

FRONTIER CERAMICS LIMITED



38th ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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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-paralleled 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. Asad Ul Mulk
Advocate & Legal Consultant
Flat No. 106, 2nd Floor, Abbas Centre, Main Saddar
Peshawar

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 38TH ANNUAL GENERAL MEETING

Notice is hereby given that 38th Annual General Meeting of **Frontier Ceramics Limited** will be held on Wednesday, October 28, 2020 at 09:00 A.M at 29-Industrial Estate, Jamrud Road, Peshawar to transact the following business:

1. To confirm the minutes of the Extra ordinary General Meeting of the Company held on February 28, 2020.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020, together with the Chairman's Review Report, Directors Report and Auditors Report thereon.
3. To appoint auditors and fix their remuneration for the year ended June 30, 2021. The present auditors Messers BDO Ebrahim & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

October 07, 2020

(Company Secretary)

NOTES:

1. Closure of Share Transfer Books

Due to current COVID-19 situation, the AGM proceedings shall be held via video conference facility only. Shareholders interested to participate in the meeting are requested to share below information at rehman.khan@forte.com.pk for their appointment and proxy's verification by or before 4:30 p.m. on October 27, 2020.

Name of Shareholder	CNIC No.	Folio No. / CDC No.	Cell Number	Email address

Video conference link details and login credentials will be shared with those shareholders whose registered emails containing all the particulars are received on or before October 27, 2020 by 4:30 p.m. Shareholders can also provide their comments and questions for the agenda items of the AGM on Rehman.khan@forte.com.pk or WhatAapp or SMS on Cell Number 0342-5251342 by October 27, 2020 by 4:30 p.m. Shareholders are required to mention their full name, CNIC number and Folio/CDS # for this purpose.

2. Closure of Share Transfer Books

The share transfer books of the Company will remain closed from October 22, 2020 to October 28, 2020 (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 October 21, 2020 will be treated for the purpose of attendance at Annual General Meeting.

3. Proxy

A member entitled to attend and vote at this General Meeting is entitled to appoint a Proxy to attend, speak and vote in his place at the Meeting. Instrument appointing a proxy and the power

of attorney or other authority under which it is signed or a notarial certified copy of the power or authority must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

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

The SECP vide circular No. 25 of 2020 dated: August 31, 2020 has given regulatory relief to dilute impact of Coronavirus (COVID-19) for corporate sector. Accordingly this notice of AGM of the Company shall be dispatched to the shareholders through printed copies and shall be electronically available on the PUCARS system of the Pakistan Stock Exchange Limited and the Company's website (www.forte.com.pk) under "Notices". Shareholders are requested to provide the Company their email addresses at Rehman.khan@forte.com.pk if notice of the meeting is required through email.

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.

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

4. Changes in Members Addresses

The Shareholders are requested to promptly notify change in their address, if any, to the Company's Share Registrar.

5. Availability of Financial Statements and Reports on Website

The Annual Audited Financial statements for the year ended June 30, 2020 has been uploaded on the website of the Company.

6. Submission of copies of valid CNIC not provided earlier

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar.

7. Transmission of Audited Financial Statements / Notices Through Email

In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.forte.com.pk and send the said form duly filled in and signed along with copy of his/her/its CNIC/Passport or other such information in the case of a body corporate to the Company's share registrar. The Company's Annual Financial Statements for the year ended June 30, 2020 is also being circulated to the shareholders through CD in compliance of section 223(6) of the Companies Act, 2017.

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. Deposit of Physical Shares In CDC Account

As per Section 72 of the Companies Act,2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017, The Shareholders having physical shareholding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form.

Frontier Ceramics Limited

KEY OPERATING & FINANCIAL DATA - FOR LAST 5 YEARS

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

2019	2018	2017	2016	2015
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Sales - Net	1,115,224	781,835	664,996	664,996	426,926
Gross Profit/(Loss)	112,722	16,915	105,659	105,659	30,922
Expenses	(78,746)	79,680	42,919	42,919	25,517
Profit/(Loss) Before Taxation	33,975	(62,765)	62,740	62,740	5,405
Profit/(Loss) After Taxation	43,852	(88,474)	39,424	39,424	4,709
Dividend %	-	-	-	-	-

Earning/(Loss) Per Share (Rs.)	1.16	2.34	(Restated)	(Restated)	(Restated)
			0.12	0.12	0.07

CHAIRMAN'S REVIEW REPORT

Dear Shareholders,

On behalf of the Board, it is my pleasure to present the Chairman's review report for the year ended June 30, 2020.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Frontier Ceramics Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed.

For the financial year ended June 30, 2020, 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.

Further, the board carried out its annual self-evaluation for the year ended 30, 2020. The overall performance of the Board measured on the basis of approved criteria for the year was satisfactory. The Board also identified areas of improvement in line with the global best practices.

The Board of Directors of your 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. All Directors, including Independent Director, fully participated in and made contributions to the decision making process of the Board. The Audit Committee and Human Resources & Remuneration committee met regularly to strengthen the functions of the board.

As the SECP is continuously implementing regulatory changes to further regulate the industry. The management is also committed to focus on corporate compliances, which will give overall positive impact.

Looking ahead, with improved regulatory environment the company will continue to strengthen its position in the market. I would like to thank company's valued customers, suppliers and shareholders for their continued trust and appreciate the efforts of all employees for working in difficult conditions.

Mrs. Pervez Aslam

Chairperson

Dated: OCTOBER 07, 2020

بھتر پرسن جائزہ رپورٹ

معزز حصص یافتگان،

سال اختتام ۲۰۲۰ پر میں بورڈ کو چیئر پرسن کی جائزہ رپورٹ پیش کرنے میں انتہائی خوشی محسوس کرتی ہوں۔

کوڈ آف کارپوریٹ گورننس کی ضرورت کے تحت فرٹائر سرائکس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی کارکردگی کا سالانہ جائزہ لیا گیا۔ اس جائزے کا مقصد اس بات کو یقینی بنانا تھا کہ بورڈ کی مجموعی کارکردگی اور اس کے ممبروں کو مایا جاسکے اور کمپنی کے مقرر کردہ مقاصد کے حصول کے لئے معیار کو بہتر بنایا جاسکے۔ وہ تمام شعبہ جات جہاں پر بہتری کی ضرورت تھی ان کو زیر غور لایا گیا اور مستقبل کا لائحہ عمل ترتیب دیا گیا۔

بورڈ کی مجموعی کارکردگی برائے مالی سال اختتام ۳۰ جون ۲۰۲۰ کو اطمینان بخش پایا گیا۔ بہتری ایک جہد مسلسل ہے جس کے نتیجے میں عملی منصوبے تکمیل پاتے ہیں۔ مجموعی طور پر اطمینان بخش تشخیص جن اجزاء پر مبنی ہے ان میں بنیادی مقاصد کے حصول کی بصارت، اس کے لیے مہم کاری اور اقدار شامل ہیں۔ جبکہ دیگر اجزاء میں ہمہ گیر منصوبہ بندی میں شمولیت اور تشکیل، کمپنی کی سرگرمیوں، مالیاتی وسائل کے انتظام کی نگرانی شامل ہیں۔ جبکہ موثر مالی نگرانی، تمام ملازمین کے ساتھ مناسب سلوک اور بورڈ کے تفویض کردہ امور کی انجام دہی کی صلاحیت بھی انہیں اجزاء کا حصہ ہے۔

مزید برآں یہ کہ بورڈ نے سال اختتام ۳۰ جون ۲۰۲۰ کی سالانہ خود تشخیص کی۔ بورڈ کی مجموعی کارکردگی برائے سال کو اطمینان بخش پایا گیا جس کی جانچ بورڈ کے منظور شدہ معیار کو مد نظر رکھتے ہوئے کی جاتی ہے۔ بورڈ نے کچھ شعبہ جات میں بہتری کی نشاندہی کی جس کو عالمی بہترین معیارات کے مطابق ڈھالنے کا فیصلہ کیا گیا۔

بورڈ کو کمیٹی مینٹنگز سے پہلے ایجنڈا اور تحریری امدادی مواد بشمول قابل پیروی مواد موصول ہو چکا تھا۔

بورڈ اپنی تفویض کردہ ذمہ داریوں سے عہدہ براء ہونے کے لیے وقتاً فوقتاً اکٹھا ہوتا رہتا ہے۔ تمام ڈائریکٹرز بشمول خود مختار ڈائریکٹر نے بورڈ کے فیصلہ سازی عمل میں شامل ہوئے اور اپنا حصہ ڈالا۔ آڈٹ کمیٹی اور انسانی وسائل و معاوضہ کمیٹی بھی بورڈ کے افعال کو موثر بنانے کے وقتاً فوقتاً ملتے رہتے ہیں۔

