FRONTIER CERAMICS LIMITED

FORTE

37th ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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VISION AND MISSION STATEMENT

VISION STATEMENT

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

MISSION STATEMENT

- Deliver un-parallel value to customers by continuous striving and to exceed their expectations;
- Under the guiding principles of Islam, to inculcate the culture of honest practices, ethical and moral values in our employees;
- Special emphasis on workforce, health, safety, environment. Constant motivation of employees by fair benevolence;
- To ensure reasonable growth and profits of the Group, to the shareholders on their investment; 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
rehman.khan@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

CDC Share Registrar Services Limited
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 37TH ANNUAL GENERAL MEETING

Notice is hereby given that 37th Annual General Meeting of **Frontier Ceramics Limited** will be held on Thursday, November 21, 2019 at 09:00 A.M at 29-Industrial Estate, Jamrud Road, Peshawar to transact the following business:

1. To confirm the minutes of the 36th Annual General Meeting of the Company held on October 31, 2018.

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, 2019.

3. To appoint Auditors of the Company for the year ending June 30, 2020 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 31, 2019 (Company Secretary)

NOTES:

1. **Closure of Share Transfer Books**
   The share transfer books of the Company will remain closed from November 15, 2019 to November 21, 2019 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on November 14, 2019 will be treated for the purpose of attendance at Annual General Meeting.

2. **Appointment of Proxy and Participation in AGM**
   A member entitled 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. Proxy must be member of the company.

3. **Changes in Members Addresses**
   Members holding shares in physical form are requested to promptly notify Share Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their addresses updated with their participant or CDC Investor Accounts Service.

4. **Availability of Financial Statements and Reports on Website**
The Annual Audited Financial statements for the year ended June 30, 2019 has been uploaded on the website of the Company

5. **Further Guidelines for Members**

A. For Attending the Meeting

a) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.

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

B. For Appointing Proxies

a) In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.

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

c) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

d) The proxy shall produce his/her original CNIC or original passport at the time of the meeting

e) In case of corporate entities, board of directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

CDC Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated the January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

6. **Transmission of Audited Financial Statements / Notices Through Email**
Members are hereby informed that pursuant to SECP SRO 787(1)/2014 dated September 8, 2014, and under section 223(6) of the Companies Act 2017, circulation of Audited Financial Statements and Notice of Annual General Meeting has been allowed in electronic format through email.

7. **Transmission of Audited Financial Statements Through CD**
SECP through its SRO.470(I)/2016 dated May 31, 2016 have allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report and directors' report to its members through CD at their registered addresses. In view of the above the Company has sent its Annual Report to the shareholders in the form of CD. Any Member can send request for printed copy of the Annual Report to the Company on standard request form placed under the Investor Information section on its website.

8. **Unclaimed /Unpaid Shares and Dividends**

Shareholders, who may by any reason, could not claim their dividends/shares, if any, are advised to contact our Share Registrar at the address mentioned herein above, to collect/enquire about their unclaimed dividend/shares, if any.

In compliance with Section 244 of the Companies Act 2017 after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend and incase of shares, shall be delivered to SECP.

9. **Postal Ballot / E-Voting**

In accordance with the Companies (Postal Ballot) Regulations, 2018, for the purpose of election of directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act 2017, members will be allowed to exercise their right of vote through postal ballot i.e. by post or e-voting, in the manner and subject to conditions contained in the aforesaid regulations.

10. **Video-link facility**

Pursuant to the provisions of the Companies Act 2017, the company may on the demand of members at least 7 days before the general meeting, residing in a city, who hold at least 10% of the total paid up capital of the Company, provide the facility of video-link (Optional) to the such members enabling them to participate in its annual general meeting. If you wish to take the benefit of this facility, please fill the form available on the Company's Website and submit it to the Company at its registered address at least 10 days prior to the date of meeting.

The Company will intimate the members the venue of the video conference facility, if required criteria have been fulfilled, at least 7 days before the date of general meeting along with complete information necessary to enable them to access such facility

11. **Zakat Declaration**

Zakat will be deducted from the dividends at source at the rate of 2.5% and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declaration under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981, CZ-50 Form with our Share Registrar. Physical shareholders are requested to submit the said declaration to our Share Registrar in the proper manner. The shareholders must write Shabbir Tiles and Ceramics Limited's name and their respective CDS A/c # or Folio numbers on Zakat Declarations at relevant place.

Frontier Ceramics Limited

KEY OPERATING & FINANCIAL DATA - FOR LAST 6 YEARS

	-------------------- (Rupees in Thousands) --------------------					
	2019	2018	2017	2016	2015	2014
Sales - Net	781,835	664,996	426,926	408,447	371,697	278,788
Gross Profit/(Loss)	16,915	105,659	30,922	31,125	30,249	(31,235)
Expenses	79,680	42,919	25,517	29,436	26,408	(102,635)
(Loss)/Profit Before Taxation	(62,765)	62,740	5,405	1,689	3,841	71,400
Profit/(Loss) After Taxation	(88,474)	39,424	4,709	2,556	18,175	55,161
Dividend %	-	-	-	-	-	-

Earning/(Loss) Per Share (Rs.)	(2.34)	1.04	(Restated) 0.12	(Restated) 0.07	(Restated) 0.52	7.49

REVIEW REPORT BY THE CHAIRPERSON

As required under the Code of Corporate Severance, an annual evaluation of the Board of Directors of Frontier Ceramics 1imited 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 contest of objectives set for the Company.

For the financial year ended June 30, 2019, the Board‘s overall performance and effectiveness has been assessed as Satisfactory. 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 board meets frequently enough to adequately discharge its responsibilities. The non- executive and independent directors are equally involved in important decisions.

Mrs. Pervez Aslam

Chairperson

Dated: November 13, 2019

چیئرپرسن کی جانب سے جائزہ رپورٹ

کوڈآف کارپوریٹ گورننس کے تحت فرنٹیئر سرامکس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ میٹنگ منعقد کی گئی جس کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ نے تمام کار کردگی کا موثر طور پر جائزہ لیا ہے اور کمپنی کے لئے جو مقاصد ترتیب دیئے گئے ہیں اسی کے مطابق کا کردگی سرانجام دی گئی ہے۔

30 جون 2019ء کو ختم ہونے والے مالیاتی سال کیلئے بورڈ تمام کارکردگی اور موثر تشخیص سے مطمئن ہے اور یہ کارکردگی مسلسل جاری ہے ۔یہ تمام تشخیص جو کہ ضروری جز جس میں اقدار ، مشن اور بصارت شامل ہے ، پلاننگ کی حکمت عملی مرتب کی گئی، پالیسیاں تشکیل دی گئیں اور ادارے کی کاروباری سرگرمیوں کا بھی جائزہ لیا گیا ۔انتظامی مالی ذرائع پر موثرطور پر عمل درآمد کیا گیااور تمام ملازمین بورڈ کے کاروبار کو بہتر طریقہ سے چلانے کے اہل ہیں۔

کمپنی کے بورڈ آف ڈائریکٹر ز نے ایجنڈا وصول کیا ہے جس کے لئے تحریری مواد کا جائزہ بورڈ اور اس کی کمیٹی کی میٹنگ سے قبل لیا گیا۔ بورڈ مسلسل اپنی تمام ذمہ داریاں خوش اسلوبی سے سرانجام دے رہا ہے، نان ایگزیکیٹیو اور انفرادی ڈائریکٹرز ان تمام اہم فیصلوں میں مساوی طور شامل ہیں۔

P. Aslam

مس پرویزاسلم

چیئر پرسن

مورخہ: 13 نومبر 2019ء

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 37th Annual Report of Frontier Ceramics Limited ("The Company") together with the audited financial statements of the Company for the financial year ended June 30, 2019.

