

FRONTIER CERAMICS LIMITED



39th ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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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-paralle 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

Khawaja Mushtaq Ahmed FCA, ACIS
khawaja.mushtaq@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 Alfiah Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Silk Bank Limited
Meezan Bank Limited
United Bank Limited

Islamic Banks

Bank Al Habib Islamic Limited
Bank Alfiah Islamic Limited
Silk Emaan Islamic Bank Limited
UBL Ameen Limited
First Habib Islamic Income Fund

Auditors

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

Legal Advisor

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

Registrar and Share Transfer Office

Central Depository Company of Pakistan Ltd
CDC House, 99-B, Block B, S.M.C.H.S,
Main Sharah-e-Faisal, Karachi. Ph: 021-111-111-500

Head Office/Registered Office

29-Industrial Estate, Jamrud Road, Peshawar
Ph: 091-5891470-79, Fax: 091-5830290.

Website

www.forte.com.pk

or scan QR code



FRONTIER CERAMICS LIMITED
NOTICE OF THE 39TH ANNUAL GENERAL MEETING

Notice is hereby given that 39th Annual General Meeting of **Frontier Ceramics Limited** will be held on Thursday, October 28, 2021 at 09:00 A.M at 29-Industrial Estate, Jamrud Road, Peshawar to transact the following business:

1. ORDINARY BUSINESS

- 1.1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on February 8, 2021.
- 1.2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2021, together with the Chairperson's Review Report, Directors Report and Auditors' Report thereon.
- 1.3. To appoint auditors and fix their remuneration for the year ending June 30, 2022. The present auditors' M/s BDO Ebrahim & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

2. SPECIAL BUSINESS

- 2.1. To consent and accord approval for alteration in Memorandum of Association of the Company by passing special resolution with or without modification.

“Resolved That approval of shareholders be and is hereby accorded under section 32 of the Companies Act, 2017 for alteration of Memorandum of Association to facilitates its sister concern/ related parties. Thus, the sub-clause 88 of clause no. III of the Memorandum of Association of the Company be and is hereby inserted which read to be as follows:

To guarantee the performance of contracts, agreements, obligations or discharge of any debt of the company or on behalf of any other company or person or sister concerns or related parties, in relation to the payment of any financial facility including but not limited to loans, advances, letter of credit or other obligations through creation of any or all types of mortgages, charges, pledges, hypothecations, on execution of the usual banking documents or instruments or otherwise encumbrance on any or all of the movable and immoveable properties of the company, either present or future or both and issuance of any other securities or sureties by any mean in favor of banks, Non-Banking Finance Companies (NBFCs) of any financial institutions and to borrow money for purpose of the company.”

- 2.2. To consent and accord approval for appointment of independent directors in compliance of clause 6 of Code of Corporate Governance by passing special resolution with or without modification.

“Resolved That approval of shareholder be and is hereby accorded to fill the casual vacancies on the Board upon resignations of Ms. Pervez Aslam and Ms. Sana Khalid.”

“Further Resolved That in place of outgoing directors, appointment of Ms. Shabina Anjum and Mr. Muhammad Riaz Khan as independent directors of the Company are hereby approved.”

- 2.3. To consent and accord post approval of transaction with Khalid & Khalid Holding (Pvt) Ltd an associated company in the financial year June 30, 2020 in compliance of Section 199(1) by passing special resolution with or without modification.

“Resolved That, post approval of shareholder be and is hereby accorded under section 199(1) for advance of Rs.5,494,109 to associated company “Khalid & Khalid Holdings (Pvt) Ltd.”

- 2.4. To consent and accord post approval of transaction with Rawal Industrial Equipment (Pvt) Ltd an associated company in the financial year June 30, 2019 in compliance of Section 208(1) by passing special resolution with or without modification.

“Resolved That, post approval of shareholder be and is hereby accorded under section 208(1) of Companies Act 2017 for procurement of assets of Rs.10.5 million in the financial year 2019 from associated company “Rawal Industrial Equipment (Pvt) Ltd.”

- 2.5. To consent and accord approval of transactions from/to with associated companies & undertaking in compliance of Section 207, 208 and 199 of the Companies Act, 2017 by passing special resolution with or without modification.

“Resolved That the transactions from/to with associated companies and undertaking tabulated below during the year are approved by the Board shall be deemed to have been approved by the shareholders U/S 207 and / or 208 and/or 199 of the Companies Act, 2017.”

Name of Associated Companies & Undertakings	Loan Received	Loan Paid	Advance Paid	Advance Received
Toyota Rawal Motors (Pvt) Ltd		7,121,941		
Nadeem Khalid	10,000,000	21,767,136		
Rawal Industrial Equipment (Pvt) Ltd		27,500,000		
Khalid & Khalid Holding (Pvt) Ltd			26,500,000	24,100,000

“Resolved That the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case-to-case basis for the financial year ending 30th June 2022.”

“Resolved That the transactions approved by the Board shall be deemed to have been approved by the shareholders U/S 207 and / or 208 and/or 199 of the Companies Act, 2017 (if triggered) and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval U/S 207 and / or 208 or 199 of the Companies Act, 2017 (if required).”

“Further Resolved That the Company Secretary and CEO be and are hereby authorized to take and do, and/or cause to be taken or done, any /all necessary actions, deeds and things which are or may be necessary for giving effects to the aforesaid resolutions and to do all acts, matters, deeds, and things which are necessary, incidental /or consequential to fulfill all requisite legal, corporate and procedural formalities and any ancillary matters thereto.”

3. ANY OTHER BUSINESS

To consider any other business with the permission of the Chair

A statement under Section 134(3) of the Companies Act 2017 pertaining to the special business is being sent to the shareholders along with this notice.

BY ORDER OF THE BOARD

(Company Secretary)

October 07, 2021

Peshawar

NOTES:

1. Participation in the AGM Proceeding via the video conference facility

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, 2021.

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, 2021 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 WhatsApp or SMS on Cell Number 0315-5601819 by October 27, 2021 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, 2021 to October 28, 2021 (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, 2021 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 the 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, 2021 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, 2021 is also being circulated to the shareholders through CD in compliance of section 223(6) of the Companies Act, 2017.

8. 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.

9. Postal Ballot

Pursuant to Companies (Postal Ballot) Regulations 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act, 2017, members holding in aggregate 10% or more shareholding will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

10. 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.

**STATEMENT OF MATERIAL FACT UNDER SECTION 134 (3) OF THE
COMPANIES ACT 2017 READ WITH SRO 423(i)/2018, DATED APRIL 3, 2018
IN CONNECTION WITH SPECIAL RESOLUTION**

This statement sets out the material facts concerning the Special Business given in Agenda Item No. 2 of the Notice to be transacted at the Annual General Meeting of the Company to be held on Thursday, October 28, 2021 at 09:00 A.M.

ANNEXURE – A (Agenda Item 2.1)

APPROVAL FOR ALTERATION IN MEMORANDUM OF ASSOCIATION OF THE COMPANY

The Company needs to alter Memorandum of Association of the Company in order to facilitate its associated companies/ related parties for obtaining credit lines and financing from financial institutions.

The Directors are interested in the resolutions only to the extent of their shareholding and / or common directorships.

ANNEXURE – B (Agenda Item 2.2)

APPOINTMENT OF INDEPENDENT DIRECTORS

The Company in compliance of section 166 of Companies Act 2017 and clause 6 of Code of Corporate Governance shortlisted two candidates for their appointment as independent director. In this regard the process of due diligence of the independent directors had also been completed and consent has already been received from those directors. In place of outgoing directors of the Company Ms. Sana Khalid & Ms. Pervez Aslam Mr. Muhammad Riaz Anjum and Ms. Shabina Anjum will be appointed as independent directors of the Company to fill the casual vacancies as well. In the past the company could not induct the independent director from PICG panel due to the Company's CIB related issues.

Brief Profile/experience of upcoming independent directors are as follow:

Ms. Shabina Anjum recently retired from effective duties as Executive Director in the national Oil and Gas Development Company Limited (OGDCL) where her significant contributions include playing an instrumental role in devising:

- The Company's key strategic plans particularly its first ever business plan
- Leading its first IPO
- Spearheading its vision/mission exercise.

Mr. Muhammad Riaz Khan has served as Managing Director/CEO of Oil & Gas. He has over 18 Years of Directorship Experience on the Boards of various Oil & Gas Exploration & Production & Mid/Down Stream Companies. He has authored/co-authored and presented several papers. He is an active member of Pakistan Engineering Council (PEC), and The Society of Petroleum Engineers (USA).

The Directors are interested to the extent of compliance of section 166 of Companies Act 2017.

ANNEXURE – C (Agenda Item 2.3)

POST APPROVAL OF TRANSACTION WITH KHALID & KHALID HOLDING (PVT) LTD IN FINANCIAL YEAR ENDED 2020

The Company had provided loan of Rs. 5,494,109 to Khalid & Khalid holding (Pvt) Ltd. (an Associated Company) in the year 2020 and has not obtained the approval of the members as required under section 199 of the Companies' act 2017. Therefore, a post approval is sought from the members for the compliance of the section under reference.

The Directors have no other interest except to the extent of their common shareholdings and/or their common directorship and to the extent of compliance of Section 199 of the Companies Act, 2017.

ANNEXURE – D (Agenda Item 2.4)

POST APPROVAL OF TRANSACTIONS WITH RAWAL INDUSTRIAL EQUIPMENT (PVT) LTD

The Company procured fixed assets of Rs.10.5 million in the financial year 2019 from Rawal Industrial Equipment (Pvt) Ltd (an Associated Company). The pre-approval of which had already been obtained by the Company in its Extra Ordinary General Meeting held on May

28, 2016 that if required, Company may also procure and dispose of fixed assets from/to its sister concerns/related parties up to the extent of Rs.30 million in future.

The Company has to place the matter in the AGM as the pre-approval of the shareholders was obtained prior to promulgation of the Companies Act, 2017, wherein provision of Section 208 has been first time introduced in Companies Act 2017. Therefore, a post approval is sought from the members for the compliance of the section under reference.

The Directors are interested in the resolutions only to the extent of their shareholdings and / or common directorships and to the extent of compliance of Section 208(1) of the Companies Act, 2017.

ANNEXURE – E (Agenda Item 2.5)

APPROVAL OF TRANSACTIONS FROM/TO WITH ASSOCIATED COMPANIES & UNDERTAKING IN COMPLIANCE OF SECTION 207, 208 & 199 OF THE COMPANIES ACT, 2017

The Company's shareholders accorded prior approval for the transactions in last AGM with its related parties for the year ended 30th June 2021 which were on an arm's length basis as per the approved policy with respect to 'transactions with related parties' which were in the normal course of business. Many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships, shareholders further approval/ ratification is required for all transactions with the related parties as required u/s 207 and / or 208 and / or 199 of the Companies Act, 2017, for the year ended 30th June 2021.

Further, the Company may carry out further transactions with its related parties during the year ending 30th June 2022 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. Many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. In order to promote good corporate governance and transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties as required u/s 207 and / or 208 and / or 199 of the Companies Act, 2017, for the year ending 30th June 2022, which transactions shall be deemed to be approved by the Shareholders and will be ratified by the members in the next AGM.

The Directors are interested in the resolutions only to the extent of their shareholdings and / or common directorships in such related parties.

Frontier Ceramics Limited

KEY OPERATING & FINANCIAL DATA - FOR LAST 6 YEARS

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

	2021	2020	2019	2018	2017	2016
Sales - Net	2,828,952	1,115,224	781,835	664,996	426,926	408,447
Gross Profit/(Loss)	272,083	112,722	16,915	105,659	30,922	31,125
Expenses	122,668	78,746	79,680	42,919	25,517	29,436
Profit/(Loss) Before Taxation	149,415	33,975	(62,765)	62,740	5,405	1,689
Profit/(Loss) After Taxation	100,692	43,852	(88,474)	39,424	4,709	2,556
Dividend %	-	-	-	-	-	-

Earning/(Loss) Per Share (Rs.)	2.66	1.16	(2.34)	1.04	(Restated)	(Restated)
					0.12	0.07

CHAIRPERSON 'S REVIEW REPORT

DEAR SHAREHOLDERS,

On behalf of the Board, I have great pleasure in presenting the Chairman's review report for the year ended June 30, 2021.

ECONOMIC OVERVIEW

The COVID-19 outbreak that began in early 2020 across the world transformed into an unprecedented demand shock, which had socio-economic consequences. In the backdrop of the Covid -19 challenges, the present government sustained the economic growth through enhancing productivity and increasing investment. Besides, virus containment measures, the government implemented a comprehensive set of measures including the largest ever economic stimulus package of billions for construction, an expansion of the social safety net to protect the vulnerable segments for the society and a supportive monetary policy stance along with targeted financial initiatives. These measures helped the economy in minimizing the negative impact of pandemic. In contrast to other world economies, Pakistan started witnessing recovery during the first half of FY2021 on the back of continued domestic economic activity due to measures taken by the Government.