ایس ای سی پی صنعتی شعبے کی بہتری کے لیے مسلسل انضباطی و ترتیبی تبدیلیاں کر رہا ہے۔ کمپنی انتظامیہ، مجموعی مثبت تاثر کے لیے کارپوریٹ کمپلائنس کی پابندی کے لیے پرعزم ہے۔

مستقبل میں کمپنی کے اصلاح شدہ انضباطی و ترتیبی ماحول کے باعث کمپنی مارکیٹ میں اپنی ساکھ کو مزید مضبوط بناتی رہے گی۔ میں کمپنی کے قابل قدر صارفین، سپلائرز اور حصص یافتگان کو اس اعتماد پر اور کمپنی کے ملازمین کو انتہائی مشکل حالات میں کام کرنے پر سراہتی ہوں اور شکریہ ادا کرتی ہوں۔

مسز پرویز اسلم

چیئر پرسن

مورخہ: ۱۷ اکتوبر ۲۰۲۰

Director's Reports

The Directors are pleased to present the 38th Annual Report of Frontier Ceramics Limited ("The Company") together with the audited financial statements of the Company for the financial year ended June 30, 2020.

FINANCIAL PERFORMANCE

The Financial performance of the year ended June 30, 2020 along with the comparison against the same period last year performance is summarized below:

(Rupees in Millions)

PARTICULARS	June 30, 2020	June 30, 2019
Sales-Net	1115	781.83
Gross Profit	112.72	16.92
Operating Profit /(Loss)	67.89	(22.18)
Profit/(Loss) after Taxation	43.85	(88.47)

During the year ended June 30, 2020, the sales of the Company have increased to Rs. 1115 million from Rs. 781.83 million, representing the increase of 42.61% due to increase in price and sales volume while the Cost of sales has increased only by 31.06% due to strong and highly effective cost control procedure introduced by management.

The year 2019-20 started rough, with unprecedented increase in costs due to:

- Gas tariff increase to the tune of 31% taking to cumulative 70% in two years
- Freight cost upsurge due to axle load restrictions
- Continued rupee devaluation
- Changes in sales tax regime, bringing tiles to third schedule of Sales Tax Act 1990.
- The documentation drive with significant impact on small traders which created chaos in the market

All these factors affected half performance. In the second half of the year when the market started to show signs of stability resulting in comparatively better performance of the company, the spread of COVID-19 and eventual nationwide lockdown resulted in closure of markets and projects and forced the company to shut its plant operations.

By the grace of Allah, your Company is blessed with highly capable senior management and an inspired and tremendously devoted group of workforce, who engaged remotely with customers to find new business opportunities while also recovering debt in the locked environment.

The Company managed to increase value through improved product mix while offsetting massive uncontrollable cost increases of gas, freight and rupee devaluation. However, the sales volume and production capacity not achieved due to lock down. As a result, the Company registered net profit after tax of Rs. 43.85 million which limit to profit per share (EPS) of Rs. 1.16

AS REGARDS AUDITORS' QUALIFICATION

- A. GRATUITY;** The Board of Directors has approved to opt for the provident fund as staff retirement benefit from July 01, 2020 to all permanent and regular employees. The payment against provident fund shall be disbursed as per the registered provident rules and regulation.

- B. REVALUATION OF PLANT AND MACHINERY;** Asset valuator is appointed for the revaluation of the plant. Machinery and investment property which is expected to report by within the week.

CORPORATE AND SOCIAL RESPONSIBILITY:

Over the years our Company has contributed significantly towards the welfare of the society in the shape of various socially responsible activities. The Company, being a responsible corporate citizen of Pakistan, did not lay off any of its staff/workers during the lock-down period due to pandemic COVID-19.

Dividend

The Board of Directors has not recommended any dividend for the financial year ended June 30, 2020.

Earnings per Share

Earnings /(Loss) per share Increased to Rs. 1.16 per share from previous Rs. (2.34) 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.

PRINCIPAL RISKS & UNCERTAINTIES

Current tax reforms, uncertainties in foreign exchange rates, commodity prices and expansive energy cost are the key risks and uncertainties for the company.

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.

<u>Name of Directors</u>	<u>No. of Meetings attended</u>
Mr. Omer Khalid	3
Mrs. Sana Khalid	3
Miss. Numrah Khalid	3
Mr. Javaid Khalid	3
Mrs. Pervez Aslam	3
Mrs. Shazia Khalid	3
Mr. Zia Khalid	3

Audit Committee

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

Auditors

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, 2021.

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2020 and its disclosure as required by the Code of the Corporate Governance is annexed with this report at Page no. 74

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

Acknowledgement

The Board of Directors recognizes the contribution of all the staff members in achieving the company's objectives. We also appreciate the continuous support of our valued dealers, customers, banks and stakeholders.

On behalf of the Board

Nadeem Khalid
Chief Executive

Mrs.Pervez Aslam
Chairperson

Date: October 07, 2020
Peshawar

ڈائریکٹر رپورٹ

فرنٹیئر سیرامکس لمیٹڈ کے ڈائریکٹر 38 ویں اختتامی سال 30 جون، 2020 کی رپورٹ بشمول آڈٹ شدہ اکاؤنٹس پیش کرنے میں خوشی محسوس کرتے ہیں

مالیاتی کارکردگی

سال اختتامی 30 جون، 2020 کی مختصراً مالیاتی کارکردگی ذیل ہے:

تفصیلات	30 جون 2020	30 جون 2019
	-----روپے ملین میں-----	
خالص فروخت	1,115	781.83
مجموعی منافع	112.72	16.92
کاروباری منافع / نقصان	67.89	(22.18)
منافع / نقصان بعد از ٹیکس	43.85	(88.47)

سال 30 جون 2020 کے اختتام پر کمپنی کی فروخت مبلغ 781.83 ملین سے بڑھ کر 1,115 ملین روپے ہو گئی۔ 42.61 فیصد کا یہ اضافہ قیمت فروخت اور حجم میں اضافے کی وجہ سے ہوا۔ جبکہ کمپنی انتظامیہ کے مضبوط اور انتہائی موثر لاگت کنٹرول کے طریقہ کار کے باعث پیداواری لاگت میں صرف 31.06 فیصد اضافہ ہوا۔

سال 2019-20 کا آغاز انتہائی دشوار گزار رہا جس میں لاگتوں میں درج ذیل وجوہات کی بنا پر غیر معمولی اضافہ ہوا

1. گیس کے نرخ میں 31 فیصد تک کا اضافہ جو کہ دو سالوں میں مجموعی طور پر 70 فیصد ہے
 2. ایکسل لوڈ کی پابندیوں کی وجہ سے گاڑی کے کرایوں میں بے پناہ اضافہ ہوا۔
 3. روپے کی قدر میں مستقل کمی۔
 4. سیلز ٹیکس کی طرز میں تبدیلی جس میں ٹائلوں کو سیلز ٹیکس ایکٹ 1990 کے تھرڈ شیڈول میں شامل کیا گیا۔
 5. معیشت کو دستاویزی شکل دینے کی مہم نے چھوٹے تاجروں پر قابل ذکر اثرات مرتب کیے جس سے مارکیٹ میں بے چینی پھیل گئی۔
- من درجہ بالا تمام عوامل نے پہلی ششماہی کارکردگی کو متاثر کیا۔ سال کی دوسری ششماہی میں مارکیٹ میں استحکام کی علامات ظاہر ہونے سے کمپنی کی کارکردگی نسبتاً بہتر ہو گئی تو COVID-19 کی وبا پھیل گئی اور اس کے نتیجے میں ہونے والے لاک ڈاؤن کی وجہ سے مارکیٹیں اور پروڈیکٹس بند ہو گئے جس کی وجہ سے کمپنی کو اپنے پلانٹس بند کرنے پڑے۔
- اللہ رب العزت کی رحمت سے کمپنی کے پاس اعلیٰ صلاحیت کے حامل انتظامیہ ہے اور ایک پرجوش اور انتہائی مخلص افرادی قوت ہے جو کہ بندش زدہ ماحول میں نئے کاروباری مواقع کی تلاش میں نئے کسٹمرز حاصل کرنے میں مصروف رہی جبکہ دوسری جانب قرضے بازیاب کرا لیے گئے۔
- کمپنی نے روپے کی بے قدری، کرایوں اور گیس کی لاگت میں انتہائی بے قابو اضافے کے باوجود بہتر پیداواری حکمت عملی کی بدولت اپنی قدر میں اضافہ کیا۔ تاہم فروخت کے حجم اور پیداواری صلاحیت کو لاک ڈاؤن کی وجہ سے حاصل نہ کیا جاسکا جس کی نتیجے میں کمپنی کا خالص منافع 43.85 ملین رہا اور فی حصص آمدنی 1.16 روپے تک محدود رہی۔