Financial performance

The Financial performance of the year ended June 30, 2019 is summarized below:

	(Rupees in Millions)	
Particulars	**June 30, 2019**	**June 30, 2018**
Sales-Net	781.83	665.00
Gross Profit	16.92	105.66
Administrative Expenses	25.49	20.13
Operating (Loss)/Profit	(22.18)	54.65
(Loss)/Profit after Taxation	(88.47)	39.42

During the year ended June 30, 2019, the sales of the Company have increased to Rs. 781.83 million from Rs. 665.99 million in corresponding period of last year, representing the increase of 17.57% due to increase in sales volume.

Cost of sales increase to Rs. 764.92 million from 559.34 million in corresponding period of last year, representing the increase of 36.75% due to heavy consumption of LPG to cater the issue of GAS Load shading. Increase in Gas Tariff and devaluation in Rupee by 30% is also resultant to increase in cost of sales during the year.

Over all Expenses increased by 28.68% is due to increase in salaries & wages and increase in markup/ interest on borrowing as compared to corresponding year.

As regards auditors' qualification regarding the gratuity, the Board of Directors raised certain reservation on initial draft report of submitted by the Actuaries. The reservations are being addressed and will be finalized in next BOD meeting in ensuing year to work out and finalize the exact liability. Therefore, Board decided to defer the matter for next fiscal year.

Dividend

The Board of Directors has not recommended any dividend for the financial year ended June 30, 2019 due to liquidity limitations and future expansions.

Earnings per Share

(Loss)/Earnings per share Decreased to (Rs. 2.34) per share from previous Rs. 1.04 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 expected that future demand of ceramics tiles would increase as a result of favorable economic outlook of the country and increase in construction of commercial and housing schemes. However, still import trade price (ITP) of imported tiles remains a challenge and we believe ITP rationalization together with reduction in high energy cost is essential to provide a level playing field for the local tile manufacturers.

However, we are confident that the future demand of ceramics tiles would increase as a result of economic improvement. The company shall continue its focus on consumer preference and expand its market share by introducing new innovative designs.

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, 2020.

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2019 and its disclosure as required by the Code of the Corporate Governance is annexed with this report at Page no.77

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

P. Aslam

Miss Pervez Aslam
Chairperson

Nadeem Khalid
Chief Executive Officer

Date: November 13, 2019
Peshawar

ڈائریکٹرز رپورٹ

فرنٹیئر سرامکس لمیٹڈ کے ڈائریکٹرز 37 واں اختتامی سال 30 جون2019ء کی رپورٹ بشمول آڈٹ شدہ اکائونٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔

مالیاتی کارکردگی

سال اختتامی جون2019کی مختصراً مالیاتی کارکردگی درجہ ذیل ہے۔

(روپے ملین میں)

تفصیلات	30جون 2019	30جون 2018
خالص فروخت	781.83	665.00
مجموعی منافع	16.92	105.66
کاروباری نقصان /منافع	(22.18)	54.65
نقصان /منافع بعد از ٹیکس	(88.43)	39.42

سال 30 جون 2019ء کے اختتام پر کمپنی کی فروخت مبلغ 665 ملین روپے سے بڑھ کر مبلغ 782 ملین روپے ہو گئی ۔ 17.57 فیصد کا یہ اضافہ فروخت کے حجم میں اضافہ کی وجہ سے ہوا۔

سال جون 2019ء کے اختتام پر کمپنی کی پیداواری لاگت میں 36.45 فیصد اضافہ ہوا جسکی وجوہات قدرتی گیس کے متبادل کے طور پر LPG کا استعمال ، ڈالر کے مقابلے میں روپے کی قدر میں کمی اور افرات زر ہیں۔

کمپنی کے انتظامی اور مارکیٹنگ کے اخراجات میں 36.65 فیصد اضافہ ہوا جسکی وجہ پچھلے سال کے مقابلے میں تنخواہوں اور اجرتوں میں اضافہ ہے۔ کمپنی کی فنانس لاگت میں بھی اضافہ ہوا جسکی وجہ KIBOR ریٹ میں اضافہ ہے۔

مارکیٹ سے کم طلب کی وجہ سے پچھلے سال کے مقابلے میں کمپنی کے اسٹاك میں 93.27 فیصد کا اضافہ ہوا ہے۔

آڈیٹران کی کوالیفیکیشن کے بارے میں رپورٹ تنقیه کو مدِنظر رکھتے ہوئے کمپنی کے بورڈ آف ڈائیرکٹرز نے Actuaries کے زریعه پیش کی گئی ابتدائی ڈرافٹ رپورٹ پر تحفظات کا اظہار کیا ہے۔ بورڈ آف ڈائیرکٹرز کے ان تحفظات پر توجه دی جا رہی ہے اور اگلے سال کی بورڈ میٹنگ میں اس کا م کو

حتمی شکل دی جاے گی۔لہٰذا بورڈ نے آئیندہ مالی سال کے لئے اس معاملے کو مئوخر کرنے کا فیصلہ کیا ہے۔

ڈویڈنڈ :

بورڈ آف ڈائریکٹرز نے آپریشنل نصانات کی وجہ سے 30 جون2019ء کو ختم ہونے والے مالی سال کے لئے کسی بھی منافع کی سفارش نہیں کی ہے۔

فی شیئرکے حساب سے آمدنی :

30 جون 2019ء کو ختم ہونے والے سال میں فی شیئر نقصان 2.34 روپے ہے جس کا موازنہ گزشتہ سال کی فی شیئر آمدنے 1.4 روپے سے کیا جا سکتا ہے۔

صحت ، حفاظت اور اماحول:

ہم صحت ، حفاظت اور ما حول کے اعلیٰ معیار کو برقرار رکھنے میں پختہ یقین رکھتے ہیں تا کہ ہمارے ساتھ کام کرنے والے لوگوں کے ساتھ ساتھ جہاں ہم کام کرتے ہیں ان کی بہبود کو یقینی بنائیں۔

بنیادی خطرات اور غیر یقینی صورتحال

ٹیکس کے قوانین میں حالیہ تبدیلی، زر مبادلہ اور اشیائے صرف کے نرخوں میں ناموافق اتار چڑھاو، توانائی کی لاگت میں اضافہ کمپنی کے لیے اہم خطرات سمجھے جاتے ہیں۔

کارپوریٹ نظم و ضبط کا کوڈ:

کمپنی کے ڈائریکٹر ز نے کارپوریٹ نظم و ضبط کے کوڈ کا جائزہ لیا ہے اور درجہذیل تحریر کرتے ہیں

1 ۔ نظم و ضبط کے حوالے سے کمپنی میں کا رپوریٹ گورننس کو مکمل طور پر نا فذ کیا ہے جو کہ سیکیورٹیز اینڈ اکسچینج کمیشن آف پاکستان کے لئے ضروری ہے۔

2 ۔ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گو شوارے کمپنی کی حالات، اس کے آپریشن کے نتائج ، کیش فلو اور ایکویٹی میں تبدیلی کی شفاف عکاسی کرتے ہیں۔