BUSINESS OVERVIEW

In the wake of the far-reaching effects of the coronavirus pandemic, your Company took the prudent decision early in the year to focus on volume-led competitive growth as the best means of maximizing value. The company registered a historic performance despite the inevitable and widespread disruption in a very challenging circumstance.

OPERATIONAL PERFORMANCE

Your Company registered a revenue of Rs. 2,829.95 million for the year which was higher by 153.67% compared to Rs. 1,115.22 million of previous year mainly due to increase of construction activity. The Company posted a gross profit of Rs. 272.08 million for the year as compared to gross profit of Rs. 112.72 million during the same period last year. Distribution and selling expenses were 231.60% higher due to increased sales while administrative expense was 25.41% higher than last year due to overall impact of inflation. Other expenses were higher than last year due to higher provision for Workers' Profit Participation and Workers' Welfare Funds on the back of higher profit. Overall, the Company registered a remarkable net profit after tax of Rs. 100.69 million which translated to earning per share (EPS) of Rs. 2.66 as against earning per share EPS of Rs. 1.16 of last year.

BRAND STRATEGY

FRCL has been working in enhancing the brand value of 'FORTE'. A number of steps in this direction are helping us in

creating demand for our products:

HUMAN CAPITAL

At FRCL, our people showed an unswerving resilience to the COVID-19 challenge, at the factories and offices.

To address the health and safety concerns and ensure productivity of our employees deputed at various locations, we devised a two-stage approach that included general awareness programs and establishing stringent set of COVID-19 protocols on the guidelines of Government and available best practice

procedures. I would like to thank all our employees and partners for their understanding, cooperation and great efforts to support everyone's well-being during this time.

BOARD EVALUATION

The evaluation of Board's role of oversight and its effectiveness, in compliance with the requirement of the Code of Corporate Governance and the Companies Act, 2017, is continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company
- Strategy formulation for sustainable operation
- Board's independence and
- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

Annual evaluation questionnaire developed in conformity with the Code of Corporate Governance is circulated to the Directors for performance evaluation. Strict level of confidentiality is exercised by the Company Secretary upon receipt of completed questionnaires. These are then evaluated to identify areas that require improvement and highlight differences of opinion, if any. For the financial year ended June 30, 2021, the Board's overall performance and effectiveness has been assessed as 'Satisfactory'. It is also important to highlight that during the year Board Committees (Audit Committee and Human Resource and Remuneration Committee) have marked a significant contribution in providing guidance and advise in their respective areas.

BUSINESS RISKS AND CHALLENGES

Pakistan has observed an upturn in its construction industry ever since the construction amnesty scheme was approved by the incumbent government. The continuity of the policies is utmost necessary to bring in stability. Further the following

risk and challenges remains for the industry:

- Slowdown in construction activity post expiry of amnesty scheme,
- Rising gas tariff to increase input cost
- Gas curtailment during winters in south region
- Freight cost upsurge due to supply chain disruption in the wake of pandemic
- Irrational tax burden on compliant companies
- Changes in regulatory and duty structures
- Frequent lockdowns
- Increasing devaluation of pak currency and high inflation

FUTURE OUTLOOK

Efforts are being made to curtail the costs wherever possible and create a price efficient sales mix to maximize profitability, mitigate market risks, meet future challenges and maintain business growth. In this regard the Board of Directors of the Company reviewed the long term business plans of the company, later seconded by the respectable shareholders of the Company in Extra Ordinary General Meeting, and

decided in principal to avail the opportunity of initially acquiring land Off-CPEC Highway near Mianwali from a related party at very attractive payment terms over the period of five years.

Keeping in view the conducive business environment, Directors feels that if the environment remains stable then in the next ten years Company shall be in a position to establish a large ceramic factory at the proposed location

ACKNOWLEDGEMENT

Our thoughts go out to all those who have suffered from the effects of this terrible pandemic. Equally, we remain deeply thankful to all those front-line workers – including in our own business – who have worked tirelessly to help keep others safe and our economies moving forward.

On behalf of the Board of Directors, I sincerely acknowledge and am thankful for the continued support of our shareholders, banks. customers, suppliers and employees.



Mrs. Pervez Aslam

Chairperson

Date: October 07, 2021

Peshawar

چیمبر پرسن کی جائزہ رپورٹ

معزز حصص یافتگان!

بورڈی جانب سے میں چیمبر پرسن کی جائزہ رپورٹ برائے ختم شدہ مدت 30 جون 2021 پیش کرتے ہوئے مسرت محسوس کرتی ہوں۔

وسیع معاشی جائزہ:

کوڈ ۱۹ کی وباء جس کے پھیلاؤ کا آغاز 2020 کی ابتداء میں ہوا تھا۔ اس نے عالمی معیشت پر شدید اثرات مرتب کئے۔ وباء پوری دنیا پر چھا گئی اور کئی ترقی یافتہ قوموں میں طبی نگہداشت، معیشت اور سپلائی چین کی سائٹ کو درہم برہم کیا۔ بنیادی طور پر دنیا بھر میں کاروباروں کی بلا ربط بندش کی وجہ سے سپلائی کا شاک غیر معمولی طور پر ڈیمانڈ کے شاک میں تبدیل ہو گیا، جسے سماجی و معاشی نتائج کا سامنا کرنا پڑا۔ ان چیلنجز کے تناظر میں موجودہ حکومت نے پیداواریت میں بہتری اور سرمایہ کاری میں اضافے کے ذریعے پائیدار معاشی نمو کے حصول کے لئے مالیاتی نصب العین پر توجہ مرکوز کی۔ اس کے علاوہ وائرس کو قابو کرنے کے اقدامات میں حکومت نے کئی ایک اقدامات متعارف کرائے جن میں تاریخ کا سب سے بڑا ۱۱ روپوں روپے معاشی بحالی پیکیج برائے تعمیرات، معاشرے کے غریب طبقے کے لیے سماجی تحفظ کا پیکیج اور معاون مالیاتی پالیسی بمہ حد فی مالیاتی پیش قدمیاں شامل ہیں۔ ان اقدامات سے وباء کے منفی اثرات کو کم کرنے میں مدد ملی۔ مندرجہ بالا اقدامات کی وجہ سے FY-2021 کی پہلی ششماہی کے دوران دنیا کی دیگر معیشتوں کے برعکس پاکستان میں بحالی کے آغاز کا مشاہدہ کیا گیا۔

کاروباری جائزہ:

کورونا وائرس کے دورس اثرات کے پیش نظر کاروبار کو بہترین انداز میں چلانے کے ضرورت کے تحت آپ کی کمپنی نے محتاط فیصلہ کرتے ہوئے سال کی ابتداء میں حجم کی بنیاد پر مسابقتی نمو کو قدر میں اضافہ کے لئے بہترین طریقہ کار کے طور پر اختیار کیا۔ نتائج سے تصدیق ہوئی کہ مقصد حاصل ہوا، یعنی کاروباری منافع میں قابل ذکر بہتری آئی۔ ناقابل گریز اور وسیع رکاوٹوں کے انتہائی دشوار گزار حالات کے باوجود کمپنی کی کارکردگی تاریخی رہی۔

کارکردگی کا اسکور کارڈ:

سال کے دوران آپ کی فروخت 2,829.95 ملین روپے رہی جو کہ گزشتہ سال کی 1,115.22 ملین روپے کے مقابلے میں 153.67 فیصد زیادہ ہے۔ جس کی بنیادی وجہ تعمیراتی صنعت میں بہتری تھی۔ کمپنی کا مجموعی منافع 272.08 ملین روپے رہا جو کہ گزشتہ سال اس مدت میں 112.72 ملین روپے تھا۔ بلند فروخت کی وجہ سے تقسیم اور فروخت کے اخراجات 231.60 فیصد زیادہ رہے۔ جبکہ انتظامی اخراجات گزشتہ سال کی نسبت 25.41 فیصد زیادہ رہے۔ جس کی وجہ افراط زر کے مجموعی اثرات تھے۔ دیگر اخراجات میں بھی

گزشتہ سال کے بہ نسبت بلند رہے۔ اس کی بنیادی وجہ بلند منافع کی وجہ سے ورکرز پرفارمنس انڈیکس اور ورکرز ویلفیئر انڈیکس میں بلند اختصاص تھا۔ مجموعی طور پر کمپنی کا خالص منافع بعد از ٹیکس 925 ملین روپے رہا۔ جس کی عکاسی 2.66 روپے فی حصص آمدن سے ہوتی ہے۔ جو کہ گزشتہ سال 1.16 روپے فی حصص آمدن تھی۔

برائڈ کی حکمت عملی:

FRCL اپنے برائڈ "FORTE" کی قدر میں اضافے کے لیے کام کر رہے ہیں۔ اس سمت میں کئی ایک اقدامات سے ہماری مصنوعات کی طلب میں مدد مل رہی ہے۔

انسانی سرمایہ:

کووڈ-19 کے دوران FRCL میں ہمارے لوگوں نے فیکٹریوں اور دفاتر میں غیر معمولی شائستگی کا مظاہرہ کیا۔ ہم نے یقینی بنایا کہ جہاں مناسب ہو وہاں گھر سے کام کروایا جائے جو کہ ایک نیا معمول بن گیا تھا۔ جس کے ضروری تکنیکی اور دیگر ضروریات کو مستعدی اور موثر انداز میں فراہم کیا گیا۔ صحت اور تحفظ کے خدشات کے ازالے اور مختلف جگہوں پر تعینات ہمارے ملازمین کی کام کی صلاحیت کو یقینی بنانے کے لیے ہم نے ایک دو مرحلہ رسائی اختیار کی جس میں پروگراموں سے متعلق عمومی آگاہی اور کووڈ-19 کے ضابطوں کو سرکاری رہنما اصولوں اور دستیاب بہترین طور طریقوں کو مد نظر رکھ کر تیار کیا گیا۔ میں تمام ملازمین اور شراکت داروں کی سمجھ بوجھ، تعاون اور ان اوقات میں ہر شخص کی بہبود کے لئے مدد کرنے پر ان کا مشکور ہوں۔

بورڈ کی تشخیص:

بورڈ کی نگرانی کے کردار اور اس کی اثر پذیری کی تشخیص ادارتی نظم و ضبط کے ضابطے اور کمپنیز ایکٹ 2017 کے تقاضوں کے تحت کی جاتی ہے۔ جو کہ ایک مسلسل عمل ہے۔ جس کی تشخیص بورڈ از خود کرتا ہے۔

- * ادارتی مقاصد اور اہداف کے نصب العین اور مشن کے ساتھ مطابقت
- * پاسدار کاروباری افعال کے لئے حکمت عملی کی تشکیل
- * بورڈ کی خود مختاری اور
- * بورڈ کی کمیٹیوں کی طے شدہ ذمہ داریوں سے عہدہ بردار ہونے کی کارکردگی کی تشخیص

سالانہ تشخیصی سوالنامہ جو کہ ادارتی نظم و ضبط کے ضابطہ تقاضوں کے مطابق تیار کیا گیا ہے۔ اس سے ڈائریکٹران میں کارکردگی کی تشخیص کے لیے تقسیم کیا گیا ہے۔ موصول ہونے والے مکمل شدہ سوالنامہ پر کمپنی سیکریٹری اعلیٰ سطح کی رازداری برقرار رکھتا ہے۔ ان شعبوں کی نشان دہی کی جاتی ہے جہاں پر بہتری کی ضرورت ہوتی ہے۔ اور اگر کوئی اختلاف رائے ہوتا ہے تو اسے اجاگر کیا جاتا ہے۔ مالیاتی سال ختم 30 جون 2021 میں بورڈ کی مجموعی کارکردگی اور اثر پذیری کی تشخیص "تسلیمی بخش" پائی گئی ہے۔ اس بات کو اجاگر کرنا بھی اہم ہے کہ سال کے دوران بورڈ کی کمیٹیوں (آڈٹ کمیٹی اور انسانی وسائل و معاوضہ کمیٹی) میں رہنمائی فراہم کرنے میں قابل ذکر معاونت کی اور اپنے متعلقہ شعبوں میں مشاورت فراہم کی۔

کاروباری خطرات اور چیلنجز:

جب سے موجودہ حکومت نے تعمیراتی ایجنسی اسکیم منظور کی ہے اس وقت سے پاکستان کی تعمیراتی صنعت میں اوپری رجحان کا مشاہدہ کیا گیا ہے۔ استحکام لانے کے لئے پالیسیوں کا تسلسل انتہائی ضروری ہے۔ صنعت کے لیے مندرجہ ذیل خطرات اور چیلنجز موجود ہیں۔

- * ایجنسی اسکیم کے اختتام کے بعد تعمیراتی صنعت میں سست روی
- * خام لاگت کے طور پر گیس کے بڑھتے ہوئے نرخ
- * وباء کی وجہ سے سپلائی چین میں رکاوٹ کے نتیجے میں کرایوں کی بڑھتی ہوئی لاگت
- * پاسدار کمپنیوں پر نامعقول ٹیکسوں کا بوجھ
- * انضباطی اور ریویو کی ساخت میں تبدیلیاں
- * کثرت سے لاک ڈاؤن
- * روپے کی قدر میں ڈالر کے مقابلے میں کمی