آڈیٹرز کی اعتراضات سے متعلق ملازمین کو ریٹائرمنٹ کے فوائد کی فراہمی

پروویڈنٹ فنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے 01 جولائی 2020 سے اپنے تمام مستقل اور باقاعدہ ملازمین کو اسٹاف ریٹائرمنٹ بینیفٹ کی مد میں پروویڈنٹ فنڈ شروع کرنے کا فیصلہ کیا ہے۔ اس مد میں تمام رقوم رجسٹرڈ پروویڈنٹ فنڈ کے قواعد و ضوابط کی روشنی میں کی جائیں گی۔

پلانٹ اور مشینری کی قیمت کا از سر نو تعین

اس سلسلے میں اویلیو ایٹر کا تعین کر دیا گیا ہے جس کی رپورٹ ایک ہفتے کے اندر متوقع ہے

اداراتی اور سماجی ذمہ داری

ساہا ہلال سے کمپنی نے معاشرے کی فلاح و بہبود کے لیے مختلف سماجی سرگرمیوں کی شکل میں قبل ذکر معاونت کی ہے۔ کمپنی پاکستان کی ادارتی ذمہ داری شہری ہے اس نہیں COVID-19 کی وبا کی وجہ سے لاک ڈاؤن کے دوران کسی ملازم / عملے کو نوکری سے نہیں نکالا۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے سال اختتام 30 جون 2020 پر کسی ڈیویڈنڈ کی سفارش نہیں کی۔

فی حصص آمدن

اس سال فی حصص آمدن 1.16 روپے رہی جو کہ گزشتہ مالی سال میں 2.34 فی حصص نقصان تھا۔

صحت، تحفظ اور ماحول

ہم صحت، تحفظ اور ماحولیات کے اعلیٰ معیارات کو برقرار رکھنے پر پختہ یقین رکھتے ہیں تاکہ ہمارے ساتھ کم کرنے والوں کے ساتھ اور جس جگہ ہم کام کر رہے ہیں وہاں کی لوگوں کی بہبود کو یقینی بنایا جاسکے۔

بنیادی خطرات اور غیر یقینی ماحول

ٹیکس کے قوانین میں حالیہ تبدیلی، زرمبادلہ اور اشیائے صرف کے نرخوں میں ناموافق اتار چڑھاؤ، توانائی کی لاگت میں اضافہ کمپنی کے لئے اہم خطرات سمجھے جاتے ہیں

کارپوریٹ نظم و ضبط کا کوڈ

کمپنی کے ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کا جائزہ لیا ہے اور درجہ ذیل تحریر کرتے ہیں

1. نظم و ضبط کے حوالے سے کمپنی میں کارپوریٹ گورننس کو مکمل طور پر نافذ کیا ہے جو کہ ایس ای سی پی کے لئے ضروری ہے
2. کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے کمپنی کے حالات، اس کے آپریشنز کے نتائج، کیش فلو اور ایکٹیویٹی میں تبدیلی کی شفاف عکاسی کرتے ہیں
3. کمپنی کے کھاتے مناسب طریقے سے رکھے جا رہے ہیں
4. مناسب اکاؤنٹنگ پالیسیوں کے تسلسل کو مالیاتی گوشوارے کی تیاری میں لاگو کیا گیا ہے۔ اکاؤنٹنگ کے اندازے ماہرانہ اور محتاط فیصلوں پر مبنی ہوتے ہیں
5. مالیاتی گوشوارے کی تیاری میں بین الاقوامی ادارے کی رپورٹنگ معیارات، جو کہ پاکستان، میں نافذ العمل ہیں، انکی پیروی کی گئی ہے۔

6. انٹرنل کنٹرول کے نظام مضبوط ہیں اور اسکی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے
7. آنے والے سالوں میں کمپنی کے کاروباری تسلسل پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں
8. ٹیکسز، ڈیوٹیز، اور دیگر چارجز کی معلومات اکاؤنٹس کے دیے گئے نوٹ میں دی گئی ہیں
9. سال کے دوران بورڈ آف ڈائریکٹرز کی 4 میٹنگز ہوئیں جن میں شرکت کرنے والے ڈائریکٹرز کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام میٹنگ میں شرکت کی تعداد

3	جناب عمر خالد
3	مس ثنا خالد
3	مس نمرہ خالد
3	جناب جاوید خالد
3	مس پرویز اسلم
3	مس شازیہ خالد
3	جناب ضیاء خالد

آڈٹ کمیٹی:

آڈٹ کمیٹی میں 3 نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ اس سال کے دوران 4 میٹنگز منعقد ہوئیں

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز میسرز بی ڈی او اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے مالیاتی سال 30 جون 2020 کے لیے آڈٹ مکمل کر لیا اور یہ کمیٹی کے 38 ویں سالانہ اجلاس عام میں ریٹائر ہو جائیں گے۔ مالیاتی سال 30 جون 2021 کے لیے 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 2020 کے لیے دوبارہ تقرری کی سفارش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار

کمپنی ایکٹ 2017 اور اداراجاتی نظم و ضبط کے تحت سال محترمہ 30 جون 2020 کی حصص داری کی ساخت پر مشتمل گوشوارے صفحہ نمبر 74 پر موجود ہے۔

ڈائریکٹرز، CFO، COO، 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 یافتگان، صارفین، سپلائرز اور موجودہ ملازمین کے مسلسل تعاون کا اعتراف کرتے ہیں اور ان کے مشکور ہیں

برائے و منجانب

مس پرویز اسلم

ندیم خالد

چیئر پرسن

چیف ایگزیکٹو آفیسر

مورخہ اکتوبر 07، 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

The Frontier Ceramics Limited (the company) complied with the requirements of the Regulations, 2019 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 seven 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 2020.
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 16 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, 2020.
- b) HR and Remuneration Committee: One meeting was held during the year ended June 30, 2020.
15. 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.
16. 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.
17. We confirm that all requirements of regulation 3,7,8,32,33 and 36 of regulation have been complied with except 6 and 27,:

Régulations	Explantations
6(1)	It is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors. However, we noted that currently Board consists of one independent director
27	We noted that there is no independent director on the Audit Committee as required by the Code.

18. Explanation of no-compliance with the requirements, other than regulation 3,7,8,32,33 and 36 are below.

Régulations	Explantations
10	Signifiant polices 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 (x) of the code.
31	Internal Audit Charter and audit plan have not been prepared. Further, no internal audit report has been provided to us for review.
18 & 19	During the year no "Director's Training Certification" and "Director Orientation Program" was undertaken by non compliant directors.

For and behalf of Board of Directors

Peshawar: October 07, 2020

Chairperson

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **FRONTIER CERAMICS LIMITED** for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instances of non compliance with the requirements of the code as reflected in the note 17 in the statement of compliance.

Regulation	Explanation
6(1)	It is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors. However, we noted that currently Board consists of one independent director
27	We noted that there is no independent director on the Audit Committee as required by the Code.
10	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 (x) of the code.
31	Internal Audit Charter and audit plan have not been prepared. Further, no internal audit report has been provided to us for review.
18 & 19	During the year no "Director's Training Certification" and "Director Orientation Program" was undertaken by non compliant directors.

ISLAMABAD

DATED:

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

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, 2020, 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 possible effects of the matter described in Basis for Qualified Opinion section of our report, 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, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

1. 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 approximately amounting to Rs. 54.115 million as at June 30, 2020.
2. The Company has not carried out an exercise to determine the recoverable amount of plant and machinery. Accordingly, we are not able to determine whether any impairment might be necessary to the carrying amount of plant and machinery.