3 ۔ کمپنی کے کھا تے مناسب طریقے سے رکھے جا رہے ہیں۔

4 ۔ مناسب اکائونٹنگ پالیسیوں کے تسلسل کو ما لیاتی گو شوارے کی تیاری میں لاگو کیا گیا ہے۔ اکائونٹنگ کے اندازے ماہرانہ اور محتاط فیصلوں پر مبنی ہوتے ہیں۔

5 ۔ مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات، جو کہ پاکستان میں نافذ العمل ہے ان کی پیروی کی گئی ہے۔
6 ۔ انٹرنل کنٹرول کے نظام مضبوط ہے اور اس کی مئوثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
7۔ آنے والے سالوں میں کمپنی کی کاروباری تسلسل پر کوئی قابل ذکر شکوک و شبہات نہیں ۔
8 ۔ اہم مالیاتی تفصیلات اس رپورٹ میں فراہم کر دی گئی ہے۔
9 ۔ ٹیکسز، ڈیوٹیز اور دیگر چارجز کے معلومات اکائونٹس کے دیے گئے نوٹ میں دی گئی ہے۔
10 ۔ سال کے دوران بورڈ آف ڈائریکٹرز کی 4 میٹنگز ہوئی جن میں شرکت کرنے والے ڈائریکٹرز کی تفصیل درجہ ذیل ہے۔

ڈائریکٹرز کے نام	میٹنگ میں شرکت کی تعداد
جناب عمر خالد	4
مس ثناء خالد	4
مس نمرہ خالد	4
جناب جاوید خالد	4
مس پرویز اسلم	4
مس شازیہ خالد	4
جناب ضیاء خالد	4

آڈٹ کمیٹی:

آڈٹ کمیٹی 3 نان ایگزیکٹیو ڈائریکٹرز پر مشتمل ہے اس سال کے دوران 4 میٹنگزمنعقد ہوئیں ۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز مسرز بی ڈی او اینڈ کمپنی چارٹرڈ اکائونٹنٹس نے مالیاتی سال 30 جون2019ء کے لئے آڈٹ مکمل کر لیا اور یہ کمیٹی کے 37 ویں سالانہ جنرل میٹنگ میں ریٹائر ہو جائیں گے۔ مالیاتی سال 30 جون 2020ء کے لئے انہوں نے دوبارہ تقرری کی اہلیت پر کمپنی میں اپنی خدمات پیش کرنے کی سفارش کی ہے۔بورڈ نے سبکدوش ہونے والے آڈیٹرز کی سال 30 جون 2020ء کے لئے دوبارہ تقرری کی سفارش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار:

کمپنی ایکٹ 2017ء اور اداراتی نظم و ضبط کے تحت سال مختتمہ 30 جون 2019ء کی حصص داری کی ساخت پر مشتمل گوشوارے صفحہ نمبر 77 پر موجود ہے۔

ڈائریکٹرز ,CEO,CFO کمپنی سیکرٹری ، ہیڈ آف انٹرنل آڈٹ اور ان کے شریک حیات یا چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

اظہار تشکر:

حصص یافتہ گان ، صارفین ، سپلائرز اور ملازمین کے مسلسل تعاؤن کا اعتراف کرتے ہیں اور ان کے مشکور ہیں

برائے و منجانب:

ندیم خالد

چیف ایگزیکٹیو آفیسر

مورخہ: 13 نومبر 2019ء

مس پرویزاسلم

چیئر پرسن

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATEGOVERNANCE) REGULATIONS, 2017

The Frontier Ceramics Limited (the company) complied with the requirements of the Regulations, 2017 in the following manner:

1. The Total number of directors are seven as per following:
    a. Male: 3
    b. Female: 4

2. The composition of Board of Directors (the Board) is as follows:

Category	Names
Independent Director	Mrs. Pervez Aslam
Non-Executive Directors	Mr. Omer Khalid Mr. Javaid Khalid Ms. Numrah Khalid Mrs. Sana Khalid Mrs. Shazia Khalid
Executive Directors	Mr. Zia Khalid

3. The Directors have confirmed that none of them is serving as a director in more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairperson and in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Company has not arranged any training programs for its Director during the year 2019.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

Mr. Omer Khalid	Chairman
Mr. Zia Khalid	Member
Mr. Javid Khalid	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees were as per following:

    a) Audit Committee: Four quarterly meetings were held during the year ended June 30, 2019.

    b) HR and Remuneration Committee: One meeting was held during the year ended June 30, 2019.

15. 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.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board 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 and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. 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.

On behalf of the Board

Chairperson

Peshawar: **November 13, 2019**

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, 2019 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, 2019.

We draw your attention to clause 18 of the statement which mentions certain instances of non-compliance with the Code.

ISLAMABAD

Bdo ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

DATED: : **November 13, 2019**

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, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 changes in equity and the statement of cash flows 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, 2019 and of the loss 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. 40 million as at June 30, 2019.

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.	**Applicability of IFRS 9**	
	IFRS 9 'Financial Instruments' is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'. In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset. In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions. We considered this as key audit matter due to the significant judgments made by management regarding the matter. Refer to note 4.1.1 to the financial statements.	We reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following: Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements. Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. Reviewed the working of management for expected credit losses. Reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.

<table>
<tr><th>S. No</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>2.</td><td colspan="2">Recognition of Revenue</td></tr>
<tr><td></td><td>The Company is engaged in the production and sale of ceramic tiles.

The Company recognized revenue from the sale of ceramic tiles of Rs. 781.834 million for the year ended 30 June 2019.

We identifed recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets and that during the year IFRS 15 “Revenue from contracts with customers” became applicable to the Company which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive ,when the control is transferred to the purchaser.

Refer to note 4.1.2 to the financial statements.</td><td>Our audit procedures to assess the recognition of revenue included the following:

Obtaining an understanding of the process relating to recognition of revenue and assessing the design, implementation and operating effectiveness of key internal controls over recording of revenue;

Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery orders and other relevant underlying documents;

Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery orders and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period;

Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specifc risk-based criteria, with the relevant underlying documentation; and

Assessing the impact of IFRS 15 “Revenue from Contracts with customers” on the Company in respect of revenue recognition.</td></tr>
<tr><td>3.</td><td colspan="2">Control environment relating to the financial reporting process and related IT systems</td></tr>
<tr><td></td><td>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</td><td>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.</td></tr>
</table>

S. No	Key audit matters	How the matter was addressed in our audit
	financial reporting control environment is determined as a key audit matter.	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 Abdul Qadeer.

Bdo ebrahim & Co.