مستقبل کی پیش بینی:

زیادہ سے زیادہ منافع بنانے، مارکیٹ کے خطرات کو کم کرنے، مستقبل کے چیلنجز کا مقابلہ کرنے اور کاروباری شرح نمو کو برقرار رکھنے کے لئے جہاں بھی ممکن ہوا اخراجات کو کم کرنے اور قیمتوں میں موثر سیلنکس تیار کرنے کی کوشش کی جا رہی ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز نے اپنے اجلاس کمپنی کے طویل المدتی منصوبوں کا جائزہ لیا جس کی بعد ازاں معزز حصص یافتگان نے اپنے غیر معمولی اجلاس عام میں تائید کی اور پانچ سالوں پر مشتمل انتہائی پرکشش ادائیگی کی شرط پر ایک متعلقہ فریق سے میانوالی کے نزدیک

CPEC ہائی وے سے متصل رقبے کو ابتدائی طور پر حاصل کرنے کی اصولی منظوری دی۔ سازگار کاروباری ماحول کی مد نظر رکھتے ہوئے ڈائریکٹرز محسوس کرتے ہیں کہ اگر اس ماحول میں استحکام رہا تو اگلے دس سال میں کمپنی مجوزہ مقام پر ایک بڑی سرائیکس فیکٹری لگانے کے قابل ہو جائے گی۔

اعتراف:

ہماری نیک خواہشات ان تمام کے لیے ہیں جو کہ اس خوفناک وباء کے اثرات سے متاثر ہوئے۔ اسی طرح ہم اگلے محاذ پر کام کرنے والے کارکنوں بشمول ہمارے اپنے کاروبار کے لوگوں کے انتہائی مشکور ہیں جنہوں نے دوسروں کی حفاظت اور معیشت کو آگے بڑھانے کے لئے انتھک محنت کی۔

بورڈ آف ڈائریکٹرز کی جانب سے میں تمام حصص یافتگان، گاہکوں، سپلائرز اور ملازمین کے مسلسل تعاون کا خلوص سے اعتراف کرتی ہوں اور ان کا انتہائی مشکور ہوں۔

P. Hussain

پرویز اسلم
چئیر پرسن
پشاور

07 اکتوبر 2021

DIRECTORS' REPORT

The Directors have the pleasure in presenting to you the audited financial results of your Company for the year ended 30 June 2021.

CHAIRPERSON REVIEW REPORT:

The Chairperson review included in the Annual Report deals inter alia with the nature of business, performance of the Company, explanation of significant deviations from last year, future prospects and uncertainties.

BUSINESS ENVIRONMENT:

The FY2021 began in the midst of the most severe global health crisis experienced in modern history. Pakistan's economy, like rest of the world, though struggled to combat the economic consequences, but with a comprehensive set of measures including a construction package and supportive monetary policy stance along with targeted financial initiatives taken by the Federal Government resulted timely resumption of economic activities and helped the economy in lessening the negative impact of the pandemic. In contrast to other world economies, Pakistan started witnessing recovery during the first half of FY2021 on the back of continued domestic economic activity due to the above stated measures along with a smart lockdown policy. Pakistan's GDP has always been largely dependent on the growth of construction sector which contributes ~19.3% to the country's GDP. As a result of special emphasis by the Federal Government on this sector, associated industries also witnessed an uptick in demand. Your Company turned out to be a major beneficiary as demand for building materials including tiles have shown a positive trend during the year.

FINANCIAL RESULTS:

A comparison of the operating results of the Company for the financial year ended June 30, 2021 against the same period last year is shown hereunder:

	2021	2020
	(Rupees in Millions)	
Turnover – net	2,828.95	1,115.22
Gross profit	272.08	112.72
Operating Profit	177.79	67.89
Finance cost	32.27	36.83
Profit before taxation	149.42	33.98
Profit after taxation	100.69	43.85
Earnings per share (Rs.)	2.66	1.16

The FY-2021 started under the clouds of uncertainty as the two months long Covid-19 lockdown started to release. Post lockdown, the economy started a gradual recovery which restored confidence and the construction industry witnessed surge in its demand. Hence, your Company registered an unprecedented 153.67% growth in revenue. Further, being a high fixed costs-based industry, with an increase in the utilization levels of production, better absorption of fixed costs resulted in economies of scale and the gross margins achieved at 9.61%. The Company closed the financial year with profit before tax of Rs 149.42 million and net profit after tax of Rs. 100.69 million, being the highest ever in the history of the Company.

CAPITAL STRUCTURE AND FINANCIAL POSITION:

Your company's self-generated liquidity is its biggest strength. This provides your management with flexibility to capitalize on further cost-saving ventures and gives the company's stakeholders and vendor's confidence.

AS REGARDS AUDITORS' QUALIFICATION

GRATUITY

The provident fund facility has been initiated by the Company against staff retirement benefits as per the requirements of law of The Khyber Pakhtunkhwa Industrial and Commercial Employment (Standing Orders) Act, 2013 with effect of January 01, 2021. Therefore, the Company does not need to provide any provision for gratuity for the previous period since June 2008 which is the takeover date of the Company of the present management. However, the Company can sustain the risk of the penalty, if any, provided under the law and few claims under contingencies as stated in Note. 28.1 have been disclosed in the financial statements.

Payment against provident fund shall be disbursed, to all permanent and regular employees, as per the registered provident rules and regulations.

CORPORATE AND SOCIAL RESPONSIBILITY:

The Company, being a responsible corporate citizen of Pakistan, neither lay off any of its staff/workers nor reduced their salaries/wages during the lock-down period due to pandemic COVID-19.

HEALTH, SAFETY & ENVIRONMENT:

The Company believes in creating a sustainable and safe working environment for our people and contractors. Your Company was quick to implement appropriate measures and strict compliance was ensured throughout the pandemic. Measures such as face mask, social distancing, sanitizer gates, thermal check and work from home facility helped the Company in ensuring the safety of employees and business continuity. We are proud to state that all the employees, workers and contractors are vaccinated against COVID-19.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to certain inherent risks and uncertainties. However, we consider the following as key risks:

- Fluctuations in gas pressures / lower quality of gas / curtailment of gas;
- Slowdown in construction industry post expiry of construction amnesty scheme;
- Non absorption of fixed costs in case of lock-down due to COVID-19 pandemic;
- Highly price sensitive market due to increased local competition;
- Continued increase in input costs, specifically energy costs.

Currency exchange risk

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The company adheres to maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and

estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS:

The present auditors M/s BDO Ebrahim & Co, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. On the proposal of Audit Committee, the Board of Directors has recommended the re-appointment of the retiring auditors for the year ending 30 June 2022, for approval of the shareholders in the forthcoming Annual General Meeting.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The Company Management is fully cognizant of its responsibility as recognized by the Companies Act, 2017 provisions and Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). The following comments are

acknowledgement of Board's commitment to high standards of Corporate Governance and continuous improvement:

- 1) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- 2) Proper books of account have been maintained by the Company;
- 3) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment;
- 4) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of these financial statements;
- 5) The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue with the objective to further strengthen the controls and improve the system;
- 6) There are no significant doubts upon the Company's ability to continue as a going concern;
- 7) A summary of key operating and financial data of the Company of the last six years is annexed in the report on page No.10
- 8) There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of Rule Book of Pakistan Stock Exchange.
- 9) The Company operates a contributory provident fund scheme for all permanent employees. The value of Provident Fund Investments as per the audited accounts of FRCL Provident Fund Trust for the year ended June 30, 2021 was Rs. 6.27 million (2020: Rs. 0 million):
- 10) There are no outstanding statutory payments due on account of taxes, levies and charges except as those disclosed in these financial statements.

BOARD OF DIRECTORS & ITS COMMITTEES:

The Board:

The Board comprises of one independent Directors (including one female director), four non-executive Directors and two executive Director.

During the year, five meetings of Board of Directors (BOD) were held. All the meetings were held in Pakistan. The attendance and the composition of the Board of Directors are as follows:

Name of Director	Designation	No. of meetings
Mrs. Pervez Aslam	Independent Director & Chairperson	5
Mr. Omer Khalid	Non-Executive Director	5
Mr. Javid Khalid	Non-Executive Director	5
Mr. Zia Khalid	Executive Director	5
Ms. Numrah Khalid	Executive Director	5
Mrs. Sana Khalid	Non-Executive Director	5
Mrs. Shazia Khalid	Non-Executive Director	5

Board Audit Committee:

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairperson of the Committee reports to the Board. The Committee comprises of two non-executive director and one executive director.

During the year, four meetings of Board Audit Committee were held. The attendance and the composition of the Board of Directors are as follows:

Name of Director	Designatio	No. of meetings
Mrs. Sana Khalid	Non-Executive Director	4
Ms. Numrah Khalid	Executive Director	4
Mrs. Shazia Khalid	Non-Executive Director	4

Human Resource and Remuneration Committee:

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration. The CEO of the Company and the Head of HR of the Company attended the Human Resource and Remuneration Committee meeting. The Committee met twice during 2020-21 attended by all the members. The composition of the Committee is as follows:

Name of Director	Designatio
Mr. Omer Khalid	Non-Executive
Mr. Zia Khalid	Executive Director
Mr. Javid Khalid	Non-Executive

DIVIDEND:

The Board of Directors has not recommended any dividend for the financial year ended June 30, 2021.

PATTERN OF SHAREHOLDING:

Statements showing the pattern of shareholding as at June 30, 2021 required under Section 227 (2) (f) of the Companies Act, 2017 and the Code of Corporate Governance, is annexed to this report at Page No.81

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

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report, except as disclosed in the financial statements.

RELATED PARTY TRANSACTIONS:

All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Company. The Company has fully complied with the best practices on transfer pricing as contained Act and Code. The details of all related party transactions were placed before the Audit Committee and upon its recommendation the same were approved by the Board of Directors.

BUSINESS CONTINUITY PLANS:

The Company recognizes the importance of a comprehensive Business Continuity Planning Programme that allows it to plan for and manage major business disruptions. All significant risks, possibilities for control and reduction are identified. The plan is regularly tested to ensure that it can be implemented in emergency situations and that the management and identified employees are aware of their respective roles. The range of events considered includes natural disasters, failure of equipment, government/political/legal actions, and changes in the financial and business climate. In addition to that, the remote disaster recovery sites have been adequately set up for or maintaining backup server and data in case our primary server encounters any issues.

FUTURE OUTLOOK

Efforts are being made to curtail the costs wherever possible and create a price efficient sales mix to maximize profitability, mitigate market risks, meet future challenges and maintain business growth. In this regard the Board of Directors of the Company reviewed the long term business plans of the company, later seconded by the respectable shareholders of the Company in Extra Ordinary General Meeting, and decided in principal to avail the opportunity of initially acquiring land Off-CPEC Highway near Mianwali from a related party at very attractive payment terms over the period of five years.

Keeping in view the conducive business environment, Directors feels that if the environment remains stable then in the next ten years company shall be in a position to establish a large ceramic factory at the proposed location.

Review of CEO's Performance

The performance of the CEO is formally appraised through the evaluation system which includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success. The remarkable performance of CEO is highly appreciated by the Board members.

DIRECTORS' REMUNERATION:

The company has a formal policy and transparent procedures for remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019. The company does not pay remuneration to its non-executive directors including independent directors.

ACKNOWLEDGEMENT:

The Board of Directors appreciates all its stakeholders for their trust and continued support to the Company and hope that the same spirit of devotion shall remain intact in the future ahead to the Company.