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 qualified 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.	Revenue Recognition	
	<p>The Company is engaged in the production and sale of ceramic tiles.</p> <p>The Company recognized revenue from the sale of ceramic tiles of Rs. 1.115 billion for the year ended June 30, 2020.</p> <p>The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred, resulting in a significant risk associated with revenue from an audit procedure.</p> <p>Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.</p>	<p>Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework.</p> <ul style="list-style-type: none"> • Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others: • Performing analytical tests on the revenue. • Testing a sample of sales transactions around year end to ensure inclusion in the correct Period <p>Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers.</p>
2.	Control environment relating to the financial reporting process and related IT systems	
	<p>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.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>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.</p> <p>Our audit procedures extensively consisted</p>

S. No	Key audit matters	How the matter was addressed in our audit
		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.
3.	Impact of COVID 19	
	<p>Due to the COVID-19 situation and lockdown in the Pakistan since March 2020.</p> <p>Business activity has been adversely affected. The Company factory and offices were closed that resulted in a decline in the Company's sales from March 2020. This affected the overall audit strategy</p> <p>In relation to the accounting and reporting obligations, the management assessed the following significant areas for incorporating COVID - 19 impact in the financial statements</p> <ul style="list-style-type: none"> • expected credit losses (ECL) under IFRS 9, Financial Instruments' • the net realizable value (NRV) of inventory under IAS 2, 'Inventories • Going concern assumption used for the preparation of the financial statements. <p>Refer to note 48 of the financial statements</p>	<p>Our audit procedures included evaluation of the impact of COVID-19 on the company and its financial statements.</p> <ul style="list-style-type: none"> • Obtained an overall understanding of the changes in financial reporting process and underlying controls in order to determine the audit strategy. • For record provided by the management the original records were checked subsequently when the lockdown was relaxed; • Assessed the reasonableness of forward-looking factors under the COVID-19 situation used by management in preparing ECL model • Obtained the computation of NRV of inventory and checked its reasonableness • Evaluated management's going concern assessment by reviewing the approved future cash flow forecast and assessed whether going concern assumption is appropriate.

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.

ISLAMABAD

DATED:

**BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS**

FRONTIER CERAMICS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	1,468,280,478	1,580,069,122
Capital work in progress	7	58,575,025	-
Investment property	8	632,402	665,686
		<u>1,527,487,905</u>	<u>1,580,734,808</u>
Long term deposits	9	1,513,450	2,378,450
Long term advances	10	9,515,079	6,909,923
		<u>1,538,516,434</u>	<u>1,590,023,181</u>
CURRENT ASSETS			
Stores, spares and loose tools	11	71,976,158	53,408,954
Stock in trade	12	169,222,294	173,719,049
Trade debts	13	2,492,995	481,511
Advances	14	100,012,632	51,491,690
Tax refunds due from government	15	63,962,052	40,736,013
Taxation - net	16	22,482,902	23,226,037
Cash and bank balances	17	59,248,231	1,499,912
		<u>489,397,264</u>	<u>344,563,166</u>
TOTAL ASSETS		<u><u>2,027,913,698</u></u>	<u><u>1,934,586,347</u></u>
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	197,942,484	197,942,484
Unappropriated profit		884,642,163	898,965,921
		<u>88,331,457</u>	<u>30,155,888</u>
		<u>1,170,916,104</u>	<u>1,127,064,293</u>
NON CURRENT LIABILITIES			
Long term financing	21	168,248,651	209,578,209
Deferred taxation	22	203,770,678	226,653,562
Deferred income	23	-	48,522
		<u>372,019,329</u>	<u>436,280,293</u>
CURRENT LIABILITIES			
Trade and other payables	26	321,920,257	246,953,515
Unclaimed dividend		3,189,224	3,189,224
Mark up accrued	27	79,001,984	50,116,609
Short term borrowings	28	80,639,335	63,479,867
Current portion of long term financing	21	227,465	4,455,708
Current portion of liability against assets subject to finance lease	25	-	1,772,525
Temporary bank overdraft	24	-	1,274,313
		<u>484,978,265</u>	<u>371,241,761</u>
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		<u><u>2,027,913,698</u></u>	<u><u>1,934,586,347</u></u>

The annexed notes from 1 to 52 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, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	30	1,115,223,677	781,834,830
Cost of sales	31	<u>(1,002,502,032)</u>	<u>(764,919,649)</u>
Gross profit		112,721,645	16,915,181
Distribution cost	32	(12,297,009)	(11,724,257)
Administrative expenses	33	(28,455,427)	(25,485,800)
Other operating expenses	34	<u>(4,083,674)</u>	<u>(1,883,498)</u>
Operating profit/(loss)		67,885,535	(22,178,374)
Other income	35	2,922,569	2,040,434
Finance cost	36	<u>(36,832,781)</u>	<u>(42,627,088)</u>
Profit/(loss) before taxation		33,975,323	(62,765,028)
Taxation	37	<u>9,876,488</u>	<u>(25,709,322)</u>
Profit/(loss) for the year		<u><u>43,851,811</u></u>	<u><u>(88,474,350)</u></u>
Earnings/(loss) per share - basic and diluted	38	<u><u>1.16</u></u>	<u><u>(2.34)</u></u>

The annexed notes from 1 to 52 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, 2020

	2020	2019
	Rupees	Rupees
Profit/(loss) for the year	43,851,811	(88,474,350)
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
Total comprehensive income for the year	<u>43,851,811</u>	<u>429,929,527</u>

The annexed notes from 1 to 52 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, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		33,975,323	(62,765,028)
Adjustment for non cash items:			
Depreciation		115,967,226	54,806,593
Finance cost		36,989,648	42,627,088
Workers' profit participation fund		2,053,553	-
Loss on disposal of fixed assets		-	280,214
Amortization of deferred income		(48,522)	(582,263)
		<u>154,961,905</u>	<u>97,131,632</u>
Profit before working capital changes		188,937,228	34,366,604
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(18,567,204)	(8,817,488)
Stock in trade		4,496,755	(83,832,709)
Trade debts		(2,011,484)	10,061,232
Advances		(48,520,942)	(16,453,637)
(Decrease)/increase in current liabilities			
Trade and other payables		72,913,189	87,669,946
Temporary bank overdraft		(1,274,313)	1,274,313
Short term borrowings		17,159,468	24,829,904
		<u>24,195,469</u>	<u>14,731,561</u>
Cash generated from operations		213,132,697	49,098,165
Finance cost paid		(7,947,406)	(7,502,152)
Taxes paid		(35,489,298)	(23,226,037)
		<u>(43,436,704)</u>	<u>(30,728,189)</u>
Net cash generated from operating activities		169,695,993	18,369,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(4,145,299)	(25,096,668)
Addition to capital work in progress		(58,575,025)	(7,301,308)
Long term deposits		865,000	-
Sale proceeds from disposals of fixed assets		-	8,395,000
Net cash used in investing activities		(61,855,324)	(24,002,976)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing-net		(45,557,801)	5,801,336
Unamortized gain on sale and lease back		-	-
Lease rental paid		(1,929,392)	(2,329,177)
Long term advances		(2,605,156)	(459,127)
Net cash (used in)/generated from financing activities		<u>(50,092,349)</u>	<u>3,013,032</u>
Net increase/(decrease) in cash and cash equivalents		57,748,319	(2,619,968)
Cash and cash equivalents at the beginning of the year		1,499,912	4,119,880
Cash and cash equivalents at the end of the year	17	<u>59,248,231</u>	<u>1,499,912</u>

The annexed notes from 1 to 52 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, 2020

		Share capital		Reserves		Total
				Capital	Revenue	
		Issued, subscribed and paid up capital	Discount on issue of right shares	Revaluation surplus on property, plant and equipment	Unappropriated profit	
	Note	-----Rupees-----				
Balance as at July 01, 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, 2018						-
Loss for the year		-	-	-	(88,474,350)	(88,474,350)
Revaluation surplus on property, plant and equipment	20	-	-	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
Total comprehensive income for the year ended June 30, 2019						
Profit for the year		-	-	-	43,851,811	43,851,811
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	20	-	-	(14,323,758)	14,323,758	-
Balance as at June 30, 2020		378,738,210	(180,795,726)	884,642,163	88,331,457	1,170,916,104

The annexed notes from 1 to 52 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, 2020

1 STATUS AND NATURE OF BUSINESS

Frontier Ceramics Limited (the Company) was incorporated in July 1982 as a public limited company under the Companies Act 1913 (now the Companies Act, 2017). Shares of the Company are listed on Pakistan Stock Exchange Limited. 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 manufacturing 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
- Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountant of Pakistan as are 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 5.27.

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 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 01, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The Company applied IFRS-16 with a date of initial application of July 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. The lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligation to make lease payment. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risk arising from its residual interest in leased assets.

The Company's lease recognition policy is in line with the requirements of IFRS 16 and accordingly, there is no significant impact on these annual financial statements on the date of initial recognition. The Company does not have significant leasing activities acting as a lessee.