ISLAMABAD

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

DATED: November 13, 2019

FRONTIER CERAMICS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	1,580,069,122	724,871,199
Capital work in progress	7	-	242,691,961
Investment property	8	665,686	700,722
		1,580,734,808	968,263,882
Long term deposits	9	2,378,450	2,378,450
Long term advances	10	6,909,923	6,450,796
		1,590,023,181	977,093,128
CURRENT ASSETS			
Stores, spares and loose tools	11	53,408,954	44,591,466
Stock in trade	12	173,719,049	89,886,340
Trade debts	13	481,511	10,542,743
Advances	14	51,491,690	35,038,053
Tax refunds due from government	15	40,736,013	47,588,010
Taxation - net	16	23,226,037	1,336,680
Cash and bank balances	17	1,499,912	4,119,880
		344,563,166	233,103,172
TOTAL ASSETS		1,934,586,347	1,210,196,300
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	18	378,738,210	378,738,210
Discount on issue of right shares	19	(180,795,726)	(180,795,726)
Revaluation surplus on property, plant and equipment	20	898,965,921	396,468,306
Unappropriated profit		30,155,888	102,723,976
		1,127,064,293	697,134,766
NON CURRENT LIABILITIES			
Long term financing	21	209,578,209	183,901,874
Deferred taxation	22	226,653,562	83,982,037
Deferred income	23	48,522	630,785
Liability against assets subject to finance lease	24	-	1,344,866
		436,280,293	269,859,562
CURRENT LIABILITIES			
Trade and other payables	25	246,953,515	159,283,569
Unclaimed dividend		3,189,224	3,189,224
Mark up accrued	26	50,116,609	14,991,673
Short term borrowings	27	63,479,867	38,649,963
Current portion of long term financing	21	4,455,708	24,330,707
Current portion of liability against assets subject to finance lease	24	1,772,525	2,756,836
Temporary bank overdraft	28	1,274,313	-
		371,241,761	243,201,972
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		1,934,586,347	1,210,196,300

The annexed notes from 1 to 50 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, 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	30	781,834,830	664,996,428
Cost of sales	31	(764,919,649)	(559,337,588)
Gross profit		16,915,181	105,658,840
Distribution cost	32	(11,724,257)	(7,104,236)
Administrative expenses	33	(25,485,800)	(20,125,486)
Other operating expenses	34	(1,883,498)	(23,781,730)
Operating (loss)/profit		(22,178,374)	54,647,388
Other income	35	2,040,434	21,240,924
Finance cost	36	(42,627,088)	(12,493,118)
(Loss)/profit before taxation		(62,765,028)	63,395,194
Taxation	37	(25,709,322)	(23,971,679)
(Loss)/profit for the year		(88,474,350)	39,423,515
(Loss)/earnings per share - basic and diluted	38	(2.34)	1.04

The annexed notes from 1 to 50 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, 2019

	2019 Rupees	2018 Rupees
(Loss)/profit for the year	(88,474,350)	39,423,515
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Revaluation surplus on property, plant and equipment	643,554,757	-
Related deferred tax impact	(125,150,880)	-
	518,403,877	-
Effect of change in tax rate on deferred tax on revaluation surplus on property, plant and equipment	-	2,253,933
Total comprehensive income for the year	429,929,527	41,677,448

The annexed notes from 1 to 50 form an integral part of these financial statements.

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

FRONTIER CERAMICS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(62,765,028)	63,395,194
Adjustment for non cash items:			
Depreciation		54,806,593	53,273,729
Finance cost		42,627,088	12,493,118
Advance to PESCO adjusted during the year		-	7,346,532
Workers' welfare fund		-	1,221,647
Workers' profit participation fund		-	3,400,886
Loss on disposal of fixed assets		280,214	-
Liabilities written back		-	(19,474,049)
Advances written off		-	5,164,409
Amortization of deferred income		(582,263)	(315,354)
		97,131,632	63,110,918
Profit before working capital changes		34,366,604	12,506,112
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(8,817,488)	1,630,422
Stock in trade		(83,832,709)	(1,896,117)
Trade debts		10,061,232	(10,542,743)
Advances		(16,453,637)	13,228,033
(Decrease)/increase in current liabilities			
Trade and other payables		87,669,946	(100,613,922)
Temporary bank overdraft		1,274,313	-
Short term borrowings		24,829,904	36,005,247
		14,731,561	(62,189,080)
Cash generated from operations		49,098,165	64,317,032
Finance cost paid		(7,502,152)	(7,960,187)
Taxes paid		(23,226,037)	(20,009,751)
		(30,728,189)	(27,969,938)
Net cash generated from operating activities		18,369,976	36,347,094
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(25,096,668)	(44,459,966)
Addition to capital work in progress		(7,301,308)	(135,009,958)
Sale proceeds from disposals of fixed assets		8,395,000	-
Net cash used in investing activities		(24,002,976)	(179,469,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing-net		5,801,336	146,076,874
Lease rental paid		(2,329,177)	(2,558,057)
Long term advances		(459,127)	406,859
Net cash generated from operating activities		3,013,032	143,925,676
Net (decrease)/increase in cash and cash equivalents		(2,619,968)	802,846
Cash and cash equivalents at the beginning of the year		4,119,880	3,317,034
Cash and cash equivalents at the end of the year	17	1,499,912	4,119,880

The annexed notes from 1 to 50 form an integral part of these financial statements.

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

FRONTIER CERAMICS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

		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, 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
Total comprehensive income for the year ended June 30, 2019						
Loss for the year		-	-	-	(88,474,350)	(88,474,350)
Revaluation surplus on property, plant and equipment		-	-	643,554,757	-	643,554,757
Related deferred tax impact		-	-	(125,150,880)	-	(125,150,880)
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	20	-	-	(15,906,262)	15,906,262	-
Balance as at June 30, 2019		378,738,210	(180,795,726)	898,965,921	30,155,888	1,127,064,293

The annexed notes from 1 to 50 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, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 Frontier Ceramics Limited (the Company) was incorporated in July 1982 as a Public Limited Company with its shares quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited in which Lahore and Islamabad Stock Exchanges have merged). The principal activities of the Company are manufacturing of ceramic tiles, sanitary wares and related ceramic products.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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.

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.

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 5.25.

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 Effective in current year and are relevant to the Company

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

4.1.1 IFRS 9: Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

The revised provisions on the classification and measurement of financial assets (applicable mainly to trade receivables and other receivables) and financial liabilities (mainly trade creditors and interest-bearing debt) have not affected Company's financial information. Consequently, the comparative figures have not been restated on the introduction of IFRS 9.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 1, 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				------------------------ (Rupees in '000) ------------------------	
Financial assets					
Trade debts	(a)	Loans and receivables	Amortised cost	10,542,743	10,542,743
Long term deposits	(a)	Loans and receivables	Amortised cost	2,378,450	2,378,450
Advances	(a)	Loans and receivables	Amortised cost	8,198,980	8,198,980
Cash and bank balances	(a)	Loans and receivables	Amortised cost	4,119,880	4,119,880

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.

- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with Customers"), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognize a loss allowance based on lifetime ECLs at each reporting date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

iii) Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on July 01, 2018. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on July 01, 2018. Accordingly, the comparative information is presented as per the requirements of IAS 39.

4.1.2 IFRS 15 'Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after January 01, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. Hence, the Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

There is no material impact of transition to IFRS 15 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of revenue from contracts with Customers.

4.2 Amendments that are effective in current year and are 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 from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 8	Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018

		Effective date (annual periods beginning on or after)
IAS 39	Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

4.3 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020

		Effective date (annual periods beginning on or after)
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 17	Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.4 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 against the respective standard:

IFRS 16	Leases	January 01, 2019

The effects of IFRS 16 -Leases are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

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 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's financial statements 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 statement of profit or loss.

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 impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in statement of profit or loss. 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 statement of profit or loss.

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. The Company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for trade debts. The Company was required to revise its impairment methodology under IFRS 9 for trade debts. The impact of change is disclosed in note 4.1.1.

5.7 Loans, advances and other receivables

These are recognized at cost, which is the fair value of the consideration given. The Company assesses on a forward looking basis the expected credit losses associated with the advances, deposits and other receivables. The Company applies the general approach for calculating a lifetime expected credit losses for its loans, advances, deposits and other receivables recognized. The life time expected credit loss is determined at least annually. However, an assessment is made at each reporting 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 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 statement of profit or loss 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 statement of financial position 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 reporting date and are expected to apply to the periods when the differences reverse. Deferred tax for the year is charged or credited to the statement of profit or loss.