On behalf of the Board



Nadeem Khalid
Chief Executive



Mrs. Pervez Aslam
Chairperson

Date: October 07, 2021
Peshawar

ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹر کمپنی کے مالیاتی گوشوارے برائے ختمہ سال 30 جون 2021 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

محیر پرسن کی جائزہ رپورٹ:

چئیر پرسن کا جائزہ جو کہ سالانہ رپورٹ کا حصہ ہے، وہ دیگر کے ساتھ ساتھ کاروباری نوعیت، کمپنی کی کارکردگی، گزشتہ سال سے قابل ذکر انحراف، مستقبل کے امکانات اور غیر یقینی کیفیات پر مشتمل ہے۔

کاروباری ماحول:

2021 کا آغاز جدید تاریخ کے انتہائی شدید عالمی طبی بحران کے دوران ہوا۔ پاکستان کی معیشت کو اگرچہ کہ باقی دنیا کی طرح اثرات کا مقابلہ کرنے کے لئے جدوجہد کرنا پڑی، لیکن جامع اقدامات بشمول تعمیراتی پیکیج اور معاون مالیاتی پالیسی کے ساتھ ساتھ حکومت کی حدنی مالیاتی پیش قدمیوں کے نتیجے میں معاشی سرگرمیاں بروقت دوبارہ شروع ہو گئیں اور جس سے وباء کے منفی اثر کرنے میں مدد ملی۔ دنیا کی دیگر معیشتوں کے برعکس پاکستان میں مقامی معاشی سرگرمی کو تسلسل سے جاری رکھنے کے مذکورہ بالا اقدامات کے ساتھ ساتھ سمارٹ لاک ڈاون کی پالیسی کی وجہ سے فٹائل ایئر 2021 پہلی ششماہی میں بحالی دیکھی۔ پاکستان کی جی ڈی انحصار تعمیراتی شعبے کی ترقی پر ہے جو کہ ملکی جی ڈی پی میں کم و بیش 19.3 فیصد معاونت کرتا ہے۔ وفاقی حکومت کی جانب سے اس خصوصی توجہ دینے کے نتیجے میں ملحقہ صنعتوں کی طلب میں بھی اداری رجحان دیکھا گیا۔ سال کے دوران تعمیراتی سامان بشمول ٹائیلوں کی طلب میں مثبت رجحان کی وجہ سے آپ کی کمپنی بھی اس صورت حال سے زیادہ مستفید ہوئی۔

مالیاتی نتائج:

مالیاتی سال ختمہ 30 جون 2021 میں کمپنی کی کاروباری نتائج کا گزشتہ سال کے ساتھ مقابلہ جائزہ درج ذیل ہے۔

تفصیلات	2021	2020
(روپے ملین میں)		
خالص فروخت	2,828.95	1,115.22
مجموعی منافع	272.08	112.72
کاروباری منافع	177.79	67.89
فرسودگی	32.27	36.83
منافع قبل از ٹیکس	149.42	33.98
منافع بعد از ٹیکس	100.69	43.85
نی حصص آمدنی	2.66	1.16

2021 کا آغاز غیر تقبلی صورت حال سے ہوا تھا۔ کیونکہ کووڈ 19 کا دو ماہ کا لاک ڈاؤن ختم ہونا شروع ہوا تھا۔ لاک ڈاؤن کے بعد معیشت میں بتدریج بحالی آتی شروع ہوئی جس سے اعتماد بحال ہوا اور تعمیراتی صنعت میں اضافہ دیکھا گیا۔ لہذا کمپنی کی فروخت میں 153.67 فیصد کا غیر معمولی اضافہ ہوا۔ مزید یہ کہ بلند مقررہ حامل لاگتوں کی صنعت ہونے کی حیثیت سے پیداواری گنجائش کی سطح میں اضافے کی وجہ سے، مقررہ لاگتوں کو بہتر طریقے سے زم کرنے کے نتیجے میں وسیع پیداواری لاگت کے فوائد حاصل ہوئے اور مجموعی منافع میں 9.61 فیصد کا حصول ہوا۔ کمپنی کے سال کے اختتام پر منافع قبل از ٹیکس 149.42 بلین روپے رہا اور منافع بعد از ٹیکس 100.69 بلین روپے رہا جو کہ کمپنی کی تاریخ میں بلند ترین ہے۔

سرمایہ جاتی ساخت اور مالی ساخت:

کمپنی کی از خود پیدا کردہ روانیت اصل مضبوطی ہے۔ اس استحکام سے آپ کی کمپنی چلک پزیری کے ساتھ لاگت کی بچت کے منصوبوں پر سرمایہ کاری کرے گی اور کمپنی کے متعلقین اور وینڈر کے اعتماد میں اضافہ ہوگا۔

آڈیٹرز کی اعتراضات سے متعلق

ملازمین کو ریٹائرمنٹ کے فوائد کی فراہمی

کمپنی نے عملے کی ریٹائرمنٹ کے فوائد کی مد میں پروویڈنٹ فنڈ کی سہولت خیبر پختونخوا ایڈسٹرل اینڈ کمرشل ایپلائمنٹس (سٹینڈنگ آرڈر) ایکٹ، 2013 کے قانون کے مطابق 01 جنوری 2021 سے شروع کی ہے لہذا کمپنی کو جون 2008) جو کہ موجودہ انتظامیہ کی کمپنی کے قبضے کی تاریخ ہے (اور 01 جنوری 2021 کی درمیانی مدت کے لیے گرتیچوٹی فراہم کرنے کی ذمہ دار نہیں ہے تاہم کمپنی کسی بھی قسم کی جرمانے ادا کرنے کی پابند ہوگی اور چند غیر متوقع دعوے مالیاتی گوشواروں کے نوٹ نمبر 28.1 میں ظاہر کیے گئے ہیں۔ پروویڈنٹ فنڈ کی ادائیگی رجسٹرڈ پروویڈنٹ رولز اور ریگولیشنز کے مطابق تمام مستقل اور ریگولر ملازمین کو دی جائے گی۔

ادارہ کی سماجی ذمہ داری:

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

صحت، تحفظ اور ماحول:

آپ کی کمپنی نے وباء کی مکمل مدت کے دوران فوری طور پر مناسب اقدامات نافذ کئے اور ان کی سختی سے پاسداری کو یقینی بنایا۔ چہرے پر ماسک، سماجی فاصلہ، سینہائیزر کے گیٹ، تھرمل چیکنگ اور گھر سے کام کرنے کی سہولت جیسے اقدامات کی مدد سے کمپنی نے ملازمین کے تحفظ اور کاروباری تسلسل کو یقینی بنایا۔ ہم یہ بتاتے ہوئے فخر محسوس کرتے ہیں کہ ہمارے تمام ملازمین، مزدوروں اور ٹھیکیداروں کو کووڈ 19 کے خلاف ویکسین لگ چکی ہے۔

بنیادی خطرات اور غیر یقینی صورت حال:

کمپنی کا اکاؤنٹنگ ریکارڈ موڈوں انداز میں مرتب رکھنے کے لیے ایکٹ کی شقوں کی پاسداری کرتی ہے تاکہ کمپنی کے اثاثوں کا تحفظ کیا جاسکے۔ اور دھوکہ دہی اور دیگر بے ضابطگیوں کی نشاندہی ہو سکے اور ان سے بچا جاسکے۔ مناسب اکاؤنٹنگ پالیسیوں کو لاگو اور منتخب کیا جاسکے۔ ایسے فیصلے اور تخمینے تیار کیے جائیں جن کی بنیاد محاط اور موڈوں انداز پر ہو۔ اندرونی مالیاتی گرفتوں کو تیار، نافذ اور برقرار رکھا جاسکے جس سے موثر انداز میں درستگی اور جامعیت کو اکاؤنٹنگ ریکارڈ میں یقینی بنایا جاسکے۔ مالیاتی گوشواروں کی تیاری اور پیش کرنے سے متعلق بالکل صحیح اور شفاف نقطہ نظر فراہم کیا جاسکے جو کہ تمام غلطیوں سے پاک ہو چاہے وہ فراڈ کی بنیاد پر ہو یا غلطی کی بنیاد پر۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز BDO Ebrahim & Co چارٹرڈ اکاؤنٹنٹس سکندرشہ ہو چکے ہیں اور اہلیت کے باعث انھوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ نے سبکدوش ہونے والے آڈیٹرز کی سال 30 جون 2022 کے دوبارہ تقرری کی سفارش کی ہے تاکہ آنے والے سالانہ اجلاس عام میں ان کی تقرری کی منظوری لی جاسکے۔

ادارتی نظم و ضبط کے ضابطے کی پاسداری:

کمپنی کے مکمل طور پر کمپینز ایکٹ 2017 کی شقوں اور سیکیورٹی اینڈ ایچینج کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس کے تحت اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔

مندرجہ ذیل مندرجات بورڈ کی کارپوریٹ گورننس کے اعلیٰ معیار اور بہتری کا اعتراف کرتے ہیں۔

- ۱۔ کمپنی کی انتظامیہ کے تیار کردہ گوشوارے، کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکوٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں
- ۲۔ کمپنی میں حسابات کی کتابیں مناسب انداز میں تیار کی گئیں ہیں۔
- ۳۔ درست حساماتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران کو ملحوظ خاطر رکھا گیا ہے اور حساماتی تخمینوں کی بنیاد اور معقول اور مضبوط فیصلوں پر ہے۔
- ۴۔ مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ، معیارات، جو پاکستان میں لاگو ہے کو ملحوظ خاطر رکھا گیا ہے۔
- ۵۔ اندرونی گرفت نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے۔ اندرونی گرفت کی نگرانی کا یہ عمل اس مقصد سے ساتھ جاری رکھا جائے گا تاکہ گرفت کو مزید مستحکم اور نظام کو بہتر بنایا جاسکے۔

۶۔ کمپنی کی بڑھتی ہوئی کاروباری صلاحیت کے تسلسل میں کوئی قابل ذکر شک و شبہ ہے۔

۷۔ کمپنی کے پچھلے چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار کا خلاصہ اس رپورٹ کے صفحہ نمبر 10 پر موجود ہے۔

۸۔ پاکستان اسٹاک ایکسچینج رول بک (قواعد کی کتاب) میں دیئے گئے ادا رتی نظم و ضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا۔

۹۔ کمپنی نے اپنے ملازمین کے لئے سرویڈنٹ فنڈ چلا رہی ہے اور FRCL کے سرویڈنٹ فنڈ کے آڈٹ شدہ کھاتوں کے مطابق سال ختمہ 30 جون 2021 سرویڈنٹ فنڈ سے کی گئی سرما کاری کی مالیت 6.27 ملین روپے ہے (2020، 0 ملین روپے ہے)

بورڈ آف ڈائریکٹرز اور اس کی کمیٹیاں:

بورڈ ایک آزاد ڈائریکٹر (بشمول ایک خاتون ڈائریکٹر)، پانچ نان ایگزیکٹو اور دو ایگزیکٹو ڈائریکٹروں پر مشتمل ہے۔

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام اجلاس پاکستان میں منعقد ہوئے۔ بورڈ آف ڈائریکٹرز کی تشکیل بند اور حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	عہدہ	اجلاسوں میں شرکت کی تعداد
مسز پروینا سلم	آزاد ڈائریکٹر اور چیئر پرسن	5
جناب عمر خالد	نان ایگزیکٹو ڈائریکٹر	5
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر	5
جناب ضیاء خالد	ایگزیکٹو ڈائریکٹر	5
محترمہ نمرہ خالد	ایگزیکٹو ڈائریکٹر	5
مسز ثناء خالد	نان ایگزیکٹو ڈائریکٹر	5
مسز شانیہ خالد	نان ایگزیکٹو ڈائریکٹر	5

بورڈ کی آڈٹ کمیٹی:

بورڈ کی آڈٹ کمیٹی، بورڈ کی ذمہ داریوں کی ادائیگی، ابتدائی مالیاتی امور کی رپورٹ کا جائزہ ہے، غیر مالیاتی امور کی شیئر ہولڈر کو فراہمی، اندرونی گرفت کے نظام، ملحقہ خطرات کے انتظام اور آڈٹ جیسے معاملات میں مدد فراہم کرتی ہے۔ یہ ایک خود کار طریقہ کار ہے جس میں انتظامیہ سے معلومات حاصل کی جاتی ہیں اور معاملات کی مناسبت سے بیرونی آڈیٹرز یا ایڈوائزر سے براہ راست مشاورت کی جاتی ہے۔ چیف فنانشل آفیسر باقاعدگی کی بورڈ کی آڈٹ کمیٹی کا اجلاس میں شریک ہوتا ہے جسے کھاتوں کو پیش کرنے کے مدعو کیا جاتا ہے۔ ہر میٹنگ کے بعد کمیٹی کی چہر رسن بورڈ کو رپورٹ کرتی ہے۔ آڈٹ کمیٹی دو نان ایگزیکٹو ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر پر مشتمل ہے۔

جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ بورڈ آف ڈائریکٹرز کی درج ذیل ہے۔

ڈائریکٹر کا نام	عہدہ	اجلاسوں میں شرکت کی تعداد
مسز. ثناء خالد	نان ایگزیکٹو ڈائریکٹر	4
محترمہ نمرہ خالد	ایگزیکٹو ڈائریکٹر	4
مسز. شازیہ خالد	نان ایگزیکٹو ڈائریکٹر	4

انسانی وسائل اور معاوضہ کمیٹی:

یہ کمیٹی اعلیٰ انتظامیہ کے ملازمین سے متعلق معاوضہ، نظم و ضبط اور ترقی کی پالیسیوں کے تمام عناصر کی سفارش کرتی ہے اور ان کا جائزہ لیتی ہے۔ کمیٹی کا CEO اور کمپنی کے HR کا سربراہ انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کرتے ہیں۔ 2020-21 کے دوران کمیٹی کے دو اجلاس ہوئے جس میں تمام ممبران نے شرکت کی۔ کمیٹی ان افراد پر مشتمل ہے۔

ڈائریکٹر کا نام	عہدہ
جناب عمر خالد	نان ایگزیکٹو ڈائریکٹر
جناب ضیاء خالد	ایگزیکٹو ڈائریکٹر
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر

منافع محکمہ:

بورڈ آف ڈائریکٹرز نے مالی سال اختتام 30 جون 2021 پر کسی ڈیویڈنڈ کی سفارش نہیں کی

حصص داری کی ساخت:

کمپنی ایکٹ 2017 کی دفعہ (f) (2) 227 اور ادراقی نظم و ضبط کے تحت سال ختم 30 جون 2021 کے حصص داری کی ساخت پر مشتمل گوشوارے اس رپورٹ کے صفحہ نمبر 81 پر موجود ہے۔

ڈائریکٹرز سی ایف او، کمپنی سیکریٹری، ہیڈ آف انٹرئل آڈٹ اور ان کے شریک حیات یا چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

بعد ازاں واقعات:

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ تک کوئی اہم تبدیلیاں یا وعدے روئے نہیں ہوئے جس سے کمیٹی کی مالیاتی پوزیشن متاثر ہو سوائے اس کے جو مالیاتی گوشواروں میں بیان کیے گئے ہیں۔

ملحقہ فریقین کے سودے:

ملحقہ فریقین کے ساتھ سودے باہم طے کئے گئے طریقہ کار کے تحت انجام پائے جن کی منظوری بورڈ آف ڈائریکٹرز نے دی۔ کمپنی مکمل طور پر ایکٹ اور کوڈ میں بیان کئے گئے قیمتوں کے تبادلے سے ہم آہنگ ہے اور ملحقہ فریقین کے ساتھ کئے گئے تمام سودوں کو آڈٹ کمیٹی کے روبرو پیش کیا گیا اور ان کی سفارش پر بورڈ نے انہیں منظور کیا۔

کاروباری تسلسل کے سودے:

کمپنی جامع بزنس کنٹینیوئٹی پلاننگ پروگرام کی اہمیت کو تسلیم کرتی ہے جس سے اسے بڑے کاروباری رکاوٹوں کے انتظام اور منصوبہ بندی میں مدد ملتی ہے۔ تمام قابل ذکر خطرات، گرفت کے امکانات اور کمی کی نشاندہی کی جاتی ہے۔ اس منصوبے کی باقاعدگی سے آزمائش کی جاتی ہے کہ اسے ہنگامی صورتحال میں نافذ کیا جاسکے اور یہ کہ انتظامیہ اور شناخت شدہ ملازمین متعلقہ ذمہ داریوں سے آگاہ ہو سکیں۔ ان میں قدرتی آفات، آلات کے چلنے میں ناکامی، سرکاری / سیاسی / قانونی افعال اور مالیاتی اور کاروباری فضا میں تبدیلیاں شامل ہیں۔ ان کے علاوہ ڈزاسٹر ریکوری سائنس کی مناسب انداز میں قائم کیا گیا ہے تاکہ ہمارے بنیادی سرور میں کوئی مسائل ہوئے تو بیک اپ سرور رورڈیٹا کو برقرار رکھا جاسکے۔

مستقبل کی پیش بینی:

زیادہ سے زیادہ منافع بنانے، مارکیٹ کے خطرات کو کم کرنے، مستقبل کے چیلنجز کا مقابلہ کرنے اور کاروباری شرح نمو کو برقرار رکھنے کے لئے جہاں بھی ممکن ہو اخراجات کو کم کرنے اور قیمتوں میں موثر سیلزمکس تیار کرنے کی کوشش کی جارہی ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز نے اپنے اجلاس کمپنی کے طویل المدتی منصوبوں کا جائزہ لیا جس کی بعد ازاں معزز حصص یافتگان نے اپنے غیر معمولی اجلاس عام میں تائید کی اور پانچ سالوں پر مشتمل انتہائی پرکشش ادائیگی کی شرط پر ایک متعلقہ فریق سے میا نوالی کے نزدیک CPEC ہائی وے سے متصل رقبہ کو ابتدائی طور پر حاصل کرنے کی اصولی منظوری دی۔ سازگار کاروباری ماحول کی مد نظر رکھتے ہوئے ڈائریکٹر محسوس کرتے ہیں کہ اگر اس ماحول میں استحکام رہا تو اگلے دس سال میں کمپنی مجوزہ مقام پر ایک بڑی سرکس فیکٹری لگانے کے قابل ہو جائے گی۔

CEO کی کارکردگی کا جائزہ:

CEO کی کارکردگی کا جائزہ ایک تشخیصی نظام کے تحت کیا جاتا ہے۔ جس میں کاروباری کارکردگی، منافع کے حوالے سے مقاصد کا حصول، ادارے کے تعمیر اور جانشینی منصوبہ بندی اور ترقی کا میانی شامل ہے۔

ڈائریکٹر کا معاوضہ:

کمپنی کے پاس ڈائریکٹر کے معاوضے کے لئے ایک باضابطہ پالیسی اور شفاف طریقہ کار ہے جو کمپنیز ایکٹ 2017 اور ملحد کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کے مطابق ہے۔ کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کو معاوضہ ادا نہیں کرتی۔

اعتراف:

بورڈ آف ڈائریکٹرز تمام متعلقین کے مسلسل تعاون کا اعتراف کرتے ہیں اور ان کے مشکور ہیں جنہوں نے بھرپور محنت اور حوصلہ افزائی کے ساتھ اپنی ذمہ داریوں ادا کیں، ان کو سراہتے ہیں اور امید کرتے ہیں کہ وہ آئندہ بھی اس جذبے کے ساتھ کام کریں گے۔



ندیم خالد

چیف ایگزیکٹو آفیسر

پشاور



پرویز اسلم

چئیر پرسن

پشاور

07 اکتوبر 2021

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

The Frontier Ceramics Limited (the Ccompany) 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 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.
10. CFO and CEO duly endorsed the financial statements before approval of the Board.
11. The Board has formed committees comprising of members given below:
- | | |
|----------------------------------|-------------|
| a) Audit Committee | |
| Mrs. Sana Khalid | Chairperson |
| Ms. Numrah Khalid | Member |
| Mrs. Shazia Khalid | Member |
| b) HR and Remuneration Committee | |
| Mr. Omer Khalid | Chairman |
| Mr. Zia Khalid | Member |
| Mr. Javid Khalid | Member |
12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
13. 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, 2021. |
| b) HR and Remuneration Committee: One meeting was held during the year ended June 30, 2021. |
14. 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.
15. 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.
16. We confirm that all requirements of regulation 3,6,7, 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, our Board consists of one independent director
27	We noted that there is no independent director on the Audit Committee as required by the Code, however Company has completed the due diligence on September 17, 2021 and has also communicated to SECP in this regard.

17. Explanation of no-compliance with the requirements, other than regulation 3,6,7, 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.
18 & 19	The Company has seven directors whereof one director is exempt from this requirement by virtue of his qualification and experience and two out the remaining six directors have obtained DTP certification



Nadeem Khalid
Chief Executive



Mrs. Pervez Aslam
Chairperson

Date: October 07, 2021
Peshawar;

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, 2021 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, 2021.

Further, we highlight below instances of non compliance with the requirements of the code as reflected in the note 16 & 17 in the statement of compliance.

Regulations	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.
18 & 19	The Company has seven directors whereof one director is exempt from this requirement by virtue of his qualification and experience and two out the remaining six directors have obtained DTP certification

ISLAMABAD**DATED: October 07, 2021****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, 2021, 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, 2021 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

During the year, with effect from January 01, 2021 the Company has opted provident fund for staff retirement benefits covering all permanent and regular employees as per registered provident fund rules and regulations. However, no provision for the past years has been accounted for staff retirement benefits with respect to gratuity till December 31, 2020 which approximately amounts to Rs. 55 million since take over date of the Company.

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 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 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.</p>



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: October 07, 2021



BDO EBRAHIM & CO.

CHARTERED ACCOUNTANTS

BDO

FRONTIER CERAMICS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	1,899,403,438	1,468,280,478
Capital work in progress	7	306,728,967	58,575,025
Investment property	8	600,782	632,402
		<u>2,206,733,187</u>	<u>1,527,487,905</u>
Long term deposits	9	1,513,450	1,513,450
Long term advances	10	321,515,475	9,515,079
		<u>2,529,762,112</u>	<u>1,538,516,434</u>
CURRENT ASSETS			
Stores, spares and loose tools	11	119,353,127	71,976,158
Stock in trade	12	173,356,475	169,222,294
Trade debts	13	6,890,929	2,492,995
Short term lending	14	7,637,000	5,237,000
Advances	15	140,948,639	94,775,632
Tax refunds due from government	16	63,962,052	63,962,052
Taxation - net	17	5,847,180	22,482,902
Cash and bank balances	18	43,950,002	59,248,231
		<u>561,945,404</u>	<u>489,397,264</u>
TOTAL ASSETS		<u><u>3,091,707,516</u></u>	<u><u>2,027,913,698</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	19	378,738,210	378,738,210
Discount on issue of right shares	20	(180,795,726)	(180,795,726)
		<u>197,942,484</u>	<u>197,942,484</u>
Revaluation surplus on property, plant and equipment	21	1,278,770,679	884,642,163
Unappropriated profit		205,298,738	88,331,457
		<u>1,682,011,901</u>	<u>1,170,916,104</u>
NON CURRENT LIABILITIES			
Long term financing	22	299,036,657	168,248,651
Gas Infrastructure Development Cess	23	58,324,136	-
Deferred taxation	24	341,886,860	203,770,678
		<u>699,247,653</u>	<u>372,019,329</u>
CURRENT LIABILITIES			
Trade and other payables	25	646,450,842	321,920,257
Unclaimed dividend		3,189,224	3,189,224
Current portion of GIDC payable	23	60,807,896	-
Mark up accrued	26	-	79,001,984
Short term borrowings	27	-	80,639,335
Current portion of long term financing		-	227,465
		<u>710,447,962</u>	<u>484,978,265</u>
CONTINGENCIES AND COMMITMENTS	28	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>3,091,707,516</u></u>	<u><u>2,027,913,698</u></u>

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

Bolo


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Sales - net	29	2,828,952,434	1,115,223,677
Cost of sales	30	<u>(2,556,869,397)</u>	<u>(1,002,502,032)</u>
Gross profit		272,083,037	112,721,645
Distribution cost	31	(40,776,510)	(12,297,009)
Administrative expenses	32	(35,686,985)	(28,455,427)
Other operating expenses	33	<u>(17,826,369)</u>	<u>(4,083,674)</u>
Operating profit		177,793,173	67,885,535
Other income	34	3,888,192	2,922,569
Finance cost	35	<u>(32,266,304)</u>	<u>(36,832,781)</u>
Profit before taxation		149,415,061	33,975,323
Taxation	36	<u>(48,722,853)</u>	<u>9,876,488</u>
Profit for the year		<u><u>100,692,208</u></u>	<u><u>43,851,811</u></u>
Earnings per share - basic and diluted	37	<u><u>2.66</u></u>	<u><u>1.16</u></u>

Bdo

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
Profit for the year	100,692,208	43,851,811
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Revaluation surplus on property, plant and equipment	578,033,224	-
Related deferred tax impact	(167,629,635)	-
	410,403,589	-
Total comprehensive income for the year	<u>511,095,797</u>	<u>43,851,811</u>

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

Bole



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Note	Share capital		Reserves		Total
		Issued, subscribed and paid up capital	Discount on issue of right shares	Capital	Revenue	
				Revaluation surplus on property, plant and equipment	Unappropriated profit	
-----Rupees-----						
Balance as at July 01, 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
Revaluation surplus on property, plant and equipment	21	-	-	-	-	-
Related deferred tax impact				-	-	-
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	21	-	-	(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
Total comprehensive income for the year ended June 30, 2020						
Profit for the year		-	-	-	100,692,208	100,692,208
Revaluation surplus on property, plant and equipment		-	-	578,033,224	-	578,033,224
Related deferred tax impact		-	-	(167,629,635)	-	(167,629,635)
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	21	-	-	(16,275,073)	16,275,073	-
Balance as at June 30, 2021		378,738,210	(180,795,726)	1,278,770,679	205,298,738	1,682,011,901

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER


FRONTIER CERAMICS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		149,415,061	33,975,323
Adjustment for non cash items:			
Depreciation		146,941,884	115,967,226
Finance cost		32,266,304	36,989,648
Workers' profit participation fund		8,020,259	2,053,553
Amortization of deferred income		-	(48,522)
		187,228,447	154,961,905
Profit before working capital changes		336,643,508	188,937,228
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(47,376,969)	(18,567,204)
Stock in trade		(4,134,181)	4,496,755
Trade debts		(4,397,934)	(2,011,484)
short term lending		(2,400,000)	-
Advances		(46,173,007)	(48,520,942)
(Decrease)/increase in current liabilities			
Trade and other payables		316,510,326	72,913,189
Current portion of GIDC payable		60,807,896	-
Temporary bank overdraft		-	(1,274,313)
Short term borrowings		(80,639,335)	17,159,468
		192,196,796	24,195,469
Cash generated from operations		528,840,304	213,132,697
Finance cost paid		(111,261,907)	(7,947,406)
Taxes paid		(61,834,429)	(35,489,298)
		(173,096,336)	(43,436,704)
Net cash generated from operating activities		355,743,968	169,695,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		-	(4,145,299)
Addition to capital work in progress		(248,153,942)	(58,575,025)
Long term deposits		-	865,000
Net cash used in investing activities		(248,153,942)	(61,855,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing-net		130,788,006	(45,557,801)
Gas Infrastructure Development Cess		58,324,136	-
Lease rental paid		-	(1,929,392)
Long term advances		(312,000,396)	(2,605,156)
Net cash (used in) financing activities		(122,888,254)	(50,092,349)
Net (decrease)/increase in cash and cash equivalents		(15,298,229)	57,748,320
Cash and cash equivalents at the beginning of the year		59,248,231	1,499,912
Cash and cash equivalents at the end of the year	18	43,950,002	59,248,231

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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. *Bolo*

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:

4.2 New accounting standards, amendments and IFRS interpretations that are effective for the

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business.	Effective date (annual periods beginning on or after) January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform.	January 01, 2020
Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material.	January 01, 2020
Certain annual improvements have also been made to a number of IFRSs.	<i>Bold</i>

4.3 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid-19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

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

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5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Property, plant and equipment

a) Operating fixed assets

Operating fixed assets except for freehold land, building and plant and machinery are stated at cost less accumulated depreciation or impairment, if any. Freehold land, building and plant and machinery are stated at cost/revalued amount less accumulated depreciation or impairment, if any.