The Company has chosen practical expedient of definition of lease and accordingly any contract which was not previously identifiable as leases applying IAS-17 and IFRIC-4 are not re-assessed under the definition of IFRS-16.

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)
IFRS 16	Leases - Original issue	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

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 (2015 – 2017) Cycle:

IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.3 Amendments that are effective in current year and not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019

IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
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Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019

4.4 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:

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
IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020

IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

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

Annual improvements to IFRSs (2018 – 2020) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2020

4.5 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
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

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 Leases

leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of 12 months or less and leases of low-value assets are recognized as an expense in the statement of profit or loss.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 Cash and bank balances

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

5.10 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.

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 Dividend and apportioning to reserves

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

5.20 Financial instruments

5.20.1 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.

5.20.2 Financial liabilities

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

5.20.3 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.

5.20.4 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.

5.21 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.

5.22 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.

5.23 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.

5.24 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 of profit or loss.

5.25 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.

5.26 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.

5.27 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 5.11 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.

e) Contingencies

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

6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Note	Freehold land	Factory building	Plant and machinery owned						Furniture and fixtures	Office equipment	Computers	Vehicles	Total
				Imported	Local	Electrification	Casting benches	Laboratory ware	Generators					
Rupees														
Year ended June 30, 2020														
Net carrying value basis														
Opening net book value (NBV)		450,000,000	505,163,377	571,553,294	1,792,374	18,293,847	174,101	26,675	60,141	86,586	169,223	141,048	28,283,456	1,575,744,122
Additions		-	-	-	-	-	-	-	3,854,701	-	290,598	-	-	4,145,299
Transferred from leased assets	6.2	-	-	-	3,799,500	-	-	-	496,667	-	-	-	-	4,296,167
Depreciation charge		-	(50,516,337)	(57,155,330)	(1,097,975)	(914,692)	(17,410)	(5,335)	(444,427)	(17,317)	(37,282)	(42,314)	(5,656,691)	(115,905,110)
Closing net book value		450,000,000	454,647,040	514,397,964	4,493,899	17,379,155	156,691	21,340	3,967,082	69,269	422,539	98,734	22,626,765	1,468,280,478
Gross carrying value basis														
Cost / revalued amount		450,000,000	579,391,024	888,676,046	13,030,525	25,938,181	449,385	198,744	4,759,304	2,696,361	4,917,744	380,940	40,566,193	2,011,004,447
Accumulated depreciation		-	(124,743,984)	(374,278,082)	(8,536,626)	(8,559,026)	(292,694)	(177,404)	(792,222)	(2,627,092)	(4,495,205)	(282,206)	(17,939,428)	(542,723,969)
Net book value		450,000,000	454,647,040	514,397,964	4,493,899	17,379,155	156,691	21,340	3,967,082	69,269	422,539	98,734	22,626,765	1,468,280,478
Year ended June 30, 2019														
Net carrying value basis														
Opening net book value (NBV)		238,000,000	81,787,356	341,450,535	2,240,468	19,256,681	193,445	33,344	75,177	108,232	211,529	105,114	35,354,318	718,816,199
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	6.1	-	(8,178,736)	(35,940,429)	(448,094)	(962,834)	(19,344)	(6,669)	(15,036)	(21,646)	(42,306)	(36,456)	(7,370,007)	(53,041,557)
Closing net book value		450,000,000	505,163,377	571,553,294	1,792,374	18,293,847	174,101	26,675	60,141	86,586	169,223	141,048	28,283,456	1,575,744,122
Gross carrying value basis														
Cost / revalued amount		450,000,000	579,391,024	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	2,002,562,981
Accumulated depreciation		-	(74,227,647)	(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)	(426,818,859)
Net book value		450,000,000	505,163,377	571,553,294	1,792,374	18,293,847	174,101	26,675	60,141	86,586	169,223	141,048	28,283,456	1,575,744,122
Annual rate of depreciation (%)		-	10%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%	
	Note	2020 Rupees	2019 Rupees											
Allocation of depreciation:														
Cost of sales	31	112,107,731	49,841,083											
Distribution cost	32	1,898,689	2,465,237											
Administrative expenses	33	1,898,689	2,465,237											
		115,905,109	54,771,557											

6.2 LEASED ASSETS

Description	Plant and machinery	Generator	Total
	-----Rupees-----		
Net carrying value basis			
Year ended June. 30, 2020			
Recognition as at July 01, 2019 on adoption of IFRS -16	3,825,000	500,000	4,325,000
Depreciation charge for the July and August-2019	(25,500)	(3,333)	(28,833)
Net book value (NBV)	3,799,500	496,667	4,296,167
Transferred to owned assets	(3,799,500)	(496,667)	(4,296,167)
Net book value (NBV)	-	-	-
Net carrying value basis			
Year ended June 30, 2019			
Opening net book value	5,355,000	700,000	6,055,000
Depreciation charge for the year	(1,530,000)	(200,000)	(1,730,000)
Net book value (NBV)	3,825,000	500,000	4,325,000
Rate of depreciation	20%	20%	

- 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' accommodations, guard rooms, Store and Masjid.	14,811
		<u>590,022</u>

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 (Rupees)
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:

	2020 Rupees	2019 Rupees
Free hold land	3,518,245	3,518,245
Factory building	9,159,256	10,176,951
Plant and machinery		
Imported	129,360,385	143,733,761
Local	1,074,918	1,343,647
Electrification	3,079,442	3,241,518
Casting benches	59,343	65,937
Laboratory ware	2,257	2,821
Generators	25,619	32,024
	<u>133,601,964</u>	<u>148,419,708</u>
	<u>146,279,465</u>	<u>162,114,904</u>

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

	Note	2020 Rupees	2019 Rupees
7 CAPITAL WORK IN PROGRESS			
Balance as at July 01,		-	242,691,961
Additions during the year	7.1	58,575,025	7,301,308
Transferred to property, plant and equipment		-	(249,993,269)
		<u>58,575,025</u>	<u>-</u>

- 7.1 This represents parts of new plant and machinery imported during the year which is expected to be installed in next year.

	Note	2020 Rupees	2019 Rupees
8 INVESTMENT PROPERTY			
Office building	8.1	<u>632,402</u>	<u>665,686</u>

- 8.1 The movement in this head is as follows:

Net carrying value basis

Year ended June 30,

Opening net book value	665,686	700,722
Depreciation charge	(33,284)	(35,036)
Closing net book value	<u>632,402</u>	<u>665,686</u>

Gross carrying value basis

Year ended June 30,

Cost	2,648,885	2,648,885
Accumulated depreciation	(2,016,483)	(1,983,199)
Net book value	<u>632,402</u>	<u>665,686</u>

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 assessed by the management amounting to Rs 7,000,000 (2019: Rs. 7,000,000) at year end.
- 8.3 The rental income in respect of the property amounting to Rs. 1,451,520 has been recognised in profit and loss in other income. Depreciation on this property is calculated using written down value method is charged to administrative expenses.

Note	2020 Rupees	2019 Rupees
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9 LONG TERM DEPOSITS

Peshawar Electric Supply Company	1,403,200	1,403,200
Habib Metro Bank Limited	-	865,000
WAPDA	48,250	48,250
Office security	30,000	30,000
Others	32,000	32,000
	<u>1,513,450</u>	<u>2,378,450</u>

10 LONG TERM ADVANCES

Balance as at July 01,	6,909,923	6,450,796
Additions during the year	4,300,007	3,716,021
Adjusted during the year	(1,694,851)	(3,256,894)
10.1	<u>9,515,079</u>	<u>6,909,923</u>

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

	2020	2019
Note	Rupees	Rupees

11 STORES, SPARES AND LOOSE TOOLS

Stores	66,361,754	47,781,604
Spare parts and loose tools	5,614,404	5,627,350
11.1	<u>71,976,158</u>	<u>53,408,954</u>

- 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.