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 reporting 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 statement of profit or loss 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 statement of financial position 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 reporting date and adjusted to reflect current best estimate.

5.14 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers

Sale of goods

Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Others

- 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

5.19.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. 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 statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5.19.2 Financial liabilities

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

5.19.3 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.

5.19.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights 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 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

5.21 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not apply hedge accounting for any derivatives.

Any gain or loss from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to statement of profit or loss.

5.22 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.

5.23 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 reporting date. Exchange gains and losses are included in the statement pf profit or loss.

5.24 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.

5.25 Ijarah

The Company accounts for assets under ijarah arrangements in accordance with Islamic Financial Accounting Standard (IFAS) 2 - Ijarah whereby rental payments due under these arrangements are recognized as an expense in the statement of profit or loss on a straight line basis over the ijarah (lease) term.

5.26 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position 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.

5.27 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 5.10 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 statement of profit or loss 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.

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	Leased hold Asset: Generator	Plant and machinery owned: Imported	Plant and machinery owned: Local	Plant and machinery owned: Electrification	Plant and machinery owned: Casting benches	Plant and machinery owned: Laboratory ware	Plant and machinery owned: Generators	Furniture and fixtures	Office equipment	Computers	Vehicles	Total
		Rupees														
Year ended June 30, 2019																
Net carrying value basis																
Opening net book value (NBV)		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
Additions		-	-	-	-	16,049,919	-	-	-	-	-	-	-	72,390	8,974,359	25,096,668
Transferred from CWIP		-	-	-	-	249,993,269	-	-	-	-	-	-	-	-	-	249,993,269
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	(8,675,214)	(8,675,214)
Revaluation surplus		212,000,000	431,554,757	-	-	-	-	-	-	-	-	-	-	-	-	643,554,757
Depreciation charge		-	(8,178,736)	(1,530,000)	(200,000)	(35,940,429)	(448,094)	(962,834)	(19,344)	(6,669)	(15,036)	(21,646)	(42,306)	(36,456)	(7,370,007)	(54,771,557)
Closing net book value		450,000,000	505,163,377	3,825,000	500,000	571,553,294	1,792,374	18,293,847	174,101	26,675	60,141	86,586	169,223	141,048	28,283,456	1,580,069,122
Gross carrying value basis																
Cost / revalued amount		238,000,000	147,836,267	7,650,000	1,000,000	888,676,046	9,231,025	25,938,181	449,385	198,744	407,936	2,696,361	4,627,146	380,940	40,566,193	1,367,658,224
Revaluation surplus		212,000,000	431,554,757	-	-	-	-	-	-	-	-	-	-	-	-	643,554,757
Accumulated depreciation		-	(74,227,647)	(3,825,000)	(500,000)	(317,122,752)	(7,438,651)	(7,644,334)	(275,284)	(172,069)	(347,795)	(2,609,775)	(4,457,923)	(239,892)	(12,282,737)	(431,143,859)
Net book value		450,000,000	505,163,377	3,825,000	500,000	571,553,294	1,792,374	18,293,847	174,101	26,675	60,141	86,586	169,223	141,048	28,283,456	1,580,069,122
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	6.1	-	(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
Annual rate of depreciation (%)		-	10%	20%	20%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%	

6.1 Allocation of depreciation:

	Note	2019 Rupees	2018 Rupees
Cost of sales	31	49,841,083	51,199,903
Distribution cost	32	2,465,237	1,018,473
Administrative expenses	33	2,465,237	1,018,473
		54,771,557	53,236,849

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

Description	Cost/ revalued	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposals	Particulars of buyers	Nature of transaction
	Rupees						
Vehicles	8,974,359	299,145	8,675,214	8,395,000	Board approval	First Habib Modarba	Sale and leaseback
June 30, 2019	8,974,359	299,145	8,675,214	8,395,000			
June 30, 2018	-	-	-	-			

6.3 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.	575,211
	b) Workers' accomodations, guard rooms, Store and Masjid.	14,811
		590,022

6.4 Revaluation of freehold land, building and plant and machinery

6.4.1 The Company has adopted the revaluation model for subsequent measurement of freehold land, buildings and plant and machinery. During the year 2019, the Company has revalued its freehold land and building through independent valuer M/s K.G Traders (Private) Limited 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 Rs.
M/s K.G Traders (Private) Limited	June 30, 2019	643,554,757
M/s Mughal Associates	June 30, 2015	128,039,030
M/s Mughal Associates	May 21, 2012	35,560,289
M/s Mughal Associates	Jun 30, 2010	353,104,564
M/s Industrial Consultants and Machinery Linkers	Jun 08, 2004	66,359,632
M/s Global Engineers (Private) Limited	Aug 25, 1996	283,925,776

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

	2019 Rupees	2018 Rupees
Free hold land	3,518,245	3,518,245
Factory building	10,176,951	11,307,723
Plant and machinery		
Imported	143,733,761	159,704,179
Local	1,343,647	1,679,559
Electrification	3,241,518	3,412,124
Casting benches	65,937	73,263
Laboratory ware	2,821	3,526
Generators	32,024	40,030
	148,419,708	164,912,681
	162,114,904	179,738,649

6.4.3 The forced sale value of the revalued land and building has been assessed at Rs. 764,372,000.

	Note	2019 Rupees	2018 Rupees

7 CAPITAL WORK IN PROGRESS

	Note	2019 Rupees	2018 Rupees
Balance as at July 01,		242,691,961	107,682,003
Additions during the year		7,301,308	135,009,958
Transferred to property, plant and equipment	7.1	(249,993,269)	-
		-	242,691,961

7.1 This represents new kiln, production line and its accessories (for the production of floor tiles) installed at year end.

8 INVESTMENT PROPERTY

	Note	2019 Rupees	2018 Rupees
Office building	8.1	665,686	700,722

8.1 The movement in this head is as follows:

	2019 Rupees	2018 Rupees
Net carrying value basis		
Year ended June 30,		
Opening net book value	700,722	737,602
Depreciation charge	(35,036)	(36,880)
Closing net book value	665,686	700,722
Gross carrying value basis		
Year ended June 30,		
Cost	2,648,885	2,648,885
Accumulated depreciation	(1,983,199)	(1,948,163)
Net book value	665,686	700,722
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 (2018: Rs. 7,000,000) at year end.

	Note	2019 Rupees	2018 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

10 LONG TERM ADVANCES

Balance as at July 01,		6,450,796	6,857,655
Additions during the year		3,716,021	2,302,117
Adjusted during the year		(3,256,894)	(2,708,976)
	10.1	6,909,923	6,450,796

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	2019 Rupees	2018 Rupees

11 STORES, SPARES AND LOOSE TOOLS

Stores		47,781,604	38,735,853
Spare parts and loose tools		5,627,350	5,855,613
	11.1	53,408,954	44,591,466

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	2019 Rupees	2018 Rupees

12 STOCK IN TRADE

Raw material		78,342,156	45,246,201
Work in process		57,967,049	22,678,204
Finished goods		37,409,844	21,961,935
		173,719,049	89,886,340
Provision for obsolescence in inventory	12.1	-	-
		173,719,049	89,886,340

	Note	2019 Rupees	2018 Rupees

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

	Note	2019 Rupees	2018 Rupees
Balance as at July 01,		-	39,080,000
Charge for the year		-	-
Provision written off		-	(39,080,000)
		-	-