Depreciation is charged on the basis of written down value method whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred. Gains or losses on disposal of property, plant and equipment are accounted for as profit or loss for the year.

Amount equivalent to incremental depreciation charged on revalued assets is transferred from revaluation surplus on building and plant and machinery net of deferred taxation to retained earnings (unappropriate profit).

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

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the statement of profit or loss.

b) Capital work in progress

Capital work-in-progress is stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

c) Revaluation surplus on property, plant and equipment

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

Bolo

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.

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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. *Bole*

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. *BOLD*

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. *Bdo*

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. *Bolo*

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. *Bole*

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. *Bold*

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, 2021														
Net carrying value basis														
Opening net book value (NBV)		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
Revaluation during the year		30,000,000	52,487,136	468,429,312	3,987,376	3,224,523	28,705	3,809	19,872,363	-	-	-	-	578,033,224
Transferred from leased assets		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge		-	(49,401,239)	(86,571,995)	(1,496,886)	(989,877)	(17,822)	(4,839)	(3,774,271)	(13,854)	(84,508)	(29,620)	(4,525,353)	(146,910,264)
Closing net book value		480,000,000	457,732,937	896,255,281	6,984,389	19,613,801	167,574	20,310	20,065,174	55,415	338,031	69,114	18,101,412	1,899,403,438
Gross carrying value basis														
Cost / revalued amount		480,000,000	631,878,160	1,357,105,358	17,017,901	29,162,704	478,090	202,553	24,631,667	2,696,361	4,917,744	380,940	40,566,193	2,589,037,671
Accumulated depreciation		-	(174,145,223)	(460,850,077)	(10,033,512)	(9,548,903)	(310,516)	(182,243)	(4,566,493)	(2,640,946)	(4,579,713)	(311,826)	(22,464,781)	(689,634,233)
Net book value		480,000,000	457,732,937	896,255,281	6,984,389	19,613,801	167,574	20,310	20,065,174	55,415	338,031	69,114	18,101,412	1,899,403,438
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		-	-	-	3,799,500	-	-	-	496,667	-	-	-	-	4,296,167
Depreciation charge	6.1	-	(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
Annual rate of depreciation (%)														
		-	10%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%	
2021														
2020														
Allocation of depreciation:														
Cost of sales	30	143,972,058	112,107,731											
Distribution cost	31	1,469,103	1,898,689											
Administrative expenses	32	1,469,103	1,898,690											
		146,910,264	115,905,110											

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

Location	Particulars	Covered Area (sq.ft)
29-Industrial Estate, Jamrud Road, Peshawar Pakistan	a) Main factory building including material godown, store room, Kiln area, workshops and other civil works.	575,211
	b) Workers' accommodations, guard rooms, Store and Masjid.	14,811
		<u>590,022</u>

6.3 Revaluation of freehold land, building and plant and machinery

- 6.3.1 The Company has adopted the revaluation model for subsequent measurement of freehold land, buildings and plant and machinery. During October 22, 2020, the Company has carried out revaluation of its assets through independent valuer M/s K.G Traders (Private) Limited on the basis of market value as disclosed in note 40.2. 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	October 22, 2020	578,033,224
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

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

	2021 Rupees	2020 Rupees
Free hold land	3,518,245	3,518,245
Factory building	8,243,330	9,159,256
Plant and machinery		
Imported	116,424,346	129,360,385
Local	859,934	1,074,918
Electrification	2,925,470	3,079,442
Casting benches	53,409	59,343
Laboratory ware	1,806	2,257
Generators	20,495	25,619
	<u>120,285,460</u>	<u>133,601,964</u>
	<u>132,047,035</u>	<u>146,279,465</u>

- 6.3.3 The forced sale value of the revalued property has been assessed at Rs. 1,555,029,150.

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	Note	2021 Rupees	2020 Rupees
7 CAPITAL WORK IN PROGRESS			
Balance as at July 01,		58,575,025	-
Additions during the year	7.1	248,153,942	58,575,025
Transferred to property, plant and equipment		-	-
		<u>306,728,967</u>	<u>58,575,025</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	2021 Rupees	2020 Rupees
8 INVESTMENT PROPERTY			
Office building	8.1	<u>600,782</u>	<u>632,402</u>

8.1 The movement in this head is as follows:

Net carrying value basis

Year ended June 30,

Opening net book value	632,402	665,686
Depreciation charge	<u>(31,620)</u>	<u>(33,284)</u>
Closing net book value	<u>600,782</u>	<u>632,402</u>

Gross carrying value basis

Year ended June 30,

Cost	2,648,885	2,648,885
Accumulated depreciation	<u>(2,048,103)</u>	<u>(2,016,483)</u>
Net book value	<u>600,782</u>	<u>632,402</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 (2020: 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	2021 Rupees	2020 Rupees
9 LONG TERM DEPOSITS			
Peshawar Electric Supply Company		1,403,200	1,403,200
WAPDA		48,250	48,250
Office security		30,000	30,000
Others		32,000	32,000
		<u>1,513,450</u>	<u>1,513,450</u>

10 LONG TERM ADVANCES

Balance as at July 01,		9,515,079	6,909,923
Additions during the year		30,806,080	4,300,007
Adjusted during the year		(28,970,684)	(1,694,851)
	10.1	11,350,475	9,515,079
Advance against land	10.2	310,165,000	-
		<u>321,515,475</u>	<u>9,515,079</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.

10.2 The Board of Directors of the Company in their meeting held on January 07, 2021 decided in principal to avail the opportunity of initially acquiring 1,031 kanals of land off CPEC highway near Mianwali from a related party Mr. Nadeem Khalid (Chief Executive) at payment terms over the period of five years. Keeping in view conducive business environment, directors feel that if the environment remains stable then in next ten years Company will establish a large ceramic factory at said proposed location.

	2021	2020
Note	Rupees	Rupees

11 STORES, SPARES AND LOOSE TOOLS

Stores		113,382,202	66,361,754
Spare parts and loose tools		5,970,925	5,614,404
	11.1	<u>119,353,127</u>	<u>71,976,158</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.

	2021	2020
Note	Rupees	Rupees

12 STOCK IN TRADE

Raw material		120,561,267	85,912,531
Work in process		16,394,509	57,667,499
Finished goods		36,400,699	25,642,264
		<u>173,356,475</u>	<u>169,222,294</u>

13 TRADE DEBTS

Unsecured - considered good			
Trade receivables		<u>6,890,929</u>	<u>2,492,995</u>

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14 SHORT TERM LENDING

Khalid and Khalid Holdings (Private) Limited	14.1	<u>7,637,000</u>	<u>5,237,000</u>
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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 before June 30, 2022. 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.

		2021 Rupees	2020 Rupees
15 ADVANCES			
Unsecured - considered good			
Advances			
- to suppliers		3,668,885	6,365,732
- against letter of credit		62,051,665	48,695,904
- against letter of credit margin		62,724,861	24,832,698
- security deposit		1,388,384	5,952,644
- against letter of guarantee		6,925,100	6,102,460
- against salaries		3,226,681	2,462,562
- against expenses		855,526	257,109
- other advances		107,537	106,523
		<u>140,948,639</u>	<u>94,775,632</u>

	Note	2021 Rupees	2020 Rupees
16 TAX REFUNDS DUE FROM GOVERNMENT			
Considered good			
Balance as at July 01,		63,962,052	40,736,015
Refundable/(adjustable) assessed during the year		-	23,226,037
		<u>63,962,052</u>	<u>63,962,052</u>
17 TAXATION - NET			
Balance as at July 01,		22,482,902	23,226,037
Prior year adjustment		(192,735)	-
		<u>22,290,167</u>	<u>23,226,037</u>
Adjusted against / transferred to tax refunds due from government		-	(23,226,037)
		<u>22,290,167</u>	<u>-</u>
Provision for taxation	36	(78,043,572)	(13,006,396)
Advance income tax		61,600,585	35,489,298
		<u>5,847,180</u>	<u>22,482,902</u>

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	Note	2021 Rupees	2020 Rupees
18 CASH AND BANK BALANCES			
Cash in hand		196,847	250,641
Cash at bank - Local currency			
Current accounts		37,418,298	58,997,590
Saving account	18.1	6,334,857	-
		<u>43,950,002</u>	<u>59,248,231</u>

18.1 This represents investment in First Habib Islamic Income Fund against employee provident fund balance.

	2021 Rupees	2020 Rupees
19 SHARE CAPITAL		

19.1 Authorized share capital

Number of shares			
2021	2020		
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	
			750,000,000
			<u>750,000,000</u>

19.2 Issued, subscribed and paid up capital

Number of shares			
2021	2020		
37,873,821	37,873,821	Ordinary shares of Rs. 10 each fully paid in cash	
			378,738,210
			<u>378,738,210</u>

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

20 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.

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21 REVALUATION SURPLUS ON PROPERTY PLANT AND EQUIPMENT

	2021 Rupees	2020 Rupees
Balance as at July 01,	1,063,609,091	1,083,783,397
Add: Revaluation surplus for the year	578,033,224	-
Less:		
Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax	16,275,073	14,323,758
Related deferred tax liability during the year transferred to profit and loss account	6,647,564	5,850,548
	<u>22,922,637</u>	<u>20,174,306</u>
	1,618,719,678	1,063,609,091
Less:		
Related deferred tax effect :		
Balance as at July 01,	178,966,928	184,817,476
Revaluation during the year	167,629,635	-
Effect of change in rate	-	-
Incremental depreciation charged during the year transfer to statement of profit or loss	(6,647,564)	(5,850,548)
	<u>339,948,999</u>	<u>178,966,928</u>
	<u>1,278,770,679</u>	<u>884,642,163</u>

- 21.1 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.

Bdo

	Note	2021 Rupees	2020 Rupees
22 LONG TERM FINANCING			
From associated person - unsecured	22.1	19,996,435	11,804,923
From associated company - unsecured			
- Rawal Industrial Equipment (Pvt.) Ltd	22.2	185,957,916	156,671,193
- Toyota Rawal Motors (Pvt.) Ltd	22.2	93,082,306	-
		299,036,657	168,476,116
Less: Current portion associated person		-	(227,465)
		-	(227,465)
		299,036,657	168,248,651

22.1 This represents interest bearing unsecured loan and accumulated markup thereon received from Chief Executive of the Company for working capital requirements. The loan carries mark up at the rate at KIBOR plus 2 % per annum. The loan is restructured during the year in June 30, 2021. As per revised terms, the borrower will accrue interest over the years for a grace period of six years after which the payment of principle amount stands due. Moreover, markup will be payable after the settlement of the principal amount.

22.2 This represents interest bearing unsecured loans and accumulated markup thereon received from related parties, Rawal Industrial Equipment (Private) Limited and Toyota Rawal Motors (Private) Limited for working capital of the Company and acquisition of the equipment. The loan has been restructured during the year in June 30, 2021. It carries mark up at the rate at KIBOR plus 2 % per annum. As per revised terms, the borrower will accrue interest over the years for a grace period of six years after which the payment of principle amount stands due. Moreover, markup will be payable after the settlement of the principal amount.