	2020	2019
	Rupees	Rupees

12 STOCK IN TRADE

Raw material	85,912,531	78,342,156
Work in process	57,667,499	57,967,049
Finished goods	25,642,264	37,409,844
	<u>169,222,294</u>	<u>173,719,049</u>

	2020	2019
Note	Rupees	Rupees

13 TRADE DEBTS

	Unsecured - considered good		
	Trade receivables	2,492,995	481,511
14	ADVANCES		
	Unsecured - considered good		
	Advances		
	- to suppliers	6,365,732	23,172,465
	- against letter of credit	48,695,904	13,529,706
	- against letter of credit margin	24,832,698	2,349,098
	- security deposit	5,952,644	5,667,506
	- against letter of guarantee	6,102,460	6,102,460
	- against salaries	2,462,562	237,065
	- against expenses	14.1 5,494,109	297,053
	- other advances	106,523	136,337
		100,012,632	51,491,690
14.1	Advance to related party		
	This represents amount advanced to Khalid and Khalid Holdings Private Limited, a related party due to common directorship. The advanced amount is repayable on June 30, 2021. The advance is considered unsecured. The maximum aggregate amount outstanding at any time during the year is same as the above carrying amount of advance.		
		2020	2019
	Note	Rupees	Rupees
15	TAX REFUNDS DUE FROM GOVERNMENT		
	Considered good		
	Balance as at July 01,	40,736,015	47,588,010
	Refundable/(adjustable) assessed during the year	23,226,037	(6,851,997)
		63,962,052	40,736,013
16	TAXATION - NET		
	Balance as at July 01,	23,226,037	1,336,680
	Prior year adjustment	-	(8,188,677)
		23,226,037	(6,851,997)
	Adjusted against / transferred to tax refunds due from government	(23,226,037)	6,851,997
		-	-
	Provision for taxation	37 (13,006,396)	-
	Advance income tax	35,489,298	23,226,037
		22,482,902	23,226,037

		2020 Rupees	2019 Rupees
17	CASH AND BANK BALANCES		
	Cash in hand	250,641	64,760
	Cash at bank - Local currency		
	Current accounts	58,997,590	1,435,152
		<u>59,248,231</u>	<u>1,499,912</u>

18 SHARE CAPITAL

18.1 Authorized share capital

Number of shares			
2020	2019		
		Ordinary shares	
<u>75,000,000</u>	<u>75,000,000</u>	of Rs. 10 each	
		<u>750,000,000</u>	<u>750,000,000</u>

18.2 Issued, subscribed and paid up capital

Number of shares			
2020	2019		
		Ordinary shares	
		of Rs. 10 each	
<u>37,873,821</u>	<u>37,873,821</u>	fully paid in cash	
		<u>378,738,210</u>	<u>378,738,210</u>

- 18.3 All ordinary share holders have same rights regarding voting, board selection and entitlement to dividend.

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

	2020 Rupees	2019 Rupees
Balance as at July 01,	1,083,783,397	462,631,826
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	14,323,758	15,906,262
Related deferred tax liability during the year transferred to profit and loss account	5,850,548	6,496,924
	<u>20,174,306</u>	<u>22,403,186</u>
	1,063,609,091	1,083,783,397
Less:		
Related deferred tax effect :		
Balance as at July 01,	184,817,476	66,163,520
Revaluation during the year	-	125,150,880
Effect of change in rate	-	-
Incremental depreciation charged during the year transfer to statement of profit or loss	(5,850,548)	(6,496,924)
	<u>178,966,928</u>	<u>184,817,476</u>
	<u>884,642,163</u>	<u>898,965,921</u>

- 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.

21 LONG TERM FINANCING	Note	2020 Rupees	2019 Rupees
From associated person - unsecured	21.1	11,804,923	70,012,723
From associated company - unsecured	21.2	156,671,193	140,896,193
From Musharaka finance facility - secured	21.3	-	3,125,001
		<u>168,476,116</u>	<u>214,033,917</u>
Less: Current portion Associated persons		(227,465)	(1,330,707)
Less: Current portion Musharaka finance facility		-	(3,125,001)
		<u>(227,465)</u>	<u>(4,455,708)</u>
		<u>168,248,651</u>	<u>209,578,209</u>

- 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. The loan carries mark up at the rate at KIBOR plus 2 % per annum.
- 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. The finance is secured by way of first charge of Rs. 68 million on present and future current and fixed assets (excluding land and building) of the Company.

	Note	2020 Rupees	2019 Rupees
22 DEFERRED TAXATION			
Deferred taxation	22.1	203,770,678	226,653,562

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

	2020 Rupees	2019 Rupees
Surplus on revaluation of fixed assets	178,966,928	184,817,476
Accelerated depreciation	34,617,152	45,379,381
Deferred income	-	(14,071)
Tax credit under section 65B	(9,813,402)	(3,529,224)
	<u>203,770,678</u>	<u>226,653,562</u>
Tax rate used	<u>29%</u>	<u>29%</u>

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. 48,522 has been amortized and recorded as other income (note 35) in statement of profit or loss.

24 TEMPORARY BANK OVERDRAFT

This represents temporary overdraft facility obtained from Faisal Bank Limited. However, there is no temporary overdraft balance at year end.

25 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2020 Rupees	2019 Rupees
Opening balance	1,772,525	1,757,195
Interest expense	156,867	15,330
Lease payments	(1,929,392)	-
At 30 June	<u>-</u>	<u>1,772,525</u>
	2020 Rupees	2019 Rupees

Maturity analysis - contractual undiscounted cash flows:

Less than one year	-	1,929,392
More than one year and less than five years	-	-
Total undiscounted lease	-	1,929,392
Future finance charges	-	-
Present value of lease payments	-	1,929,392

Leased asset	Folk Lifters, Loaders and Generators
Leased term	3 years
Security deposit	Rs. 865,000
Discount factor	KIBOR + 3%

This represents finance lease facility availed by the Company for acquisition of Folk Lifter, Loaders and Generator, repayable in monthly and quarterly installments started from August 02, 2016 along with mark-up. It carries mark-up as stated above. The facility is secured by way of corporate guarantee of Toyota Rawal Motors. The leasing companies have not imposed any financial restrictions on the Company.

	Note	2020 Rupees	2019 Rupees
26 TRADE AND OTHER PAYABLES			
Trade creditors		183,906,761	98,704,639
Accrued liabilities		59,136,510	36,180,949
Advances from customers		24,184,293	58,262,844
Old labour dues	26.1	3,256,878	3,256,878
Sales tax payable		9,625,067	15,688,323
Withholding sales tax payable		2,458,245	2,603,111
Workers' profit participation fund	26.2	37,654,395	30,558,663
Workers' welfare fund		1,698,108	1,698,108
		<u>321,920,257</u>	<u>246,953,515</u>

- 26.1 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.

	2020 Rupees	2019 Rupees
26.2 Movement in workers' profit participation fund:		
Balance as at July 01,	30,558,663	26,230,612
Interest for the year (at 16.5%)	5,042,179	4,328,051
Provision for the year	2,053,553	-
	<u>37,654,395</u>	<u>30,558,663</u>

	Note	2020 Rupees	2019 Rupees
27 MARK UP ACCRUED			

Mark up on short term borrowing from:

Financial institution	3,822,476	3,825,076
Associated company	55,513,339	26,625,364
Mark up on long term financing	19,637,947	19,637,947
Mark up on finance lease	28,222	28,222
	<u>79,001,984</u>	<u>50,116,609</u>

28 SHORT TERM BORROWINGS

Financial institution - secured	28.1	1,910,000	1,910,000
Related parties - unsecured			
Due to associated company	28.2	<u>78,729,335</u>	<u>61,569,867</u>
		<u>80,639,335</u>	<u>63,479,867</u>

28.1 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.

28.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors (Private) Limited for working capital of the Company and acquisition of the equipment at KIBOR + 2%, the principal amount shall be paid in twelve equal quarterly installments starting after a grace period of two years. The amount of interest charged on the loan will be paid subsequent to the settlement of principal amount.

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 Honorable 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 Honorable 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 Honorable 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 (2019: 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 2019 also challenged. The total amount of arrears as at June 30, 2020 is Rs. 234 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, the 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 the repealed 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 or order has been received from SECP in this regard.

The estimated value of this liability in term of gratuity not accounted for to date amounts to approximately Rs. 54.115 million as at June 30, 2020. The Company may be liable to any penal action for non compliance of the above statutory requirements.

	Note	2020 Rupees	2019 Rupees
29.2 COMMITMENTS			
The Company has following commitments:			
- in respect of letter of credit			
- against import of raw materials		83,713,727	7,246,004
- against import of stores and spares		33,805,988	8,779,859
- against import of plant and machinery		197,806,665	17,844,842
		<u>315,326,380</u>	<u>33,870,705</u>
- in respect of leased asset		-	1,772,525
		<u>315,326,380</u>	<u>35,643,230</u>

Commitments for Ijarah arrangements

Not later than one year		3,421,656	3,421,656
Later than one year and not later than five years		1,710,828	5,132,484
		<u>5,132,484</u>	<u>8,554,140</u>

30 SALES

Gross sales - tiles		1,345,995,957	953,838,494
Less:			
Trade discount	30.1	(35,200,205)	-
Sales tax		(195,572,075)	(172,003,664)
		<u>1,115,223,677</u>	<u>781,834,830</u>

30.1 This represents trade discount to specific customers. The ceramics industry was included in the third schedule of Sales Tax Act, 1990 through Finance Bill, 2019-2020. This shifted the responsibility of company to charge sales tax on the retail price. Previously sales tax was charge on the ex-factory price i.e excluding dealer margin from the retail price.