13 TRADE DEBTS

Unsecured - considered good			
Others		481,511	10,542,743

14 ADVANCES

Unsecured - considered good			
Advances			
- to suppliers		23,172,465	3,668,885
- against letter of credit		13,529,706	22,960,487
- against letter of credit margin		2,349,098	2,005,401
- security deposit		5,667,506	1,103,246
- against letter of guarantee		6,102,460	4,684,100
- against salaries		237,065	269,896
- against expenses		297,053	209,701
- other advances		136,337	136,337
		51,491,690	35,038,053

15 TAX REFUNDS DUE FROM GOVERNMENT

Considered good			
Balance as at July 01,		47,588,010	35,321,429
(Adjustable)/refundable assessed during the year		(6,851,997)	12,266,581
		40,736,013	47,588,010

16 TAXATION - NET

Balance as at July 01,		1,336,680	12,074,405
Prior year adjustment		(8,188,677)	192,176
(Adjusted from)/transferred to tax refund due from government		(6,851,997)	12,266,581
Provision for taxation	37	-	(18,673,071)
Advance income tax		23,226,037	20,009,751
		23,226,037	1,336,680

	Note	2019 Rupees	2018 Rupees

17 CASH AND BANK BALANCES

	Note	2019 Rupees	2018 Rupees
Cash in hand		64,760	25,350
Cash at bank - current accounts		1,435,152	4,094,530
		1,499,912	4,119,880

18 SHARE CAPITAL

18.1 Authorized share capital

Number of shares			2019 Rupees	2018 Rupees
2019	2018			
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				
2019	2018			
37,873,821	37,873,821	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) were completed by the Company before issuance of the right shares.

20 REVALUATION SURPLUS ON PROPERTY PLANT AND EQUIPMENT

	2019 Rupees	2018 Rupees
Balance as at July 01,	462,631,826	487,513,560
Add: Revaluation surplus for the year	643,554,757	-
Less:		
Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax	15,906,262	17,666,031
Related deferred tax liability during the year transferred to profit and loss account	6,496,924	7,215,703
	22,403,186	24,881,734
	1,083,783,397	462,631,826
Less:		
Related deferred tax effect :		
Balance as at July 01,	66,163,520	75,633,156
Revaluation during the year	125,150,880	-
Effect of change in rate	-	(2,253,933)
Incremental depreciation charged during the year transfer to statement of profit or loss	(6,496,924)	(7,215,703)
	184,817,476	66,163,520
	898,965,921	396,468,306

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	2019 Rupees	2018 Rupees

21 LONG TERM FINANCING

	Note	2019 Rupees	2018 Rupees
From associated person - unsecured	21.1	70,012,723	76,495,707
From associated company - unsecured	21.2	140,896,193	108,736,874
From Musharaka finance facility - secured	21.3	3,125,001	23,000,000
		214,033,917	208,232,581
Less: Current portion associated person		(1,330,707)	(1,330,707)
Less: Current portion associated company		-	-
Less: Current portion Musharaka finance facility		(3,125,001)	(23,000,000)
		(4,455,708)	(24,330,707)
		209,578,209	183,901,874

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. The facility carries mark up at the rate of 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.

22 DEFERRED TAXATION

	Note	2019 Rupees	2018 Rupees
Deferred taxation	22.1	226,653,562	83,982,037

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

	2019 Rupees	2018 Rupees
Surplus on revaluation of fixed assets	184,817,476	66,163,520
Accelerated depreciation	45,379,381	18,001,445
Deferred income	(14,071)	(182,928)
Tax credit under section 65B	(3,529,224)	-
	226,653,562	83,982,037
Tax rate used	29%	29%

22.2 Deferred tax asset of Rs. 37.945 million (2018: Rs. nil) 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.

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. 582,263 has been amortized and recorded as other income (note 35) in statement of profit or loss.

24 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2019		June 30, 2018	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	------------------------- Rupees -------------------------			
Within one year	1,787,855	1,772,525	2,971,176	2,756,836
Later than one year but not later than five years	-	-	1,360,196	1,344,866
	1,787,855	1,772,525	4,331,372	4,101,702
Less:				
Finance charges not yet due	(15,330)	-	(229,670)	-
	1,772,525	1,772,525	4,101,702	4,101,702
Current maturity	(1,772,525)	(1,772,525)	(2,756,836)	(2,756,836)
	-	-	1,344,866	1,344,866

25 TRADE AND OTHER PAYABLES

	Note	2019 Rupees	2018 Rupees
Trade creditors		98,704,639	82,725,382
Accrued liabilities		36,180,949	31,342,570
Advances from customers		58,262,844	3,392,907
Old labour dues	25.1	3,256,878	3,256,878
Sales tax payable		15,688,323	8,894,344
Withholding sales tax payable		2,603,111	1,742,768
Workers' profit participation fund	25.2	30,558,663	26,230,612
Workers' welfare fund		1,698,108	1,698,108
		246,953,515	159,283,569

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	2019 Rupees	2018 Rupees
25.2	**Movement in workers' profit participation fund:**			
	Balance as at July 01,		26,230,612	19,596,331
	Interest for the year (at 16.5%)		4,328,051	3,233,395
	Provision for the year		-	3,400,886
			30,558,663	26,230,612
26	**MARK UP ACCRUED**			
	Mark up on short term borrowing from:			
	Financial institution		3,825,076	3,538,576
	Associated company		26,625,364	2,296,045
	Mark up on long term financing		19,637,947	9,128,830
	Mark up on finance lease		28,222	28,222
			50,116,609	14,991,673
27	**SHORT TERM BORROWINGS**			
	Financial institution - secured	27.1	1,910,000	1,910,000
	Related parties - unsecured			
	Due to associated company	27.2	61,569,867	36,005,247
	Due to associated person	27.3	-	734,716
			63,479,867	38,649,963

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 and Khalid & Khalid Holdings (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. During the year, the loan was repaid.

28 TEMPORARY BANK OVERDRAFT

This represents temporary credit balance 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.

29 CONTINGENCIES AND COMMITMENTS

29.1 CONTINGENCIES

29.1.1 Noman Ghani vs. FCL and others

This is a recovery suit against the Company. In this suit original claim was of Rs. 1.248 million. 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 filed 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 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.

29.1.2 Mohammad Iqbal vs. FCL

This is a 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 an appeal before the Honourable High Court which is pending.

29.1.3 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 Rs. 2.762 million. The case was decided in the favour of the Company. However, opposite party filed appeal before Honourable High Court.

29.1.4 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.

29.1.5 Ijaz Minhas vs. FCL

This is a claim application 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.

29.1.6 Bank Guarantees

Guarantee has been issued by Bank Al Habib on behalf of the Company in the normal course of business in favor of PARCO, PESCO and M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 59.340 million (2018: Rs. 46.841 million).

29.1.7 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 2018 also challenged. The total amount of arrears as at June 30, 2019 is Rs. 186 million.

29.1.8 Ali Rehman, Tallat Sher, Meenazar Gul vs. FCL

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.

29.1.9 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. 40 million as at June 30, 2019. The company may be liable to any penal action for non compliance of the above statutory requirements.

