Assets	42,600,000	3,909,000
		Short term borrowing received	127,566,874	11,645,789
		Interest on short term borrowings	1,419,016	196,508
		Short term loan repaid	18,830,000	15,701,319
		Payment against purchases	17,975,000	-
Mr. Nadem Khalid	**Chief Executive**	Long term financing - Loan repaid	13,950,000	-
		Long term financing - Received	75,165,000	-
		Markup on long term loan	1,773,496	6,824,631

45.2 Compensation to key management personnel

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 44)". There are no transactions with key management personnel other than under their terms of employment.

46 NUMBER OF EMPLOYEES

	2018 Numbers	2017 Numbers
Total number of employees		
At June 30,	203	198
Average during the year	196	169
Factory employees		
At June 30,	149	150
Average during the year	148	139

47 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	Amount
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	3,189,224

48 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 09, 2018 by the Board of Directors of the Company.

49 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED

PATTERN OF SHAREHOLDING REPORT

As of June 30, 2018

# Of Shareholders	Shareholdings'Slab			Total Shares Held
98	1	to	100	6,014
600	101	to	500	272,254
61	501	to	1000	59,901
86	1001	to	5000	237,040
25	5001	to	10000	190,545
7	10001	to	15000	91,600
4	15001	to	20000	71,500
4	20001	to	25000	92,762
4	25001	to	30000	117,500
5	35001	to	40000	185,155
4	40001	to	45000	172,700
3	45001	to	50000	150,000
1	50001	to	55000	51,000
1	55001	to	60000	60,000
1	60001	to	65000	64,000
1	65001	to	70000	68,600
1	70001	to	75000	71,000
1	85001	to	90000	90,000
1	95001	to	100000	100,000
1	295001	to	300000	295,996
1	695001	to	700000	700,000
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	7745001	to	7750000	7,749,785
1	8265001	to	8270000	8,267,674
1	9720001	to	9725000	9,724,951
918				**37,873,821**

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FRONTIER CERAMICS LIMITED
PATTERN OF SHAREHOLDING REPORT
As of June 30, 2018

Categories of Certificateholders	Certificateholders	Certificate Held	Percentage
Directors and their spouse(s) and minor children			
NADEEM KHALID	1	8,267,674	21.83
OMER KHALID	4	10,371,226	27.38
SANA KHALID	2	3,693,486	9.75
SHAZIA KHALID	1	2,446	0.01
NUMRAH KHALID	1	1,013,358	2.68
ZIA KHALID	1	2,446	0.01
PERVEZ ASLAM	1	500	0.00
JAVED KHALID	2	1,957,500	5.17
AMERA KHALID	1	9,724,951	25.68
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	890	2,504,733	6.61
Foreign Investors	-	-	-
Others	8	32,101	0.08
Totals	**918**	**37,873,821**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
AMERA KHALID	9,724,951	25.68
MR. JAVED KHALID	1,957,500	5.17
NADEEM KHALID	8,267,674	21.83
OMER KHALID	10,371,226	27.38
SANA KHALID	3,693,486	9.75

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 Sixth Annual General Meeting of the Company to be held on October 31, 2018 and at any adjournment thereof. As witness my/our hand /seal this ____ day of ________ 2018.

Signed by said ______________________

Witness:	______________________ (Signature)	Witness	______________________ (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.