	Note	2020 Rupees	2019 Rupees
31 COST OF SALES			
Raw material consumed	31.1	250,871,384	213,474,769
Stores, spares and loose tools consumed	31.2	234,658,216	303,221,606
Gas and electricity		275,082,738	175,285,842
Depreciation	6.1	112,136,564	49,841,083

Salaries, wages and other benefits	109,638,121	65,836,734
Generator rent	950,125	984,000
Travelling and conveyance	155,153	319,618
Repairs and maintenance	152,234	103,040
Miscellaneous	31.3 3,176,574	2,438,109
Ijarah payments	31.4 3,606,681	1,710,828
Damaged stock	7,112	2,440,774
	<u>990,434,902</u>	<u>815,656,403</u>
Work in process		
Opening	57,967,049	22,678,204
Closing	(57,667,499)	(57,967,049)
	299,550	(35,288,845)
Finished goods		
Opening	37,409,844	21,961,935
Provision / inventory written off	-	-
Closing	(25,642,264)	(37,409,844)
	<u>11,767,580</u>	<u>(15,447,909)</u>
	<u>1,002,502,032</u>	<u>764,919,649</u>
31.1 Raw material consumed		
Opening stock	78,342,156	45,246,201
Add: Purchases	258,441,759	246,570,724
Less: Closing stock	(85,912,531)	(78,342,156)
	<u>250,871,384</u>	<u>213,474,769</u>
31.2 Stores, spares and loose tools consumed		
Opening stock	53,408,954	44,591,466
Add: Purchases	253,225,420	312,039,094
Less: Closing stock	(71,976,158)	(53,408,954)
	<u>234,658,216</u>	<u>303,221,606</u>
31.3 Miscellaneous		
Internet Expenses	573,600	523,600
L.G Expenses	12,864	11,864
Mobile Expense	28,706	35,550
Postage and Shipping	33,257	75,168
Printing and Stationary	73,230	70,930
	2020	2019
	Rupees	Rupees
Professional Fees - Other	10,000	-
Insurance expenses	380,000	416,262
Accommodation Exp.	1,000	-
Sales Tax	1,699,702	1,057,925
PTCL Expense	218,210	246,810
Exchange Loss	134,195	-
Fuel Expense	11,810	-

3,178,594	2,440,128
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- 31.4 This represents Ijarah payments for an excavator machine taken under Ijarah arrangement from First Habib Modarba Bank. Under the agreement, the term of Ijarah is two years and Ijarah payments of Rs. 285,138 are payable on monthly basis in 36 installments.

	Note	2020 Rupees	2019 Rupees
32 DISTRIBUTION COST			
Salaries, allowances and benefits		9,837,067	8,736,266
Rent expense		198,396	189,757
Communication and travel expense		357,297	308,567
Printing and repair expense		5,560	24,430
Depreciation	6.1	1,898,689	2,465,237
		<u>12,297,009</u>	<u>11,724,257</u>

33 ADMINISTRATIVE EXPENSES

Directors' remuneration	45	1,876,350	1,800,000
Salaries, allowances and benefits		22,383,761	18,885,564
Fee and subscription		78,808	108,961
Rent, rates and taxes		1,019,770	771,696
Utilities		120,000	120,000
Communication		190,868	209,282
Printing, postage and stationery		152,768	171,227
Advertisement expense		77,781	81,000
Depreciation	6.1 & 8.1	1,931,973	2,500,273
Travelling and conveyance		370,854	512,403
Vehicle running and maintenance		107,076	171,639
Entertainment		91,558	109,045
Repair and maintenance		53,860	44,710
		<u>28,455,427</u>	<u>25,485,800</u>

	Note	2020 Rupees	2019 Rupees
34 OTHER OPERATING EXPENSES			
Workers' profit participation fund		2,053,553	-
Auditors' remuneration	34.1	840,630	588,050
Legal and professional charges		1,188,671	877,250
Loss on sale of asset		-	280,214
Penalty		-	11,736
Others		820	126,248
		<u>4,083,674</u>	<u>1,883,498</u>

34.1 Auditors' remuneration

Annual audit fee	718,120	459,500
Review of half year financial statements	85,500	85,500
Out of pocket expenses	37,010	43,050
	<u>840,630</u>	<u>588,050</u>

35 OTHER INCOME

Amortization of deferred income	48,522	582,263
Rental income	1,451,520	1,458,171
Liabilities written back	35.1 427,414	-
Insurance claimable	300,000	-
Exchange gain	444,844	-
Markup	250,270	-
	<u>2,922,569</u>	<u>2,040,434</u>

35.1 This represents write back of lease liability during the year.

2020
Rupees

2019
Rupees

36 FINANCE COST

Mark up / interest on:		
Finance charges on lease	156,867	428,956
Letter of guarantee margin	531,103	669,178
Long term financing	-	10,509,117
Short term borrowings		
From financial institutions	143,250	1,760,432
From related party	29,138,245	24,329,319
	<u>29,281,495</u>	<u>26,089,751</u>
Workers' profit participation fund	5,042,179	4,328,051
Bank charges	1,821,137	602,035
	<u>36,832,781</u>	<u>42,627,088</u>

2020
Rupees

2019
Rupees

37 TAXATION

Provision for taxation		
Current year	13,006,396	-
Prior year	-	8,188,677
Deferred	(22,882,884)	17,520,645
	<u>(9,876,488)</u>	<u>25,709,322</u>

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

Reconciliation between accounting profit and tax expense for the year 2020 is not prepared as the

Company is subject to minimum tax in the current year.

38 EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED

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

	Note	2020	2019
Profit/(loss) after taxation (Rs.)		<u>43,851,811</u>	<u>(88,474,350)</u>
Weighted average (number of shares)		<u>37,873,821</u>	<u>37,873,821</u>
Earnings/(loss) per share-basic and diluted (Rs.)	38.1	<u>1.16</u>	<u>(2.34)</u>

38.1 There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2020 and June 30, 2019.

39 FINANCIAL ASSETS AND LIABILITIES

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

		Interest/mark up bearing			Not interest /
2020	Total	Maturity upto one year	Maturity after one year	Sub-total	mark up bearing
		Rupees			
Financial assets					
Financial assets at amortised cost:					
Long term deposits	1,513,450	-	-	-	1,513,450
Trade debts	2,492,995	-	-	-	2,492,995
Advances	14,624,189	-	-	-	14,624,189
Cash and bank balances	59,248,231	-	-	-	59,248,231
	77,878,865	-	-	-	77,878,865
Financial liabilities					
Financial liabilities at amortised cost:					
Long term financing	168,476,116	227,465	168,248,651	168,476,116	-
Trade and other payables	246,300,149	-	-	-	246,300,149
Mark up accrued	79,001,984	79,001,984	-	79,001,984	-
Short term borrowings	80,639,335	80,639,335	-	80,639,335	-
Liability against assets subject to finance lease	-	-	-	-	-
	574,417,584	159,868,784	168,248,651	328,117,435	246,300,149
On SOFP gap	(496,538,719)	(159,868,784)	(168,248,651)	(328,117,435)	(168,421,284)
Off SOFP items					
Financial commitments:					
Letter of credits	315,326,380	-	-	-	315,326,380
Bank guarantee	57,337,000	-	-	-	57,337,000
	372,663,380	-	-	-	372,663,380
Total Gap	(869,202,099)	(159,868,784)	(168,248,651)	(328,117,435)	(541,084,664)
		Interest/mark up bearing			Not interest /
2019	Total	Maturity upto one year	Maturity after one year	Sub-total	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)

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. 77.909 million (2019: Rs. 18.852 million) the financial assets which are subject to credit risk amounted to Rs. 77.658 million (2019: Rs. 18.788 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2020 Rupees	2019 Rupees
Long term deposits	1,513,450	2,378,450
Trade debts	2,492,995	481,511
Advances	14,624,189	14,492,466
Bank balances	58,997,590	1,435,152
	<u>77,628,224</u>	<u>18,787,579</u>
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	<u>2,492,995</u>	<u>481,511</u>