	2019 Rupees	2018 Rupees
29.2 COMMITMENTS		
Ijarah		
The Company has following commitments:		
- in respect of letter of credit		
- against import of raw materials	7,246,004	14,867,446
- against import of stores and spares	8,779,859	2,248,570
- against import of plant and machinery	17,844,842	6,693,119
	33,870,705	23,809,135
- in respect of leased asset	1,772,525	3,236,702
	35,643,230	27,045,837

	Note	2019 Rupees	2018 Rupees
Commitments for Ijarah arrangements			
Not later than one year		3,421,656	-
Later than one year and not later than five years		5,132,484	-
		8,554,140	-

30 SALES

	Note	2019 Rupees	2018 Rupees
Gross sales - tiles		953,838,494	778,045,813
Less: sales tax		(172,003,664)	(113,049,385)
		781,834,830	664,996,428

31 COST OF SALES

	Note	2019 Rupees	2018 Rupees
Raw material consumed	31.1	213,474,769	136,686,065
Stores, spares and loose tools consumed	31.2	303,221,606	154,440,390
Gas and electricity		175,285,842	154,272,204
Depreciation	6.1	49,841,083	51,199,903
Salaries, wages and other benefits		65,836,734	50,369,474
Generator rent		984,000	3,040,000
Travelling and conveyance		319,618	686,933
Repairs and maintenance		103,040	147,750
Miscellaneous		2,438,109	2,093,657
Ijarah expense	31.3	1,710,828	-
Damaged stock		2,440,774	-
		815,656,403	552,936,376
Work in process			
Opening		22,678,204	27,897,141
Closing		(57,967,049)	(22,678,204)
		(35,288,845)	5,218,937
Finished goods			
Opening		21,961,935	69,948,821
Provision / inventory written off		-	(46,804,611)
Closing		(37,409,844)	(21,961,935)
		(15,447,909)	1,182,275
		764,919,649	559,337,588

31.1 Raw material consumed

	Note	2019 Rupees	2018 Rupees
Opening stock		45,246,201	29,224,261
Add: Purchases		246,570,724	152,708,005
Less: Closing stock		(78,342,156)	(45,246,201)
		213,474,769	136,686,065

		Note	2019 Rupees	2018 Rupees
31.2	Stores, spares and loose tools consumed			
	Opening stock		44,591,466	46,221,888
	Add: Purchases		312,039,094	152,809,968
	Less: Closing stock		(53,408,954)	(44,591,466)
			303,221,606	154,440,390

31.3 This represents lease rentals of an execavator machine taken on lease under Ijarah arrangement from First Habib Modarba Bank.

32 DISTRIBUTION COST

	Note	2019 Rupees	2018 Rupees
Salaries, allowances and benefits		8,736,266	5,628,123
Rent expense		189,757	194,751
Communication and travel expense		308,567	262,889
Printing and repair expense		24,430	-
Depreciation	6.1	2,465,237	1,018,473
		11,724,257	7,104,236

33 ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Directors' remuneration	45	1,800,000	519,120
Salaries, allowances and benefits		18,885,564	15,263,150
Fee and subscription		108,961	445,097
Rent, rates and taxes		771,696	701,540
Utilities		120,000	274,749
Communication		209,282	239,434
Printing, postage and stationery		171,227	404,027
Advertisement expense		81,000	135,000
Depreciation	6.1 & 8.1	2,500,273	1,055,353
Travelling and conveyance		512,403	383,411
Vehicle running and maintenance		171,639	101,630
Entertainment		109,045	222,401
Repair and maintenance		44,710	380,574
		25,485,800	20,125,486

34 OTHER OPERATING EXPENSES

	Note	2019 Rupees	2018 Rupees
Workers' profit participation fund		-	3,400,886
Workers' welfare fund		-	1,221,647
Auditors' remuneration	34.1	588,050	490,200
Legal and professional charges		877,250	1,330,513
Loss on sale of asset		280,214	-
Inventory written off		-	7,724,611

		2019 Rupees	2018 Rupees
Penalty		11,736	4,139,494
Advances written off		-	5,474,379
Others		126,248	-
		1,883,498	23,781,730

34.1 Auditors' remuneration

Annual audit fee		459,500	345,000
Review of half year financial statements		85,500	120,200
Out of pocket expenses		43,050	-
Other certification		-	25,000
		588,050	490,200

35 OTHER INCOME

Amortization of deferred income		582,263	315,354
Rental income		1,458,171	1,451,521
Liabilities written back		-	19,474,049
		2,040,434	21,240,924

36 FINANCE COST

Mark up / interest on:			
Finance charges on lease		428,956	413,119
Letter of Guarantee margin		669,178	217,124
Long term financing		10,509,117	2,304,199
Short term borrowings			
From financial institutions		1,760,432	3,809,737
From related party		24,329,319	2,189,302
		26,089,751	5,999,039
Workers' profit participation fund		4,328,051	3,233,395
Bank charges		602,035	326,242
		42,627,088	12,493,118

37 TAXATION

Provision for taxation			
Current year	37.1	-	18,673,071
Prior year		8,188,677	(192,176)
Deferred		17,520,645	5,490,784
		25,709,322	23,971,679

37.1 Tax charge for the year is nil as the Company availed tax credit under section 65B of the Income Tax Ordinance, 2001. This tax credit was in excess of turnover tax during the year.

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

Reconciliation between accounting profit and tax expense for the year 2019 is not prepared as the Company is subject to minimum tax in the current year.

38 (LOSS)/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	2019	2018
(Loss)/profit after taxation (Rs.)		(88,474,350)	39,423,515
Weighted average (number of shares)		37,873,821	37,873,821
(Loss)/earnings per share-basic and diluted (Rs.)	38.1	(2.34)	1.04

38.1 There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2019 and June 30, 2018.

39 FINANCIAL ASSETS AND LIABILITIES

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

2019	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					
Financial assets at amortised cost:					
Long term deposits	2,378,450	-	-	-	2,378,450
Trade debts	481,511	-	-	-	481,511
Advances	14,492,466	-	-	-	14,492,466
Cash and bank balances	1,499,912	-	-	-	1,499,912
	18,852,339	-	-	-	18,852,339
Financial liabilities					
Financial liabilities at amortised cost:					
Long term financing	214,033,917	4,455,708	209,578,209	214,033,917	-
Trade and other payables	138,142,466	-	-	-	138,142,466
Mark up accrued	50,116,609	50,116,609	-	50,116,609	-
Short term borrowings	63,479,867	63,479,867	-	63,479,867	-
Liability against assets subject to finance lease	1,772,525	1,772,525	-	1,772,525	-
	467,545,384	119,824,709	209,578,209	329,402,918	138,142,466
On SOFP gap	(448,693,045)	(119,824,709)	(209,578,209)	(329,402,918)	(119,290,127)
Off SOFP items					
Financial commitments:					
Letter of credits	33,870,705	-	-	-	33,870,705
Bank guarantee	59,340,054	-	-	-	59,340,054
	93,210,759	-	-	-	93,210,759
Total Gap	(541,903,804)	(119,824,709)	(209,578,209)	(329,402,918)	(212,500,886)

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					
Financial assets at amortised 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 at amortised cost:					
Long term financing	208,232,581	24,330,707	183,901,874	208,232,581	-
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	-
Liability against assets subject to finance lease	4,101,702	2,756,836	1,344,866	4,101,702	-
	383,300,749	80,729,179	185,246,740	265,975,919	117,324,830
On SOFP gap	(358,060,696)	(80,729,179)	(185,246,740)	(265,975,919)	(92,084,777)
Off SOFP items					
Financial commitments:					
Letter of credits	23,809,135	-	-	-	23,809,135
Bank guarantee	46,841,000	-	-	-	46,841,000
	70,650,135	-	-	-	70,650,135
Total gap	(428,710,831)	(80,729,179)	(185,246,740)	(265,975,919)	(162,734,912)

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 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.