	Note	2021 Rupees	2020 Rupees
23 GAS INFRASTRUCTURE DEVELOPMENT CESS			
Balance brought forward		-	-
Accumulated present value of GIDC		119,132,032	-
		119,132,032	-
Less: Current portion of GIDC		(60,807,896)	-
	23.1	58,324,136	-

23.1 In 2011, GIDC was imposed on natural gas consumers including companies with effect from January 01, 2012 to finance the cost of laying the overland gas pipeline. In 2013, the Peshawar High Court declared the GIDC Act 2011 as ultra vires the constitution and struck down the GIDC Act 2011. In August 2014, Supreme Court of Pakistan dismisses the appeal filed by the Federal Government of Pakistan deciding that GIDC is a fee and not a tax and could not be imposed by money bill. In September 2014, the GIDC Ordinance was promulgated by the President of Pakistan with retrospective effect with original imposition. In October 2016, the Sindh High Court declared the levy to be un-constitutional. In August 2020, the Supreme Court of Pakistan held that GIDC is validly levied and allowed the government to collect the amount in 24 equal installments. Further, in November 2020, the Supreme Court dismissed the review petition seeking review of its order (issued in August 2020). Supreme Court in its judgement on the review petitions noted that government is agreeing to recover the arrears for GIDC in 48 monthly installments (instead of 24 months, as mentioned in August 2020 order of the Supreme Court). The Federal Government has started the recovery of this fee and the Company has booked the liability amounting to Rs. 119.353 million in this regard after receiving bill from the SNGPL at fair value in accordance with IFRS 9 by discounting the future cash payments required to be made in 48 installments, to settle the liability for GIDC. *Ado*

		2021	2020
	Note	Rupees	Rupees
24 DEFERRED TAXATION			
Deferred taxation	24.1	341,886,860	203,770,678

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

	Note	2021	2020
		Rupees	Rupees
Surplus on revaluation of fixed assets		339,948,999	178,966,928
Accelerated depreciation		10,637,862	34,617,152
Deferred expense		(8,700,001)	-
Tax credit under section 65B		-	(9,813,402)
		<u>341,886,860</u>	<u>203,770,678</u>
Tax rate used		<u>29%</u>	<u>29%</u>

25 TRADE AND OTHER PAYABLES

Trade creditors		262,448,471	183,906,761
Accrued liabilities		118,225,969	59,136,510
Advances from customers		181,263,192	24,184,293
Old labour dues	25.1	3,256,878	3,256,878
Sales tax payable		14,194,618	9,625,067
Withholding income tax payable		1,639,564	2,458,245

	Note	2021	2020
		Rupees	Rupees
Workers' profit participation fund	25.2	51,887,629	37,654,395
Workers' welfare fund		7,199,664	1,698,108
Provident fund payable	25.3	6,334,857	-
		<u>646,450,842</u>	<u>321,920,257</u>

25.1 This represents labor dues of old employees which relates to the period prior to the acquisition by current management of the Company. The dues are recorded in the year ended June 30, 2011 due to claims lodged against Company by workmen and on receipt of notification from SECP in 2012.

	2021	2020
	Rupees	Rupees
25.2 Movement in workers' profit participation fund:		
Balance as at July 01,	37,654,395	30,558,663
Interest for the year (at 16.5%)	6,212,975	5,042,179
Provision for the year	8,020,259	2,053,553
	<u>51,887,629</u>	<u>37,654,395</u>

25.3 During the year, with effect from January 01, 2021 the Company has opted provident fund for staff retirement benefits covering all permanent and regular employees as per registered provident fund rules and regulations. *Bolo*

		2021 Rupees	2020 Rupees
26	MARK UP ACCRUED		
	Mark up on short term borrowing from:		
	Financial institution	-	3,822,476
	Associated company	22.2	55,513,339
	Markup on longterm financing	22.1	19,637,947
	Mark up on finance lease	-	28,222
		<u>-</u>	<u>79,001,984</u>

27	SHORT TERM BORROWINGS		
	Financial institution - secured	27.1	1,910,000
	Related parties - unsecured		
	Due to associated company	27.2	78,729,335
		<u>-</u>	<u>80,639,335</u>

27.1 This represents interest bearing loan received from Innovative Investment Bank Limited for working capital on musharaka sharing basis in 2003. The loan carries mark up at the rate of 15% per annum. However, the amount has been paid to liquidator in current year to settle total liability of principal amount.

27.2 This represents interest bearing unsecured loan received from Toyota Rawal Motors (Private) Limited for working capital of the Company and acquisition of the equipment at KIBOR + 2%, the principal amount shall be paid in twelve equal quarterly installments starting after a grace period of two years. During the year, the loan has been restructured as disclosed in note 22.2. The amount of interest charged on the loan will be paid subsequent to the settlement of the principal amount.

28 CONTINGENCIES AND COMMITMENTS

28.1 CONTINGENCIES

28.1.1 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.

28.1.2 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.

28.1.3 Noor Mohammad, Muhammad Farhad and Muhammad A Khan and vs. FCL

A suit was filed against the unit in the labour court by the above three persons. Total amount involved in the suit is around Rs. 2.762 million. The case was decided in the favour of the Company. However, opposite party filed appeal before Honorable High Court. *Bold*

28.1.4 FCL vs. G.M. of SNGPL

The above tile case is decided by the gas utility court in entity's favour however now the S.N.G.P.L filed appeal before the honourable high court and the said appeal is pending before the court. In the instant case, entity claim that after amendment in the law the unit is not bound to pay further tax and extra tax in the gas bill. Total amount of Rs 1,000,000 is involved in the case.

28.1.5 Shameem Akhter vs. FCL

The above tile case is pending before the wages authority. In the instant case, the applicant claim is that the FCL is liable to pay Rs 497,778. The case is fixed in evidence.

28.1.6 Amer Zada vs FCL

The above tile case is pending before the wages authority. In the instant case, the applicant claim that the FCL is liable to pay Rs 280,000. The case is in evidence.

28.1.7 FCL vs. Chief Executive PESCO

The above tile case is pending before the gas utility court. In the instant case, entity claims that after amendment in the law the unit is not bound to pay further tax and extra tax in the electricity bill. Total of Rs. 900,000 is involved in the case.

28.1.8 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).

28.1.9 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.

28.1.10 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 Company has not accounted for any provision against staff retirement benefits in terms of gratuity or provident fund or both as per the requirement Standing Orders in these financial statements since inception till December 31, 2020. However, as per legal advisor of the Company provident fund facility has been started against staff retirement benefit as per the requirements of law of the Khyber Paktunkhwa Industrial Relations Act 2010 with effect of January 01, 2021. Therefore, the Company does not need to provide any provision for gratuity for the previous period since June 2008 which is the takeover date of the Company of the present management. The Company can sustain the risk of the penalty, if any, provided under the law. .

However, during the year, with effect from January 01, 2021 the Company has opted provident fund for staff retirement benefits covering all permanent and regular employees as per registered provident fund rules and regulations. *Belo*

	Note	2021 Rupees	2020 Rupees
28.2 COMMITMENTS			
The Company has following commitments:			
- in respect of letter of credit			
- against import of raw materials		165,115,970	83,713,727
- against import of stores and spares		26,099,752	33,805,988
- against import of plant and machinery		480,568,472	197,806,665
		<u>671,784,194</u>	<u>315,326,380</u>

Commitments for Ijarah arrangements

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

29 SALES

Gross sales - tiles		3,412,479,769	1,345,995,957
Less:			
Trade discount	29.1	(87,696,942)	(35,200,205)
Sales tax		(495,830,393)	(195,572,075)
		<u>2,828,952,434</u>	<u>1,115,223,677</u>

29.1 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	2021 Rupees	2020 Rupees
30 COST OF SALES			
Raw material consumed	30.1	662,000,385	250,871,384
Stores, spares and loose tools consumed	30.2	966,687,683	234,658,216
Gas and electricity		403,876,270	275,082,738
Depreciation	6.1	144,002,586	112,136,564
Salaries, wages and other benefits	30.5	210,392,749	109,638,121
Generator rent		-	950,125
Travelling and conveyance		412,609	155,153
Repairs and maintenance		219,754	152,234
Miscellaneous	30.3	2,119,385	3,176,574
Ijarah payments	30.4	3,464,156	3,606,681
Freight Costs		14,047,233	-
GIDC Expense		119,132,032	-
Damaged stock		-	7,112
		<u>2,526,354,842</u>	<u>990,434,902</u>
Work in process			
Opening		57,667,499	57,967,049
Closing		(16,394,509)	(57,667,499)
		<u>41,272,990</u>	<u>299,550</u>
Finished goods			
Opening		25,642,264	37,409,844
Provision / inventory written off		-	-
Closing		(36,400,699)	(25,642,264)
		<u>(10,758,435)</u>	<u>11,767,580</u>
		<u>2,556,869,397</u>	<u>1,002,502,032</u>

30.1	Raw material consumed		
	Opening stock	85,912,531	78,342,156
	Add: Purchases	696,649,121	258,441,759
	Less: Closing stock	(120,561,267)	(85,912,531)
		<u>662,000,385</u>	<u>250,871,384</u>
30.2	Stores, spares and loose tools consumed		
	Opening stock	71,976,158	53,408,954
	Add: Purchases	1,014,064,652	253,225,420
	Less: Closing stock	(119,353,127)	(71,976,158)
		<u>966,687,683</u>	<u>234,658,216</u>

		2021 Rupees	2020 Rupees
30.3	Miscellaneous		
	Internet Expenses	767,300	573,600
	L.G Expenses	411,458	12,864
	Mobile Expense	39,500	28,706
	Postage and Shipping	22,515	33,257
	Printing and Stationary	440	73,230
	Professional tax	700,000	10,000
	Insurance expenses	-	380,000
	Accommodation xpense	-	1,000
	Sales Tax		1,699,702
	PTCL Expense	149,830	218,210
	Exchange Loss	-	134,195
	Fuel Expense	28,342	11,810
		<u>2,119,385</u>	<u>3,176,574</u>

30.4 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.

30.5 Salaries, wages and other benefits includes an amount of Rs. 2,838,499 (2020: Rs. Nil) in respect of staff retirement benefits.

	Note	2021 Rupees	2020 Rupees
31	DISTRIBUTION COST		
	Salaries, allowances and benefits	31.1	9,754,274
	Rent expense		198,396
	Communication and travel expense		162,559
	Printing and repair expense		315,263
	Depreciation	6.1	1,469,414
	Freight Charges	31.2	29,075,000
			<u>40,776,510</u>
			<u>12,297,009</u>

31.1 Salaries, wages and other benefits includes an amount of Rs. 70,116 (2020: Rs. Nil) in respect of staff retirement benefits.

31.2 This represent provision against discount offered to 496 customers based on sales made to them for three months to maintain business performance despite slowed down economic activity.

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	Note	2021 Rupees	2020 Rupees
32 ADMINISTRATIVE EXPENSES			
Directors' remuneration	44	2,340,000	1,876,350
Salaries, allowances and benefits		29,400,073	22,383,761
Fee and subscription		-	78,808
Rent, rates and taxes		1,062,638	1,019,770
Utilities		120,000	120,000
Communication		235,453	190,868
Printing, postage and stationery		246,813	152,768
Advertisement expense		264,041	77,781
Depreciation	6.1 & 8.1	1,469,414	1,931,973
Travelling and conveyance		353,731	370,854
Vehicle running and maintenance		143,022	107,076
Entertainment		2,150	91,558
Repair and maintenance		49,650	53,860
		<u>35,686,985</u>	<u>28,455,427</u>
32.1	Salaries, wages and other benefits includes an amount of Rs. 225,920 (2020: Rs. Nil) in respect of staff retirement benefits.		
	Note	2021 Rupees	2020 Rupees
33 OTHER OPERATING EXPENSES			
Workers' profit participation fund		8,020,259	2,053,553
Worker's welfare fund		5,501,556	-
Auditors' remuneration	33.1	725,250	657,510
Legal and professional charges		2,341,559	1,371,791
Advances written off		246,514	
Others		991,231	820
		<u>17,826,369</u>	<u>4,083,674</u>
33.1 Auditors' remuneration			
Annual audit fee		572,450	535,000
Review of half year financial statements		110,000	85,500
Out of pocket expenses		42,800	37,010
		<u>725,250</u>	<u>657,510</u>
34 OTHER INCOME			
Rental income		1,451,520	1,500,042
Liabilities written back	34.1	1,260,698	427,414
Insurance claimable			300,000
Exchange gain		379,096	444,844
Markup		796,878	250,270
		<u>3,888,192</u>	<u>2,922,569</u>
34.1	This amount mainly represents markup in respect of Musharka Finance facility from Innovative investment bank which is waived off at year end. <i>Bolo</i>		

	Note	2021 Rupees	2020 Rupees
35	FINANCE COST		
Mark up / interest on:			
Finance charges on lease		-	156,867
Letter of guarantee margin		602,500	531,103
Long term financing		320,701	-
Short term borrowings			
From financial institutions		-	143,250
From related party	22.2	23,545,174	29,138,245
		23,545,174	29,281,495
Workers' profit participation fund		6,212,975	5,042,179
Bank charges		1,584,954	1,821,137
		<u>32,266,304</u>	<u>36,832,781</u>
36	TAXATION		
Provision for taxation			
Current year		78,043,572	13,006,396
Prior year		192,735	-
Deferred		(29,513,454)	(22,882,884)
		<u>48,722,853</u>	<u>(9,876,488)</u>
36.1	Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:		
		2021 Rupees	
Accounting profit		<u>149,415,061</u>	
Tax charge based on applicable tax rate		43,330,368	
Tax effect of expenses that are not deductible in determining taxable profit		46,774,514	
Tax effect of expenses that are deductible in determining taxable profit		(12,398,063)	
Tax effect of deductible allowance on income from property		(84,188)	
Tax effect of income from property		420,941	
Prior year charge		192,735	
Deferred Tax		(29,513,454)	
		5,392,485	
Average effective tax rate charge (reversal)		<u>48,722,853</u>	
Applicable tax rate		<u>29%</u>	
Average effective tax rate on profit		<u>29%</u>	
36.1.1	Reconciliation between accounting profit and tax expense for the year 2020 is not prepared as the Company is subject to minimum tax in the prior year.		
37	EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
	Note	2021	2020
Profit/(loss) after taxation (Rs.)		<u>100,692,208</u>	<u>43,851,811</u>
Weighted average (number of shares)		<u>37,873,821</u>	<u>37,873,821</u>
Earnings/(loss) per share-basic and diluted (Rs.)	37.1	<u>2.66</u>	<u>1.16</u>
37.1	There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2021 and June 30, 2020. <i>Bolo</i>		