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:

2020	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	168,476,116	168,476,116	-	-	-	168,476,116	-
Short term borrowings	80,639,335	80,639,335	-	80,639,335	-	-	-
Trade and other payables	321,920,257	321,920,257	321,920,257	-	-	-	-
Mark up accrued	79,001,984	79,001,984	79,001,984	-	-	-	-
Liability against assets subject to finance lease	-	-	-	-	-	-	-
	650,037,692	650,037,692	400,922,241	80,639,335	-	168,476,116	-
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	-

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:

	2020	2019	2020	2019
	Effective Rate		Carrying amount	
	(In percent)		(Rupees)	
Financial Liabilities				
Fixed rate instrument				
Short term borrowings	15%	15%	1,910,000	1,910,000
Variable rate instrument				
Long term financing	8% to 10%	8% to 10%	168,476,116	214,033,917
Short term borrowings	8% to 10%	8% to 10%	80,639,335	63,479,867
Liability against assets				
subject to finance lease	8.75% to 20%	8.75% to 20%	-	1,772,525
			249,115,451	279,286,309

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, 2020		
Cash flow sensitivity - Variable rate financial liabilities	2,491,155	(2,491,155)
As at June 30, 2019		
Cash flow sensitivity - Variable rate financial liabilities	2,792,863	(2,792,863)

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

- 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:

	2020	2019
	Rupees	Rupees
Opening balance (level 3 recurring fair values)	591,900,432	363,249,650
Additions - Cost	8,150,868	266,043,188
Depreciation charge	(59,635,169)	(37,392,406)
Closing balance (level 3 recurring fair values)	<u>540,416,131</u>	<u>591,900,432</u>

- 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".

		2020	2019
Description	Explanation	Rupees	Rupees
Loans	Placed under interest arrangement	90,534,258	131,582,590
	Placed under Shariah permissible arrangements	1,910,000	5,035,001

Lease	Placed under interest arrangement	-	1,772,525
Ijarah payment	Placed under Shariah permissible arrangements	3,606,681	1,710,828
Long term deposits	Non-interest bearing	1,513,450	2,378,450
Loss on sale of vehicle		-	280,214
All sources of other income	Disclosed in note 35	2,922,569	2,040,434
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 Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

Capital for the reporting periods under review is summarized as follows:

	2020 Rupees	2019 Rupees
Equity	378,738,210	378,738,210
Long term financing	168,476,116	214,033,917
Short term borrowings	80,639,335	63,479,867
	379,226,353	543,751,923
Gearing ratio	50%	59%

44 PLANT CAPACITY AND PRODUCTION

During the year, the tile production capacity attained was 1,857,437 sq. meters (2019: 1,857,437 sq. meters) against annual manufacturing capacity of 5,760,000 sq. meters (2019: 5,760,000 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:

	2020				2019			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	2,088,284	844,358	4,212,105	7,144,747	2,103,143	810,000	4,410,140	7,323,283
Utilities	464,062	187,634	936,024	1,587,720	467,366	180,000	980,032	1,627,398
House rent	2,088,284	844,358	4,212,105	7,144,747	2,103,143	810,000	4,410,140	7,323,283
Total	<u>4,640,630</u>	<u>1,876,350</u>	<u>9,360,234</u>	<u>15,877,214</u>	<u>4,673,652</u>	<u>1,800,000</u>	<u>9,800,312</u>	<u>16,273,964</u>
Number of persons	<u>1</u>	<u>7</u>	<u>4</u>	<u>12</u>	<u>1</u>	<u>7</u>	<u>4</u>	<u>12</u>

- 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:

	2020			2019		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	Rupees					
Managerial remuneration	<u>1,876,350</u>	<u>-</u>	<u>1,876,350</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Number of persons	<u>2</u>	<u>5</u>	<u>7</u>	<u>1</u>	<u>6</u>	<u>7</u>

- 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	2020 Rupees	2019 Rupees
Toyota Rawal Motors (Private) Limited	Associated company by virtue of common directorship	Interest on short term borrowings	8,594,013	5,539,393
		Rental for building	-	-
		Short term borrowing received	23,259,468	30,364,260
		Short term borrowing repaid	2,600,000	8,299,640
		Utilities	120,000	120,000
		Rent	848,866	771,696
Rawal Industrial Equipment (Private) Limited	Associated company by virtue of common directorship	Purchase of Fixed Assets	-	10,500,000
		Long term borrowing received	18,700,000	79,105,604
		Interest on short term borrowings	20,510,786	18,656,019
		Long term loan repaid	2,925,000	46,396,285
		Payment against purchases	500,000	35,399,359
Mr. Nadem Khalid	Chief Executive	Long term financing - Loan repaid	57,104,558	14,983,691
		Long term financing - Received	-	7,119,868
		Markup on long term loan	-	10,509,117
Khalid & Khalid Holdings	Associated company by virtue of common directorship	Short term borrowing received	12,845,000	3,500,000
		Interest on short term borrowings	33,446	133,907
		Short term borrowing repaid	16,345,000	-
		Advance repaid	10,550,936	10,928,769
		Loan and advances paid	5,520,930	-
		Loan and advances received	283,930	-

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

	2020	2019
	Numbers	Numbers
Number of employees		
At June 30,	<u>546</u>	<u>242</u>
Average during the year	<u>416</u>	<u>220</u>

48 IMPACT OF COVID-19

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. In March, 2020, the Government of the Pakistan announced a temporary lock down as a measure to reduce the spread of the COVID-19. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth continued its operations in order to maintain business performance despite slowed down economic activity. The management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- the net realisable value of inventory under IAS 2, 'Inventories and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

49 SUBSEQUENT EVENT

Provident fund has been accounted for subsequent to the year end as decision of the board of directors of the Company in their meeting held at March 24, 2020 to opt provident fund against staff retirement benefits with effect from July 01, 2020 covering all permanent and regular employees as per registered provident fund rules and regulations.

50 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.

51 DATE OF AUTHORIZATION

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

52 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED

Pattern of Shareholding

As of June 30, 2020

# Of Shareholders	Shareholdings'Slab			Total Shares Held
105	1	to	100	6,139
608	101	to	500	276,720
75	501	to	1000	73,701
110	1001	to	5000	305,613
18	5001	to	10000	136,936
7	10001	to	15000	91,600
5	15001	to	20000	89,000
5	20001	to	25000	111,762
4	25001	to	30000	116,500
3	35001	to	40000	109,155
5	40001	to	45000	213,700
2	45001	to	50000	97,500
2	50001	to	55000	101,200
1	55001	to	60000	60,000
2	60001	to	65000	121,500
1	65001	to	70000	68,600
1	80001	to	85000	83,500
1	95001	to	100000	100,000
1	680001	to	685000	683,000
1	1955001	to	1960000	1,957,000
1	2315001	to	2320000	2,320,000
2	4130001	to	4135000	8,267,674
1	5945001	to	5950000	5,947,673
2	8265001	to	8270000	16,535,348
963				37,873,821

FRONTIER CERAMICS LIMITED

Pattern of Shareholding

As of June 30, 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. JAVED KHALID	2	1,957,500	5.17
MR. OMER KHALID	2	8,267,673	21.83
MRS. PERVEZ ASLAM	1	500	0.00
SHAZIA KHALID	1	2,446	0.01
ZIA KHALID	1	2,446	0.01
NADEEM KHALID	1	8,267,674	21.83
AMERA KHALID	1	8,267,674	21.83
NUMRAH KHALID	1	4,133,837	10.91
SANAH KHALID	1	4,133,837	10.91
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
<u>NIT & ICP</u>	1	40,200.00	0.11
<u>Banks Development Financial Institutions, Non Banking Financial Financial Institutions.</u>	1	68600	0.18
<u>Insurance Companies</u>	2	142500	0.38
<u>Modarabas and Mutual Funds</u>	1	14500	0.04
General Public			
a. Local	940	2500233	6.60
Foreign Investors	-	-	-
OTHERS	7	74201	0.20
Total	963	37,873,821	100.00

Share holders holding 10% or more	Shares Held	Percentage
NUMRAH KHALID	4,133,837	10.93
SANAH KHALID	4,133,837	10.93
NADEEM KHALID	8,267,674	21.85
AMERA KHALID	8,267,674	21.85
MR. OMER KHALID	27,596,455	72.93

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
 October 28, 2020 and at any adjournment thereof. As witness my/our hand /seal this _____ day of
 _____ 2020.

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.










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