40.2 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. 18.578 million (2018 : Rs. 25.240 million) the financial assets which are subject to credit risk amounted to Rs. 18.513 million (2018: Rs. 25.214 million).The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2019 Rupees	2018 Rupees
Long term deposits	2,378,450	2,378,450
Trade debts	481,511	10,542,743
Advances	14,492,466	8,198,980
Bank balances	1,435,152	4,094,530
	18,787,579	25,214,703
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	481,511	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.

40.3 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:

2019	**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	214,033,917	214,033,917	-	-	-	214,033,917	-
Short term borrowings	63,479,867	63,479,867	-	63,479,867	-	-	-
Trade and other payables	246,953,515	246,953,515	246,953,515	-	-	-	-
Mark up accrued	50,116,609	50,116,609	50,116,609	-	-	-	-
Liability against assets subject to finance lease	1,772,525	1,772,525	1,772,525	-	-	-	-
	576,356,433	576,356,433	298,842,649	63,479,867	-	214,033,917	-

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	208,232,581	208,232,581	-	-	-	208,232,581	-
Short term borrowings	38,649,963	38,649,963	-	38,649,963	-	-	-
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	-	-	-	-
Liability against assets subject to finance lease	4,101,702	4,101,702	-	2,756,836	1,344,866	-	-
	425,259,488	425,259,488	174,275,242	41,406,799	1,344,866	208,232,581	-

40.4 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 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:

	2019	2018	2019	2018
	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%	214,033,917	183,901,874
Short term borrowings	8% to 10%	8% to 10%	63,479,867	38,649,963
Liability against assets subject to finance lease	8.75% to 20%	8.75% to 20%	1,772,525	4,101,702
			279,286,309	226,653,539

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, 2019		
Cash flow sensitivity - Variable rate financial liabilities	2,792,863	(2,792,863)
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial liabilities	2,266,535	(2,266,535)

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

41 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 IFRS 9. 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.

41.1 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.

41.2 The Company has revalued its freehold land, buildings on June 30, 2019 and plant and machinery on June 30, 2015. Fair value of freehold land, buildings are based on the valuation carried out by an independent valuer M/s K.G Traders (Private) Limited and 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.

41.3 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.

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

	2019 Rupees	2018 Rupees
Opening balance (level 3 recurring fair values)	363,249,650	394,626,773
Additions - Cost	266,043,188	7,955,960
Disposals	-	-
Depreciation charge	(37,392,406)	(39,333,083)
Closing balance (level 3 recurring fair values)	591,900,432	363,249,650

41.5 Had there been no revaluation, the net book value of the specific classes of operating assets have been disclosed in note 6.4.2.

41.6 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.

42 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, 2019 Rupees	June 30, 2018 Rupees
Loans	Placed under interest arrangement	131,582,590	113,235,670
	Placed under Shariah permissible arrangements	5,035,001	24,910,000
Finance Lease	Placed under interest arrangement	-	-
	Placed under Shariah permissible arrangements	1,772,525	4,101,702
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		280,214	-
All sources of other income	Disclosed in note 35	2,040,434	21,240,924
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

43 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.

44 PLANT CAPACITY AND PRODUCTION

During the year, the tile production capacity attained was 1,857,437 sq. meters (2018: 1,799,006 sq. meters) against annual manufacturing capacity of 5,760,000 sq. meters (2018: 4,680,000 sq. meters). The shortfall is due to low demand during the year.

45 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:

	2019				2018			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	2,103,143	810,000	4,410,140	7,323,283	1,796,620	233,604	2,991,301	5,021,525
Medical	-	-	-	-	-	-	-	-
Utilities	467,366	180,000	980,032	1,627,398	399,249	51,912	664,734	1,115,895
House rent	2,103,143	810,000	4,410,140	7,323,283	1,796,620	233,604	2,991,301	5,021,525
Total	4,673,652	1,800,000	9,800,312	16,273,964	3,992,489	519,120	6,647,336	11,158,945
Number of persons	1	1	4	6	1	1	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:

	2019			2018		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	Rupees					
Managerial remuneration	1,800,000	-	1,800,000	519,120	-	519,120
Number of persons	1	6	7	1	6	7

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

46 TRANSACTIONS WITH RELATED PARTIES

46.1 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. Year end balances are disclosed in relevant notes to the financial statements. Transactions with related parties are as follows:

Name of the related party	Relationship	Transactions during the year	2019 Rupees	2018 Rupees
Toyota Rawal Motors (Private) Limited	**Associated company by virtue of common directorship**	Interest on short term borrowings	5,539,393	523,216
		Rental for building	-	833,540
		Short term borrowing received	30,364,260	59,283,000
		Short term borrowing repaid	8,299,640	23,277,753
		Utilities	120,000	120,000
		Insurance Premuim	-	85,213
		Rent	771,696	701,540
Rawal Industrial Equipment (Private) Limited	**Associated company by virtue of common directorship**	Purchase of Fixed Assets	10,500,000	42,600,000
		Short term borrowing received	79,105,604	127,566,874
		Interest on short term borrowings	18,656,019	1,419,016
		Short term loan repaid	46,396,285	18,830,000
		Payment against purchases	35,399,359	17,975,000
Mr. Nadem Khalid	**Chief Executive**	Long term financing - Loan repaid	14,983,691	13,950,000
		Long term financing - Received	7,119,868	75,165,000
		Markup on long term loan	10,509,117	1,773,496
Khalid & Khalid Holdings	**Associated company by virtue of common directorship**	Short term borrowing received	3,500,000	-
		Interest on short term borrowings	133,907	-

46.2 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 45)". There are no transactions with key management personnel other than under their terms of employment.

47 NUMBER OF EMPLOYEES

	2019 Numbers	2018 Numbers
Number of employees		
At June 30,	242	203
Average during the year	220	196

48 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.

49 DATE OF AUTHORIZATION

These financial statements were authorized for issue on **November 13, 2019** by the Board of Directors of the Company.

50 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, 2019

# Of Shareholders	Shareholdings'Slab			Total Shares Held
98	1	to	100	6,019
600	101	to	500	272,050
61	501	to	1000	59,400
86	1001	to	5000	274,540
25	5001	to	10000	151,045
7	10001	to	15000	64,600
4	15001	to	20000	54,500
4	20001	to	25000	114,262
4	25001	to	30000	87,500
5	35001	to	40000	146,155
4	40001	to	45000	213,200
3	45001	to	50000	147,500
1	50001	to	55000	50,700
1	60001	to	65000	61,000
1	65001	to	70000	68,600
1	70001	to	75000	75,000
1	85001	to	90000	90,000
1	95001	to	100000	100,000
1	100001	to	105000	101,000
1	295001	to	300000	295,996
1	710001	to	715000	714,500
1	1010001	to	1015000	1,013,358
1	1140001	to	1145000	1,141,901
1	1955001	to	1960000	1,957,000
1	2315001	to	2320000	2,320,000
1	2550001	to	2555000	2,551,585
1	7745001	to	7750000	7,749,785
1	8265001	to	8270000	8,267,674
1	9720001	to	9725000	9,724,951
918				**37,873,821**

FRONTIER CERAMICS LIMITED
PATTERN OF SHAREHOLDING REPORT
As of June 30, 2019

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 Seventh Annual General Meeting of the Company to be held on November 21, 2019 and at any adjournment thereof. As witness my/our hand /seal this ______ day of ___________ 2019.

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.