38 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			
2021	Total	Maturity upto one year	Maturity after one year	Sub-total	Not interest / mark up bearing
		Rupees			
Financial assets					
Financial assets at amortised cost:					
Long term deposits	1,513,450	-	-	-	1,513,450
Trade debts	6,890,929	-	-	-	6,890,929
Short term lending	7,637,000	-			7,637,000
Advances	11,647,702	-	-	-	11,647,702
Cash and bank balances	43,950,002	-	-	-	43,950,002
	71,639,083	-	-	-	71,639,083
Financial liabilities					
Financial liabilities at amortised cost:					
Long term financing	299,036,657	-	299,036,657	299,036,657	-
Trade and other payables	383,931,318	-	-	-	383,931,318
Mark up accrued	-	-	-	-	-
Short term borrowings	-	-	-	-	-
Liability against assets subject to finance					
	682,967,975	-	299,036,657	299,036,657	383,931,318
On SOFP gap	(611,328,892)	-	(299,036,657)	(299,036,657)	(312,292,235)
Off SOFP items					
Financial commitments:					
Letter of credits	671,784,194	-	-	-	671,784,194
Bank guarantee	55,883,140	-	-	-	55,883,140
	727,667,334	-	-	-	727,667,334
Total Gap	(1,338,996,226)	-	(299,036,657)	(299,036,657)	(1,039,959,569)
		Interest/mark up bearing			
2020	Total	Maturity upto one year	Maturity after one year	Sub-total	Not interest / 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)

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

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 71.639 million (2020: Rs. 77.878 million) the financial assets which are subject to credit risk amounted to Rs. 71.442 million (2020: Rs. 77.628 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2021 Rupees	2020 Rupees
Long term deposits	1,513,450	1,513,450
Trade debts	6,890,929	2,492,995
Short term lending	7,637,000	-
Advances	11,647,702	14,624,189
Bank balances	43,753,155	58,997,590
	<u>71,442,236</u>	<u>77,628,224</u>
The aging of gross trade receivables at the reporting date is:		
Past due 90 days	<u>6,890,929</u>	<u>2,492,995</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. *Bolo*

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired.

39.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

2021	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	299,036,657	299,036,657	-	-	-	299,036,657	-
Short term borrowings	-	-	-	-	-	-	-
Trade and other payables	646,450,842	646,450,842	646,450,842	-	-	-	-
Mark up accrued	-	-	-	-	-	-	-
Liability against assets subject to finance lease	-	-	-	-	-	-	-
	<u>945,487,499</u>	<u>945,487,499</u>	<u>646,450,842</u>	<u>-</u>	<u>-</u>	<u>299,036,657</u>	<u>-</u>
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	-	-	-	-	-	-	-
	<u>650,037,692</u>	<u>650,037,692</u>	<u>400,922,241</u>	<u>80,639,335</u>	<u>-</u>	<u>168,476,116</u>	<u>-</u>

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39.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. The Company is not exposed to price risk.

a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered 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:

	2021	2020	2021	2020
	Effective Rate		Carrying amount	
	(In percent)		(Rupees)	
Financial Liabilities				
Fixed rate instrument				
Short term borrowings	15%	15%	-	1,910,000
Variable rate instrument				
Long term financing	8% to 10%	8% to 10%	299,036,657	168,476,116
Short term borrowings	8% to 10%	8% to 10%	-	80,639,335
			299,036,657	249,115,451

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, 2021		
Cash flow sensitivity - Variable rate financial liabilities	2,990,367	(2,990,367)
As at June 30, 2020		
Cash flow sensitivity - Variable rate financial liabilities	2,491,155	(2,491,155)

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

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40 FAIR VALUE MEASUREMENT

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to 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.

40.1 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.

- 40.2 The Company has revalued its freehold land, buildings, plant and machinery on October 22, 2020. Fair value of freehold land, buildings, plant and machinery are based on the valuation carried out by an independent valuer M/s K.G Traders (Private) Limited.

Description	2021 Rupees
Freehold land	480,000,000
Factory building	495,768,000
Plant and Machinery	1,022,457,000
	<u>1,998,225,000</u>

- 40.3 Fair value of land, buildings, plant and machinery are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation.

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Valuation techniques used to derive level 2 fair values - Land and Building

K.G. traders carried out inspection/survey, detail enquiries and verifications from various estate agents, brokers and builders/ developers and keeping in view the location of the property, utilization size, shape, state of infrastructure and current trends in prices of real estate in the vicinity.

Valuation techniques used to derive level 2 fair values - Plant and Machinery

For the valuation of machineries installed/ available at premises, after taking its available specifications such as make, model capacity, etc, and with the help of photographs, the valuers have enquired present market value of similar machinery in new as well as in similar condition from various local authorised dealers who deals in old and new similar machineries. Replacement value was then ascertained from competitive rates of the machines, thereafter, an average depreciation factor was applied on the replacement value of the machines.

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

40.5 Interest rate used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

41 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

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

		2021	2020
		Rupees	Rupees
Description	Explanation		
Loans	Placed under interest arrangement	299,036,657	90,534,258
	Placed under Shariah permissible arrangements	-	1,910,000
Ijarah payment	Placed under Shariah permissible arrangements	3,464,156	3,606,681
Long term deposits	Non-interest bearing	1,513,450	1,513,450
Loss on sale of vehicle		-	-
All sources of other income	Disclosed in note 35	3,888,192	2,922,569
Exchange gain	Earned from actual currency	-	-

The Company has working relation with First Habib Modaraba under Islamic windows.

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

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42 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:

	2021 Rupees	2020 Rupees
Equity	378,738,210	378,738,210
Long term financing	299,036,657	168,476,116
Short term borrowings	-	80,639,335
	299,036,657	249,115,451
Gearing ratio	44%	40%

43 PLANT CAPACITY AND PRODUCTION

During the year, the tile production capacity attained was 4,353,170 sq. meters (2020: 1,913,763 sq. meters) against annual manufacturing capacity of 5,760,000 sq. meters (2020: 5,760,000 sq. meters). During the year, the increase in sale of local products were observed as there were restrictions imposed on imported items due to ongoing pandemic situation.

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44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

- a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2021				2020			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	4,214,608	1,053,000	4,650,651	9,918,259	2,088,284	844,358	4,212,105	7,144,747
Utilities	936,580	234,000	1,033,477	2,204,057	464,062	187,634	936,024	1,587,720
House rent	4,214,608	1,053,000	4,650,651	9,918,259	2,088,284	844,358	4,212,105	7,144,747
Total	<u>9,365,796</u>	<u>2,340,000</u>	<u>10,334,779</u>	<u>22,040,575</u>	<u>4,640,630</u>	<u>1,876,350</u>	<u>9,360,234</u>	<u>15,877,214</u>
Number of persons	<u>1</u>	<u>2</u>	<u>4</u>	<u>7</u>	<u>1</u>	<u>2</u>	<u>4</u>	<u>7</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:

	2021			2020		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	Rupees					
Managerial remuneration	<u>2,340,000</u>	<u>-</u>	<u>2,340,000</u>	<u>1,876,350</u>	<u>-</u>	<u>1,876,350</u>
Number of persons	<u>2</u>	<u>5</u>	<u>7</u>	<u>2</u>	<u>5</u>	<u>7</u>

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

Bolo

45 TRANSACTIONS WITH RELATED PARTIES

45.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve advance for working capital requirements. 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	2021 Rupees	2020 Rupees
Toyota Rawal Motors (Private) Limited	Associated company by virtue of common directorship	Interest on short term borrowings	7,241,564	8,594,013
		Rental for building	-	-
		Short term borrowing received	-	23,259,468
		Short term borrowing repaid	7,121,941	2,600,000
		Utilities	120,000	120,000
		Rent	933,752	848,866
Rawal Industrial Equipment (Private) Limited	Associated company by virtue of common directorship	Purchase of Fixed Assets	-	-
		Long term borrowing received	-	18,700,000
		Interest on short term borrowings	15,714,033	20,510,786
		Long term loan repaid	27,500,000	2,925,000
		Payment against purchases	-	500,000
Mr. Nadem Khalid	Chief Executive	Long term financing - Loan repaid	21,767,136	57,104,558
		Long term financing - Received	10,000,000	-
		Markup on long term loan	320,701	-
		Advances for land	310,165,000	-
Khalid & Khalid Holdings (Pvt.) Ltd.	Associated company by virtue of common directorship	Short term borrowing received	-	12,845,000
		Interest on short term borrowings	-	33,446
		Short term borrowing repaid	-	16,345,000
		Advance repaid	-	10,550,936
		Loan and advances paid	26,500,000	5,520,930
		Loan and advances received	24,100,000	283,930
		Interest on short term lending	796,878	250,270

45.2 Compensation to key management personnel

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

46 NUMBER OF EMPLOYEES

	2021 Numbers	2020 Numbers
Number of employees		
At June 30,	764	546
Average during the year	653	416

47 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. Since March, 2020, the Government of the Pakistan announced temporary lock downs from time to time, 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.

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

48 CORRESPONDING FIGURES

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

49 DATE OF AUTHORIZATION

These financial statements were authorized for issue on **07 OCTOBER 2021** by the Board of Directors of the Company.

50 GENERAL

Figures have been rounded off to the nearest rupee. *Bolo*


CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

FRONTIER CERAMICS LIMITED

Pattern of Shareholding

As of June 30, 2021

# Of Shareholders	Shareholdings'Slab			Total Shares Held
106	1	to	100	6,086
591	101	to	500	268,975
56	501	to	1000	54,919
69	1001	to	5000	186,029
11	5001	to	10000	88,600
3	10001	to	15000	41,600
3	15001	to	20000	52,000
2	20001	to	25000	45,262
5	35001	to	40000	184,155
5	40001	to	45000	217,700
1	45001	to	50000	50,000
1	50001	to	55000	50,200
2	60001	to	65000	122,500
1	65001	to	70000	68,600
1	80001	to	85000	81,000
1	95001	to	100000	100,000
1	110001	to	115000	112,500
1	175001	to	180000	176,500
1	935001	to	940000	939,500
1	1955001	to	1960000	1,957,000
1	2315001	to	2320000	2,320,000
1	4430001	to	4435000	4,430,739
1	6065001	to	6070000	6,067,739
3	6750001	to	6755000	20,252,217
868				37,873,821

FRONTIER CERAMICS LIMITED
Pattern of Shareholding
As of June 30, 2021

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	6,750,739	17.82
NADEEM KHALID	2	7,007,239	18.50
MRS. PERVEZ ASLAM	1	500	0.00
SANAH KHALID	1	6,750,739	17.82
SHAZIA KHALID	1	2,446	0.01
AMERA KHALID	1	6,750,739	17.82
NUMRAH KHALID	1	6,750,739	17.82
ZIA KHALID	1	2,446	0.01
Associated Companies, undertakings and related parties	-	-	-
NIT & ICP	1	40,200.00	0.11
<u>Banks Development Financial Institutions, Non Banking Financial Financial I</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	845	1594753	4.21
Foreign Investors	-	-	-
OTHERS	6	40181	0.11
Total	868	37,873,821	100.00

Share holders holding 10% or more	Shares Held	Percentage
MR. OMER KHALID	6,750,739	17.84
NADEEM KHALID	7,007,239	18.52
SANAH KHALID	6,750,739	17.84
AMERA KHALID	6,750,739	17.84
NUMRAH KHALID	6,750,739	17.84

PROXY FORM

I/We _____ of being a member(s) of FRONTIER CERAMICS LIMITED and a holder of _____ ordinary Shares as per share Register Folio No. _____ or CDC Participant ID No. _____ Account No. _____ hereby appoint of _____ who is also member of FRONTIER CERAMICS LIMITED Vide Folio No. _____ or CDC Participant ID No. _____ Account No. _____ or failing him/her of _____ who is also member of Frontier Ceramics limited vide folio No. _____ or CDC Participant ID No. _____ Account No. _____ as my/our proxy in my/our absence to attend and vote for me/us and on my /our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on October 28, 2021 and at any adjournment thereof. As witness my/our hand /seal this _____ day of _____ 2021.

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.